



Improving access to international climate finance within sub-Saharan Africa

Neil Bird

A teal circular icon containing the text 'Key messages' in white.

Key messages

- The experiences of global health funds demonstrate that many countries in sub-Saharan Africa have made a success of the direct access modality. These countries have managed the direct transfer of funding from an international funding source into their national systems, at scale, and under the control of the national government.
- An understanding of access modalities cannot be limited to one element of the institutional architecture through which funding decisions are made and finance flows; to examine questions of effectiveness a 'whole system' perspective is required, where the roles and responsibilities of all institutional components of fund delivery come under scrutiny. These include the national designated authority, the implementing entity and executing entity at the national level and the Fund Board and Secretariat at the international level.
- There are financial management challenges to be faced by global funds that disburse funding directly to national organisations in countries where capacity is limited. Under such circumstances weaknesses in financial management can be expected to occur; operating in such an environment should acknowledge this and manage the ensuing risks as part of a long-term capacity strengthening effort.
- A significant issue for all global funds is the practical application of the concept of 'country ownership'. If it is acknowledged as a principle of operation, there needs to be clarity over what it actually means in practice and there need to be institutional structures in place that can credibly demonstrate such ownership.
- Project screening and approval processes by the Fund Board and Secretariat can take a long time, and this has been a characteristic of a number of international climate funds to-date. This highlights that some important aspects determining access to funding are beyond the control of the countries requesting support.
- There are considerable practical challenges to the early start-up of fund disbursement, particularly if additional national institutional structures are required (e.g. the creation of a fund-specific national designated authority or national implementing entity). These challenges should not be under-estimated by new global funds, such as the Green Climate Fund; they will require the full application of the GCF commitment to support readiness activities within eligible countries in order to secure improved access for recipient countries.

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Introduction

This paper provides an overview of how international public funding is accessed by countries in order to secure public policy goals, and in particular the national response to climate change¹. It focuses on the concept of direct access, as it applies to funding originating from multilateral sources and considers how access might be made more effective and efficient. Direct access has become a subject of much interest within the debate on how the international community can support those countries particularly vulnerable to the impacts of climate change. The paper takes a regional approach and examines how these issues are playing out in sub-Saharan Africa.

The paper limits its coverage to consider where access is being sought to fund public sector-led activity that utilises grant finance. In the context of sub-Saharan Africa this will likely be in support of actions that allow countries adapt to climate change, rather than for actions that will directly lead to reductions in carbon emissions, where the private sector often plays a leading role. The approach taken in the paper is to apply a governance lens to the institutional arrangements that support access to funding.

The paper draws on the published literature on access modalities and in particular, direct access². Much of the early commentary on direct access for climate finance focused on the role of one component of the fund architecture, namely the implementing entity. This paper takes a broader approach, examining a number of the institutional components in addition to the implementing entity, including the roles played by national designated authorities and fund secretariats.

Direct access is a novel approach for funding climate change actions, with limited application to-date. Exploring what direct access might mean in practice therefore needs to look beyond the theme of climate change to learn from experience elsewhere. The health sector has much to offer, as it has been at the centre of much experimentation and innovation as a result of the impetus provided by the Millennium Development Goals. Two global health funds, the Global Fund and the GAVI Alliance, have perhaps the most experience in applying direct access in terms of funding disbursed through this modality. This experience is examined, together with two climate funds: the Adaptation Fund and the Green Climate Fund. The former is important to this discussion as it introduced the concept of direct access for climate finance, the latter as policy discussions are underway as to the choice of access modalities to be employed by this new global fund.

One important context that is also examined is the level of funding that countries in the sub-Saharan region have secured from these funds. This puts calls to improve access into context and provides an empirical basis for the present policy debate.

¹ An earlier version of this paper was prepared as an input to the ‘Building Climate Finance Leadership through Shared Learning’ event, held in Lusaka, Zambia, on 7-8 August 2014. ODI and The African Climate Finance Hub implemented this activity with financial support from GIZ within the framework of the CF Ready Programme on behalf of the Government of the Federal Republic of Germany.

² See bibliography.

The Adaptation Fund

The Adaptation Fund (AF) was launched in 2007 to act as a source of financial support to developing countries in their efforts to adapt to climate change. Significantly, it introduced the concept of direct access for climate finance and hence much of the debate over access to international climate funds has looked to the experience of the AF. Governance of the AF consists of an international Board, where majority control is held by representatives from developing countries; a Trustee that is presently the World Bank that administers the Adaptation Fund Trust Fund from which funding is disbursed to projects as instructed by the Board; and a small Secretariat provided by the Global Environment Facility. The two institutional arrangements with the Trustee and the Secretariat are interim measures, which will be reviewed as part of the ongoing Second Review of the AF.

The experience of sub-Saharan African countries in securing funding from the Adaptation Fund

Since funding approvals began in September 2010, and up to the 22nd Board meeting in November 2013, ten sub-Saharan African (SSA) countries have had project submissions approved by the Adaptation Fund Board, out of a total of 38 globally approved projects. Summarising projects by country income level and region shows that the SSA region has had the greatest number of projects approved in low income countries (Table 1).

Table 1: Number of approved Adaptation Fund projects by income and region

	Sub-Saharan Africa	East Asia & Pacific	Europe & Central Asia	Latin America & Caribbean	Middle East & North Africa	South Asia	Total
Low income	5	2	0	0	0	1	8
Lower middle income	3	4	2	3	2	2	16
Upper middle income	2	0	1	7	1	1	12
High income	0	1	0	1	0	0	2
Total	10	7	3	11	3	4	38

In terms of the amount of funding, the SSA region has received the most budget allocation from the Adaptation Fund, at USD 75 million out of a total global allocation of approximately USD 257 million (Figure 1).

Figure 1: Regional distribution of proposed budget allocations (USD millions)



Source: Author's own calculation based on Adaptation Fund data (accessed January 2014)

A broad range of sectors have been supported by the approved adaptation projects, including coastal zone management, water resources, food security, agriculture and rural development. This demonstrates that finance to fund nationally important sector-based activity has been secured from the Adaptation Fund by SSA countries in recent years.

Access arrangements

Implementing Entities

Funding from the AF is channeled through implementing entities, institutions that have been accredited by the Adaptation Fund Board to receive direct financial transfers from the Fund in order to carry out adaptation projects and programmes. These entities are of three types, being national, regional or multilateral organizations – with direct access defined by the use of a national implementing entity (NIE).

Half of the approved proposals made by SSA countries to the AF have been submitted by UNDP, acting on behalf of national governments as a multilateral implementing entity (MIE). UNEP (in Tanzania and Madagascar) and the WFP (in Mauritania) have also facilitated access to funding. Two countries, Senegal and Rwanda, have secured funding through an NIE. These two NIEs are quite different organisations. In Senegal, the Centre de Suivi Ecologique is a non-profit association under the Ministry of Environment and Nature Protection. It received accreditation from the Adaptation Fund Board (AFB) in March 2010. In Rwanda, the Ministry of Natural Resources acts as the NIE, having been accredited by the AFB in December 2011.

As of January 2014, five NIEs exist in sub-Saharan Africa: in Benin, Kenya, Rwanda, Senegal and South Africa. The remaining 42 countries in the region would have to rely on either a regional implementing entity (RIE), of which there are two (the West African Development Bank, based in Togo, and the Sahara and Sahel Observatory, based in Tunisia), or ten MIEs to access funds from the Adaptation Fund. Thus, for the vast majority of countries in the sub-Saharan Africa region direct access to the Adaptation Fund is not a possibility at the present time.

The AF Board made a policy decision in 2010 to limit access through MIEs in order to encourage the development of NIEs (Board Decision B.12/9). This initiative introduced a 50 per cent cap on the Board's resources that would be

available to MIEs at each Board Meeting. With three approved project proposals prepared by MIEs on behalf of Ghana, Mali and the Seychelles being held in the project pipeline as a result of the 50 per cent cap being reached, the SSA region has been hardest hit by this policy. There is therefore a strong incentive for SSA countries to use one of the two RIEs or to invest resources to secure the accreditation of a NIE with the Adaptation Fund. The challenge for many countries has been proposing suitable national organisations that are able to demonstrate compliance with the fiduciary standards set by the AFB.

The management fee charged by the implementing entity might be expected to be one consideration in a country's decision over which access route to choose, given the emphasis placed on 'value for money' criteria. It might also be expected that such fee rates would vary between implementing entities. However, this is not the case for the MIEs accredited by the AF. Out of the 38 projects approved globally, 31 show the same implementing entity fee of 8.5 percent (which was the level set by the AFB as a 'cap' in 2010 (Board Decision B.11/16)), although the AFB stated that the reasonableness of the fee would be reviewed on a case by case basis³. The fee rate for NIEs is consistently lower than that charged by MIEs, with three NIEs charging less than 5.5 percent. For the ten countries in the SSA region, UNDP and UNEP have charged an 8.5 percent management fee in all cases, whilst the Ministry of Natural Resources in Rwanda charged 6.4 percent and CSE in Senegal charged 5.1 percent, the lowest management fee rate recorded so far under the AF. This difference is not insignificant in terms of funding: with an average programme budget of approximately USD 7.5 million in SSA, the 3.4 percent difference in implementing entity fee rate is equivalent to USD 250,000. This difference between MIE and NIE fee rates may be a contributory factor behind the political interest in the direct access model.

The national Designated Authority

The choice over implementing entity is not the only decision affecting access to funding, although much of the debate and analytical work to-date has focused on that element of the institutional architecture. Equally important within the governance structure of the Adaptation Fund is the national Designated Authority. The definition and role of this component has deepened since the establishment of the Adaptation Fund in 2007. The first version of the Funds' *Operational Policies* emphasised that projects should be 'country driven and based on needs, views and priorities of eligible Parties' with 'proposals for funding by the Adaptation Fund shall be endorsed by the respective UNFCCC national focal point'⁴. By 2009, the AF Board guidance had shifted to each country being required to 'designate an Adaptation Fund focal point' with all proposals needing to be endorsed by this focal point⁵. In the most recent revision of the AF's *Operational Policies* (in October 2013) the term Designated Authority is introduced: 'an officer within the Party's government administration' who is to represent the national government in relation with the AFB and its Secretariat. The role of the national Designated Authority (DA) includes the endorsement on behalf of the national government of 'projects and programmes proposed by the implementing entities' as well as confirmation that any endorsed project is 'in accordance with the government's national or regional priorities in implementing adaptation activities'.⁶

³ Paragraph 76 of Operational Policies and Guidelines for Parties to access resources from the Adaptation Fund. (Amended in November 2013).

⁴ Paragraph 9, Adaptation Fund Document AFB/B.1/9 (2008)

⁵ Paragraph 35, Adaptation Fund Document AFB/B.6/5 (2009)

⁶ Paragraphs 20-22, Operational Policies and Guidelines for Accessing Funding. (November, 2013)

This is an important role not only in securing access to funding, but also – and more broadly – in establishing country ownership over the intended actions, including ensuring alignment with existing national strategies and plans. Despite this, as of January 2014, seventeen out of the 47 developing countries within the SSA region⁷ had no national DA listed on the Adaptation Fund website⁸. This suggests that these countries (which include Botswana, Cote d'Ivoire, The Democratic Republic of Congo and Liberia) cannot access funding from the Adaptation Fund at the present time. This emphasises that a fundamental concern over accessing international funding should be to secure all the necessary elements of the national institutional architecture.

In terms of what part of government has been assigned the DA role, in seven out of the ten SSA countries with approved AF projects, it is the Ministry of Environment (or similar), with the national Climate Change Office playing the role in two further countries. There is a strong rationale in choosing the environmental ministry, as it can be expected to play a leadership role in climate change strategy development – and this is reflected in the broader prominence of environment ministries acting as DAs beyond the region. However, it is the national Designated Authority in Mauritius that offers an alternative model that may be equally appropriate, and potentially a more powerful location for this office, namely in the Ministry of Finance. Two other SSA countries (Uganda and Malawi) have adopted this positioning for their national DAs⁹. The involvement of the Ministry of Finance should ensure that AF actions are directed at national development priorities.

The executing entity

The role of the Executing Entity in Adaptation Fund project implementation is to 'execute adaptation projects and programmes supported by the Fund under the oversight of the Implementing Entities'¹⁰. Whilst not having a direct role in accessing funding from the Adaptation Fund, executing entities may likely influence a country's perception of access. It is noteworthy that the lead executing entity for all approved AF projects in the SSA region are part of the government administration, with eight projects being executed by the ministry of environment, one by the ministry of agriculture and one by the country's natural resources authority. In addition, for half of the region's approved projects the environment ministry is both the national DA and the executing entity. This arrangement should ensure strong coherence of the intended project activity with national policy priorities, although it raises questions over a potential conflict of interest.

Access to funding can be expected to be influenced by the relationship between the executing entity and the implementing entity, as the AF funding model requires them to work closely on project design and implementation. In the SSA region the role of implementing entity has most often been fulfilled by UNDP, whilst national ministries of environment predominate as executing entities. How the oversight relationship between the implementing entity and the executing entity plays out is likely to vary from country to country, but it is clearly a sensitive one between a multilateral agency and the national government.

⁷ Forty-six SSA countries are Non-Annex I Parties to the UNFCCC and the Kyoto Protocol; South Sudan has Observer State status to the UNFCCC.

⁸ <https://www.adaptation-fund.org/page/parties-designated-authorities>

⁹ As of January 2014, neither country has submitted a funding proposal to the AFB.

¹⁰ Paragraph 32, Operational Policies and Guidelines for Accessing Funding. (November, 2013)

Lessons for improving access

The Adaptation Fund has pioneered the concept of direct access for international public climate finance. Significant lessons have been learned from this formative experience, including:

- The Adaptation Fund funding model includes implementing entities, organisations that prepare, supervise and evaluate project activity. The AF Board made an early decision to set demanding fiduciary standards that such organisations have to demonstrate. This has acted as a barrier to the early operationalization of direct access, meaning that multilateral access has been the main channel for funding to-date and as a consequence direct access remains relatively undeveloped under the Adaptation Fund.
- An understanding of access modalities cannot be limited to one element of the institutional architecture through which funding decisions are made and finance flows; to examine questions of effectiveness a ‘whole system’ approach is required, where the roles and responsibilities of all components of fund delivery come under scrutiny.
- The national Designated Authority plays a significant role not only in securing access to funding but also in assuring country ownership of funded activities. The institutional location of this authority is therefore an important early design consideration that warrants careful selection.

The Global Fund

The Global Fund to Fight AIDS, Tuberculosis and Malaria has been described as one of ‘The New Multilaterals’: international initiatives established since 2000 that display various forms of innovation in their governance structures. It is significant to a discussion on climate finance because direct access is its default mode of access. As a consequence, multilateral agencies play a limited role in the operations of the Global Fund (totalling 13 percent of the Fund’s portfolio in 2011). The main multilateral agency working with the Global Fund, UNDP, acts as the ‘principal recipient’¹¹ only in those countries where a national organisation with the requisite infrastructure to handle the grant funding cannot be identified. The scale of the Global Fund is very considerable, with over USD 19 billion disbursed as grant finance to over 150 countries since its first grant agreements in 2002¹². This represents a rich set of experiences from which lessons can be drawn on how to optimise access arrangements from global funds, including the more recently established climate funds.

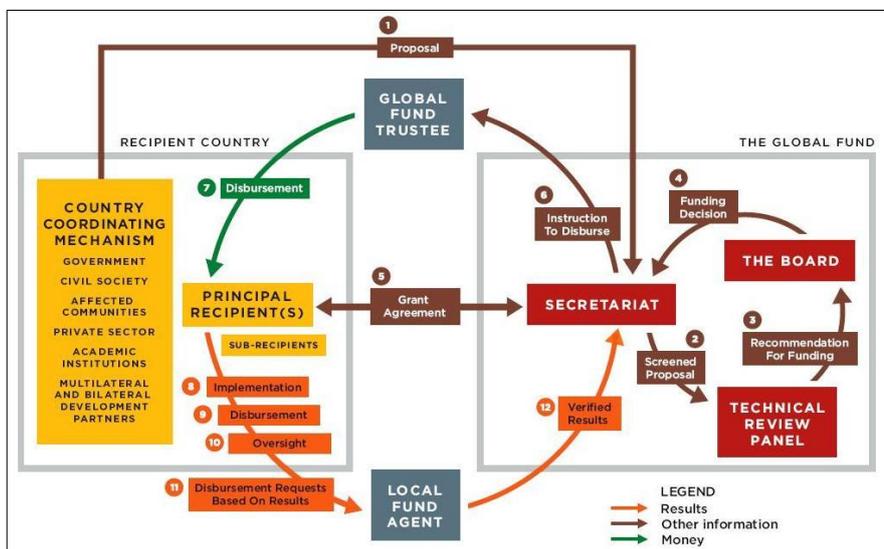
Fund management within each participating country is overseen by a Country Coordinating Mechanism (CCM), which is a multi-stakeholder forum that submits national grant proposals to the Global Fund Board. Significantly, this mechanism involves more than government agencies, including the private sector, civil society

¹¹ The Principal Recipient (PR) is responsible for implementing programmes contained in proposals that have been approved by the Global Fund Board. PRs can be governmental, NGO or private sector organisations.

¹² The Global Fund Annual report for 2012
(<http://www.theglobalfund.org/en/publications/annualreports/>)

and international development partners. The CCM also nominates a Principal Recipient (PR) to receive funding direct from the Global Fund. The PR is then responsible for implementing activities. Local Funding Agents (LFAs) are contracted to undertake the due diligence and financial monitoring function. Figure 2 illustrates the institutional arrangements that apply throughout the funding cycle.

Figure 2: Institutional architecture of the Global Fund

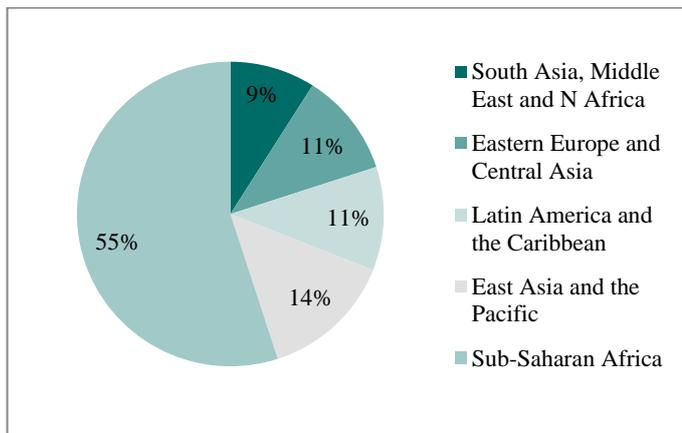


Source: A Strategy for the Global Fund: Accelerating the Effort to Save Lives

The experience of sub-Saharan African countries in securing funding from the Global Fund

As Figure 3 shows, more than half of the funding from the Global Fund in recent years has been disbursed to sub-Saharan African countries. Whilst this shows the level of need with respect to the three diseases, it also demonstrates that access to considerable levels of funding from this global fund has been secured by countries within the region through the fund's direct access modality, something that the Adaptation Fund has not been able to match.

Figure 3: Global Fund Allocation between 2002 and 2006 by geographic region



Source: USGAO, 2007¹³

Access arrangements

After a decade of operations a major review of the Fund was completed in 2011¹⁴. This review was able to draw upon an extensive body of implementation experience to examine how an international fund can deliver resources effectively and efficiently to countries with varying levels of capacity.

Overall, a number of tensions were perceived to be inherent in the Global Fund model; these may be equally challenging for international climate funds:

- Between the corporate objective to maintain a light touch by the organization and the operational realities that arise from the need to work in capacity-constrained, often fragile environments;
- Between a focus on implementation through country-led mechanisms and the need to achieve appropriate disbursement rates and high-impact results in a prudent, efficient and transparent manner;
- Between the guiding principle of the additionality of Global Fund resources and the decreasing funds that are coming from other sources, including national budgets, which increases the burden on the Fund;
- Between differing interpretation or visions of the Global Fund's mandate, especially regarding whether it is a development organization or a financing institution.

The 2011 Review concluded that the Global Fund needed to secure greater clarity on the Fund's concept of country ownership. Whilst country ownership was a founding principle of the Fund, it was found that there was no shared perception—inside or outside the Global Fund – about what the term meant in practice. Significantly, from the review panel's perspective, what set the Global Fund's sense of 'country ownership' apart from the way other international organizations

¹³ United States Government Accountability Office (2007). Global health. Global Fund to Fight AIDS, TB and Malaria Has Improved Its Documentation of Funding Decisions but Needs Standardized Oversight Expectations and Assessments. Report GAO-07-627. Washington, DC.

¹⁴ The Final Report of the High-Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms of the Global Fund to Fight AIDS, Tuberculosis and Malaria. September 2011. The Global Fund.

used the term was the emphasis on the participation of all stakeholders as equal partners in national decision-making.

The Country Coordinating Mechanism

National decision-making is made by the Country Coordinating Mechanism (CCM), which is one of the most-valued, and yet most-criticized, aspects of the Global Fund. The 2011 review described CCMs that ranged from ‘highly functional to moribund’. The review observed that the best CCMs shared a set of characteristics that increased their chances of acting ‘as true stewards of the Global Fund’s resources at the local level’. These characteristics are quite generic and may transfer to any national decision making structure put in place for climate finance:

- Where the Government decided it did not need to control or dominate the CCM, and encouraged leadership by civil-society groups;
- Where the CCM had a manageable number of members (typically less than 20);
- Where an Executive Committee exercised delegated authority;
- Where an Oversight Committee followed the implementation of grants closely;
- Where Technical Committees considered solutions to operational problems, and supervised the preparation of disbursement requests and new applications.

However, a major challenge is that CCMs do not have permanent staff, but are non-statutory groups that depend on voluntary involvement. There is a tendency of greater engagement by civil society and development partners compared to government officials, who seem to have less time to participate. This reflects the high cost of having yet another parallel structure to national decision making, a constraint long recognised in many international development initiatives.

The founders of the Global Fund had hoped to see an open and competitive process within recipient countries, where proposals from local organizations would be selected by the CCM on the basis that chosen projects represented a coherent set of activities to complement Government’s own set of actions. However, as the 2011 review highlighted, in practice such an approach has proved to be the exception rather than the rule, with decision-making over what goes into a Global Fund application often appearing to be a closed process directed by the national government.

The Principal Recipients

Under the Global Fund’s direct access modality, much depends on the performance of the grant recipient, termed the Principal Recipient (PR). The 2011 review identified three main issues concerning the performance of PRs:

- The Global Fund had not identified most weaknesses in its PRs until after grants had started;
- Almost every grant had at least one financial management problem;
- The Global Fund system of assurance needed to exercise greater oversight of how PRs chose and handled any sub-recipients.

These conclusions indicate the financial management challenges facing a global fund that disburses funding direct to national organisations in countries where national capacity is limited. The review recommended a new and stronger risk management framework to address these issues. This recommendation reflects an

understanding that in such circumstances weaknesses in financial management can be expected to occur; operating in such an environment should acknowledge this and manage the ensuing risks as part of a long-term capacity strengthening effort. This would be equally true in many countries that receive international climate finance.

The Fund Secretariat

Since its creation in 2002, the Global Fund has grown from an initial start-up to a very large international financing institution with over 600 staff members. The initial vision for the Global Fund Secretariat was that of a small, agile headquarters in Geneva without any field presence. As the organization has grown, both in terms of funds and number of employees, this original approach has given way to an increased concern for accountability. The 2011 review identified several areas for reform that would strengthen the accountability of the Secretariat:

- Staff allocation should reflect the complexity of the recipient countries;
- Fund portfolio managers should be provided with delegated decision-making powers;
- Consistency of approach should be strengthened through formalised guidance notes;
- Improved communications and information sharing is necessary within the Secretariat;
- The application of a country-team approach should allow decision making to be made jointly rather than sequentially.

The significance of such reforms is that without an efficient Secretariat access to funding will be unduly prolonged, undermining overall grant performance. Lengthy periods taken up in project screening and approval processes has been a characteristic of a number of international climate funds to-date, highlighting that some important aspects that determine access to funding are beyond the control of the countries requesting support.

The Local Fund Agents

The Global Fund invests significant resources in the Local Fund Agent (LFA) model as part of its risk-assurance framework. However, changing requirements for the LFAs over the years has contributed to a lack of clear expectations for this role. In the early years of the Fund's operations, the LFAs focused almost exclusively on the financial management of grants; more latterly LFAs have had to expand their capacity to monitor programmatic health aspects, as well as procurement and supply-chain management.

An area of overall weakness identified by the 2011 Review was a breakdown in communication between the various elements in the Global Fund system. More frequent, transparent and structured communication was considered to be critical to the provision of effective grant oversight and to manage operational and reputational risk.

Lessons for improving access from international climate funds

Five important lessons that are pertinent to current discussions over improving access arrangements to climate funds stand out from the experience of the Global Fund:

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- As was the case for the Adaptation Fund, an understanding of access modalities cannot be limited to one element of the institutional architecture, but requires an understanding of all system components of the fund.
 - A significant issue for all global funds is the practical application of the concept of ‘country ownership’. If it is acknowledged as a principle of operation, there needs to be clarity over what this actually means in practice and there need to be institutional structures in place that can credibly demonstrate such ownership.
 - Care should be taken to minimise the creation of new structures within the recipient country, as these place additional demands on the time of what is usually a limited pool of national decision-makers. Rather, coordination and programme governance should be designed so as to strengthen existing structures and minimise duplication/redundancy.
 - Access to funding depends on the performance of the fund Secretariat. The maturation of organisational systems takes time, as has been demonstrated by the Global Fund. This appears to represent a bigger challenge for new organisations compared to longstanding agencies and may be one reason why the latter endure within new contexts.
 - The efficiency of fund decision-making depends on the level of communication that exists between and within the different elements of the fund. As funds increase in size this places a premium on rules and procedures that are well documented and understood by all actors.

The Global Alliance for Vaccines and Immunisation

The Global Alliance for Vaccines and Immunisation (GAVI) was launched in 2000 as an international initiative to fund the provision of vaccines in the world’s poorest countries. As is the case with the Global Fund, the GAVI Alliance has demonstrated significant innovation in its governance structures, offering important lesson-learning for international climate funds.

Direct access is an important mode of delivery, with the GAVI Alliance providing cash-based support to recipient countries in addition to centrally procured vaccines. Funding has been delivered through two main programmes, which support immunisation services (since 2000) and the strengthening of national health systems (since 2007). Funding is also channelled separately to civil society organisations.

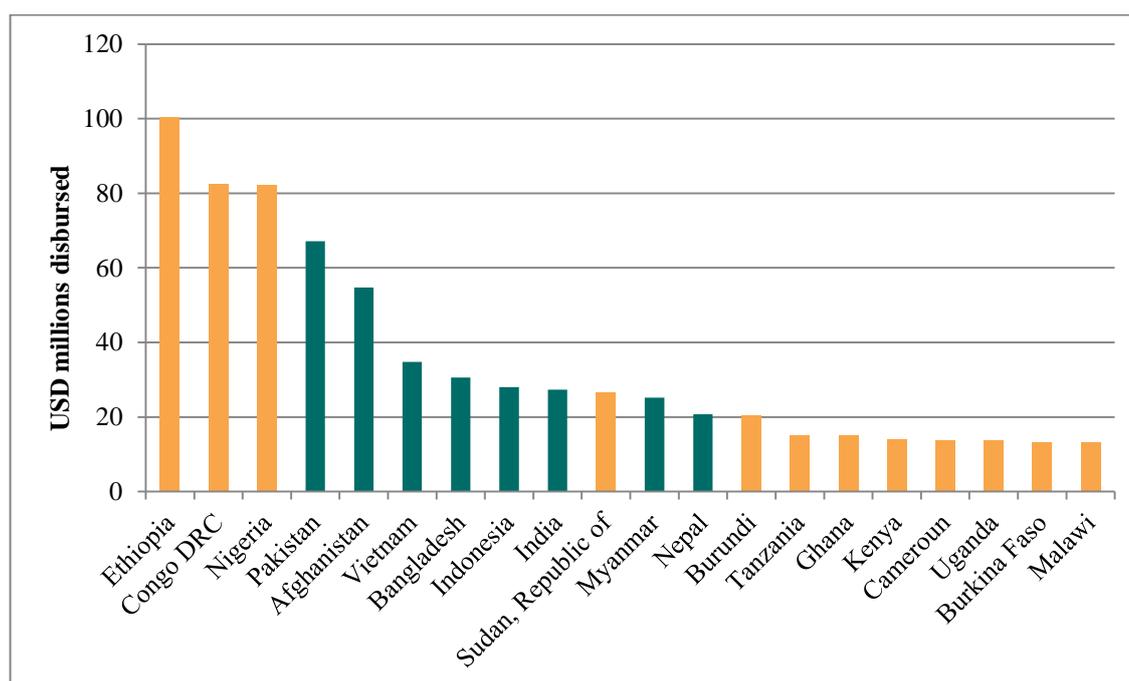
Eligible countries submit proposals to the GAVI Board through their national ministry of health, with each proposal having to be endorsed by the ministry of finance and a national coordinating body. The default financing arrangement is that funding is disbursed from GAVI direct to the ministry of health, which is then legally responsible for the funds.

The experience of sub-Saharan African countries in securing funding from the GAVI Alliance

In terms of its two cash-based support programmes, health system strengthening (HSS) and immunisation services support (ISS), approximately USD 884 million

has been disbursed to a total of 68 countries since 2000. As Figure 4 shows, the top three recipients are from the sub-Saharan African region: Ethiopia, Democratic Republic of Congo and Nigeria. A further nine SSA countries feature in the top twenty recipients of GAVI funds, demonstrating very significant transfers into the national systems of SSA countries have been made by this major global health fund. It is noteworthy that the GAVI Alliance has also invested in risk management measures, particularly since the implementation of its Transparency and Accountability policy in 2009, thus balancing strong country ownership with robust financial integrity and efficiency.

Figure 4: Disbursements to national HSS and ISS programmes of the GAVI Alliance (USD million)



Source: Author's own calculation based on GAVI data (accessed March 2014)

Access arrangements

Country applications for HSS support have to be endorsed by the Ministry of Finance and a Health Sector Coordinating Committee (HSCC). The Ministry of Health then submits the funding proposal to the GAVI Secretariat. An Independent Review Committee, composed of Alliance members, makes its recommendations to the GAVI Alliance Board. The Board subsequently authorises funding to be disbursed (Figure 5).

Figure 5: Steps in GAVI Alliance funding



In 2011, the GAVI Board decided to channel all cash support through a Health Systems Funding Platform to streamline its support in a single mechanism. The result has been lower transaction costs for implementing countries, increased efficiency, and a reduction in fiduciary risk. GAVI aims to further tailor this

support to country circumstances, and develop alternative funding mechanisms to support countries that are fragile, under-performing, or are very large.

The Health Sector Coordinating Committee

The Health Sector Coordinating Committee (HSCC) is a national multi-stakeholder group that includes government officials, together with representatives from international development agencies (bilateral and multilateral) and civil society organisations. This committee decides how HSS funds will be allocated to support programmes related to the national health sector. Each national application for GAVI funding has to be signed by members of this committee, signifying the importance placed by the GAVI Alliance on securing broad national support for each country initiative.

However, institutional coordination remains a challenge in many countries: the second evaluation report of GAVI¹⁵ in 2010 identified lack of coordination as an issue that potentially can reduce the overall effectiveness of the HSS model. One way of strengthening coordination is to build on existing structures rather than to create new ones. The GAVI Alliance recognises the danger of overburdening national capacity by recommending that a new committee should not be created if an existing committee can fulfil the required functions of the HSCC¹⁶. Many countries already have a forum where development partners and civil society representatives meet with the government planners who make decisions that affect the health sector. This group is known by different names in different countries, such as the ‘Health Donor Coordination Group’, but it is considered as the default HSCC where this role can be added to its terms of reference.

The GAVI Secretariat

Since 2009, country financial management assessments have been carried out by the GAVI Secretariat’s transparency and accountability unit to determine the level of fiduciary risk associated with this arrangement. Where these risks are considered high – for example because the country systems are inherently weak, as in many fragile states, or where there is suspicion or proven misuse of funds – then appropriate strengthening measures are agreed with the government; in some cases, funding may be channelled to a GAVI partner organisation in-country (e.g. WHO, UNICEF or the World Bank) to implement the proposed programme rather than relying on government systems. These measures have lengthened the HSS approval and disbursement processes, but are seen as key safeguards to ensure sound financial management.

Lessons for improving access from international climate funds

Several lessons can be learned from the experience of the GAVI Alliance with regard to access arrangements from global funding sources:

- First, the experience of the GAVI Alliance (and the Global Fund) demonstrates that many countries in sub-Saharan Africa have made a success of the direct access modality. These countries have managed the direct transfer of funding from an international funding source into their national systems, at scale, and under the control of the national government.

¹⁵ CEPA LLP in association with Applied Strategies (2010). Second GAVI Evaluation. GAVI Alliance.

¹⁶ GAVI Alliance (2014). Supplementary guidelines for Health System Strengthening Applications 2014

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- In each country, the ministry of finance is an essential part of the institutional structure supporting direct access; this ministry has the legal mandate to oversee public finance management, including the transfer of international funding into the national budget.
 - Access arrangements should be tailored to individual country circumstances; a single funding model is unlikely to offer the optimum arrangement in all countries. Flexibility in access arrangements is therefore an important design consideration.
 - The potential to build on existing national structures rather than creating new ones for each global fund offers obvious advantages to avoid duplication of effort and to secure strong coordination between different initiatives.

The Green Climate Fund: what can be learned from existing fund operations?

Much interest is now focused on the Green Climate Fund (GCF), which was established in 2011 to support developing countries respond to climate change. With this fund now under development there has been active discussion by the GCF Board over the type of access arrangements that will apply to countries eligible to receive funding from the Fund. How direct access might be operationalised has received a lot of attention.

The GCF acts as an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), and is governed and supervised by a Board. The Board has full responsibility for funding decisions, being accountable to and functioning under the guidance of the Conference of the Parties (COP). The Fund established an independent Secretariat in 2013, based in Songdo, Korea and selected the World Bank as its Interim Trustee for the first three year's operation of the fund to manage the financial assets of the Fund.

The Governing Instrument (GI) for the GCF, which was approved by the UNFCCC COP meeting in December 2011 in Durban, South Africa, states how the fund will operate. A key principle is that the Fund will pursue a 'country-driven approach'. Determining access modalities that are consistent with such an approach has been an early consideration, articulated in the GI. The proposed access modalities appear to have been heavily influenced by those used by the Adaptation Fund (Box 1).

Box 1. Access modalities to be used by the Green Climate Fund

Access to Fund resources will be through national, regional and international implementing entities accredited by the Board. Recipient countries will determine the mode of access and both modalities can be used simultaneously.

Direct access: recipient countries will nominate competent subnational, national and regional implementing entities for accreditation to receive funding. The Board will consider additional modalities that further enhance direct access, including through funding entities with a view to enhancing country ownership of

projects and programmes.

International access: recipient countries will also be able to access the Fund through accredited international entities, including United Nations agencies, multilateral development banks, international financial institutions and regional institutions.

Recipient countries may designate a national authority. This national designated authority will recommend to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes. The national designated authorities will be consulted on other funding proposals for consideration prior to submission to the Fund, to ensure consistency with national climate strategies and plans.

Source: *The Green Climate Fund (2011). Governing Instrument for the Green Climate Fund*

Access modalities

The GI states in paragraph 45 that the GCF will offer countries the possibility to utilise more than one access modality in order to reflect differing country conditions. It will also be possible to change access modalities over time as country capacity to implement funded activities is strengthened.

A ‘guiding framework’ for accreditation was agreed at the seventh Board Meeting in May 2014 (Board Decision B.07/02) and included the important provision that the fiduciary standards and interim Environmental and Social Standards will adopt a: ‘a fit-for-purpose accreditation approach that matches the nature, scale, and risks of proposed activities to the application of the initial fiduciary standards and interim environmental and social safeguards’¹⁷. This suggests a heavy workload for the newly established Accreditation Panel, Accreditation Committee and the GCF Secretariat in matching the accreditation criteria with the proposed activities of the IE applicant. What effect this will have on the accreditation process remains to be seen. However, it represents a move away from the earlier ‘one-size-fits-all’ approach to accreditation adopted by the Adaptation Fund Board.

A paper produced by the GCF Secretariat (GCF/B.06/15) for the sixth Board meeting addressed the issue of ‘enhanced direct access’, which was highlighted in the Governing Instrument of the GCF as a means of strengthening country ownership. Two new types of implementing entity, the intermediary and the funding entity, were proposed by the Secretariat to secure ‘enhanced direct access’:

- *An intermediary* is defined as ‘a legal entity (sub-national, national, regional or international) duly accredited with the Fund for the preparation, submission and implementation, upon approval, of funding proposals for financial intermediation relating to projects or programmes to achieve mitigation and/or adaptation results, which may include, among others, grant award mechanisms, on-lending, financial blending, financial structuring (including guarantees), insurance mechanisms relevant for climate change and origination of structured financial products’¹⁸.

¹⁷ GCF B.07/11. Decision B.07/02. Paragraph (j).

¹⁸ GCF B.06/15. Paragraph 41.

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- A *funding entity* may be regarded as a special case of accredited intermediary that is public in nature and intends to implement a project or programme, with decision-making authority for funding decisions.¹⁹

Despite these new titles, the proposed function of the ‘funding entity’ does not appear to differ radically from how direct access is interpreted by the GAVI Alliance, where funding is transferred directly to the ministry of health in the country concerned to support the strengthening of the national health system.

Country ownership

Country ownership is an ill-defined term. It is also a political and contentious concept, particularly in the context where international public funding is being channelled to support activities within a recipient sovereign country. It is noteworthy that whilst the Governing Instrument of the GCF has a section on the relationship of the Fund to the Conference of the Parties within Section II (that details its governance and institutional arrangements) it does not have a section on the relationship of the Fund to recipient countries in the same section. Instead, reference to how the fund will engage with countries is described later, under Section V on operational modalities.

Recent debate on what constitutes country ownership within many countries appears to emphasise two aspects: the leadership of the national government and inclusivity of non-government actors within policy processes. In drawing on this broader understanding, the GCF Board has included considerations of what national ownership means for the delivery of GCF support. This discussion has focussed on the role to be played by a national designated authority (NDA) or country focal point. At its fourth Board meeting the GCF Board made the decision (Board Decision B.04/05) that a national designated authority or focal point would undertake the following functions:

- i recommend to the Board funding proposals in the context of national climate change strategies and plans, including through consultation processes;
- ii facilitate the communication of nominations of entities to the Fund;
- iii seek to ensure consistency of funding proposals from national, subnational, regional and international intermediaries and implementing entities with national plans and strategies;
- iv implement the no-objection procedure; and
- v act as the focal point for Fund communication.

This is a significant list of responsibilities, which will require dedicated staff to administer.

The same Board Decision ‘requested the Secretariat to make all necessary steps to open a call to developing countries to start the processes of designating a NDA or focal point as early as possible, and preferably before June 2014’. As of August 2014, the GCF had received 49 initial NDA or focal point designations²⁰, of which 20 came from developing countries in the SSA region. All but five of the 20 countries (Burundi, Kenya, Mauritius, São Tomé and Príncipe, and Zambia) had designated the national environmental ministry as their NDA.

¹⁹ GCF B.06/15. Paragraph 50.

²⁰ <http://www.gcfund.org/readiness/designations.html>

The briefing paper prepared by the Secretariat for the fifth board meeting (GCF/B.05/06) described how the fourth function (the implementation of a no-objection procedure) might be put into practice to ensure funding proposals are consistent with the national climate change strategies and plans of the country. The briefing paper also described the Secretariat's view that a government ministry would typically be expected to act as the NDA or focal point²¹. A revised paper (GCF/B.06/07) was subsequently prepared for the sixth board meeting in February 2014 that further developed the no-objection procedure, as well as listing initial best-practice guidelines for the establishment of NDAs and focal points. The expectation remains that that the NDA/FP will be a government ministry.

Concluding comments

Although the GCF is still in the design phase of its business model, with a considerable number of briefing papers being prepared to inform this process, certain issues that will affect access to funding from the GCF are already apparent. Significantly, a default access modality has not emerged from the Board's deliberations; instead, two different modalities (one applicable to direct access and a second applicable to international access) are described as alternatives for recipient countries to consider.

Improving access to funding from multilateral sources depends on a number of components of the overall governance system being in place and working efficiently – countries will not be able to access funding from the GCF until they establish a national designated authority, no matter how effective their proposed implementing entities might be. Equally, the experience of other global funds has highlighted that strong Fund Secretariats are key to an efficient delivery of funds. So, questions of access need to retain a broad perspective and look at the whole system that delivers such funding from multilateral sources.

Central to any examination of access arrangements is the question of fiduciary risk and how this is managed by the fund. The Adaptation Fund's fiduciary standards have resulted in its project delivery being largely dependent on multilateral agencies acting as implementing entities. This contrasts with the programmatic support delivered by the Global Fund and the GAVI Alliance where risk management is part of each organisation's long-term capacity strengthening efforts. The GCF Board appear well aware of this challenge, cognisant of the fact that the fund has been charged by its Governing Instrument to adopt a country-driven approach.

In conclusion, there appears to be a noticeable divergence in approach – and ambition – between the two health and climate change funds reviewed in this paper. The global interest around the Millennium Development Goals acted as platform for two start-up multilateral health funds that in a short space of time provided access to high levels of funding for countries most in need: the Ministry of Health in Ethiopia received close to USD 100 million in less than eight years from the GAVI Alliance. In contrast, over a similar period of time, the Adaptation Fund has had to limit its individual country allocations for direct access to less than USD 10 million because of a lack of funds. This suggests that the challenge is not only about what modality of access to use but also about the quantity of funding available. This constraint will likely continue until the international community

²¹ GCF/B.05/06 Paragraph 8.

places the response to climate change as a policy concern much closer to that of securing global health goals.

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Overseas Development Institute
203 Blackfriars Road
London SE1 8NJ
Tel +44 (0)20 7922 0300
Fax +44 (0)20 7922 0399



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