

Business as unusual

Direct Access: Giving power back to the poor?

This discussion paper raises important issues which policy makers must now consider in the negotiations for the development of a post 2012 climate finance mechanism. The paper argues that the Direct Access modality, in addition to being a more just financial arrangement, can provide for more efficient and effective delivery of financial support to developing countries than indirect access modalities. It emphasises, however, that the multiple interests involved in climate finance reaffirm the importance of ensuring that the future finance architecture contains mechanisms to provide checks and balances. This will ensure that the needs and concerns of poor and marginalised communities are not overridden.

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Abbreviations

| | |
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| AAA | Accra Agenda for Action |
| AF | Adaptation Fund |
| AWG-LCA | Ad-Hoc Working Group on Long Term Cooperative Action |
| CBO | Community Based Organisation |
| CCM | Country Coordination Mechanism |
| CIF | Climate Investment Funds |
| CSO | Civil Society Organisation |
| DA | Direct Access |
| Ex. Entities | Executing Entities |
| GEF | Global Environment Facility |
| GF | Global Fund |
| IATA | International Aid Transparency Initiative |
| IBRD | International Bank for Reconstruction and Development |
| LDCF | Least Developed Country Fund |
| LFA | Local Fund Agents |
| MDB | Multilateral Development Bank |
| MIE | Multilateral Implementing Entity |
| NAPA | National Action Plans on Adaptation |
| NCNS | National Civil Society Network |
| NGO | Non-Governmental Organisation |
| NIE | National Implementing Entity |
| ODA | Official Development Assistance |
| OIG | Office of the Inspector General (of the Global Fund) |
| PPCR | Pilot Program for Climate Resilience |
| PR | Principal Recipient |
| PRSP | Poverty Reduction Strategy Papers |
| REDD | Reduced Emissions from Deforestation and Degradation |
| SCCF | Strategic Climate Change Fund |
| SPR | Sub Principle Recipient |
| SWAps | Sector Wide Approaches |
| UNDP | United Nations Development Program |
| UNFCCC | United Nations Framework Convention on Climate Change |

Executive Summary

There is wide consensus that finance for climate action in developing countries is an essential element of a comprehensive post-2012 climate agreement. The pledges made at the Copenhagen Summit have provided a starting point which could unlock progress in the negotiations. For this to happen, a number of fundamental issues regarding the governance and modalities of global climate financing will need to be addressed.

One of the key demands of developing countries in the negotiations that this paper aims to discuss is the provision of 'Direct Access' (DA) to climate finance. While there appears to be increasing momentum behind DA, there has been little opportunity to explore the modality within the United Nations Framework Convention on Climate Change (UNFCCC) negotiations and so understanding of the concept is limited. CIDSE and Caritas Internationalis have commissioned this paper to examine the DA modality in more detail, and to explore both its merits and its challenges. Using the examples of existing funds that have adopted the modality, the paper seeks to explain the concept of DA for stakeholders, and offers recommendations for its further elaboration and use.

Increasing attention to the DA modality reflects an evolution in relations between developed and developing countries. Developing countries have become increasingly confident in demanding more control of the monies they are due under the UNFCCC, that they have equitable representation in voting structures in recognition of the burdens they must bear, and that they should have swift and easy access to climate finance. Though Parties' views vary, it is increasingly accepted that climate finance cannot be governed in the same old ways as before.

For CIDSE and Caritas Internationalis the implications and impact of climate financing modalities for the poorest and most vulnerable – those at the frontline of climate change impacts – are the primary concern. As is demonstrated in this discussion paper, the participation and empowerment of civil society within climate finance modalities is crucial, not only to ensure that those facing the highest risks from climate change are able to hold those implementing climate action to account. Civil society participation can also ensure the appropriate design and effective delivery of climate action, essential in order to meet urgent needs in developing countries. Multi-stakeholder engagement both reduces political, social and economic risks associated with financing climate action, and strengthens national and local resilience. The multiple interests involved in climate change, climate action and climate finance reaffirm the importance of ensuring that the future finance architecture contains mechanisms to provide checks and balances against dominating powerful interests to ensure that the needs and concerns of poor and marginalised communities are not overridden.

This study shows that in addition to being a more just financial arrangement, DA can provide for more efficient and effective delivery of financial support to developing countries than indirect access modalities. It enhances alignment with national needs and priorities and encourages the prioritisation of climate action at a time when this is urgently needed; it promotes a more balanced partnership between contributors and recipients, streamlines access, and reduces the arbitrary nature of finance flows.

That said, the paper also demonstrates that whilst DA brings many benefits, it provides in itself no guarantee that nationally developed climate action plans will be inclusive, deliver for the most vulnerable and enhance co-benefits. It does, however, have the potential to deliver this critical engagement. Particular attention is thus paid to the extent that southern civil society and community-based organisations can and should participate in the more bottom-up approach underpinning DA, to ensure they are able to safeguard their interests, ensure their knowledge and skills are harnessed, and to reduce the risk that financed actions fail to deliver pro-poor outcomes.



Drawing lessons from existing DA modalities under the Global Fund Fund to Fight Aids, Tuberculosis and Malaria (the Global Fund GF) and the Kyoto Protocol Adaptation Fund (AF), from experience with the General Budget Support (GBS) modality, the Aid Effectiveness agenda and from civil society participation in other environmental funds, this paper raises important issues which policy makers must now consider in the negotiations for the development of a post 2012 climate finance mechanism.

Recommendations for further elaboration and implementation of Direct Access to climate financing under the post 2012-agreement

1. Parties to the UNFCCC should engage in a thorough debate on the intricacies of Direct Access

Parties have not yet thoroughly discussed and clarified proposals for Direct Access within the ongoing negotiations. Parties should go beyond a current binary conversation on Direct Access and debate the variations available and their merits and challenges. (Chapter 3 and 4)

2. Stakeholders and Parties should further explore, better understand and explicitly endorse inclusive national decision-making under Direct Access modalities

Stakeholder engagement has in the past often been a tick the box exercise. Not all countries are yet persuaded of the value that stakeholder engagement brings in reducing the political, social and economic risks associated with climate projects and programmes, and in building national and local capacity and resilience. All actors need a better and common understanding of how stakeholder engagement can enhance climate action. (Chapter 3, 4, Annex I)

3. Parties should institutionalise effective multi-stakeholder participation, coordination and accountability in Direct Access to climate finance via:

Agreeing International guidelines on stakeholder participation at all levels

At an international level, Parties should agree to, and implement good practice guidelines on multi-stakeholder stakeholder engagement. Special attention should be paid, and measures recommended to ensure the participation of women and other groups particularly vulnerable to climate change impacts. (Chapter 3, 4, Annex I)

Implementing entities and national bodies should be required to report on the implementation of the internationally agreed guidelines. Given the critical importance of multi-stakeholder approaches in reducing risk and enhancing delivery, the international body should take into account the implementation of these guidelines when allocating further funding.

Supporting a multi-stakeholder coordination entity at national level

The benefits of the Country Coordinating Mechanism of the GF is that there is one overarching body which has oversight and coordination of all projects, in which civil society is represented. Currently the AF allows for several National Implementing Entities to exist, thereby limiting the possibility of comprehensive oversight at a national level, as oversight would lie with the AF Board at the global level.

Supporting a multi-stakeholder institution that has national oversight would improve coordination and coherence of action and a 'learning by doing' approach, and encourage an increasing programming of action. The CCM of the Global Fund provides an excellent example, as does the model proposed by Sharma for national civil society networks (NCSNs). The national level coordination and decision-making body should include both governmental and non-governmental representatives, including civil society organisations, affected community representatives, academics and the private sector.

Ensuring adequate resourcing for the accountability function of stakeholders

Evidence shows that to ensure that multi-stakeholder participation leads to improved results, it is important that stakeholders are adequately resourced to carry out their oversight and accountability function. This could be done either through a separate grant mechanism or a set percentage of national allocations. Any option considered should take into account lessons learned including the need to ensure that roles and responsibilities are clearly outlined and understood by all parties, and that conflicts of interest are minimised through maximum transparency.

Ensuring the publication of all financial information, project proposals, monitoring information and Board decisions online, and the provision of support to ensure national level availability of documents in local languages

Access to information is of crucial importance to ensure that stakeholders can scrutinise climate finance at international, national and local levels. It also contributes to better decision making, better delivery, enhanced accountability, less corruption, less duplication and waste, and improves research and learning. At the global level, financial information, Board meeting records and decisions, all grant information reports and evaluations should be published online in an easily accessible format. At national levels, extra support should be given to ensure that information relevant for a specific country can be translated in local languages and made accessible to affected communities.

4. Parties should agree a Direct Access model that promotes integrated climate adaptation and mitigation planning

The prioritisation of climate action that DA facilitates is critical in the short term, and for as long as is necessary. However, while existing DA arrangements function outside of government budgets, further elaboration of the modality should promote mainstreaming of adaptation and mitigation in overall government planning and budgeting over the longer term. (Chapter 4.1 and 4.2)

5. Parties should agree a Direct Access model that ensures accountability to International Human Rights and Internationally Agreed Social and Environmental standards

National level bodies should report on application of internationally agreed social and environmental safeguards and respect for Human Rights. In order to ensure accountability, the international ombudsperson should be mandated to settle disputes where they arise. As long as internationally recognized UN social and environmental standards and safeguards are still in development, standards currently employed by international financial institutions such as the World Bank or GEF could be used as a benchmark as an interim measure. Where countries have developed their own national systems for comprehensive social and environmental safeguards these could also be employed, if they are sufficient. What is critical is to ensure safeguards are applied, implemented, monitored and evaluated. (Chapter 4.2)

6. Parties should agree to establish an independent international ombudsperson

Ombudsperson or persons should be installed at the international level to allow stakeholders to settle disputes and raise concerns at an international level. This debate is currently absent from the climate negotiations, and is critical to ensure a genuine feedback loop through the governance system. The key features of an ombudsperson should include independence, public accountability and effectiveness. (Chapter 4.2)

7. Parties should agree on establishing international fiduciary standards for implementing agencies eligible for Direct Access financing, building on those agreed by the Adaptation Fund Board

Criteria to develop fiduciary standards must be agreed internationally to avoid politicising eligibility of entities for Direct Access. (Chapter 4.1)

8. Parties should agree on including provision for multilateral implementing entities to be invited to provide support where needed. (Introduction, Annex I)



1. Introduction

There is wide consensus that finance for climate action in developing countries is an essential element of a comprehensive post-2012 climate agreement. Climate finance was one of the few areas where the Copenhagen Summit made some progress. The 'Copenhagen Accord', though not legally recognised by the UNFCCC, pledges US\$10 billion a year from 2010 to 2012, increasing to US\$100 billion per year starting in 2020. The Copenhagen Accord crucially also includes a pledge to set up a 'Copenhagen Green Climate Fund' which would disburse a 'significant proportion' of climate finance.

These financing pledges are not, however, legally binding, nor do they reach the scale required. Thus it remains to be seen whether these commitments will be fulfilled,¹ and, even if they are, it is unlikely they will be sufficient to limit global temperature rises to well below 2°C as possible based on pre-industrial levels. It is worth noting that the assumption by many developed countries that a significant amount of climate finance will flow from the carbon markets is seriously undermined by the current low level of mitigation ambition by these countries. Nevertheless, the pledges made in Copenhagen have provided a starting point which could unlock progress in the negotiations. For this to happen, a number of fundamental issues regarding the governance and modalities of global climate financing will need to be addressed.

Parties are preparing for further debate on the details of establishing the financial mechanism for the post 2012 agreement. One of the key demands of developing country Parties in the negotiations that this paper aims to discuss is the provision of 'Direct Access' (DA) to climate finance.² While there appears to be increasing momentum behind DA, there has been little opportunity to explore the modality within the UNFCCC negotiations, and so understanding of the concept is limited. This paper examines the DA modality in more detail, exploring both its merits and its challenges. Using the examples of existing funds that have adopted the modality, this paper seeks to enable explain the concept of DA to stakeholders and to offer recommendations for its further elaboration and use.

For CIDSE and Caritas Internationalis the implications and impact of climate financing modalities for the poorest and most vulnerable – those at the frontline of climate change impacts – are the primary concern. Thus the participation and empowerment of civil society within DA mechanisms and processes is afforded particular attention. This is crucial not only to ensure that those facing the highest risks from climate change are able to hold those implementing climate action to account. Civil Society participation can also enhance the appropriate design and effective delivery of projects and programs, thus reducing the political, social and economic risks in meeting the urgent needs in developing countries.

Consideration of the wider context is crucial to understand the increasing interest in DA. Decades of unfulfilled pledges and donor driven governance with regard to both development aid and climate financing have resulted in a situation of serious mistrust between Parties. Developing countries have become increasingly confident in demanding more control of the monies they are due under the UNFCCC, that they have equitable representation in voting structures in recognition of the burdens they must bear, and that they should have swift and easy access to climate finance. Together with civil society organisation campaigns, this pressure is increasingly bearing fruit, as new structures emerging in the climate landscape appear to have more democratic structures. The Climate Investment Funds (CIFs) for example, though controversial amongst many NGOs and some ministries within developing countries because they are not accountable to the COP, now contain, contrary to traditional World Bank practices, an equal number of developed and developing countries on the board. The board of the Kyoto Protocol Adaptation Fund goes one step further, and is composed to be reflective of the UN itself, containing a majority of developing countries.³

1 Shalatek, Bird and Brown (March 2010): Where's the Money? The status of climate finance Post-Copenhagen Heinrich Boell Foundation North America and Overseas Development Institute.

2 G77/China proposal for Copenhagen, December 2010: Financial Mechanism for Meeting Financial Commitments under the Convention.

3 Actionaid (2009): Equitable Adaptation Finance: The case for an enhanced funding mechanism under the UN Framework Convention on Climate Change.

The CIDSE and Caritas Internationalis strongly support calls for more equitable and democratic governance of climate finance. Climate finance to support action in developing countries is a legal obligation under the UNFCCC and is thus inherently different to traditional aid. It constitutes restitution by industrialised nations for the impact and constraints fossil fuel-based growth growth has had and will continue to have upon developing countries. This reality substantially shakes up relations between Northern and Southern countries. Though Parties' views vary, it is increasingly accepted that climate finance cannot be governed in the same old ways as before.⁴

2. Direct Access: towards more just and efficient climate finance arrangements

2.1. Defining Direct Access

As the concept of DA is relatively new, there is not yet one clear and agreed definition. Currently, the meaning of DA appears to be derived mainly from what it is not. One document for example refers to 'allowing developing countries direct access to these funds, *without the involvement of financial intermediaries*'⁶ (italics added). Others define DA as a finance modality which should simplify and accelerate the process by which resources flow to developing countries.⁶ A more comprehensive reference to DA can be found in a document from the Global Environment Facility (GEF):

*In the debate on the architecture for international aid, there are increasing calls for **provision of direct access to qualified national/regional entities to receive financial resources and to provide full oversight over project design and implementation.***⁷

Based on a number of papers and discussions that refer to DA, the following minimum definition is proposed here:

- Direct Access is a funding modality in which **domestic entities** have main implementing status within the project or program cycle.
- Domestic entities can be **governmental, private sector or third sector** institutions; they can be **national or regional**; or they can be **single entities or a group** of institutions.
- They need to have **legal status** in order to receive financing from the financing mechanism.
- In a Direct Access modality, all **project or program cycle management responsibilities** lie with domestic entities, including project design, implementation and monitoring and evaluation.
- **Financial transfers are made directly** from the financing mechanism to domestic entities for grant implementation.
- Vetting procedures of domestic entities need to be in place to ensure **fiduciary and program standards**.
- A Direct Access funding modality stands in contrast with the more traditional funding approach, in the sense that it **does not require intermediary 'implementing entities'** such as the World Bank or UN institutions to apply for and access money.
- Some critical standards and criteria are **Internationally agreed** but implemented domestically.

4 Sharma, A. (March 2010): The Reformed Financial Mechanism of the UNFCCC. Renegotiating the role of civil society in the governance of climate finance. Oxford Institute for Energy Studies.

5 Shalatek, Bird and Brow (March 2010): Where's the Money? The status of climate finance Post-Copenhagen. Heinrich Boell Foundation North America and Overseas Development Institute, March 2010. Actionaid (2009, above) also refers to 'streamlined access' in a similar way.

6 Kaloga and Harmeling (April 2010): Historic milestone achieved in the 9th meeting of Adaptation Fund Board. Briefing Germanwatch.

7 GEF (2009): Draft GEF Policy, Institutional, and Governance Reforms



2.2. Direct Access: a growing reality?

It is time we put old concepts of First and Third Worlds, leader and led, donor and supplicant, behind us. Robert Zoellick, World Bank president.⁸

Direct Access is a product of a growing geo-political shake-up, and an increasing realisation that the traditional donor-driven systems are not effective and often counterproductive. Within the UNFCCC negotiations, developing countries in general appear to have lost faith in the ability of existing arrangements with institutions of the World Bank and the GEF to effectively and fairly manage climate funding.⁹ For the Group of 77 and China,¹⁰ DA is an important political condition for climate change financing, and it was one of the five central demands of their Copenhagen position on a financial mechanism.¹¹

Some Annex I countries are also starting to embrace the idea of DA. Climate finance proposals from the United Kingdom, Mexico, Norway and Australia explicitly propose that “there should be direct access to international [climate] finance where fiduciary standards allow and country level trust funds should be considered, among other alternatives, where Direct Access is not possible¹²”. Some analysts interpret the US proposal for a financial architecture (Bangkok, September 2009) as tacitly nodding to a DA model by proposing a structure to ‘support project, programmes and activities administered by [...] domestic institutions in host countries’.¹³ However, not all industrialised countries are equally enthusiastic about DA, and informal reports suggest that these tend to be countries that also have reservations using General Budget Support (GBS) as a viable option for distributing traditional aid.¹⁴ Negotiating Parties who raise concerns about DA as a modality regarding its potential for corruption, should look to the emerging evidence that aid finance which goes directly into national budgets (GBS) is not more susceptible to corruption than more traditional forms of aid.¹⁵

Direct Access is a product of the times, mirroring – for climate finance – progress made within Official Development Assistance (ODA) through the Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action. Of all Aid Effectiveness Principles, DA is, as a mechanism, most closely related to the principle of country ownership, because by its very nature, it reduces donor and external interference in domestic policy setting and transfers responsibility for project development, implementation and monitoring to the developing country itself. In this regard, there are some similarities with the development financing modality of GBS, where aid is transferred directly into government’s budgets, though as will be discussed later there are some very important differences too.

Battles over funding modalities are likely to intensify in the months to come. While in the Copenhagen report of the Ad-Hoc Working Group on Long Term Cooperative Action (AWG-LCA) DA is referred to twice (albeit in brackets, thus not agreed yet between Parties),¹⁶ other influential actors, like Sir Nicholas Stern and Prime Minister Meles Zenawi have both recently suggested that regional development banks (RDBs) could channel climate finance to ensure greater ownership.¹⁷ However, informal indications suggest that some developed and developing countries see RDBs as too bureaucratic and not having the necessary skill-sets and knowledge to deliver transformational climate action. Subsequently, whether climate finance will eventually be delivered through DA modalities will be hotly debated.

8 The End of the Third World? Modernizing Multilateralism for a Multipolar World, speech Robert B. Zoellick, President of the World Bank Group, Speech delivered at the Woodrow Wilson Centre for International Scholars, April 14, 2010.

9 Actionaid (2009): Equitable Adaptation Finance: The case for an enhanced funding mechanism under the UN Framework Convention on Climate Change.

10 A cluster of around 132 developing countries.

11 G77/China proposal for Copenhagen, December 2010: Financial Mechanism for Meeting Financial Commitments under the Convention.

12 UK, Mexico, Norway, Australia (2009): Climate finance proposals on governance. A non-paper by the Governments of the UK, Mexico, Norway and Australia. December 2009. In the Adaptation Fund in the debate on the post-2012 financial architecture, Germanwatch, 2009.

13 US Submission to the UNFCCC Bangkok negotiations, September 2009. Personal Communication Ilana Solomon, ActionAid USA, 7 April 2010.

14 Personal communication Liz Gallagher, 3 May 2010.

15 An Evaluation of General Budget Support (1994-2004), Synthesis report, IDD and Associates, May 2006.

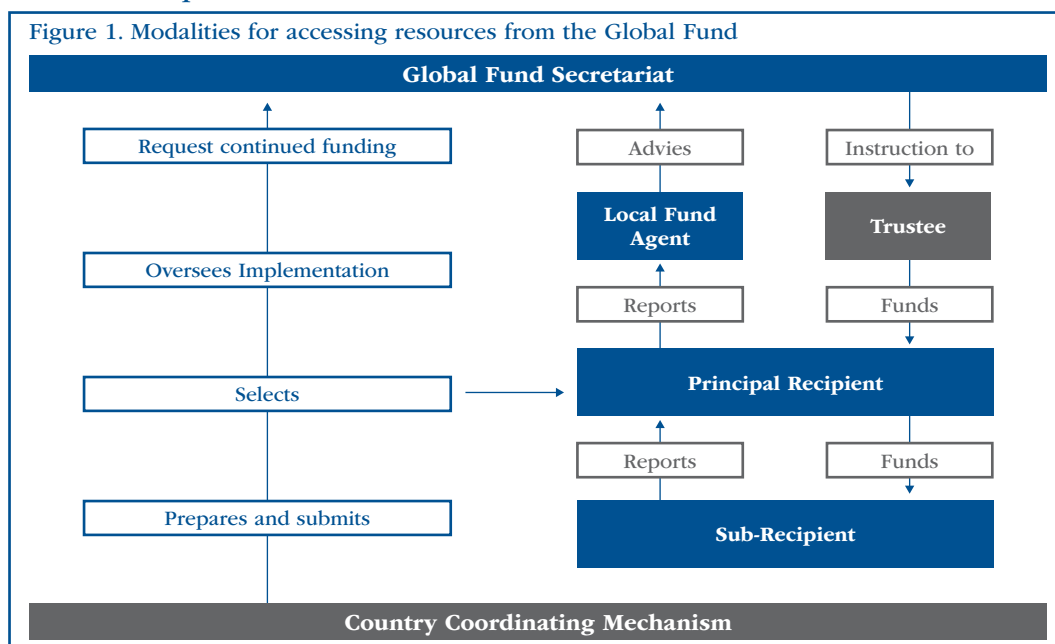
16 Report of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention on its eighth session, held in Copenhagen from 7 to 15 December 2009, FCCC/AWGLCA/2009/17, 5 February 2010.

17 Some observations to supplement the Background Paper for the First Meeting of the High-level Advisory Group on Climate Change Financing, Nicholas Stern, 25 March 2010.

3. Direct Access in practice

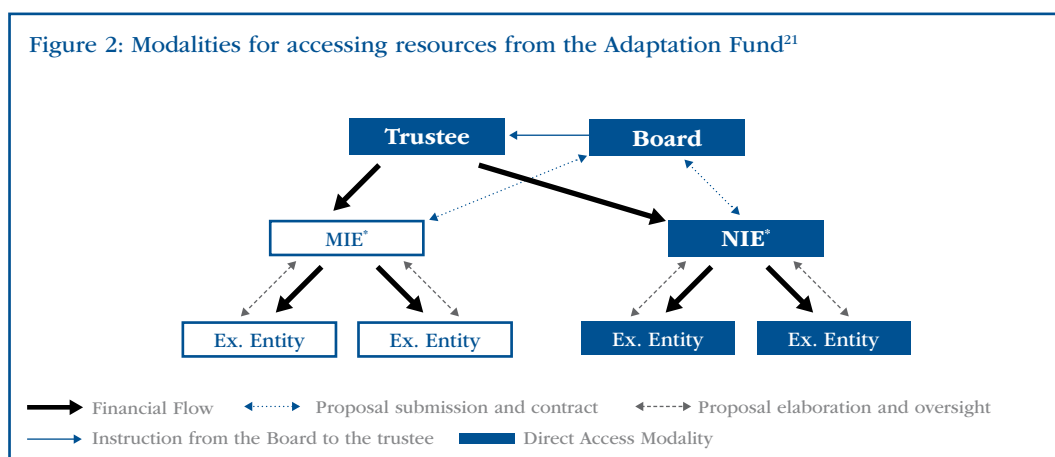
There are only two concrete examples of DA to study in practice: the Global Fund to Fight Aids, Tuberculosis and Malaria (also referred to as the Global Fund, GF), which has been working with the DA modality since 2002, and the Kyoto Protocol Adaptation Fund,¹⁸ which has established DA as one of two modalities in its Operational Policies and Guidelines,¹⁹ and has recently become fully operational (though has not actually disbursed funding yet as of April 2010). There is thus not yet an established 'best practice' for the development of the DA modality, so different options are possible in the organisation and in the nature of national level institutions.²⁰

3.1. Key differences with the Direct Access model of the Global Fund and the Adaptation Fund



Principal recipients (PRs) receive GF finances and are responsible for program implementation and reporting. Local Fund Agents are in-country expert organisations that assess the capability of Principal Recipients to deliver financial and program accountability. The CCM is a national multi-stakeholder oversight body responsible for coordinating the submission and development of proposals and for monitoring program results.

The Direct Access model of the Adaptation Fund



21 Adaptation Fund Board (undated) Operational policies and guidelines for parties to access resources from the adaptation fund



National Implementing Entity (NIE): are those national legal entities nominated by Parties that are recognised by the Board as meeting the fiduciary standards established by the Board, and bear full responsibility for the overall management of the projects and programmes, and for financial, monitoring, and reporting.

Executing Entities (Ex-Entities): The AF Board operational policies and guidelines do not provide much detail on the role and responsibilities of Executing Entities (Ex. Entities). Paragraph 31 states that they are 'organizations that execute adaptation projects and programmes supported by the Fund under the oversight of the Implementing Entities'

Differences in design between Adaptation Fund and Global Fund

The AF Board took the GF governance structures and procedures into account during the development of its own. But whilst there are many similarities, there are also a number of substantial differences between the funds.

Two ways to access finance

Unlike the GF, the AF provides two modalities to access finance: a) through the route of DA, where national plans are submitted by accredited national agencies – called “National Implementing Entities” (NIE) - to the AF secretariat directly, and b) through indirect access, where a country follows the more traditional route via a Multilateral Implementing Entity (MIE, e.g. World Bank or the UNDP) to submit plans and access finance. The latter option is provided in case the NIE put forward by a country fails to meet the fiduciary standards outlined by the AF Board so that finance can still be accessed.

In the GF, when a proposed PR does not meet fiduciary standards, the CCM is asked to propose another PR. It is only in difficult situations that multilateral agencies, e.g. UNDP, are asked to take up the role of PR. In March 2010, around only one out of nine grants were managed by a United Nations Agency.²²

Reduced role for civil society and other stakeholders

The AF does not include a multi-stakeholder coordination and oversight body in its structures, and relies solely on the NIEs or MIEs for project development, oversight and reporting. There are also no specific guidelines or demands to include civil society organisations in the project cycle. While in theory, a civil society organisation can be selected as an NIE, or an NIE can select civil society organisations as Executing Entities, as the government as negotiating Party is the decision maker, it is most likely that they will be either government departments or organisations closely aligned with government policy. Opportunities for multi-stakeholder participation in project and program design, and for more independent and critical national oversight are therefore limited.

There is, however, a commitment by the AF to post all project proposals on its website to allow interested stakeholders to publicly submit comments about proposals. It is unclear as yet, however, whether these will be translated into local languages and made accessible to people and communities without internet access.

The GF, on the contrary, distributes tasks of project and program development, oversight and monitoring between the multi-stakeholder CCM, the PR and the LFA, providing many more opportunities for participation and for monitoring outcomes from a range of perspectives. The Global Fund in this way institutionalises the importance of civil society in the design, oversight and monitoring functions of government programs. (For a full description of the core structures, processes and civil society participation of the GF and the AF see Annex I).

²² In total about 900 grants were live in March 2010, around 100 of which were managed mainly by the UNDP. Calculated on the basis of information from: Global Fund Grants: Progress Details. Accessible at: <http://www.theglobalfund.org/en/commitmentsdisbursements/>

Table 1: Differences in design between Adaptation Fund and Global Fund

| | Adaptation Fund | Global Fund |
|-------------------------------------|---|---|
| Funding modalities | 2 modalities for accessing funds: directly via National Implementing Entities (NIE) and indirectly via (accredited) Multilateral Implementing Entities (MIE). | 1 modality to access funds: directly via Country Coordination Mechanism (CCM) and Principal Recipient (PR). Indirect access is only used in exceptional circumstances. |
| Principal national level bodies | The NIE decides on program activities and monitoring. It is nominated by a country government. It could be an academic institution, a civil society organisation, or a government department. It could be a national, regional or subregional level organisation. It needs to be accredited by the AF. The NIE should be a legal entity | The CCM decides on program activities, nominates the PR and is responsible for oversight. It is a multi-stakeholder forum that includes civil society. ²³ The CCM is not a legal entity. The PR is nominated by the CCM and is responsible for project implementing, financial accountability and monitoring. It can be a governmental, non-governmental or private sector organisation. The PR should be a legal entity. |
| Country contributions | Countries do not need to contribute to financing project proposals | Depending on the World Bank's income classification, countries have to put a certain percentage towards the overall cost of a program. ²⁴ |
| Project cycle in short | The NIE designs the project or program proposal, and after AF approval it receives the finance. The NIE channels finance to an Ex. Entity to implement the project. NIEs provide oversight, monitoring and are financially accountable to the AF. | The CCM designs the project or program proposal. After GF approval of the project and of the PR (through LFA fiduciary check), finance goes directly to the PR which is responsible for implementation, management and reporting. The CCM continues to provide oversight, the nature of which is determined in-country. LFAs are also tasked with monitoring. |
| Responsibilities of national bodies | The NIE is responsible for the project/program design and for the overall management of AF projects and programmes and bear all financial, monitoring and reporting responsibilities. The Ex. Entity is appointed by the NIE to implement projects. | The CCM is responsible for project design, nominating a PR, overall oversight of the grant, requesting further tranches of financing and ensuring linkages with other national health programs. The PR is responsible for project/program management and is financially accountable to the GF. |
| Accreditation of national bodies | Fiduciary standards of NIEs are checked centrally by an AF Accreditation Panel. ²⁵ The assessment is based on documentation submitted by potential implementing entities. ²⁶ | Fiduciary standards of PRs are checked in-country by an independent and external organisation (LFA) contracted by the GF. ²⁷ |
| Role of civil society | In theory, a civil society organisation can be selected as NIE by a government, or an accredited NIE can select CSOs as Ex Entities, the executing agencies, however, as governments are the only deciding party, in practice this is unlikely. There are no guidelines for the inclusion of CSOs in project or program development, implementation or monitoring. | Civil society is represented on the CCM, with GF guidelines suggesting a minimum of 40%. In practice, this is not always the case in reality. The PR selected by the CCM can also be a civil society organisation. In reality, 25% of PRs are CSOs, 50% are government agencies, and the rest are a mix of private sector, faith based and other organisations. Furthermore, sub-PRs can also be CSOs. |

23 The multistakeholder forum consists of representatives from 20-30 organisations from governments, multilateral or bilateral agencies, non-governmental organizations, academic institutions, private businesses and people living with HIV Aids, Tuberculosis or Malaria.

24 The cost of funding is shared between the Global Fund, domestic resources in-country and contributions from other donors. For lower-middle income countries, Global Fund support cannot exceed 65% of the overall disease program need, and for upper-middle income countries, Global Fund support cannot exceed 35% of the overall disease program need. Global Fund, Country Eligibility Criteria.



| | | |
|-----------------------|--|--|
| Monitoring | All monitoring and reporting is done by the NIE. Submission of requests for further tranches of funding is done by the NIE. | Monitoring and reporting functions are divided between three organisations: the PR, the CCM and the LFA. The submission of requests for further tranches of funding needs to be done by both the PR and the CCM, and reviewed by the LFA. |
| Conflicts of interest | There are potentially strong conflicts of interest in the AF design. The NIE, which proposes projects or programs receives finances and appoints the Ex Entity, is also responsible for monitoring outcomes. There are no external checks and balances in the AF design to involve a greater number of stakeholders in monitoring. | Conflicts of interest are greatly reduced because of the distribution of responsibilities between three different national agencies. Even so, a recent evaluation still threw up the potential for conflicts of interest as sometimes the chairs and co-chairs of the CCM are also representatives of PRs, or because in some cases an increasing share of participants on the CCM have become PRs themselves. |
| Accountability | There are no mechanisms in place to hold NIEs accountable to their program outcomes, apart from the potential threat of discontinued funding at international Fund Board level. | The CCM provides some form of accountability, although as they have no power to influence financing directly, this is limited. At international level, the Office of the Inspector General treats complaints or evidence of mismanagement, fraud or unethical conduct. |

3.2. Comparing Direct Budget Support and Direct Access

Partly because the concept of DA is still new, and there is not yet a clear and shared understanding, there is sometimes the misconception that DA is similar to GBS. GBS is a relatively recent modality within ODA to support government plans by contributing directly to their national budgets. What is similar between the modalities is that they are both based on enhanced national ownership and greater trust in the financial systems and processes of developing country governments, and are therefore less prescriptive with regard to the day-to-day financial monitoring of project or program activities.

However, in many more respects they are very different modalities: **Direct Access refers to how the project cycle is designed and how responsibilities are distributed between actors in the project cycle, while General Budget Support refers to what is being financially supported.**

Direct Access, as developed by both the AF and the GF, provides financing that is entirely separate from overall government budgets and is linked directly to specific program or project activities. The GF has as a founding principle that it should always be external to existing budgets i.e. the funds are earmarked.²⁹ GBS on the contrary channels funding directly to government budgets and is not directly linked to project level spending, though levels of required traceability (tracing budgets to field level outcomes) differ between donors.³⁰

Similarly, with regards to fiduciary standards, there are important differences: while the credibility of the AF DA modality is entirely built on having clear and internationally agreed fiduciary standards for all potential recipients of a Fund, there are no preconceived fiduciary benchmarks on which donors base their decision whether to commence GBS in a country, and they use country-specific conditions instead.³¹ Furthermore, unlike with DA, the end users of financial support do not need to be stated upfront at the stage of application for financing.

²⁵ The AF accreditation panel consists of two Board members and three experts

²⁶ Fiduciary standards of the AF include: a) financial integrity and management, b) institutional capacity (project management), and c) transparency and self-investigative powers.

²⁷ Fiduciary standards of the GF include: a) Financial management and systems, b) Program management capacity, c) sub-recipient management, d) pharmaceutical and health products management, and e) monitoring and evaluation capacity.

²⁸ Principal and Sub-Recipients, information sheet Global Fund: <http://www.theglobalfund.org/en/recipients/?lang=en>

²⁹ Even so, there are some exceptional cases the Global Fund does get involved in Sector Wide Approaches (SWAs), for example in Mozambique. (Personal Communication with Beatrice Bernescut, Communication Officer Global Fund).

³⁰ Bartholomew, A. (November 2009): Sector Budget Support in Practice: Desk Study, ODI and Mokoro.

³¹ IDD and Associates (May 2006): Evaluation of General Budget Support, Synthesis report. Executive Summary.

Contractual agreements between donors and recipient governments in GBS are based on mutually agreed government wide Performance Assessment Frameworks (PAFs), which are matrices of indicators against which the government is required to report. These PAFs should increasingly be consolidated between donors providing GBS, though this is still far from complete.³² The monitoring of financing outcomes within DA modalities is not predetermined and can vary. The GF works with performance-based funding, meaning that in order to receive subsequent financing, governments must demonstrate results against defined performance targets, proposed by the country itself (for approval by the GF).³³ The AF has not specified yet what expectations there are for tracking outcomes and related reporting requirements.

Having noted the difference between them, it is nevertheless possible to envisage a design in which a DA modality is blended with some elements of GBS. Some of the emerging civil society proposals for a reformed climate finance mechanism implicitly contain this option (see model for a financial mechanism proposed by Sharma, Figure 4, page 20).³⁴ Moving towards mixing DA with GBS would encourage financial support for climate finance to go beyond project level activities, and help support the integration of adaptation and mitigation within national, regional and local development plans (thus also enhancing synergies between adaptation and mitigation plans) by providing climate finance straight into government budgets.³⁵ However, similar to the findings emerging here on DA, civil society organisations have emphasised the need to have effective democratic and decentralised structures in place, as well as civil society strengthening and participation in decision-making at the national level, before a GBS modality be implemented. This is crucial in order to ensure accountability for the use of public funds and to ensure that projects are appropriately designed and effectively delivered with a positive impact on vulnerable communities.³⁶ One of the critical reasons that vulnerable communities and groups in society are more vulnerable to climate change is their lack of control in making decisions that affect their lives and livelihoods. Evidence shows that more successful development initiatives result from decision-making processes that are inclusive and transparent, with appropriate accountability mechanisms.³⁷ This thus also enhances value for money by reducing risks associated with financing climate action.

Without effective democratic and decentralised structures, and civil society participation in decision-making, GBS risks maintaining the status quo, benefiting the usual suspects and being aligned to political and not necessarily poverty reduction outcomes, when what climate change requires is a transformation in economic, social and political structures in which the vulnerability of communities is reduced and their resilience strengthened.³⁸

Figure 3 on the next page juxtaposes the core structures and project cycles of the Adaptation Fund, the Global Fund, and the General Budget Support model.

32 ODI (2005): Progress reviews and performance assessment in poverty-reduction strategies and budget support. A survey of current thinking and practice.

33 Performance based funding, information sheet Global Fund: <http://www.theglobalfund.org/en/performancebasedfunding/>

34 E.g. the reformed financial mechanism proposed by Benito Muller: Muller, B. (April 2010): The Reformed Financial Mechanism of the UNFCCC. Post Copenhagen Architecture and Governance, European Capacity Building Initiative.

35 For example, see discussion in: Financing adaptation to Climate Change through Budget Support, Briefing paper German Development Institute, 2/2009.

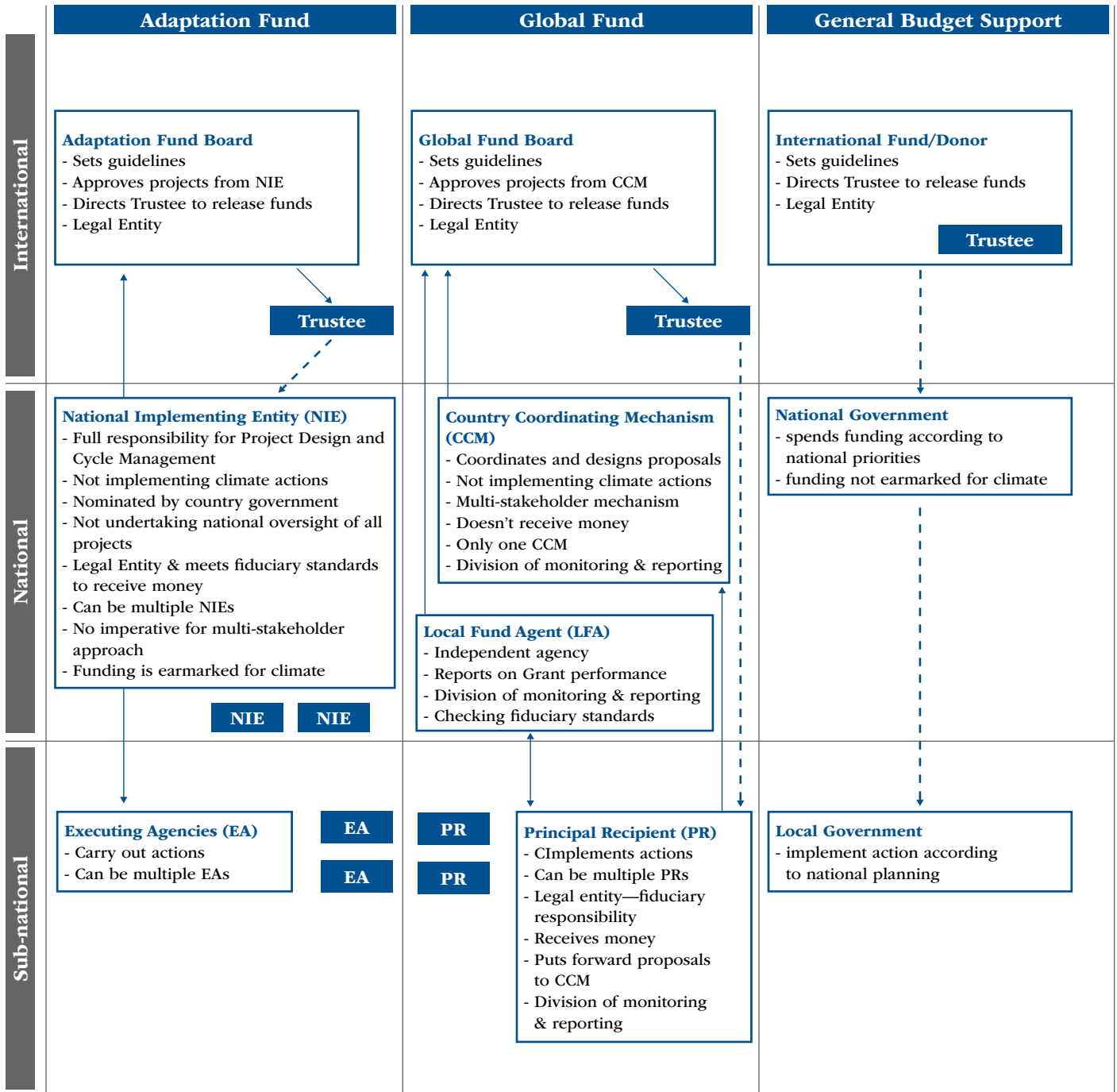
36 Position paper on Budget Support, AGEZ, KOO, and the Austrian EU Platform of NGOs (CIDSE partners). 25 November 2005.

37 Angie Dazé, CARE International, and Christina Chan, Senior Policy Analyst, CARE USA, MEA Bulletin - Guest Article No. 66b - Thursday, 26 March 2009, Community-Based Adaptation in the Global Climate Change Response. IISD Reporting Services, LINKAGES. <http://www.iisd.ca/mea-1/guestarticle66b.html>. Accessed 16th May 2010.

38 Ibid.



Figure 3: Juxtaposition of the core structures and project cycles of the Adaptation Fund, the Global Fund, and the General Budget Support model



4. Direct Access: Merits and Challenges

Some civil society organisations and think tanks are increasingly advocating for DA to be the central modality for the new Climate Finance architecture and the models that they propose are all based on this.^{39 40}

At the same time, as shown in the very different models of the Adaptation Fund and the Global Fund, DA only refers to how financing is delivered, and in itself the modality does not guarantee better project or program outcomes for affected communities or for the climate. In defending DA as the modality of choice for climate finance, civil society organisations also rightly emphasise that it should be designed in such a way that vulnerable communities see concrete and positive benefits from the billions of dollars a year that are forecast to be transferred by 2020. Lessons from development assistance suggest that a false sense of progress may be given if large amounts of financial resources are committed without effective and equitable structures to accompany them.⁴¹ For this reason it is important not to be blinded by a too crude interpretation of national ownership, without taking into account the rights of, and responsibilities towards, the millions of people who face a grinding daily battle with the challenge of poverty and now also climate change.

4.1. Advantages of Direct Access

Speed and efficiency: The provision of DA provides 'streamlined access':⁴² it avoids unnecessary steps and can speed up the project cycle. Frustratingly slow project cycles and inefficiency have been the hallmark of the GEF, where countries need to apply through one of ten intermediate agencies (or 'implementing agencies'⁴³) to be able to access funding.⁴⁴ In fact, as part of its 5th replenishment debate, the GEF itself advocated for the introduction of a Direct Access modality into its own operations, but further meetings of the 5th replenishment suggest that the proposal did not survive.⁴⁵

Balancing urgent action with integration into national planning and budgeting: The nature of climate change and climate action requires a balance to be struck between the prioritisation of climate action - critical given urgent needs in developing countries - and enhancing the integration of climate action within overall government planning and budgeting. The DA modality enhances country ownership and thus offers greater potential for alignment with national needs and priorities, rather than pursuing projects and programmes that fit the requirements of intermediary bodies. It also provides the possibility for 'enhancing synergies among sectors and between mitigation, adaptation and REDD (Reducing Emissions from Deforestation and Forest Degradation).'⁴⁶ At the same time it allows for the earmarking of finance for climate action in the short term and for as long as is necessary.

Re-building trust: Trust between nations, blocs, and in international institutions has been progressively eroded by multiple crises and double standards over the past decades. DA, through recognising the capacities of developing countries, sends out a signal of trust to developing nations and could be a cornerstone for a new, just and mature partnership between nations.

39 Muller, B. (April 2010): The Reformed Financial Mechanism of the UNFCCC. Post Copenhagen Architecture and Governance, European Capacity Building Initiative.

40 Actionaid (2009): Equitable Adaptation Finance: The case for an enhanced funding mechanism under the UN Framework Convention on Climate Change.

41 Tomlison, B. (December 2009): Adaptation Financing for Climate Change: Taking Account of CSO Perspectives for Aid Reform, The Reality of Aid.

42 Actionaid (2009): Equitable Adaptation Finance: The case for an enhanced funding mechanism under the UN Framework Convention on Climate Change.

43 GEF works through its 10 partner agencies: the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) the World Bank, the Food and Agriculture Organization (FAO), the Inter-American Development Bank (IaDB), the United Nations Industrial Development Organization (UNIDO), the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD) and the International Fund for Agricultural Development (IFAD).

44 Eight years after the LDCF's creation, only one National Plan for Adaptation (NAPA) has reached the implementation phase. Actionaid. Equitable Adaptation Finance, 2009.

45 Kaloga and Harmeling (April 2010): Historic milestone achieved in the 9th meeting of Adaptation Fund Board. Briefing Germanwatch.

46 Muller, B. (April 2010): The Reformed Financial Mechanism of the UNFCCC. Post Copenhagen Architecture and Governance, European Capacity Building Initiative. (REDD = Reduced Emissions from Deforestation and Degradation).



Internationally agreed criteria: As mentioned above, the AF Board jointly agreed fiduciary standards, and will continue to use expert groups to put forward recommendations for agreeing eligibility criteria. Such a transparent and evidence-based approach to such policy making depoliticises key issues, and ensures the approach is not arbitrary but agreed.

Potential for multi-stakeholder engagement: Under the NIE's there is greater potential to ensure more inclusive and comprehensive bottom up decision-making structures to ensure delivery of transformational climate action as compared to activity managed in a top-down manner at the international level. However, unlike the GF, within the AF there is as yet no guidance on how to operationalise a more inclusive and democratic decision-making structure.

4.2. Challenges posed by Direct Access

Whilst DA is an important and appropriate modality for climate finance, in and of itself it will not result in the pro-poor adaptation and mitigation outcomes that are essential. While climate finance is not aid, and should be regarded as restitution, many of the principles and lessons learned from the field of development finance can be useful in working towards an inclusive and effective DA modality.

The principles of the 2005 Paris Declaration on Aid Effectiveness, along with further commitments made in the 2008 Accra Agenda for Action (AAA) provide a useful aspirational benchmark for ensuring climate financing results in positive impacts for poor and vulnerable people in developing countries. Civil society organisations that have been working on aid reform are increasingly looking towards climate finance modalities, and have proposed a number of aid reforms that are also relevant for medium and longer term climate financing. These are: strong democratic ownership, no donor-imposed economic policy conditionalities, international human rights standards, avoiding project fragmentation, transparency and access to information, and accountability.⁴⁷ These principles, where appropriate, have been used to assess the ability of the DA modality to deliver effective pro-poor outcomes, using the examples of the existing funds.

Strong democratic ownership

Climate change plans and programs, in a similar way to development assistance, will be subject to national and local power struggles over whose interests are served by which interventions. Lessons learned from GBS show that it will not be sufficient for only governments to have ownership over national climate action plans, other stakeholders such as civil society, local communities and the private sector, particularly the local private sector, should also have a say in the development, implementation and oversight of such plans. For climate justice, the appropriate design and effective delivery of climate action to be achieved, active involvement in climate funds should extend all the way down to the local communities that are impacted by climate change.

For example, though National Action Plans on Adaptation (NAPAs) often specifically acknowledge that women are amongst the most vulnerable with regards to climate change impacts on health, water, sanitation, or food security, few incorporate women as key stakeholders or primary participants in NAPA activities.⁴⁸ Similarly, with respect to mitigation efforts, there tends to be a 'big-is-better' project bias,⁴⁹ which often neglects or even undermines smaller-scale mitigation activities that could benefit communities directly. This reflects experiences of civil society organisations and community based organisations with the development of Poverty Reduction Strategy Papers (PRSPs), in which many organisations now actively refuse to participate because they are top-down instruments that 'bypass local legislative processes and civil society participation ... has usually been cursory or limited government-selected groups' and end up 'impoverishing women and men in developing countries and undermining national sovereignty'.⁵⁰

With accompanying measures that guarantee that women, small-scale farmers, indigenous peoples and others who are at the forefront of climate impacts are involved in the development of national climate plans, a DA modality can ensure communities and groups are able to defend their interests, and that their local and traditional knowledge and skills are harnessed in decision-making on mitigation and adaptation activities.

47 Principles taken from Tomlison, B. (December 2009): Adaptation Financing for Climate Change: Taking Account of CSO Perspectives for Aid Reform, The Reality of Aid. .

48 Gender paper: Gender in NAPAs

49 Schalatek, L. (May 2009): Gender and Climate Finance: Double Mainstreaming for sustainable development.

50 Why Gender Action No Longer Engages in PRSPs, Engendering Country strategies, briefing.

As noted already, strong democratic ownership is not a given under the DA modality. However, it provides an environment conducive to the more bottom up structures that could achieve this, as demonstrated by the case of the GF.

In the design of the GF, democratic participation has been an inherent objective, and collaboration between all interested stakeholders is built into the governance structure.⁵¹ The multi-stakeholder CCM, which includes civil society representatives, is responsible for project development and oversight, and needs to approve subsequent requests for grant releases, giving it power to influence project implementation, and perceptions about this CCM partnership function appear to be generally very positive.⁵² Challenges remain however, as the light-touch approach of the Global Fund in the selection of the CCM members can result in lack of transparency in the selection process, and the presence of unrepresentative members of civil society on the CCM.⁵³

In the case of the AF, although AF Operational Policies and Guidelines emphasise the fact that eligible Parties should give special attention to the particular needs of the most vulnerable communities, there is no mechanism to guarantee that this actually happens. Similarly, while it was recently included in the strategic priorities for Adaptation Fund projects and programs that there should be 'meaningful inclusion of stakeholders',⁵⁴ there are no provisions for real stakeholder involvement at a domestic level. There are increasing calls to the Adaptation Fund for it to urgently review and strengthen its procedures for community and civil society engagement.⁵⁵ Lessons could be learned from the Global Fund in terms of actual representation of other stakeholders on decision-making bodies, or even the through the CIFs, where 'active observers' are invited to input into agenda items and can make interventions. In addition, the Forest Investment Program (FIP) of the CIFs, is currently detailing the Terms of Reference for the development of a dedicated grant mechanism for indigenous peoples and local communities⁵⁶ – whilst this is only targeted at a specific sector (forestry) there could be potential for this to be drawn upon and replicated at a national level.

Recognition of International Human Rights standards and Social and Environmental standards

Climate financing, if provided in sufficient quantities, is likely to touch upon all aspects of life in developing countries, including house building programs, water and sanitation programs, rural development, local health plans and agricultural development programs. A human rights approach would ensure that the most at risk populations are given priority in adaptation and mitigation programs and that all measures are undertaken to ensure that their vulnerability is not further exacerbated in actions taken. While even official aid reform commitments do not yet take international human rights standards as a framework for development action, civil society organisations have been calling for a deepening of aid reforms in this respect.⁵⁷

DA modalities, by virtue of providing access to finance directly to National Entities, give greater power to domestic level bodies to determine whether standards should be upheld or not. Consequently it is essential that international oversight and accountability mechanisms are established and deliver their mandate. Parties to the Convention have shared obligations and accountability to international human rights standards, so it should be ensured that climate action plans and programmes are developed within their guidance. This should not be regarded as a condition for climate funding, but as an instrument to develop and monitor effective adaptation and mitigation strategies, accompanied by international, national and local accountability.

Furthermore, within the UN system itself, there is increasing acceptance of the need for a common, UN wide approach, to environmental and social safeguards, the feasibility of which is currently been researched.⁵⁸

51 Triponel, Anna F., Global Fund to Fight Aids, Tuberculosis and Malaria: A New Legal and Conceptual Framework for Providing International Development Aid (February 23, 2010). North Carolina Journal of International Law & Commercial Regulation, Vol. 35, p. 173, 2009 .

52 Global Fund (2008). Country Coordination Mechanism Model: Partnerships and leadership, the Global Fund Implementer Series.

53 Triponel, Anna F., Global Fund to Fight Aids, Tuberculosis and Malaria: A New Legal and Conceptual Framework for Providing International Development Aid (February 23, 2010). North Carolina Journal of International Law & Commercial Regulation, Vol. 35, p. 173, 2009 .

54 Kaloga and Harmeling (April 2010): Historic milestone achieved in the 9th meeting of Adaptation Fund Board. Briefing Germanwatch.

55 Anju Sharma (March 2010), Benito Muller (April 2010), Actionaid (2009).

56 Climate Investment Funds Forest Investment Program FIP/SC.3/5 - <http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP%205%20TORs%20development%20of%20a%20dedicated%20grant%20mechanism%20IP%20and%20local%20communities%20march%202010.pdf>

57 Tomlison, B. (December 2009): Adaptation Financing for Climate Change: Taking Account of CSO Perspectives for Aid Reform, The Reality of Aid.

58 Draft terms of reference for the consultative process on options for a Common approach to environmental and social safeguards in the UN System, March 2010, UNEP Environment Management Group



Social and environmental safeguards would prevent and mitigate undue harm to the environment and people at the earliest possible planning stage, and their introduction into a climate finance mechanism would help avoid that vulnerable communities and ecosystems are inadvertently harmed by climate projects or programs.

Project fragmentation

It is increasingly recognised that adaptation and mitigation form a particular challenge in that they cut across all sectors and policy areas, and possess synergies, making a project-based approach likely to fail in reaching the intended objectives of transformation. Existing adaptation efforts have been criticised for working through a project funding approach which does not help alignment with overall government programmes, or contribute to integrating adaptation into national development plans.⁵⁹

DA modalities do not necessarily create incentives to ensure greater integration with national development plans. As discussed in chapter 4.1. In the short term the prioritisation of climate action is critical. However, in the longer term, the establishment of a discrete national level body as the main entity for overseeing project development, implementation and oversight, particularly if it is not a government agency, could potentially ghettoise climate action and limit ability to integrate it across government plans.

The GF has been criticised for its vertical project approach, outside of national government health approaches, and recognises that ownership and alignment are areas where they need to do more.⁶⁰ The AF too has currently no structures or modalities in place to integrate adaptation projects or programmes with existing development plans - this was one of the issues that the World Bank's Pilot Program for Climate Resilience (PPCR) intended to address, but it is unclear how this will formally feed back into the AF processes.

Ensuring maximum transparency and access to information

Potentially one of the most important lessons from aid reform approaches is the need to ensure the highest standards of transparency and access to information across the climate finance structure. Because of civil society pressure from networks such as Publish What You Fund, progress is being made within official development assistance to improve the access and quality of funding information. Research has shown that improving transparency over aid flows helps to improve decision making, creates stronger pressure for better delivery, builds national and international accountability, limits the scope for corruption, duplication and waste, and improves research and learning.⁶¹ Transparency and access to information, not just on financial flows, but also on project or program proposals, financial and outcome reports and evaluations, is the only way in which citizens, vulnerable communities and the organisations that represent them can know what is being done in their name and can hold their representatives to account, thereby reducing risk and enhancing value for money.

Current DA modalities perform quite well on the issue of transparency. The GF has as one of its seven central principles to 'operate with transparency and accountability'.⁶² In practice, this means that all grant information, project proposals and grant progress reports are published and easily accessible on the website. The GF also regularly updates both raw and aggregated data on process issues to do with the Fund, for example on composition of the CCMs globally, and publishes all independent evaluations of the GF's own performance and documents discussed at Board meetings.

The AF also has been widely praised for its transparent working methods, as all documents are displayed on the AF's website, board meetings are webcast so everyone can follow the debates, and all interested observers are allowed to participate and even sit in board meetings.⁶³ All project and program proposals will be made available on the Adaptation Fund's website, and public comments will be allowed and displayed the project review and approval period.⁶⁴ Details on disclosure criteria for financial and outcome reports, and external evaluations have not yet been agreed, but hopes are that full disclosure standards will apply as access to these documents will facilitate participation and monitoring by civil society organisations.

59 Bapna, M. and McGray, H. (2008). Financing adaptation: Opportunities for innovation and experimentation. World Resources Institute.

60 The Global Fund Innovation and Impact. Progress Report 2010. Page 61. http://www.theglobalfund.org/documents/replenishment/2010/Global_Fund_2010_Innovation_and_Impact_en.pdf

61 International Aid Transparency Initiative (IATI) Website. Accessed 21 April 2010.

62 The Framework document of the Global Fund to Fight Aids, Tuberculosis and Malaria, The Global Fund,

63 Kaloga and Harmeling (April 2010): Historic milestone achieved in the 9th meeting of Adaptation Fund Board. Briefing Germanwatch.

64 Ibid.

Accountability mechanisms

Though accountability mechanisms with teeth are rare in international forums, even within the most progressive funds, it is essential to build real and effective redress mechanisms into the future climate finance architecture to ensure local communities and global citizens can hold all Parties to account. Though the increasing use of language of participation, consultation and partnership has created the illusion that all stakeholders are in agreement and have an equal say in the development of future climate financing, there are as yet no mechanisms to ensure that input from civil society organisations are taken on board or even considered.⁶⁵

Neither of the existing DA funds provide as yet a comprehensive accountability system with not only a full stakeholder mechanism where stakeholders have real decision making power, and, importantly, an effective redress mechanism that is available to local communities (though the GF clearly comes close to this). It should be said however that the AF compares favourably to models of civil society engagement of the GEF and most of the CIFs, which are based on centralised, top-down structures for civil society participation, limited funding to ensure CSO engagement, and no rights to vote.⁶⁶

Sharma, in a recent paper, proposes three minimum conditions to ensure accountability of financing institutions.⁶⁷

1) Respect for subsidiarity: Subsidiarity in climate financing means that matters should be handled by bodies at the most local level that show the relevant competency

Both the AF and the GF are making a start in respecting subsidiarity by transferring decision making power to national levels, but could go further by engaging regional and local level institutions.

2) Adequate resources: Civil society should be equipped to perform their task of holding governments and financial mechanisms to account without compromising its integrity.

After GF evaluations revealed that CCMs did not have the actual resources necessary to perform their oversight functions once a program was approved, a new support grant has been established where CCMs can apply for up to \$43,000 annually to cover their running costs. The AF does not yet have a system in place where it supports the capacity of civil society to perform an accountability function.⁶⁸ As noted earlier the Forest Investment Programme in the CIFs is currently detailing a terms of reference for a dedicated grant mechanism for indigenous peoples and local communities to participate in the programme.⁶⁹

3) Effective redress mechanisms: these should be at national and global level, to ensure that civil society concerns are not brushed aside.

The GF has set up an Office of the Inspector General (OIG) and complaints or evidence of mismanagement, fraud or unethical conduct can be easily submitted on its website. The OIG may be mainly useful for dealing with malpractices however, and a less useful avenue for ensuring that civil society's concerns are taken into account. Importantly though, civil society representatives have actual voting seats on the board, meaning that concerns potentially can be taken up at the highest level. The AF has, to the author's knowledge, not yet established equivalent accountability mechanisms.

On the basis of a substantial review of civil society participation in environmental funds (GEF and CIFs), Sharma has elaborated a comprehensive model which cements civil society participation and accountability at all levels of a climate finance mechanism (see figure 4 below). The model includes ways for civil society to participate at international, national and local levels, through, respectively, a global stakeholder forum, a national civil society network (NCSN), and local (state or district level) civil society networks that constitute the national NCSN.

⁶⁵ Sharma, A. (March 2010): The Reformed Financial Mechanism of the UNFCCC. Renegotiating the role of civil society in the governance of climate finance. Oxford Institute for Energy Studies.

⁶⁶ Ibid.

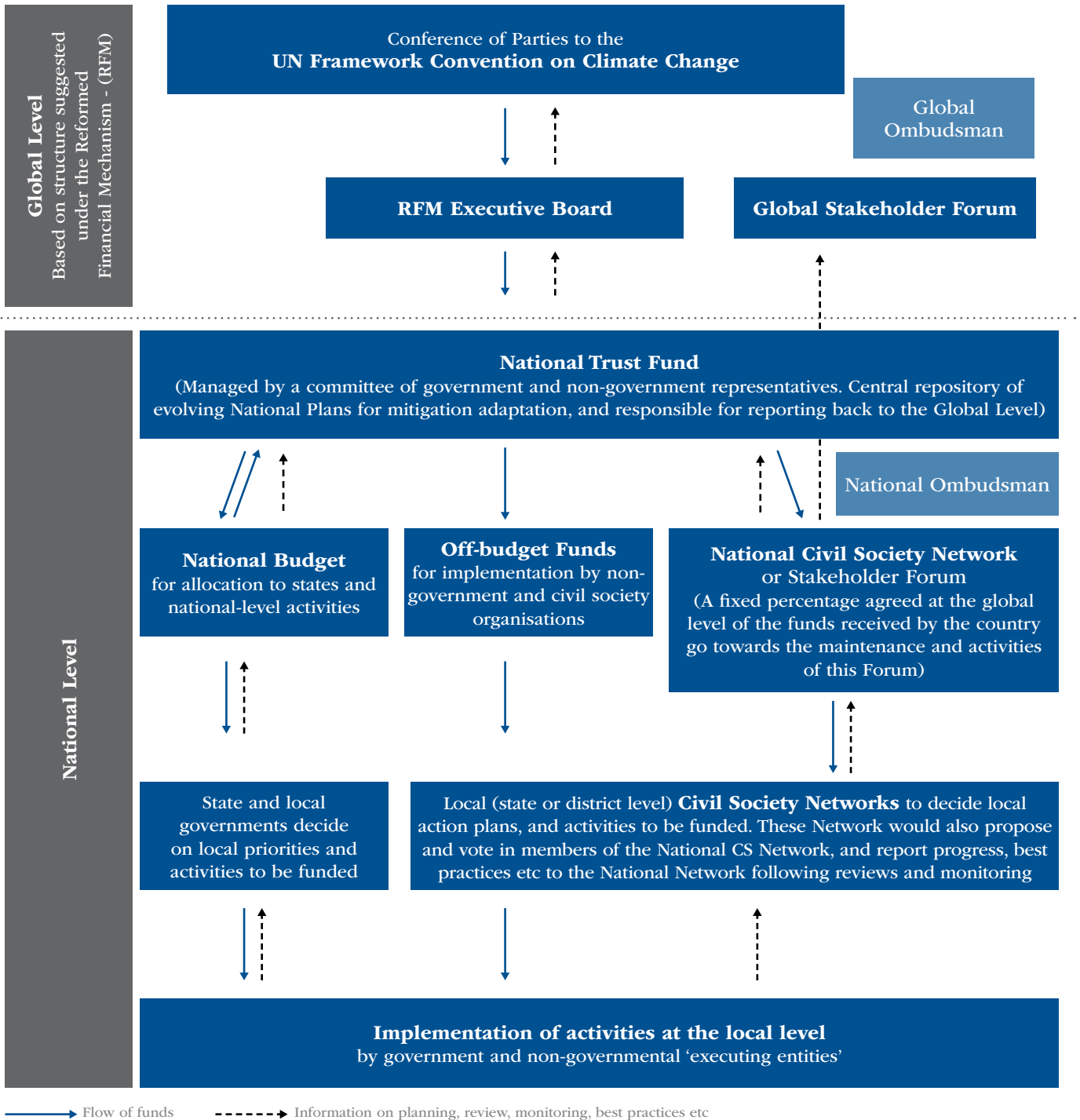
⁶⁷ Ibid.

⁶⁸ Another climate Fund, the Forest Investment Program (FIP, part of the World Bank Climate Investment Funds) has recently also agreed to establish a dedicated grant mechanism "to provide grants to indigenous peoples and local communities in country or regional pilots to support their participation in the development of the FIP investment strategies, programs and projects" (FIP/SC.3/5 Terms of Reference for the Development of a Dedicated Grant Mechanism for Indigenous Peoples and Local Communities, FIP sub-committee meeting. March 17, 2010.

⁶⁹ Climate Investment Funds Forest Investment Program FIP/SC.3/5 - <http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FIP%205%20TORs%20development%20of%20a%20dedicated%20grant%20mechanism%20IP%20and%20local%20communities%20march%202010.pdf>



Figure 4: Sharma's proposed structure of a climate change finance mechanism, to benefit from civil society engagement at the local, national and global level



5. Conclusions and recommendations

This study shows that in addition to being a more just financial arrangement, DA can provide for more efficient and effective delivery of financial support to developing countries than indirect access modalities. It enhances alignment with national needs and priorities and encourages the prioritisation of climate action at a time when this is urgently needed; it promotes a more mature partnership between contributors and recipients, streamlines access, and reduces the arbitrary nature of finance flows.

That said, the paper also demonstrates that whilst DA brings many benefits, it provides in itself no guarantee that nationally developed climate action plans will be inclusive, deliver for the most vulnerable and enhance co-benefits. It does, however, have the potential to deliver this critical engagement. Particular attention was paid to the extent that southern civil society and community-based organisations can and should participate in the more bottom-up approach underpinning DA, to ensure they are able to safeguard their interests, that the knowledge and skills be harnessed, and to reduce the risk that financed actions fail to deliver pro-poor outcomes.

As has been argued, the participation and empowerment of civil society within climate finance modalities is crucial, not only to ensure that those facing the highest risks from climate change are able to hold those implementing climate action to account, but equally in order to ensure the appropriate design and effective delivery of climate action, essential in order to meet urgent needs in developing countries. Multi-stakeholder engagement both reduces political, social and economic risks associated with financing climate action, and strengthens national and local resilience.⁷⁰

The multiple interests involved in climate change, climate action and climate finance reaffirm the importance of ensuring that the future finance architecture contains mechanisms to provide checks and balances against dominating powerful interests to ensure that the needs and concerns of poor and marginalised communities are not overridden.⁷¹

Drawing lessons from existing DA modalities under the GF and the AF, from experience with the GBS modality, the Aid Effectiveness agenda and from civil society participation in other environmental funds, this paper raises important issues which policy makers must now consider in the negotiations for the development of a post 2012 climate finance mechanism.

Recommendations for further elaboration and implementation of Direct Access to climate financing under the post 2012-agreement

1. Parties to the UNFCCC should engage in a thorough debate on the intricacies of Direct Access

Parties have not yet thoroughly discussed and clarified proposals for Direct Access within the ongoing negotiations. Parties should go beyond a current binary conversation on Direct Access and debate the variations available and their merits and challenges. (Chapter 3 and 4)

2. Stakeholders and Parties should further explore, better understand and explicitly endorse inclusive national decision-making under Direct Access modalities

Stakeholder engagement has in the past often been a tick the box exercise. Not all countries are yet persuaded of the value that stakeholder engagement brings in reducing the political, social and economic risks associated with climate projects and programmes, and in building national and local capacity and resilience. All actors need a better and common understanding of how stakeholder engagement can enhance climate action. (Chapter 3, 4, Annex I)

70 Ballesteros, Athena et al. "POWER, RESPONSIBILITY AND ACCOUNTABILITY: Re-Thinking the Legitimacy of Institutions for Climate Finance." WRI Working Paper. World Resources Institute, Washington DC. Available online at <http://www.wri.org>.

71 For example: Another Inconvenient Truth: How Biofuel Policies are Deepening Poverty and Accelerating Climate Change, Oxfam briefing paper 2008.
Trick or Treat: REDD, Development and Sustainable Forest Management, Global Witness, October 2009.
Why carbon markets can never deliver for the poor, CAFOD policy paper, 2009.



3. Parties should institutionalise effective multi-stakeholder participation, coordination and accountability in Direct Access to climate finance via:

Agreeing International guidelines on stakeholder participation at all levels

At an international level, Parties should agree to, and implement good practice guidelines on multi-stakeholder stakeholder engagement. Special attention should be paid, and measures recommended to ensure the participation of women and other groups particularly vulnerable to climate change impacts. (Chapter 3, 4, Annex I)

Implementing entities and national bodies should be required to report on the implementation of the internationally agreed guidelines. Given the critical importance of multi-stakeholder approaches in reducing risk and enhancing delivery, the international body should take into account the implementation of these guidelines when allocating further funding.

Supporting a multi-stakeholder coordination entity at national level

The benefits of the Country Coordinating Mechanism of the GF is that there is one overarching body which has oversight and coordination of all projects, in which civil society is represented. Currently the AF allows for several National Implementing Entities to exist, thereby limiting the possibility of comprehensive oversight at a national level, as oversight would lie with the AF Board at the global level.

Supporting a multi-stakeholder institution that has national oversight would improve coordination and coherence of action and a 'learning by doing' approach, and encourage an increasing programming of action. The CCM of the Global Fund provides an excellent example, as does the model proposed by Sharma for national civil society networks (NCSNs). The national level coordination and decision-making body should include both governmental and non-governmental representatives, including civil society organisations, affected community representatives, academics and the private sector.

Ensuring adequate resourcing for the accountability function of stakeholders

Evidence shows that to ensure that multi-stakeholder participation leads to improved results, it is important that stakeholders are adequately resourced to carry out their oversight and accountability function. This could be done either through a separate grant mechanism or a set percentage of national allocations. Any option considered should take into account lessons learned including the need to ensure that roles and responsibilities are clearly outlined and understood by all parties, and that conflicts of interest are minimised through maximum transparency.

Ensuring the publication of all financial information, project proposals, monitoring information and Board decisions online, and the provision of support to ensure national level availability of documents in local languages

Access to information is of crucial importance to ensure that stakeholders can scrutinise climate finance at international, national and local levels. It also contributes to better decision making, better delivery, enhanced accountability, less corruption, less duplication and waste, and improves research and learning. At the global level, financial information, Board meeting records and decisions, all grant information reports and evaluations should be published online in an easily accessible format. At national levels, extra support should be given to ensure that information relevant for a specific country can be translated in local languages and made accessible to affected communities.

4. Parties should agree a Direct Access model that promotes integrated climate adaptation and mitigation planning

The prioritisation of climate action that DA facilitates is critical in the short term, and for as long as is necessary. However, while existing DA arrangements function outside of government budgets, further elaboration of the modality should promote mainstreaming of adaptation and mitigation in overall government planning and budgeting over the longer term. (Chapter 4.1 and .4.2)

5. Parties should agree a Direct Access model that ensures accountability to International Human Rights and Internationally Agreed Social and Environmental standards

National level bodies should report on application of internationally agreed social and environmental safeguards and respect for Human Rights. In order to ensure accountability, the international ombudsperson should be mandated to settle disputes where they arise. As long as internationally recognised UN social and environmental standards and safeguards are still in development, standards currently employed by international financial institutions such as the World Bank or GEF could be used as a benchmark as an interim measure. Where countries have developed their own national systems for comprehensive social and environmental safeguards these could also be employed, if they are sufficient. What is critical is to ensure safeguards are applied, implemented, monitored and evaluated. (Chapter 4.2)

6. Parties should agree to establish an independent international ombudsperson

Ombudsperson or persons should be installed at the international level to allow stakeholders to settle disputes and raise concerns at an international level. This debate is currently absent from the climate negotiations, and is critical to ensure a genuine feedback loop through the governance system. The key features of an ombudsperson should include independence, public accountability and effectiveness. (Chapter 4.2)

7. Parties should agree on establishing international fiduciary standards for implementing agencies eligible for Direct Access financing, building on those agreed by the Adaptation Fund Board

Criteria to develop fiduciary standards must be agreed internationally to avoid politicising eligibility of entities for Direct Access. (Chapter 4.1)

8. Parties should agree on including provision for multilateral implementing entities to be invited to provide support where needed. (Introduction, Annex I)



Annex 1

Direct Access in the Global Fund to Fight Aids, Malaria and Tuberculosis⁷³

Core structures of the Global Fund

The GF is a pioneer in providing direct access to finance to developing countries. It was the brainchild of Kofi Annan, who was determined to do to '*business as unusual*'⁷⁴ and to create a radically different governance and funding structure, differing from and operating more effectively 'than existing bilateral and multilateral mechanisms'.⁷⁵

Its governance structures are heavily weighted towards existing in-country mechanisms and in-country experts, in order 'to enhance local ownership and participatory decision making'⁷⁶ and allow civil society oversight in project implementation. The GF model consists of three central mechanisms at the country level, each with different responsibilities in the project cycle: The Principal Recipients (PRs) and Sub Principle Recipients (SPRs); the Local Fund Agents; and the Country Coordination Mechanism (CCM). :

Principal Recipients (PRs) and Sub Principle Recipients (SPRs): responsible for program implementation, subcontracting to sub-principal recipients and reporting.

These are legal national or regional level organisations that go into contractual agreements with the GF and receive financing directly to implement prevention, care and treatment programs or pass it on to other organisations (sub-principal recipients) who provide those services. The PRs are responsible for program management and are financially accountable for the Global Fund-financed program. They are selected to carry out a project or program by the multi-stakeholder body, the Country Coordination Mechanism (CCM), and approved by the Global Fund Board after a Local Fund Agent (LFA) has checked their financial and management capabilities. There can be more than one PR per country as different programs are being funded. Half of PRs are government ministries or departments, but the other half are organisations with various backgrounds: academic, private sector, faith based or NGOs and CBOs.⁷⁷

One PR can also be managing and implementing a number of separate projects at the same time, each with different proposals, objectives and reporting requirements. In March 2010, however, the GF introduced changes to its grant architecture, and decided to consolidate various funding streams per Principal Recipient into one programmatic stream to 'put the Global Fund in a better position to support a national program approach, [and] allow improved alignment with national cycles and systems'. The Global Fund expects that the new architecture will also strengthen effective oversight of the CCMs and lead to reduced transaction costs.⁷⁸

73 All information gathered from the Global Fund website, from Personal Communication with Beatrice Bernescut, Communication Officer Global Fund, and from: Triponel, Anna F., Global Fund to Fight Aids, Tuberculosis and Malaria: A New Legal and Conceptual Framework for Providing International Development Aid (February 23, 2010). North Carolina Journal of International Law & Commercial Regulation, Vol. 35, p. 173, 2009 .

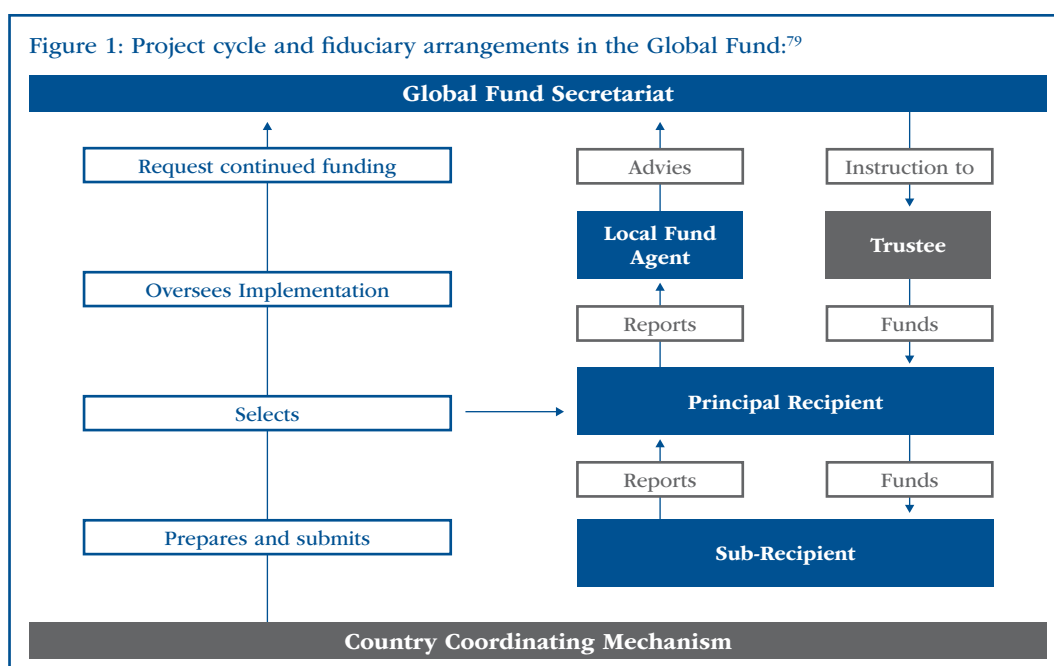
74 Personal Communication with Beatrice Bernescut, Communication Officer Global Fund.

75 Triponel, Anna F., Global Fund to Fight Aids, Tuberculosis and Malaria: A New Legal and Conceptual Framework for Providing International Development Aid (February 23, 2010). North Carolina Journal of International Law & Commercial Regulation, Vol. 35, p. 173, 2009 .

76 Ibid.

77 Global Fund Portfolio by Type of Principal Recipient, available at: <http://www.theglobalfund.org/en/recipients/?lang=en>

78 New Grant Architecture, Global Fund Website: <http://www.theglobalfund.org/en/grantarchitecture/?lang=en>



Local Fund Agents: responsible for the assessment of the capability of Principal Recipients to deliver financial and program accountability.

The GF has no offices in-country, and all fiduciary controls and checks of the grant are contracted out to Local Fund Agents. They are independent and external expert agencies that are hired by the GF (after a bidding process) to assess financial and program management capabilities of the Principal Recipient before the Fund considers a program.⁸⁰ Once a grant is approved, the LFA is responsible for overseeing, verifying and reporting on grant performance, but at the same time, their responsibilities are limited (i.e. they cannot make decisions on behalf of the Global Fund). Typically LFAs are accountancy firms like KPMG, Deloitte, or Price Water House Coopers.⁸¹

The Country Coordinating Mechanism (CCM): is a multi-stakeholder body responsible for proposal coordination and development, submission and monitoring: The CCM is what makes the Global Fund stand out as a unique model of multi-stakeholder partnership. Essentially, it is a domestic, multi-stakeholder, participatory coordination and oversight body, pre-existing or new, with around 20-30 members with representation from governments, NGOs, civil society, multilateral and bilateral agencies and the private sector. It does not need to have legal identity, as it does not go into financial contracts with the Global Fund. It invites local entities, through announcements in national newspapers, to submit project or program proposals, and channels one large coordinated proposal to the Board secretariat, with a suggested PR to implement the activities. After approval of a program, the CCM is responsible for overseeing implementation and monitoring. The CCM does not receive any funds directly (except to cover some operational costs), but, for each grant, nominates a Principal Recipient that will implement the program.

Guidelines for the composition of CCMs, are not prescriptive, but suggestive. The GF's CCM Guidelines⁸² state that to have a significant impact, "a variety of actors each with unique skills, background and experience, must be involved in the development of proposals and decisions on the allocation and utilisation of Global Fund financial resources". CCMs are expected to 'be as inclusive as possible and seek representation of all key stakeholders that are relevant in the fight against the three diseases in the national context'. More detail on the exact function of the CCM and civil society participation in the CCM is provided in the next section.

⁷⁹ Triponel, Anna F., Global Fund to Fight Aids, Tuberculosis and Malaria: A New Legal and Conceptual Framework for Providing International Development Aid (February 23, 2010). North Carolina Journal of International Law & Commercial Regulation, Vol. 35, p. 173, 2009 .

⁷⁹ Ibid.

⁸⁰ LFAs assess five specific areas in their capacity assessment: Financial management and systems, Program management capacity, sub-recipient management, pharmaceutical and health products management, and monitoring and evaluation capacity.

⁸¹ For a list of Local Fund Agents, see: <http://www.theglobalfund.org/documents/lfa/LFAsSelected.xls>

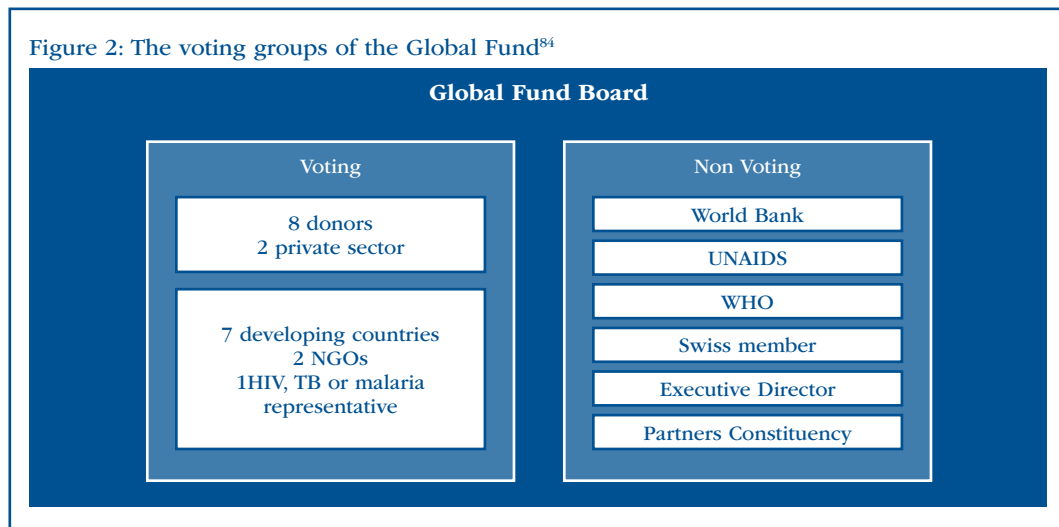
⁸² Global Fund guidelines and requirements for Country Coordination Mechanisms: Accessible at: http://www.theglobalfund.org/documents/ccm/Guidelines_CCMPurposeStructureComposition_en.pdf



Civil Society and the Global Fund

Civil society participation at the international Board level

Quite unlike any other financial mechanisms, the GF has an institutionalised structure in which civil society representatives are represented within decision-making structures, and not just accorded 'observer' status or 'participant' status. At the Board level, 2 seats out of 20 with voting power are reserved for NGOs, and 1 for an NGO representative who lives with HIV/Aids or is from a community living with tuberculosis or malaria. (see Figure 2). Decisions are made through consensus, but if this appears impossible, any member may require a formal vote. Unlike other financial mechanisms like the GEF, all constituencies are equally represented on the vote, and not weighted by financial contributions.⁸³ Each constituency can bring up to 10 members of the constituency to the Board meeting, meaning that there can be up to 20 NGO members, and 10 people living with HIV/Aids, tuberculosis or malaria.



Civil society participation at the domestic level

At the country level, representatives of civil society take part in the CCM, meaning that they are involved in coordinating and deciding on proposals to be put forward for funding, nominating a PR and being involved in the oversight processes the CCM undertakes. At an implementing level, civil society organisations can also qualify, and are encouraged by the Global Fund, to be an implementing PR or SPR.

The GF recommends that countries 'strive' to include representatives from all relevant national stakeholders, and particularly encourages CCMs to aim at a gender balanced composition.⁸⁵ With regards to civil society participation, the Global Fund suggests, but does not obliges, that at least 40% of the members represent non-government sectors.⁸⁶ The CCM must demonstrate to the GF Board that they have an open and transparent selection process. Constituents are self-selecting to the CCM, in the case of the government they are appointed by the government themselves, but nongovernmental constituencies must show a clear and transparent nomination process.⁸⁷

⁸³ Triponel, Anna F., Global Fund to Fight Aids, Tuberculosis and Malaria: A New Legal and Conceptual Framework for Providing International Development Aid (February 23, 2010). North Carolina Journal of International Law & Commercial Regulation, Vol. 35, p. 173, 2009 .

⁸⁴ Ibid.

⁸⁵ The constituencies suggested by the Global Fund to be included in the CCM are: Academic/Educational Sector; Government; NGOs/Community-Based organizations; People living with HIV/AIDS, TB and/or Malaria; Key Affected Populations; Private Sector; Religious/Faith-Based organizations; Multilateral and Bilateral Development Partners in-country. http://www.theglobalfund.org/documents/ccm/Guidelines_CCMPurposeStructureComposition_en.pdf

⁸⁶ Ibid.

⁸⁷ Personal Communication with Beatrice Bernescut, Communication Officer Global Fund
Ms Bernescut illustrated with the following example: a few years ago, some NGOs in China were unhappy with the way the NGO representative had been selected, and they protested, eventually bringing the matter to the attention of the Secretariat. And although the Global Fund does not manage the CCMs, they were able to assist with the discussions.

Civil society participation in practice

Though clear institutional efforts have been made for civil society to have a say in country level GF programs, their real power, as always, depends on local circumstances and on the willingness of national governments to accord them due status at the CCM. A recent series of GF evaluations found that civil society participation in CCMs was uneven. For instance in Malawi, civil society membership is weak, whereas in Honduras and Peru, civil society participation is active despite remaining perceptions of unequal status.⁸⁸ Even so there was evidence that where civil society was less well represented, civil society participation in decision-making was more accepted by government officials than in earlier years⁸⁹ and the CCM was considered by interviewees to be an inclusive space for members to influence programming.⁹⁰ Potential problems though were identified in the dominance of the CCMs (through chair or vice-chair positions) by government officials. More important than which constituency people came from, personality traits of CCM chairs were felt to be critically important outweighing all other issues.⁹¹

CCM members interviewed for a Global Fund evaluation saw the value added of the CCM as partnership via:⁹²

- Improved government–civil society relationships and an appreciation of each sector’s roles
- A genuine platform for equal representation
- Voice, visibility and participation of civil society
- Improved government performance due to civil society involvement with oversight functions and motivation of good performance
- Increased understanding and respect by government and for the contribution of other sectors to program success.

The roles and composition of CCMs are still evolving, and the Global Fund and its supporters appear to be genuinely interested – through evaluations and briefings on civil society participation and capacity building programs for CCM participants⁹³ – to make civil society representation on the CCM as effective as possible.

Oversight and accountability by civil society members in the CCM

Oversight is an essential part of CCM tasks, but the exact nature of oversight responsibilities is determined locally by the CCM itself. Recent research looking into the oversight function of CCMs found that many CCMs were unprepared for oversight responsibilities and there seemed to be confusion over roles. Other important factors in reducing the quality of CCM oversight were also found to be time and power constraints, but the single most important reason was resource constraints, both financial and human, slowing down its day-to-day oversight functions as staff are not being paid etc. The Global Fund now allows CCMs to apply for up to US\$43,000 annually to ensure it can perform its functions more satisfactorily.⁹⁴

Arrangements for oversight vary between countries. The Peru CCM for example organises monthly meetings in which the Principal Recipient needs to present progress reports and future plans. Ethiopia’s CCM has quarterly such meetings, and maintains an open door policy, allowing anyone who is interested to participate.⁹⁵ CCMs can also consult with networks and partner forums or organise field visits to follow up project implementation, though this depends on capacity.⁹⁶

88 Global Fund (2008). Country Coordination Mechanism Model: Partnerships and leadership, the Global Fund Implementer Series.

89 Global Fund (2008). Country Coordination Mechanism Model: Governance and Civil Society, the Global Fund Implementer Series.

Detailed information on CCMs, their composition, gender balance, sector representation etc can be found on: <http://www.theglobalfund.org/en/ccm/documents/?lang=en> (go to Newsletters and Data). In total there are more than 130 CCMs globally.

90 Global Fund (2008). Country Coordination Mechanism Model: Partnerships and leadership, the Global Fund Implementer Series.

91 Ibid.

92 Global Fund (2008). Country Coordination Mechanism Model: Partnerships and leadership, the Global Fund Implementer Series.

93 As part of the Grant Management Solutions Project (a US government designed mechanism to provide technical support to Global Fund grantees and to strengthen and extend multi-sector partnerships <http://www.gmsproject.org/>) the NGO International HIV/Aids Alliance was tasked “to develop, test, validate and modify a generic approach to mobilising and strengthening civil society organisations to participate a constituency in the CCM” (<http://www.aidsalliance.org/NewsDetails.aspx?Id=247>)

94 Global Fund (2008). Country Coordination Mechanism Model: CCM Oversight Practices, the Global Fund Implementer Series.

95 Ibid.

96 Ibid.



Business as unusual - Direct Access: Giving power back to the poor?

In terms of accountability, the CCM does not have the power over financial arrangements between the Global Fund and the PR, and cannot stop the flow of funding or amend the grant agreement in case it is not satisfied with results.⁹⁷ However, although the grant agreement is signed between the PR and the Global Fund, both the CCM chair and the CCM civil society representative sign the agreement as well, as ‘acknowledging’ the agreement.⁹⁸ The CCM can flag problems to the Global Fund, but most often, it is the other way around – seeing that results (as reported by the PR to the LFA and the Global Fund) are not meeting goals, the Global Fund can flag the issue to the CCM, empowering them to fulfil their responsibility of overseeing grant implementation.⁹⁹

Direct Access in the Adaptation Fund

Core structures of the Adaptation Fund

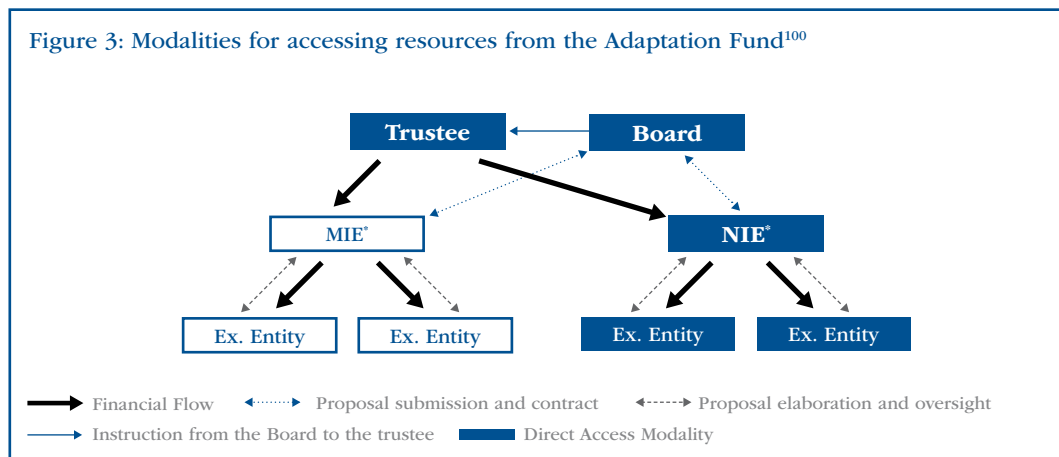


Figure 3 above outlines the basic governance structure of the AF. Its core structures are the National Implementing Entity(ies) (NIE), the Multilateral Implementing Entities (MIE) and the Executing Entities (Ex. Entity – abbreviation used by the AF):

National Implementing Entity (NIE): is responsible for the project/program design and management, and for all financial issues, monitoring and reporting.

The National Implementing Entities “are those national legal entities nominated by Parties that are recognised by the Board as meeting the fiduciary standards established by the Board. The NIEs will bear the full responsibility for the overall management of the projects and programmes financed by the AF, and will bear all financial, monitoring, and reporting responsibilities”.¹⁰¹ To be accredited by the Board, an NIE needs to submit an accreditation application to an Accreditation Panel consisting of 2 Board members and three independent experts. If the NIEs put forward by Parties fail the accreditation process, they can still apply for project financing through a Multilateral Implementing Entity (MIE), such as the World Bank or the UNDP.

The NIE is not the actual implementer of the project or program; this is delegated to Executing Agencies. While the AF schematic structure (See figure 3) suggests there is only one NIE, and multiple Executing Entities, there is no explicit limit on the number of NIEs a party can nominate. In principle, an NIE can be any organisation that receives AF accreditation, including academic institutions, civil society organisations, or government departments. It could be a national, regional or subregional level organisation. However, as it is the Party, i.e. the country government, that nominates the NIE, the likelihood is great that chosen NIEs will be government departments, or institutionally closely aligned with government.

⁹⁷ Personal Communication with Beatrice Bernescut, Communication Officer Global Fund

⁹⁸ Ibid

⁹⁹ Ibid

¹⁰⁰ Adaptation Fund Board (undated) Operational policies and guidelines for parties to access resources from the adaptation fund

¹⁰¹ Ibid. Paragraph 27.

As of April 2010, the first NIE, the Centre de Suivre Ecologique du Senegal (CSE) and two MIEs, United Nations Development Programme (UNDP) and the International Bank for Reconstruction and Development (IBRD) were recommended for accreditation.¹⁰²

In the AF direct access model there is no requirement for an overseeing multi-stakeholder body such as the CCM in the Global Fund.

Executing Entities: responsible for executing adaptation projects

The AFB operational policies and guidelines do not provide much detail on the role and responsibilities of Executing Entities (Ex. Entities). Paragraph 31 states that they are ‘organizations that execute adaptation projects and programmes supported by the Fund under the oversight of the Implementing Entities’. NIEs are responsible for ensuring that the capacity exists to measure and monitor results of the Ex. Entities at the country-level. Ex. Entities need to be known and described to the AF Board at the stage of the project application.

There is no real clarity yet on whether the Ex. Entities themselves are responsible for monitoring whether objectives are being met, or whether this is the sole responsibility of the NIE.

102 Kaloga and Harmeling (April 2010): Historic milestone achieved in the 9th meeting of Adaptation Fund Board. Briefing Germanwatch.

This discussion paper raises important issues which policy makers must now consider in the negotiations for the development of a post 2012 climate finance mechanism. The paper argues that the Direct Access modality, in addition to being a more just financial arrangement, can provide for more efficient and effective delivery of financial support to developing countries than indirect access modalities. It emphasises, however, that the multiple interests involved in climate finance reaffirm the importance of ensuring that the future finance architecture contains mechanisms to provide checks and balances against dominating powerful interests to ensure that the needs and concerns of poor and marginalised communities are not overridden.



Caritas Internationalis is a global confederation of 165 national Catholic humanitarian assistance, development and social services organisations working in more than 200 countries and territories of the world.

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