THE OXFORD INSTITUTE FOR ENERGY STUDIES

A RECOGNIZED INDEPENDENT CENTRE OF THE UNIVERSITY OF OXFORD

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Enhanced (Direct) Access

FOR THE GCF BUSINESS MODEL FRAMEWORK

Presented at the AfDB
Consultation on African Perspectives on the Green Climate Fund (GCF)
26-27 September 2013
Sheraton Hotels, Tunis, Tunisia

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1. Introduction

Design methodology (Paragraph 1-3 GI)

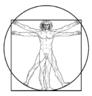
a) ***Being equitable and being efficient/effective*** both apply to every aspect of the framework, and whenever one is taken into consideration, the other should also be.

b) ***Transparent, Accountable, with effective stakeholder engagement/involvement***, in turn, is a group of framing conditions that are targeted at decision-making process of the GCF.

c) ***Scalable and flexible***: general supply and demand side scope

d) ***Country driven and with simplified/improved access*** are focused on the 'demand-side'

On transparency, accountability, and effective stakeholder engagement/involvement



The importance of involving stakeholders in the GCF

Background Material

Sources:

THE OXFORD INSTITUTE FOR ENERGY STUDIES

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Oxford Energy and Environment Brief
February 2013

A Delhi Vision

for the Green Climate Fund Business Model Framework –
Some Thoughts on Access and Disbursement

by Benito Müller*

FICCI

Industry Recommendations on Green Climate Fund

15 February 2013
Hotel Taj Mansingh, New Delhi

2. What scale? What flexibility?

Can we expect there to be a design which is unrestrictedly scalable, or must we expect there to be design-specific upper and lower limits of operational scale?

The key design question then becomes what scale of operations (in terms of annual funding) would be necessary to make the GCF fit for purpose? Is it tens of millions, hundreds of millions, single digit billions, or tens of billions?

The remainder of the presentation is to be based on the assumption that the target operational scale of the GCF must be tens of billions (USD/EUR)

3. Administrative Implications

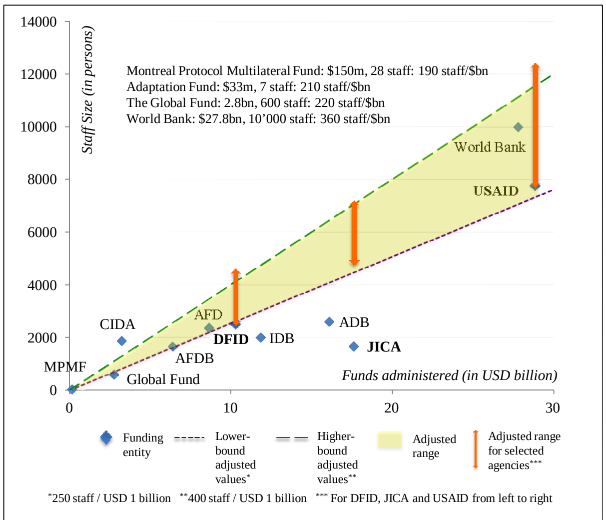


Figure 1. Staffing Intensities 2008/09

Source: Ciplet et al. 2010

3. Administrative Implications

The estimated economic benefit of hosting the secretariat of the Green Climate Fund stands at around 340-million U.S. dollars a year.
Songdo will host more than one hundred international meetings annually… and eventually be home to 8-thousand staff members from around the world.
Songdo now also has a much higher chance of attracting the Korean office of the World Bank that will open next year.

4. Governance Implications: The need for Subsidiarity

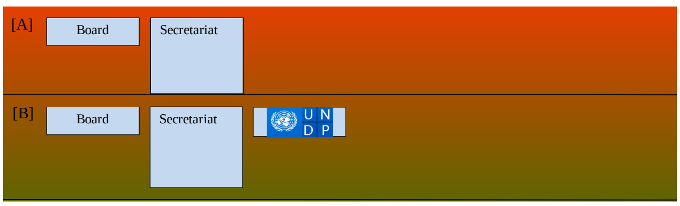
Figure 2. Operational Options

CDM EB Model

In their recent final report on CDM Governance, the CDM Policy Dialogue research team highlights *that the secretariat ventures into roles beyond mere administration, and emphasizes that it is important to note the trend towards decision-making by default in the latest review procedures, whereby a decision will automatically follow the recommendation made by the secretariat and RIT* [Registration and Issuance Team] *if a Board member does not recall the decision. So, while the decision is formally the EB's, by implicit delegation it is actually the RIT's and secretariat's.*

4. Governance Implications: The need for Subsidiarity

Figure 2. Operational Options



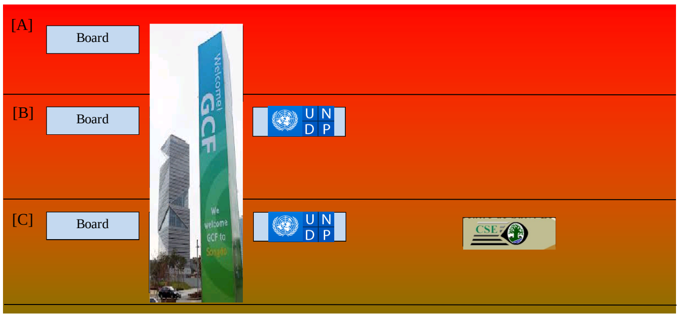
The GEF Model

The GEF uses (multilateral) implementing entities ('GEF agencies'), which not only have to be used to put forward a funding proposal – thus exercising a gatekeeper function – but which also formally approve the projects, after they have been endorsed by the GEF CEO.

The GEF CEO can endorse projects proposals up to $2million (as well as enabling activities) without Council approval

4. Governance Implications: The need for Subsidiarity

Figure 2. Operational Options



The Adaptation Fund Model

*2. (j) "Implementing entities" means the **national** legal entities and multilateral organizations that have been identified ex ante by the Board as meeting the criteria adopted by the Board, in accordance with decision 1/CMP.3, paragraph 5 (c), to access funding to implement concrete adaptation projects and programmes supported by the Fund.*

'Ordinary Direct Access'

4. Governance Implications: The need for Subsidiarity

Enhanced Direct Access through National Funding Entities

In paragraph 47, the GCF Instrument stipulates that *the Board will consider additional modalities that further **enhance direct access**, including through **funding entities** with a view to enhancing country ownership of projects and programmes*

Funding entities, … may be sub-national, national or regional legal entities or international organizations, will be entitled to approve programmes or projects in accordance with the relevant guidelines developed by the Board, and shall receive resources from the Fund for that purpose.

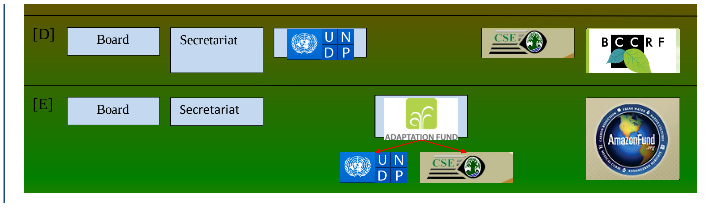
To avoid confusion, it is important to emphasize the difference between an **Implementing Entity** and a **Funding Entity**: the latter approves funding, the former does not.

4. Governance Implications: The need for Subsidiarity

Ordinary Multilateral Funding

[D] In-house

- The very first disbursement of project funding under the AF (for a direct access project) was 32 months after its first Board meeting
- The Pilot Programme for Climate Resilience (PPCR) started disbursing to projects 28 months after the first PPCR Sub-committee meeting.



[E] Devolved

- Devolution of multilateral funding to accredited **Multilateral Funding Entities**

Industry Recommendations on Green Climate Fund

15 February 2013
Hotel Taj Mansingh, New Delhi

Originally Presented by

Mr V Saibaba

Chairman

FICCI Solar Energy Task Force

CEO, Lanco Solar

Federation of Indian Chambers of Commerce and Industry

- Established in 1927, FICCI is the largest and oldest apex business organisation in India.
- A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry.
- FICCI draws its membership from the corporate sector, both private and public, including SMEs and MNCs; FICCI enjoys an indirect membership of over 250,000 companies from various regional chambers of commerce.

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Industry Consultation on GCF

- FICCI conducted an Industry Consultation on the GCF on Feb 11, 2013 in New Delhi
- Supported by Ministry of Finance and UNDP
- Objective to get industry's views on concerns and expectations from the GCF
- Participants included industry and financial institutions
- Discussion focused on accessibility, what should be funded, source of financing, and role of Indian financial institutions
- Companies from both private and public sectors

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GCF Roles and Responsibilities

GCF Board:

- Vision and mission
- Own and implement 5 year global strategic plan and 3 year business plan
- Approve country specific yearly plan
- Help assist secretariat for resource mobilization

Secretariat:

- Resource mobilization
- Resource disbursement
- Governance, MIS
- GCF board should act as an enabler & facilitator and not a controller
- GCF secretariat role should be to assist raise resources and provide resources to National Funding Entities*
- Believe NFEs are capable to understand country specific climate change finance requirements and delegate authority and responsibility

* "National Implementing Agencies" in the original

Roles and Responsibilities (cont'd)

GCF NFE (National Funding Entity):

- 5 year strategic, 3 year business and 1 year operational plan - Scan and Focus on national priorities aligning with global objectives
- Utilize existing best possible/proven delivery mechanisms
- Program & Project approval at the country level

Access to GCF

- Large number of small enterprises should be able to access easily in time bound manner
- Easily accessble in time bound manner
- Transparent processes
- Flexible

Governance – Procedures & Modalities

- Need to create institutional mechanisms which avoid the problem of creating a large bureaucracy at the global level
- A national body into which GCF money could flow for further disbursal
- Need to create an institutional structure at domestic level that can interact with GCF and act as an funding entity instead of a direct access mechanism
- **Need for a National Funding Entity…**

Role of National Funding Entity

- Need to create an institutional mechanism at the domestic level to cater to direct access of finance
- Indian banks should become funding entities
- Dedicated agencies that would be responsible for a single activity in coordination with the ministries
- Steps to be taken to involve the private sector
- GCF should come in the form of an endowment to the country which can complement the National Clean Energy Fund (NCEF)
- Transparent disbursal of GCF funds provided under programmatic approach into projects

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Summary of Recommendations

- National Funding Entity (NFE) should be flexible and non-bureaucratic;
- Transfer of resources from the GCF to NFE and from NFE to private sector should be simple and transparent;
- National Funding Entities should decide what and how to fund
- Any mitigation/adaptation programme under the NFE should be open to competition from anywhere
- There should not be any funds allocated with multiple objectives or riders

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Recommendations

The GCF should:

1. develop, as a matter of priority, NFE eligibility/accreditation criteria for existing in-country entities to kick-start an EDF pilot programme
2. set up an institutional capacity building project for establishing NFEs as part of its readiness activities.
3. Accredit existing multilateral funds, such as the Adaptation Fund, the LDCF, SCCF, GEF TF, as International Funding Entities in order to start ordinary multilateral funding soonest possible.
4. Create an ad-hoc Expert Working Group of Board Members/Alternates and international experts to carry out the background work required for these tasks