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To initiate debates on international climate policy

A Momentous Event

The Launch of the GCF Enhanced Direct Access Pilot Phase

by Benito Müller

The first, and possibly most momentous decision to be adopted on the final day of the tenth Green Climate Fund (GCF) Board meeting (Songdo, 9 July 2015) was the approval of the terms of reference (TOR) for, and therewith the launch of,[1] a five year pilot phase on enhanced direct access (EDA Pilot). It was the crowning moment in the sometimes arduous three-year process[2] of operationalizing the direct access paragraph in the GCF Governing Instrument (GI), which mandated the Board to *consider additional modalities that further enhance direct access, including through funding entities with a view to enhancing country ownership of projects and programmes.*[GI, para. 47]

According to the approved TOR, the EDA Pilot *will initially aim to provide up to US\$ 200 million for at least ten pilots, including at least four pilots to be implemented in Small Island Developing States, the least developed countries and African States.*[TOR, para. 30]

It's objective *is to allow for an effective operationalization of GI paragraph 47 and, for this purpose, the EDA Pilot will include devolved decision-making to regional, national, and subnational entities ... and stronger local multi-stakeholder engagement.*[para. 1] The *decision-making on the specific projects and programmes to be funded will be made at the national or subnational level, and such direct access is a means to increase the level of country ownership^[3] over those projects and programmes. This implies that the screening, assessment and selection of specific pilot activities would be made at the regional, national or subnational level. At the same time, mechanisms will be set up to increase national oversight and multi-stakeholder engagement at the country level.*[para. 3]

Countries *can nominate an entity for the implementation of the country pilot* (National Implementing Entity), *such as a public-sector institution (development bank, national fund, etc.), private-sector entity (commercial bank, investment fund, leasing company, etc.), and operating at the regional, national or subnational level.*[para. 13]

National Oversight and Steering Function. Country pilots will be overseen and strategically guided at the national level. The oversight and steering function *should include the NDA or focal point, and*

representatives of relevant stakeholders, such as government, private sector, academia, civil society organizations, and women's organizations.[para. 8]

Engaging local stakeholders through local intermediation. In implementing country pilots, the designated NIEs will work:

1. *with various types of local actors ... including public institutions, local bodies, non-governmental organizations, community-based organizations, actors from the informal sector, and private enterprises, particularly small and medium sized enterprises (SMEs).[para. 14] A significant share of small-scale activities should directly support communities or SMEs through, for example, small-scale grants or extended line of credit.[para. 19]*
2. *through various types of local actors in the development of potential projects and programmes, particularly local intermediaries and those addressing the needs of vulnerable communities.[para. 20]*

These key requirements on country pilots correspond precisely with the conclusions on what the EDA Pilot should focus on, drawn in the most recent OCP/ecbi publications on the matter:

- Consolidation and devolution of national climate finance
- Engaging Micro, Small, and Medium Enterprises in developing countries

One of the reasons why the EDA Pilot decision is (potentially) momentous is that Board members from both developed and developing countries have started to refer to EDA as the GCF “signature access modality”. It therefore stands to reason that EDA, and more precisely the ideas reflected in the EDA Pilot, should and will have a significant impact on the strategy debate that was also launched at the tenth meeting. But more about that in my next blog.

[1] DECISION B.08/09 (a) Requests the Secretariat, ..., to prepare terms of reference for modalities for the operationalization of a pilot phase that further enhances direct access, ..., for approval by the Board at its ninth meeting; **these terms of reference will launch the pilot phase;**[emphasis added]

[2] The passage regarding the “additional modalities that further enhance direct access, including through funding entities” was added to the GI text on 17 October 2011, the penultimate day of the fourth and final meeting of the Transitional Committee.

[3] Müller B, 2014, *Enhancing Direct Access and Country Ownership*.[Footnote TOR, para. 3]

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