First of all I would like to thank the GCF Secretariat again for having taken the very welcome initiative to hold an Informal Consultative Talk regarding the background paper on modalities to enhance direct access. Second, I would like to share some afterthoughts on yesterday's teleconference to re-emphasize some of the points I made in my two interventions and to expand on some others.

While it is true that the verb "to enhance" has many different meanings – the OED lists no fewer than 14 – it must be emphasized again (see Müller 2013), that in the context of paragraph 47 the term is not used in a general sense, but should be understood in the very precise technical meaning intended by the authors of the language (as reproduced in the Glossary annexed to this note).

"Enhancing direct access", in this technical reading, refers to a devolution to the country-level of a type of decisions over and above the devolution of implementing functions (see section 2.1.1. in GCF/B.04/05, appended below) practiced in 'ordinary' (Adaptation Fund type) direct access. The type of decision in question are those associated with the evaluation and approval of (eligible) activities, that is to say the "operational fund management functions" (see Annex II below) which are usually described as being part of a "project cycle" (see, for example GCF/B.05/05).

"Funding entity", in this context, simply refers to entities that are accredited with the GCF to take on operational management functions on behalf of the GCF and receive funds for this purpose from it.

Modalities to enhance direct access can accordingly be categorized with reference characteristics of such funding entities, here reflected by the questions "Why?", "Who?", "How many?", and "What and how?" At the end of the note I shall briefly turn to the question of next steps ("What now?")

Why?

It has been suggested that to engage in EDA would somehow inevitably involve a trade-off between country ownership and fiduciary, environmental and social standards. This is by no means the case. Nor is there an inevitable trade-off with reputational risk (with regards to the contributing tax-payers). These issues all depend on who is admitted as accredited funding entities and under what operating conditions they are meant to approve eligible activities: all questions in the hand of the GCF.

In short, EDA can serve different objectives. However, if there is to be a choice between EDA modalities with conflicting outcomes with respect to these multiple objectives then the GI is quite clear which is the overriding objective: country-ownership (paragraph 47).

Who?

It is important to keep in mind that the term "funding entity" as used in the GI was carefully chosen to include trust funds, but not be limited to them. In other words, they are not defined in terms of some financial instrument, such as the provision of grants or loans (they could be banks), but solely by the fact that they approve funding for activities in accordance with the rules provided by the GCF.

They could, of course, have different geographical scope – both with reference to the institutional origin of the decision makers and/or the territorial location of the funded activities (see, for example, Section 2 in WRI, 2013). They could be 'national' in the sense of giving access to eligible proposal from throughout the country, and/or including national governments in their operational decision making. Or they could be sub-national. However, as concerns modalities to enhance direct access,
funding entities have to be (sub-) national. This means, in particular, that traditional 'international financial intermediaries' can at best have a tangential role in the context of enhanced direct access.

**How many?**

Enhanced direct access could be carried out through a single – or a (thematically differentiated) number of National Funding Entity(ies) – which could themselves devolve operational management functions to sub-national funding entities. The GCF could also decide to grant enhanced direct access to sub-national funding entities. Each of these modalities will have advantages and disadvantages. Some may have general disadvantages which could mean that the GCF might wish to refrain from using them. Others might be suited more to the circumstances of some countries rather than others.

**What and how?**

National and sub-national funding entities might have a specific focus with respect to thematic- and instrumental scope. They might be specialized in, say, giving grants for adaptation, or they might also provide concessional loans. The GCF will have to decide which of these activities could be funded under enhanced access and under what conditions and when. Note, incidentally, that there is no need to have all these entities accredited directly with the GCF: they could be used under a single accredited national funding entity which itself could work on a devolved 'through-put' basis. Another key issue to be discussed is how funds would be allocated to such accredited funding entities.

**What now?**

As reflected in the *GCF Report to the COP* (paragraph 23.b), Decision B.01-13/06 notes under Agenda item 7 (Business Model Framework) in paragraph (c)(ii) convergence that the Fund should “commence as a fund that operates through accredited national, regional and international intermediaries and implementing entities.” The reason for the added emphasis is that the temporal component – should the GCF commence with these access modalities or should they be "phased-in" at a later stage – was at the heart of the debate at the fourth Board meeting, which is why the phrasing of the decision in question is not coincidental. This means, I believe, that while the Board must gain clarity as to the longer-term vision of how it is to engage in EDA, it must also consider how to deal with EDA in commencing its operations.

As concerns the discussion of modalities to enhance direct access, the immediate focus should be on existing entities that could commence as accredited funding entities without delay. As mentioned in *GCF/B.04/05*, there are “to date, more than 30 countries are establishing national FEs dedicated to climate finance – or national climate funds.” These include Indonesia, Philippines, Bangladesh (2), China, Brazil (2).

There is thus a need to take up the suggestion on further work put forward in *GCF/B.04/05*, "66 (b) Analyse experience with national FEs or national funds, in line with the Governing Instrument’s guidance regarding enhanced direct access"[B04-05] The otherwise quite detailed *WRI (2013)*, which has been disseminated to the group, will unfortunately not be very helpful in this respect, but there is quite a large literature that can be referred to instead.3

As the complex issues surrounding EDA are of (at least) the same importance and urgency to the success of the GCF as those concerning the Private Sector Facility (for which the Board has already decided to create a number of permanent committees), it also stands to reason that the Board should establish a body such as an *EDA Committee or Expert Panel*, to be given the task of providing the Board with whatever is necessary to take informed decisions on the subject matter.

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1 There is a case to be made for certain regional entities to be considered in this context – serving, say, a number of countries which are too small to have their own (sub-) national funding entities.

2 The analysis of “Learning from Practice” with regard to how developing countries could "assume ownership" there is unfortunately only a very cursory (124 word) mention of two national funds.

3 A bibliography can, for example, be found at [http://www.oxfordclimatepolicy.org/RFM.shtml](http://www.oxfordclimatepolicy.org/RFM.shtml)
Annex I: Glossary of Access Modalities Terms

1. ‘Eligible Activities’ means projects, programmes and other types of activities eligible for financial support by the GCF.

2. ‘Implementing Entities’ means the national regional and international entities that have been accredited by the GCF Board as meeting its criteria for accessing funding in order to implement eligible activities approved by the GCF.

3. ‘Funding Entities’ means the national regional and international entities that have been accredited by the GCF Board as meeting its criteria for accessing funding in order to approve and fund eligible activities.

4. ‘Executing Entities’ means organizations that execute eligible activities supported by the GCF under the oversight of accredited Implementing or Funding Entities.

5. ‘Ordinary Access’ means access through accredited implementing entities.
   a. ‘Ordinary International Access’ means access through accredited international implementing entities.
   b. ‘Ordinary Direct Access’ means access through national or regional implementing entities accredited for direct access.

6. ‘Enhanced Access’ means access through accredited funding entities
   a. ‘Enhanced International Access’ means access through accredited international funding entities.
   b. ‘Enhanced Direct Access’ means access through national or regional funding entities accredited for direct access.

7. ‘Designated National Authority’ means an authority designated by a national government to recommend to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes.

Annex II

2.1.3 Enhancing access

21. These modalities differ from the above as they devolve certain (operational) fund management functions and could also foresee the provision of financial intermediation by others.

22. Description: IFIs, MDBs or national climate change funds are provided access to certain operational fund management functions, using domestic, bilateral or international IEs as a matter of choice. Funding and implementing functions are carried out by separate entities.

23. Examples: National trust funds, direct budget support, credit lines; the Global Fund.

24. There is limited experience with devolving fund management to the national level in climate finance. The Global Fund delegates Fund management within each participating country to a “Country Coordinating Mechanism (CCM), which is a multi-stakeholder forum that submits national grant proposals to the Board. The CCM also nominates a Principal Recipient to receive funding direct from the Global Fund. The Principal Recipient is then responsible for implementing activities using country fiduciary systems. Local Funding Agents (LFAs) are contracted to undertake the due diligence and financial monitoring function”. (Bird et al. 2011).

25. According to the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), “to date, more than 30 countries are establishing national FEs dedicated to climate finance – or national climate funds.” (GIZ 2012). Examples of national climate change trust funds include the Bangladesh Climate Change Resilience Fund (BCCRF), the China Clean Development Mechanism Fund (CCDM Fund), the Sustainable Island Resource Framework Fund (SIRF Fund) and other financial institutions based on bilateral or domestic climate change funding. Another existing form of bilateral funding that could provide lessons in this context is direct budget support.

26. Multilateral and bilateral banks have experience with lending through local and national banks in the form of credit lines, which are then managed by national or local banks.

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4 Source: Müller (2013). The definitions are, essentially, those put forward by the LDC Group, modified in light of GCFB decisions

5 Source: GCF/B.04/05.