

What is EDA?

A ROUGH GUIDE TO ENHANCED DIRECT ACCESS

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The Board of the Green Climate Fund (GCF) is currently in the process of designing “access modalities” as part of the fundamental Fund architecture. Over the last few months, the focus of this exercise has slowly but significantly turned towards the idea of “Enhanced Direct Access” (EDA) through “Funding Entities” (FEs) – as envisaged in paragraph 47 of the GCF Governing Instrument (GI). This idea is by no means new.² Indeed there exists a considerable literature considerable on the topic, but it was only at the most recent GCF Board meeting in Nusa Dua, Indonesia, that the idea was given centre stage in a workshop on “[Country Ownership and Enhancing Direct Access](#)” organised by the Indonesian host of the meeting.

The aim of this Guide is to provide a rough idea of what this Enhanced Direct Access modality is meant to be and how it relates to some of the other, more traditional modalities and approaches such as the “Programmatic Approach”. As such it is meant to be complementary to the recent ecbi Policy Brief on “Devolved Access Modalities.”³

The Guide first introduces certain key classifications of decision types, funding functions and institutions, classifications which lie at the heart of understanding the idea of EDA through FEs. In the second part, different types of access modalities are described and illustrated by reference to these classifications.

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² See, for example, Luis Gomez-Echeverri, *EDA –The First Five Years: A Brief History of the Idea of Enhanced Direct Access through Funding Entities*, ecbi Policy Brief (forthcoming).

³ Benito Müller and William Pizer, *Devolved Access Modalities: Lessons for the GCF from existing practice*, ecbi Policy Brief, March 2014, <http://www.eurocapacity.org/public/pubarchive-pres.shtml>

1. Classifications

1.1 *Functional Categories and Types of Decision*

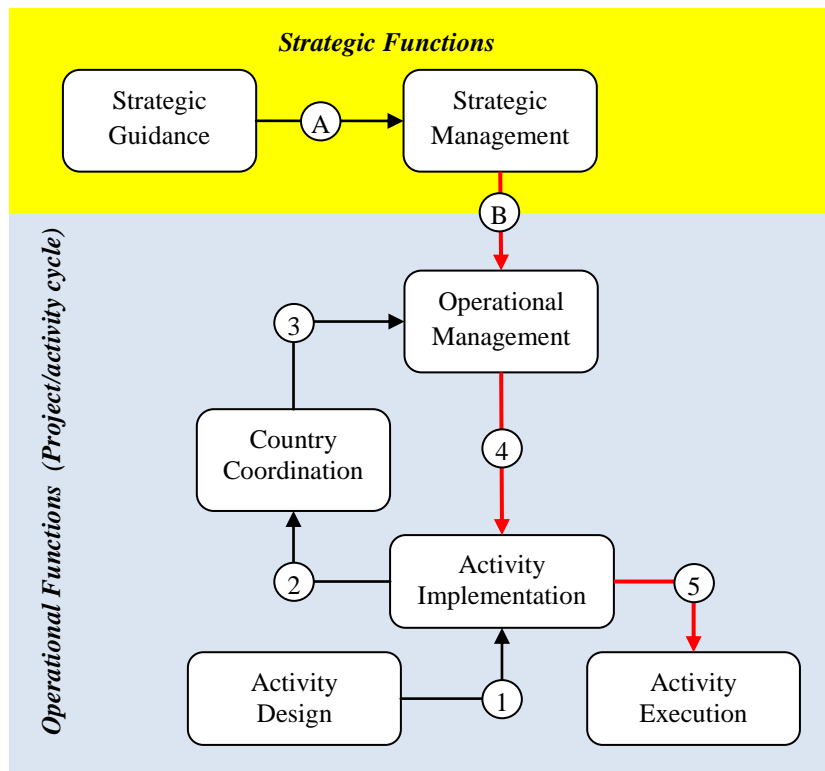
The key to understanding EDA is the fact that providing financial support for climate change in developing countries involves a number of central types/categories of decisions and functions, as listed in Table 1 (together with some characteristic examples of topics and institutions).

Table 1. Main decision/function categories with examples		
<i>Category</i>	<i>Characteristic Themes or Areas</i>	<i>Institutional Examples</i>
<i>Providing Strategic Guidance</i>	<ul style="list-style-type: none"> • Guidance to the operating entities of the financial mechanism 	Conference of the Parties: <ul style="list-style-type: none"> • UNFCCC COP
<i>Strategic Fund Management</i>	<ul style="list-style-type: none"> • Strategic Resource Allocation (funding windows, countries etc), • Operationalising Strategic Guidance, • Adopting general standards, and criteria 	Executive Organ of Operating Entities: <ul style="list-style-type: none"> • Council (GEF), • Board (GCF)
<i>Operational Fund Management</i>	<ul style="list-style-type: none"> • Assessment and approval of funding for activity (projects/programme) proposals 	GEF, GCF, national funds (Amazon Fund) <ul style="list-style-type: none"> • Council/Board • Secretariat
<i>Country Coordination</i>	<ul style="list-style-type: none"> • No objection decisions • Mainstreaming into country strategies 	<ul style="list-style-type: none"> • National Designated Authority (NDA)
<i>Activity Implementation</i>	<ul style="list-style-type: none"> • Holding/managing approved funding • Reviewing and endorsing activity proposals • Monitoring and evaluation of approved activities • Environmental and social risk management • Identifying eligible activities 	Multilateral or National Implementing Entities <ul style="list-style-type: none"> • UNDP (GEF IE) • Planning Institute of Jamaica (AF NIE)
<i>Activity Execution</i>	<ul style="list-style-type: none"> • Day-to-day activity management • Procure and contract for goods and services 	Project developers

Figure 1, in turn, illustrates schematically the general relations between these functions and the flow of the respective decisions, both at the strategic and the operational (“project/activity cycle”) level:

- At the strategic level (yellow), guidance is provided (A), operationalised (B), and given to the project cycle operators.
- At the operational level (blue), an activity is designed and submitted (1) for initial review and endorsement, (2) for no objection and (3) for approval. Once approved, implementation of the projects starts with funding being released to the implementing (4) and executing bodies (with subsequent monitoring and evaluations).

Figure 1. Types and flows of decisions in the provision of financial support



1.2 Institutional Categories

Following this mapping of the decision/function landscape, the key distinctions between access modalities are (i) “*geographical level/scope*” at which the decisions/functions are taken/carried out, and (ii) the “*institutional architecture*” of the modality.

The GI acknowledges a number of institutional categories, that is to say distinctions between entities involved in the operations of the GCF. Broadly speaking, they are legal and geographic/governance distinctions.

1.1.1 Legal distinctions

The GI distinguishes between “public” and “private”, in the context of finance [3, 54]⁴ and sector activities [41]. In both cases, the use refers to the legal status of the entities providing the finance or carrying out the activities in question.

1.1.2 Geographic/governance distinctions

The GI characterises finance [3], activities [41] and entities [45, 46, 47, 48] as “international”, “regional”, “national”, and “sub-national”. It is, however, important to keep in mind that in the context of institutions (entities) these terms have two different meanings. There is the “geographic” meaning, pertaining to the geographical scope of activities, i.e. to where the entity carries out its activities. And there a “governance” meaning in the context of public sector entities, referring to the level of public sector (government) involvement in the governance of the entity in question.

⁴ “[n, m]” is here used to refer to Paragraphs n and m in the GI.

The two meanings very often concur: (public sector) national entities will both be active nationally and governed by the national government. However, in the case of EDA the term “regional” was introduced in the governance and not the geographic sense: “Regional Funding Entities” (RFE), in the context of EDA, are meant to be funding entities governed by the governments of the respective recipient countries (say a group of SIDS), which is why access through them is still considered to be “direct.” But having a regional scope of activities, like regional development banks, per se is not sufficient to qualify as a RFE.

2. Degrees of Devolution⁵

With these distinctions, it is possible to give a broad characterisation of the different access modalities models, beginning with the governance/geographical distribution of the decisions/functions characterised in Section 1.1.

Section 2.1 illustrates the distribution between the international and the domestic “in-country” level(s) of the functions and decision flows of four typical access models

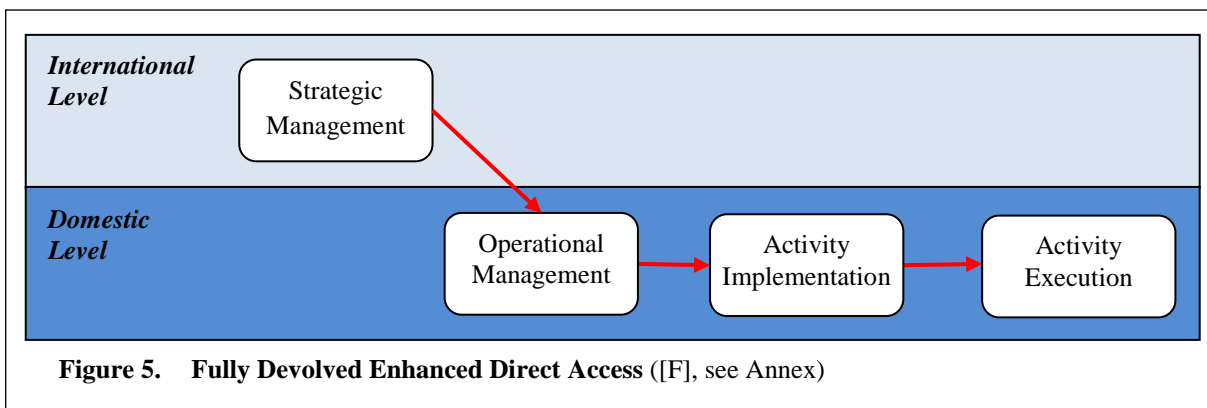
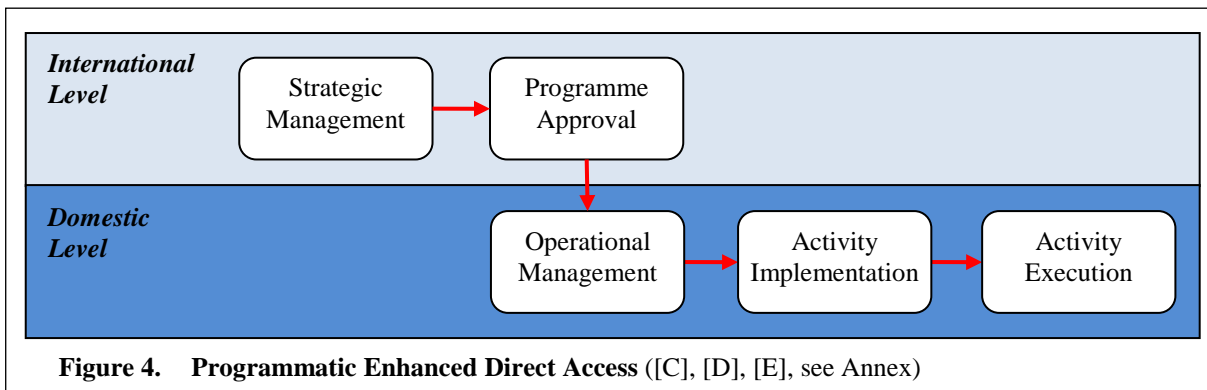
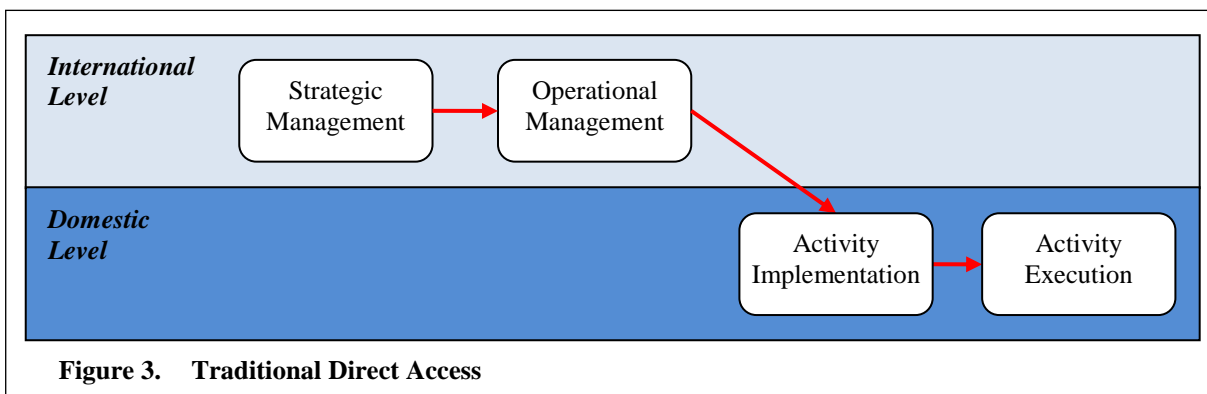
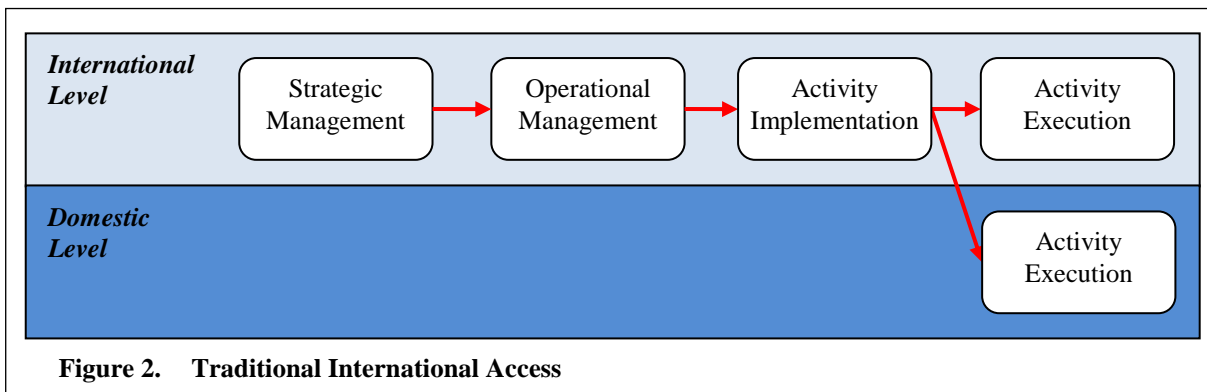
- (i) ***Traditional International Access*** (Fig. 3): GEF
- (ii) ***Traditional Direct Access*** (Fig. 4): Adaptation Fund
- (iii) ***Programmatic Enhanced Direct Access*** (Fig. 5)
- (iv) ***Fully Devolved Enhanced Direct Access*** (Fig. 6)

Note that the distinction between (iii) and (iv) is based on the fact that under a programmatic approach only some operational management decisions – namely approvals of programme activities (‘projects’) – are devolved to the domestic level (e.g. NFEs). The approval of programmes themselves is retained at the international level (e.g. the GCF Board).

Section 2.2, in turn, illustrates possible institutional arrangements for EDA.

⁵ Disclaimer: While there is a natural order to describe these modalities in terms of their degree of devolution, this is not meant to imply that more devolution is always better. The choice of model will inevitably depend on national circumstances and the type of funding in question.

2.1 Degrees of Devolution⁶



⁶ The graphic devices used here are borrowed from Neil Bird, Simon Billett, and Cristina Colon, *Direct Access to Climate Finance: experiences and lessons learned*, ODI/UNDP Energy and Environment Discussion Paper, November 2011.

2.2 Variations of Institutional Enhanced Direct Access Arrangements

For the fully devolved EDA model there is really only one institutional arrangement, namely the one illustrated in Figure 6, where the strategic management remains with the GCF (green box), the operational management is fully devolved to the funding entity/ies (purple), with activity implementation and execution carried out by implementing (yellow) and executing entities (orange).

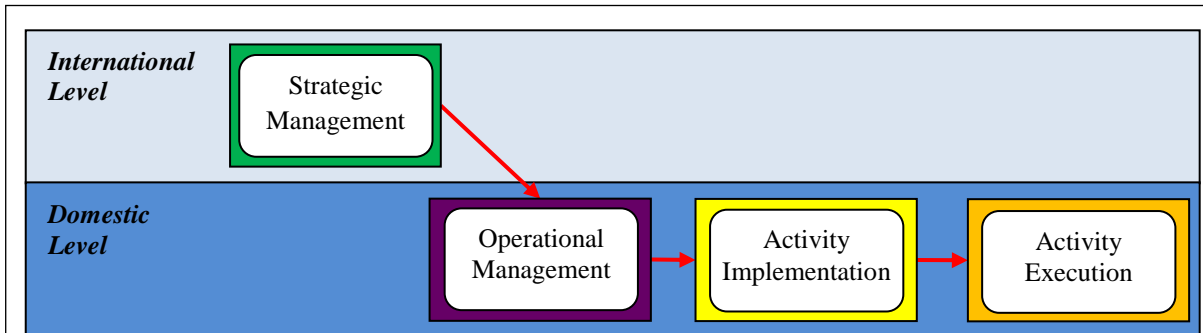


Figure 6. Fully Devolved Enhanced Direct Access

Programmatic EDA, by contrast allows for an ‘in-house’ arrangement (Fig 7.), where programme approval is retained by the GCF, and an ‘outsourced’ arrangement (Fig 8) where programmes are approved by an international funding entity/intermediary (red box).

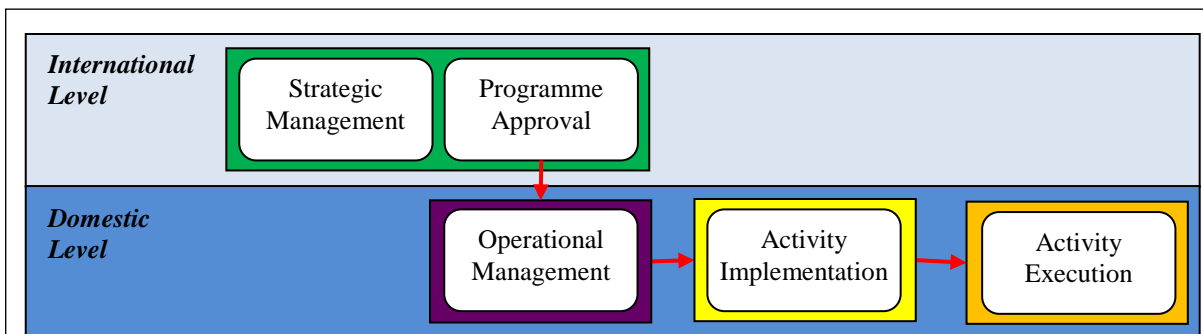


Figure 7. In-house Programmatic Enhanced Direct Access

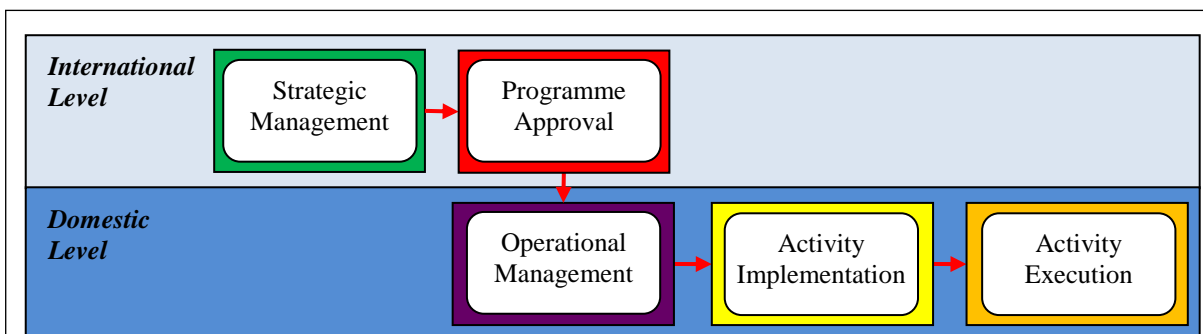
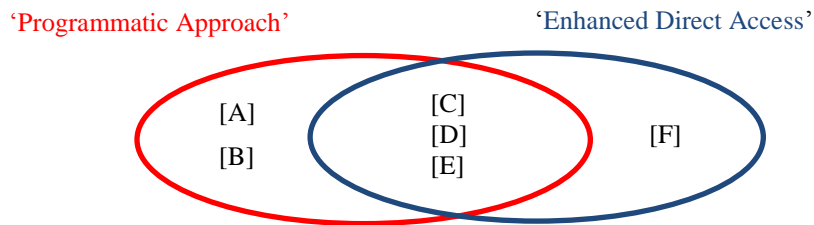


Figure 8. Outsourced Programmatic Enhanced Direct Access

Annex: The Relationship between the Programmatic Approach and EDA

Source: Müller and Pizer, (2014)



- [A] The specific projects associated with a particular programme in a given country are approved by the GCF at the same time as the programme approval.
- [B] A programme of activities is approved by the GCF, but requires subsequent GCF approval for each project once they are fully specified.
- [C] The approved programme specifies in less detailed terms how the money will be spent – say, a particular wind farm and a sea wall – but without all the details that normally accompany project approval at a development bank (such as listings of co-financing partners, contracts, etc.)
- [D] The approved programme allocates money for particular purposes – such as renewable energy and coastal protection – together with agreed criteria for project selection but does not specify particular projects.
- [E] The approved programme provides a sum of money, perhaps into a multi-donor trust fund, and lists types of eligible activities – such as renewable energy and coastal protection – together with agreed criteria for project selection but without any sub-allocation. Payment might be provided up front, in line with projected expenditures, or upon completion and based on demonstrated results.
- [F] Rather than focusing on a particular country, the GCF develops and approves funding rules for eligible activities – for example, a subsidy formula for eligible renewable energy projects – that could be used in multiple countries.