
In Bali, build a Fund you can be proud of

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In about a week's time, the [Green Climate Fund Board will meet in Bali](#) to continue discussions on the design of what could be a radical new global fund. This will be a critical meeting – it will decide whether the GCF Board chooses to be radical in order to be effective, or simply opt for the easy, same old International Financial Institution (IFI) business-as-usual model of “doesn’t really work, but we’re afraid of transformational change”.

This is the meeting where the [Board will discuss](#):

- Country ownership (of activities funded by the GCF);
- The composition of National Designated Authorities and focal points (the two bodies currently envisaged at the national level, in addition to the funding entities mentioned below);
- Options for country coordination and multi-stakeholder engagement (very important – governments can’t fight climate change on their own); and
- Additional modalities that further enhance direct access, including through funding entities (quite literally, last but not least, for herein lies transformational change – explored in more detail in the previous blog, [here](#)).

In brief, the Board will be talking about how the GCF will interface with countries, and what sort of national architecture will be needed for countries to access GCF funds. This may be a good time, therefore, to deconstruct some of those (development jargon-laden) topics listed above, and explore their interactions.

Developing countries have sometimes been afraid to explore beyond the surface of “country ownership”, sometimes claiming national sovereignty on the design of national processes, but in this instance they must. Country ownership costs time and money if it is to be done meaningfully – engaging stakeholders, not only in the planning phase but also through implementation and post-project/ programme sustainability; bolstering existing national systems to bear the additional burden; creating incentives for mainstream sectors to participate; and creating effective accountability systems, to prove to the local, national and international community that the funds have been used effectively. Adequate funding will have to be built in to allow for this – in the readiness phase, but also on a more sustained basis, to ensure that the results live out the duration of the activity. IFIs do not usually take these longer-term costs (or resulting benefits) into account.

Country ownership, multi-stakeholder engagement and enhanced direct access are therefore closely connected and should be discussed in connection with one another in Bali. Once the Board has explored the depths of its willingness to signal transformational change on each of these very important issues, it can address the issue of the institutional architecture that will be needed at the national level to implement this vision. Enough flexibility must be built in to the guidelines for each country to design the architecture to also suits national circumstances – as long as they meet certain prerequisites identified by the GCF Board. Ideally, this architecture should:

1. **Build on existing national mechanisms** that have been most successful in implementing local-level action through devolved governance and decentralisation, facilitating multi-stakeholder decision-making processes, and in cross-sectoral integration. For instance, Indonesia may choose to use the mechanisms it has in place for its National Program for Community Empowerment – the Program Nasional Pemberdayaan Masyarakat Mandiri (PNPM). India may choose to build in an integral role for Panchayat Raj (local governance) institutions, as it has done in its broadly successful National Rural Employment Guarantee Scheme. The Philippines may choose to build upon its Climate Change Commission and Peoples Survival Fund. Creating a new architecture for the GCF comes with the following risks:

- a. It will be designed only to suit the GCF/global requirements, and not national circumstances and needs.
 - b. It may not have the same relationship with the key sectors, that an existing home-grown mechanism/ body already has.
 - c. An existing mechanism is likely to be more sustainable in the long-run, rather than one that relies entirely on the GCF for its existence.
 - d. A mechanism for the GCF alone could end up creating a “climate finance silo”, by creating separate channels for climate finance at the national level.
2. The mechanism should ideally be **designed to pool climate funds** from different sources and contributors, to prevent in-country fragmentation, and to facilitate a consistent and simple process for access.
 3. It should have **high-level leadership**, and buy-in from mainstream ministries and sectors. The default leadership in many countries – the environment ministries – simply do not have the clout to create buy-in for these mainstream sectors. It will be worth thinking about other incentives that can be created for engaging mainstream sectors.
 4. It should be able to **reach out to the sub-national/local level** – not just to deliver funds that are already “tied”/ earmarked for centrally decided programmes, goals and activities, but also easily accessible funds that local communities can avail off, to address concerns they have identified. A strong role should be built in for responsive local governments.
 5. The GCF should actively support **community driven climate action**, rather than simply community-based action that calls only for participation. Gender-responsive, transparent multi-stakeholder decision-making should be the goal at every stage.
 6. There must be **strong formal mechanisms for transparency, “top to down” accountability, and dispute settlement** built in, through which local communities can question the decisions of the national mechanism/ body.

How will the currently mandated bodies of NDAs, NFEs and focal points fit into this national architecture? We think that will be a decision for the countries to take – as long as the basic standards set out by the GCF Board are

satisfied, they should be able to identify an existing national level climate change commission or national climate fund as the NDA, if this is what works best from the point of view of national-level implementation. The in-country architecture cannot be designed only to suit the requirements of the Fund – it must also work from the point of view of effective implementation at the national and sub-national levels.

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