

**Access Modalities  
for the Green Climate Fund:  
Lessons from the Existing Financial Mechanisms**

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# 1. Access Modalities

- Green Climate Fund (Cancun Agreements)
  - To scale up the provision of long-term financing to developing countries
  - To be designated as an operational entity of the financial mechanism of the UNFCCC
  - To be designed by the Transition Committee
- Access modalities are one of issues to be discussed at the Transition Committee
  - Challenges of accessing to financial resources were claimed repeatedly since as early as 1994.

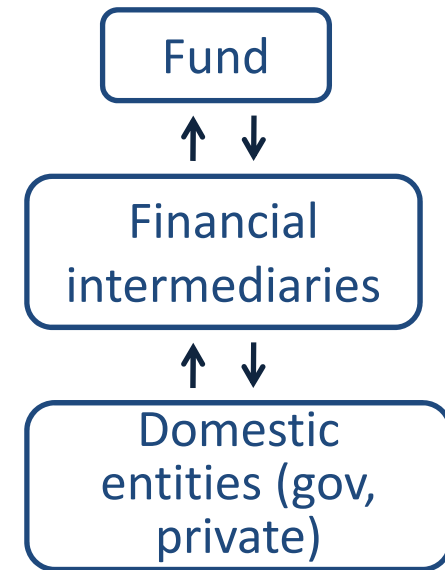
*Expressing concern over the difficulties encountered by developing countries Parities in receiving the necessary financial assistance from the Global Environment Facility owing to, *inter alia*, the application of the Global Environment Facility operational policies on eligible criteria, disbursement, project cycle and approval, the application of the concept of incremental costs, and guidelines which impose considerable administrative and financial costs on developing country Parties (Decision 11/CP.2)*

# 1. Access Modalities (cont'd)

- *How should access modalities be designed in order to improve the accessibility of developing countries to financial resources?*
- → Assess pros and cons of two main types of access modalities under the existing financial mechanisms
  - Intermediated access
  - Direct access

## 2.1 Intermediated Access

- Implementing agencies function as intermediaries:
  - Helping a recipient country to develop a project concept,
  - Submitting it to a Fund
  - Implementing and supervising the project
  - Preparing the terminal report to the Fund



- Eligible entities can act as implementing agencies.
  - Multilateral Development Banks and UN organizations (e.g. Global Environment Facility (GEF))

## 2.2 Intermediated Access: Advantages and Challenges (case of GEF)

Advantages	Challenges
<ul style="list-style-type: none"> <li>➤ <b>Potential for greater synergies</b> by creating healthy competition among implementing agencies (bringing together implementing agencies with distinct “comparative advantage”)</li> <li>➤ <b>Mainstreaming</b> of climate change concerns into the work of the implementing agencies</li> <li>➤ <b>Utilisation of expertise</b> of implementing agencies (including high fiduciary standards and safeguard policies)</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Slow project cycle</b>—Projects have to go through dual approval/ project cycles (e.g. first, the GEF and then the implementing agency cycles). Challenges on streamlining the project approval process.</li> <li>➤ <b>High administrative costs</b> including corporate budget and implementing agency fees</li> <li>➤ <b>Limited engagement</b> of developing countries’ domestic entities</li> </ul>

- Some of challenges were already addressed by GEF

## 3.1 Direct Access (DA)

- Various interpretations of what constitutes DA
- DA generally refers to: access to financial resources by a designated national entity of a recipient country, while bypassing a financial intermediary such as multilateral development banks and other external implementing agencies
- Existing Examples: Global Fund to Fight AIDS, Tuberculosis and Malaria, the Adaptation Fund, the GEF for preparation of national communications
- Slightly different governance structure and access modality among the existing examples.

## 3.2 Direct Access: Advantages and Challenges

- Given a relatively new modality, and few case studies available, only preliminary interpretations of pros/cons possible
- Full-fledged assessment is yet to come

Advantages	Challenges
<ul style="list-style-type: none"><li>➤ <b>Enhanced country ownership</b></li><li>➤ <b>Fulfilling country priorities and needs</b> rather than donor needs/priorities</li><li>➤ <b>Allowing multiple domestic stakeholder engagement/</b> enhanced opportunities for synergies among stakeholders</li></ul>	<ul style="list-style-type: none"><li>➤ <b>Improvement in recipient countries' risk management</b> is required.</li><li>➤ <b>Weaker Safeguard policies/monitoring systems</b> compared to the case of involvement of international organizations as intermediaries</li><li>➤ <b>Question over equitable access</b> among recipient countries (diverse levels of capacity among developing countries)</li></ul>

## 4. The Way to Move Forward

- The two access modalities mentioned above are NOT mutually exclusive.
  - They could play complementary roles depending on the capacity level of recipient countries
- Implications of utilizing domestic entities for equitable access
  - The level of domestic entities in terms of fiduciary standards and project management skills varies among developing countries.
  - Importance of capacity building of domestic institutions



## 4. The Way to Move Forward (cont'd)

- Options for ensuring complementary roles and reflecting the different levels of capacity

**Combined Approach:** Discretion is given to recipient countries to choose the types of access modalities (the Adaptation Fund).

**Phased Approach:** At the earlier stage, international intermediaries play a major role in providing capacity building and implementing projects. As the overall capacity of domestic financial institutions increases, the role of international intermediaries is to be gradually replaced by domestic institutions.

# Thank You Very Much

- Policy briefs will shortly be available for:
  - ✓ more detailed description on access modality,
  - ✓ other issues including thematic funding windows and private sector involvement.
- For more info, please contact [tamura@iges.or.jp](mailto:tamura@iges.or.jp)