REACHING LOCAL ACTORS IN CLIMATE FINANCE

LESSONS ON DIRECT ACCESS FOR THE GREEN CLIMATE FUND

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The paper has been developed by Ama Marston of Marston Consulting based on literature research and information available at the time of drafting as well as feedback from various experts and practitioners, and specific contributions from Both ENDS and all consortium members.

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List of acronyms

AF	Adaptation Fund
BCCTF	Bangladesh Climate Change Trust Fund
BNDES	Brazilian Development Bank
CBO	Community Based Organisation
CCM	Country Coordinating Mechanism
CEO	Chief Executive Officer
CIFs	Climate Investment Funds
COP	Conference of Parties
CSO	Civil Society Organisation
DFID	Department for International Development (UK)
GCF	Green Climate Fund
GEF	Global Environment Facility
GF	Global Fund (to Fight Aids, Tuberculosis, and Malaria)
GHG	Greenhouse gas
GI	Governing Instrument (for the Green Climate Fund)
GIZ	Gesellschaft für Internationale Zusammenarbeit (Germany)
IIPFCC	International Indigenous Peoples' Forum on Climate Change
LDC	Least Developed Country
NAPA	National Adaptation Programme of Action
NAPCC	National Action Plan on Climate Change
NIE	National Implementing Entity
NGO	Non-governmental organisation
PSF	People's Survival Fund (Philippines)
SAPCC	State Action Plan on Climate Change
SGP	Small Grants Programme
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change

Executive summary

Need for inclusive and distributive direct access

Experiences around the world demonstrate the extent to which climate change impacts are felt at the local level and the ways in which local actors are already effectively adapting to these changes. At the same time they are implementing promising local mitigation measures. These efforts and the needs of those most vulnerable must be placed at the centre of the international response to climate change and the accompanying distribution of climate finance through funds such as the Green Climate Fund (GCF).

The GCF's Governing Instrument has acknowledged the importance of direct access modalities in creating country ownership. It also refers to the role of sub-national entities and non-state actors. As the GCF is further developed, funding modalities and clear mechanisms must be put in place to ensure inclusive multi-stakeholder decision-making processes as well as the devolvement of funds to the national level, but also beyond, to local actors.

This is of utmost importance given that inclusive and distributive direct access can contribute to more coordinated, cross-cutting and effective approaches. Furthermore, multi-stakeholder engagement and decision-making can contribute to a balancing of priorities between national and local issues, which are not always aligned. Additionally, it can increase equity by ensuring that the concerns, vulnerabilities and unique knowledge of groups with the ability to respond to changing environments including women and indigenous people are addressed and incorporated into funding structures and criteria.

Lessons from other funds

While no one fund has a sufficient model that the GCF should replicate in full, existing global climate and non-climate funds are already addressing direct access in different ways that can inform the GCF. The Adaptation Fund, the Global Fund to Fight Aids, Tuberculosis, and Malaria and the Global Environment Facility's Small Grants Programme all provide important lessons for the GCF as do emerging climate funds in Bangladesh, Brazil and the Philippines.

For instance, the Adaptation Fund (AF) has shown that it is possible to provide direct access to non-state actors, which have been nominated by their government to coordinate national efforts, as was the case in Senegal. The process of accrediting National Implementing Entities (NIEs) has also clearly demonstrated the need for capacity-building in many of the climate finance recipient countries, and highlights that a one-size-fits-all approach will not work. However, the AF lacks clear mechanisms for inclusion of local strategies and vulnerability and impact assessments.

The Global Fund for to Fight Aids, Tuberculosis, and Malaria has generated a number of important lessons about country ownership and multi-stakeholder decision-making with its multi-stakeholder Country Coordinating Mechanisms (CCM). These have been beneficial in effectively distributing funds to the national and local levels. At the same time, the model has reinforced the need to foster government participation and coordination amongst stakeholders as well as ensuring that new structures are not unnecessarily built in parallel to existing institutions and efforts.

While operating on a different scale, the Global Environment Facility (GEF)'s Small Grants Programme (SGP) has also demonstrated the effectiveness of a multi-stakeholder selection committee. The programme has been highly effective in delivering environmental benefits by channelling funds to NGOs, communities and pilot projects. It has also been seen as innovative in the way that it has mainstreamed certain equity issues such as gender. GEF's

SGP however focuses on mitigation projects only, while requiring co-financing for adaptation related efforts.

Meanwhile, the increasing trend of establishing national climate change funds demonstrates various nations' sense of urgency to address climate change in a coordinated way. They provide national entities through which the GCF could channel funds in support of national efforts and priorities. Funds in Bangladesh, Brazil and the Philippines all have multi-stakeholder decision-making structures and aim to devolve funds to the local level for addressing climate adaptation and mitigation issues. In the Bangladesh Climate Change Trust Fund a percentage of the resources are channelled to an NGO window while the Amazon Fund and the Philippines Peoples Survival Fund focus on finance for local level efforts.

Recommendations

Drawing on lessons learned from these various funds, a two-pronged approach to ensure inclusive decision-making and devolution of funds to the local level seems like the most appropriate structure for the GCF:

First, the GCF's main funds should be channelled directly to a national funding entity or mechanism selected by the recipient countries under specific accreditation criteria to ensure there is broad stakeholder participation in those entities or mechanisms, including local and non-state actors and affected communities. This allows for country ownership, alignment with national policies, and the opportunity for local actors to access funds. This direct access modality should:

- Support inclusive decision-making and access by local actors;
- Allow for country ownership and flexibility in proposing funding entities;
- Create clear criteria for country level multi-stakeholder participation and devolution of funds, including the dedication of a specific proportion of funds to local efforts and clear accountability mechanisms; and
- Prioritise capacity building.

Second, the GCF should establish a dedicated small grants mechanism that channels money directly to non-state actors. This allows accessibility to smaller NGOs and CBOs, with a specific focus on the most vulnerable. It also provides an opportunity to work on small or demonstration projects with the potential to be replicated or scaled-up through the national coordinating mechanisms, as well as efforts contributing to the accountability of the funding entities. This small grant mechanism should:

- Build upon successes and lessons of other small grants programmes and fill a niche not yet filled by programme such as the GEF's which does not specifically focus on climate change and does not include adaptation funding;
- Evaluate co-financing requirements to assess whether they hinder access and effectiveness.

Reaching Local Actors in Climate Finance - Lessons on Direct Access for the Green Climate Fund

1. Introduction

People, government institutions, civil society organisations and businesses operating at the local level most directly experience on-the-ground effects of climate change. They also actively implement and manage locally driven, innovative measures to deal with changing climate conditions and to create sustainable, low emission development. Since these measures are based on local realities and local actors' knowledge, visions, needs and practices, they have proven to be highly effective and sustainable.

However, experience thus far shows that the role of local actors in climate finance decision-making processes is often very limited. Furthermore, climate funds often do not sufficiently reach local actors that are implementing sustainable adaptation and mitigation strategies and those that are most vulnerable to climate change.

This paper addresses the gap between international funding and decentralised, bottom-up climate solutions, and provides recommendations for the Green Climate Fund (GCF) to ensure that it is set up in a way that supports sub-national stakeholders, including local authorities, civil society organisations and knowledge institutions, to design and implement sustainable adaptation and mitigation strategies, and to play an important role in climate finance decision-making processes. These recommendations specifically relate to the access modalities to be set up in the GCF as well as guidelines for governance and participation.

The paper is set up as follows:
- Chapter 2 describes the role of national and sub-national actors, notably in relation to direct access and the Governing Instrument (GI) of the GCF.
- Chapter 3 looks into the specific added value that local actors have or can have in reaching the goals of the GCF and the need for democratic, transparent systems that allow for participation, access and country ownership beyond the national government.
- In chapter 4, existing direct access and other access modalities are analysed in terms of their inclusiveness and the way they have been able to reach local actors.
- Based on these lessons, chapter 5 provides recommendations for the GCF.

2. Direct access and the role of local actors in the Green Climate Fund

At the fourth meeting of the Transitional Committee for the design of the Green Climate Fund, Least Developed Countries (LDCs) and others highlighted the need for climate finance decisions to be made at the national level through direct access by national funding entities.[1] They argue that this will consolidate country ownership over project identification, design and implementation since developing countries better understand their national contexts and priorities.

Much of the impetus for direct access to climate finance has also come from developing countries' dissatisfaction with the delays in accessing funds from for example the Global Environment Facility (GEF), which at some point in the not too distant past took up to three years on average to disburse funds.[2] Donor governments have also acknowledged concerns about delays in prominent climate funds. For example, the UK government, which provided the start-up finance for the Climate Investment Funds (CIFs), recently highlighted that the slow speed of disbursement and project approval following initial investment plan endorsement has been a major challenge for the CIFs.[3]

Delays such as these have contributed to the sense of urgency and frustration with bureaucratic processes that are felt by some of the countries facing the most severe impacts of climate change. In 2008 at the UNFCCC negotiations, the former Prime Minister of Tuvalu succinctly pointed out that: *"Small Island Developing States like Tuvalu need direct access and expeditious disbursement of funding for real adaptation urgently, because we are suffering already from the effects of climate change…we are deeply disappointed with the manner some of our partners are burying us in red tape."*[4]

Moreover, within emerging climate finance principles, there is a consensus that funding modalities should not create additional burdens for recipient countries[5] and that climate funds should be a catalyst for transformative change. One of the best ways to ensure this is for international funds to support existing processes within countries.

Various industrialised countries are also beginning to embrace the idea of direct access. For instance, proposals on climate finance governance put forward by the UK, Mexico, Norway and Australia in Copenhagen at the COP 15 in 2009, state that: "*There should be direct access to [climate] finance where fiduciary standards allow and country level trust funds should be considered, among other alternatives, where direct access is not possible.*"[6]

In response to the needs identified by various governments, the Governing Instrument for the Green Climate Fund has explicitly included the commitment to: "*Provide simplified and improved access to funding, including direct access, basing its activities on a country-driven*

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[1] Briefing Note of the 4th Meeting of the Transnational Committee for the Design of the Green Climate Fund. October 16-18, 2011. IISD Reporting Services. October 27, 2011.
[2] Personal communication with Saleemul Huq, Director, International Centre for Climate Change and Development February 5, 2013.
[3] DFID. Annual Review of the Climate Investment Funds. June 1, 2012
[4] Maclellan, Nic. Pacific governments lobby for climate finance. Islands Business Story. June 2011
[5] Bird, Neil and Jonathan Glennie. Going beyond aid effectiveness to guide the delivery of climate finance. Overseas Development Institute. August 2011
http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7106.pdf
[6] Climate Finance: Proposals on governance. A non-paper by the Governments of the UK, Mexico, Norway and Australia. http://centralcontent.fco.gov.uk/central-content/campaigns/act-on-copenhagen/resources/en/pdf/climate-finance-governance

approach and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects" (Art. 31).[7]

While the term 'direct access' has been used in different funding contexts, it is becoming understood as a funding modality in which domestic entities have main implementing status within the project or programme cycle. These entities can be governmental, private sector or civil society institutions. However, they must have legal status in order to receive financing.[8] A further iteration of direct access, known as 'enhanced' direct access, is also under discussion in the development of climate financing modalities. Enhanced direct access would delegate oversight, management, implementation, and execution from the international level to the national level, with funding decisions and management of funds taking place at the national level.[9]

The GI also provides guidance acknowledging the need for national coordination: "*Recipient countries may designate a national authority. This national designated authority will recommend to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes.*" (Art. 46). [10]

It thus refers to consultation processes and at the same time leaves open the possibility of working through sub-national 'entities': "*Recipient countries will nominate competent sub-national, national and regional implementing entities for accreditation to receive funding. The Board will consider additional modalities that further enhance direct access, including through funding entities with a view of enhancing country ownership of projects and programmes.*" (Art. 47). [11]

The emphasis on entities, rather than governments, as well as the possibility for the GCF Board to "consider additional modalities that further enhance direct access", [12] provide opportunities for drawing upon the expertise of non-state actors as well as sub-national government. However, many conversations have remained focused on national access to climate funds without addressing the role of other actors and the devolution of international funds to the local level where they may be most needed.

These issues are of critical concern since the criteria for accreditation for implementing entities as well as the above-mentioned funding entities are still being developed and are crucial in ensuring the participation of a range of critical actors. They are also of particular importance given that it is not clear what form the additional modalities being considered will take and what percentage of the total spending it will cover.

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[7] Governing Instrument of the GCF. See http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF-governing_instrument-120521-block-LY.pdf
[8] Caritas International and Cidse. Business as Unusual. Direct Access: Giving power back to the poor? June 2010.
[9] ODI and UNDP. Direct Access to Climate Finance: experiences and lessons learned. Discussions paper. November 2011. http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7479.pdf
[10] Green Climate Fund. report of the Transitional Committee Draft decision -/CP.17 http://unfccc.int/files/meetings/durban_nov_2011/decisions/application/pdf/cop17_gcf.pdf
[11] Ibid
[12] Ibid

3. The contribution of local actors in climate adaptation and mitigation

While direct access allows for country ownership of climate finance, it does not inherently mean it supports local level climate initiatives and bottom up planning processes, reflecting local knowledge and priorities. Given the important contributions that local government, civil society and the private sector make in local level climate activities there is therefore a need for incentives to encourage national recipients to commit to multi-stakeholder engagement and decision-making.[13] Also, specific measures are needed to ensure that funds will be devolved to sub-national governments and the most vulnerable populations.[14] This could for example take the form of developing accreditation criteria related to inclusive planning and finance distribution processes, as well as setting up a diversity of access forms.

Three specific reasons can be distinguished why the GCF should pay attention to mechanisms which ensure that local actors can play a key role in implementation and decision-making processes. These are enhanced effectiveness, wider country ownership and accountability, and increased equity.

3.1. Enhanced effectiveness: More integrated and sustainable solutions

Climate change is a global phenomenon, but its impact is felt locally. People, government institutions, civil society organisations and private companies operating at this local level who are experiencing the impacts of climate change on the ground, have already started developing adaptive responses, as well as promising mitigation measures (see boxes 1 and 2).

Climate programmes like ADAPTS[15] show that if local people have the right tools, information and opportunities, such as access to tailored scientific data and information about the rules governing processes for participation by local actors, their involvement in resources planning can lead to more sustainable, equitable and effective use of resources.

Local actors are therefore essential to these dialogues because of their relevant knowledge on local impacts of climate change and the socio-economic context, their successful adaptation and mitigation measures taken, and their vision and understanding of the effectiveness of potential adaptive responses or mitigation actions.

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[13] Personal communication with Andre Loozekoot. Coordinator Climate Finance and Development. Dutch Ministry of Foreign Affairs. February 6, 2013.
[14] Caritas International and Cidse. June 2010.
[15] Adapts Netherlands website. See: www.adapts.nl

Box 1. Effective adaptation strategies at local level

From 2008 to 2011, the ADAPTS programme worked to integrate climate change and adaptation considerations in water management planning in four river basins around the world. The programme was based on the premise that by building on local knowledge, priorities and initiatives and by including local actors in relevant decision-making processes, effective and sustainable adaptation to climate change can be achieved.

The results have shown that this is indeed the case. In Ghana for example, the ADAPTS project identified a promising local approach to adaptation developed by the local NGO Development Institute in the Woadze community in the Day River basin. This 'Woadze model' includes the establishment of buffer zones along the riverbanks, the transition from rain-fed to irrigated agriculture, the introduction of drought resistant crops and the scaling-up of agro-forestry as an economic activity. The Woadze model was successfully replicated in three other locations – increasing the farmers' resilience to drought and quadrupling their income. At the same time, inclusive dialogue with the national Water Resources Commission also led to community representatives in the new Day River basin board – a first time that this has taken place in Ghana. It also contributed to the fact that climate change issues are now included in the boards' policy plans. Implementation of this plan and further replication of the experiences in the Day however prove challanging, largely because of a lack of sufficient funding. (See www.adapts.nl)

Source: Both ENDS

Furthermore, inclusive and distributive direct access, or channelling money through non-state actors, provides an opportunity to move away from solutions that are siloed according to government department issue areas. For instance, research looking at the distribution and use of climate change funds in India demonstrated that by the time international donor money was channelled to the local level it had already been restricted or allocated to individualised issue areas. It could therefore not be used for multi-sectoral approaches, which are often needed to effectively address crosscutting issues such as adaptation at the community level, such as adaptation. Furthermore, different ministries or departments often replicated efforts by addressing the issue from their area of focus without collaborating with other departments. The lack of collaboration has also hindered their abilities to meet climate related objectives.[16]

Community based organisations as well as other civil society organisations on the other hand often take a holistic, ecosystem-based approach to resources management and adaptation, i.e. combining social and economic interests while taking into account the local natural conditions. This way their strategies can contribute to reducing vulnerability and increasing resilience to both climate and non-climate risks and can provide multiple benefits to society and the environment.

[16] Personal communication with Anju Sharma, Climate Change Fellow, International Institute for Environment and development. February 1, 2013

Box 2. Effective mitigation strategies at local level

Reducing, reusing, and recycling municipal waste are effective and high-impact means of reducing greenhouse gas (GHG) emissions.[1] When discarded materials (waste) are recycled, they provide industry with an alternate source of raw materials. This results in less demand for virgin materials whose extraction, transport and processing are a major source of GHG emissions. Recycling thus reduces emissions in virtually all the extractive industries: mining, forestry, agriculture, and petroleum extraction.

While municipally-run recycling systems are commonplace in industrialised countries, in the developing world most recycling is done by waste pickers/grassroots recyclers.[2] This account for up to approximately 15 million people worldwide—1% of the urban population in the developing world. [3] These are self-employed workers, mostly in the informal economy, who retrieve reusable and recyclable items from the waste stream.[4]

Some remarkable examples of how cooperatives of waste pickers have developed and provide solutions for climate change mitigation, sustainable resource management and green jobs include the following:[5]

Philippines: Alaminos City is at the forefront of implementing the Philippines' decentralised waste management law. Through an NGO partnership, village leadership has established comprehensive zero waste strategies, including backyard and village-level composting, source separation programs, and small-scale sorting facilities. As a result, open burning and dumping have virtually ended, and informal sector recyclers are recovering more materials, under better conditions, and selling them for better prices than before. All this was made possible by a bottom-up planning process that brought together local officials and stakeholders to generate zero waste plans at the village level.

Argentina: *cartoneros*, or grassroots recyclers in Buenos Aires have won not only recognition but legal and financial support from the city government to continue recycling. As recently as 2001, waste picking was illegal. Since then, *cartonero* cooperatives have organized themselves, educated residents on the environmental benefits of recycling, and lobbied the city government for a cleaner approach to waste management with allied environmental and social organizations. Buenos Aires' forward-thinking legislation is held up as a model that other cities are copying.

[1] US EPA, *Solid Waste Management and Greenhouse Gases: A Life-Cycle Assessment of Emissions and Sinks*, 3rd Edition. 2006.
[2] WASTE and SKAT, "Economic Aspects of Informal Sector Activities in Solid Waste Management," 2008.
[3] Carl Bartone, "The Value in Wastes," *Decade Watch*, September 1988.
[4] For more information on waste pickers, see "Refusing to be Cast Aside: Waste Pickers Organising Around the World," edited by Melanie Samson, Women in Informal Employment: Globalizing and Organizing (WIEGO), Cambridge, MA, USA, 2009; Wilson, Velis and Cheeseman, "Role of informal sector recycling in waste management in developing countries", *Habitat International*, Volume 30, Issue 4, December 2006, p. 797-808.
[5] Global Alliance for Incinerator Alternatives, *On the Road to Zero Waste. Successes and Lessons from Around the World*. June 2012. At: http://www.no-burn.org/on-the-road-to-zero-waste-successes-and-lessons-from-around-the-world

Source: GAIA Foundation

3.2. Wider country ownership and accountability

In 2005, the Paris Declaration brought together donors and aid recipients and emphasised the importance of national ownership over development processes. Three years later in Accra there was also recognition that national ownership needs to extend beyond the government, with important roles to be played by civil society and the private sector.[17] Many of these concerns are seen as being key lessons and principles to incorporate into the climate finance discussion.

A number of existing climate finance mechanisms have raised concerns about the extent to which they have had stakeholder participation at the country level with respect to identifying priorities, designing programmes and monitoring progress. For instance, in evaluating the CIFs, DFID has highlighted concerns that the Funds and particularly the Pilot Programme for Climate Resilience have not had proper stakeholder engagement at the country level.[18]

Priorities of national governments guided by national interests do not always clearly align with the needs and priorities of local actors or those most affected by climate change (see box 3). Participation of civil society and other stakeholder is therefore necessary in the process of shaping the development and implementation of national climate strategies.

Furthermore, analysis by the German development corporation (GIZ) based on experience from the Rio Conventions suggests that accountability of funds should be fostered through more democratic global funding mechanisms where recipients as well as donors agree on targets and methodologies. They also emphasise the importance of strengthening civil society, to be able to engage in the funds and hold governments to account.[19]

Experience from the Rio Convention national action plans also demonstrates that such processes are more likely to succeed if they are country driven and are seen as an opportunity for cross-sectoral, decentralised and participatory planning that promotes ownership at all levels, rather than being driven by external funding criteria.[20]

Some countries have in fact chosen to dedicate the majority of climate funds to sub-national levels. For example, when devising its National Adaptation Programme of Action (NAPA), Nepal aimed to overcome some of the flaws with NAPAs in other countries, such as a lack of mainstreaming with national development plans and a focus on top-down approaches. The Nepali government therefore committed to dedicating at least 80% of the country's climate change adaption funding to projects at the local level. It is hoped that this will enable more significant engagement of civil society and communities in planning and programme development, drawing on their local knowledge.[21]

[17] Bird, Neil and Jonathan Glennie. August 2011
[18] DFID. Annual Review of the Climate Investment Funds. June 1, 2012
[19] Sharma, Anju. Planning to Deliver: Making the Rio Conventions more Effective on the Ground Climate Change, Biodiversity, Desertification. GTZ. June 2009.
[20] Ibid
[21] Christensen, K et al. 2012

Box 3. National vs local priorities

In India, the National Action Plan on Climate Change (NAPCC) was formulated and launched by the Prime Minister in June 2008. The plan has eight missions, focusing on enhanced energy efficiency, increased use of renewables, and climate friendly use and management of water, land and ecosystems, amongst others.

An evaluation by the Indian Centre for Development Finance however shows that the NAPCC is highly technology focused and emphasises large-scale solutions and mitigation rather than adaptation. The goals on agriculture for example are skewed towards big farmers and the sole focus on afforestation ignores the importance of services from other ecosystems such as wetlands and grasslands. Ecosystem-based approaches and reducing the vulnerability of people have not been prioritised, and communities' practical knowledge and needs are not included (*An Evaluation of India's National Action Plan on Climate Change by Sujatha Byravan & Sudhir Chella Rajan, IFMR Research, Centre for Development Finance IIT Madras. Full report can be downloaded www.indiaclimatemissions.org*)

Fortunately, to address state-specific concerns of vulnerable sectors and communities in the context of climate change, 16 states in India are now being supported by the German development organisation GIZ, UNDP, the World Bank and the UK Department for International Development (DFID) to formulate a State Action Plan on Climate Change (SAPCC) under the overarching objectives and missions of the National Action Plan on Climate Change. In this process in which national policies are translated into concrete actions, the knowledge and skills of local actors – local governments, CSOs, local private actors and academics are crucial to the success of implementation. It is multi stakeholder and context-specific planning and implementation processes at sub-national level such as this, which are often underfunded, and should be supported by the GCF.

Source: Keystone Foundation

In addition, the United Nations Convention to Combat Desertification provides important lessons on participatory approaches, as it was one of the first conventions to emphasise the need for a bottom- up and participatory approach in tackling desertification and land degradation. For example, there are important lessons to be drawn out from the fact that the Convention did not detail what a bottom up and participatory approach should entail. On one hand this allowed for flexibility for governments to tailor the notion of participation to their national contexts. On the other hand, it has also allowed for countries to meet their obligations without empowering the poor and most affected communities, limiting the effectiveness of interventions related to the Convention.[22]

[22] Sharma, Anju. June 2009.

3.3. Increased equity

Climate change impacts often exacerbate existing inequalities and vulnerabilities, which is an issue that climate funds should be structured to address. For example, thus far a large portion of climate funds have failed to sufficiently address the extent to which women are disproportionately impacted by climate change, the barriers they face in equal decision-making as well as limits to their ability to equally access financial resources. Ensuring not only that gender equality is written into the principles of a climate fund, but that such principles are carried through to country and sub-national levels is critical, not only to achieve equity from a rights-based perspective, but also to enhance effectiveness. This is reinforced by experience from development programs, demonstrating that integrating gender in project design and implementation improves development outcomes and effectiveness of development finance.[23]

Similarly, through the International Indigenous Peoples' Forum on Climate Change (IIPFCC) collective statements have drawn attention to the particular vulnerability of indigenous people to climate change given their dependence on natural resources. Joint statements have emphasised the need to ensure that indigenous people do not become more vulnerable through the financing and implementation of climate change projects. Indigenous people's active participation in funds can ensure that international standards are upheld that protect them and other natural resource dependent communities, as well as making sure that international funds reach indigenous communities to support their efforts to mitigate and adapt to climate change based on their rich knowledge of local environments.[24]

4. Direct Access for local actors: experiences and modalities at other funds

Existing climate funds as well as global funds focused more broadly are already addressing direct access in different ways. The Adaptation Fund, the Global Fund to Fight Aids, Tuberculosis, and Malaria and the Global Environment Facility's Small Grants Programme all provide important lessons for the GCF as do emerging climate funds in Bangladesh, Brazil and the Philippines, among others. All of these funds are important to consider in order to learn from their efforts to implement and further the development of direct access modalities. They also demonstrate where good practice has been established in terms of engaging and reaching local actors and where more must be done.

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[23] Schalatek, Liane. Gender and Climate Finance – Double Mainstreaming for Sustainable Development. Talking Points for the Public Hearing on "Women and Climate Change" organized by the Committee on Women's Rights and Gender Equality of the European Parliament. Heinrick Boell Foundation. October 11, 2011

[24] Forest Peoples Programme and Indigenous Peoples' Network of Malaysia (JOAS). Indigenous Peoples and the Green Climate Fund. A technical briefing for Indigenous Peoples, policymakers and support groups. August 2012.

4.1. Adaptation Fund

The Adaptation Fund (AF) is the first climate change fund to provide opportunities for direct access in addition to allowing for disbursal of funds through multilateral implementing entities and regional implementing entities. The AF allows for sub-national and non-state actors to be accredited as their country's national implementing entities (NIEs) with the nomination of the national government to encourage national coordination and ensure intended objectives of strengthening national ownership. The NIEs receive funds and channel them to executing agencies, which develop and execute projects. The AF and its advocates believe that direct access has the potential to strengthen harmonisation with national systems, plans and priorities; increase the speed of delivery of funds and desired outcomes; cut transaction costs by relying upon domestic institutions for certain core activities; and potentially better encompass local priorities.[25]

However, it remains to be seen to what extent this will be channelled to the local level. To date fifteen NIEs have been accredited, three of them, in Belize, Costa Rica and Senegal, being non-state entities. Six NIEs are autonomous public organistions, in Benin, India, Mexico, Morocco, South Africa and Uruguay. Each potential NIE goes through a rigorous appraisal by a 4 person expert panel, which includes evaluation of financial management, institutional capacity and transparency.[26] The standards that NIEs must meet are high. Not all institutions that have applied have been successful in seeking accreditation. That said, for countries that have received accreditation for direct access, the arrangement has been a beneficial one and has led to greater experience in country-level management of funds.[27]

Successes

One of the most notable successes thus far is the accreditation of the Senegal NIE, which has operationalised projects within 2-3 months of receiving AF funds.[28] While Senegal's NIE is closely affiliated with the government, it is a multi-stakeholder organisation receiving funding from the United Nations Development Programme (UNDP) and the private sector. A non-state NIE was specifically nominated in Senegal to prevent any potential conflicts of interest when managing Adaptation Fund financing. In preparation for the funds, the Senegalese NIE had to adjust its operating policies to cope with managing funds significantly larger than those it has managed in the past but was able to do so with the help of external experts. They have also demonstrated good practice by ensuring civil society and multi-stakeholder consultation and engagement at all stages of the process, setting them apart from other NIEs.

[25] Climate and Development Knowledge Network. Direct access to the Adaptation Fund: Lessons from accrediting NIEs in Jamaica and Senegal. Accessed on February 7, 2013. http://cdkn.org/resource/cdkn-inside-story-direct-access-to-the-adaptation-fund-lessons-from-accrediting-nies-in-jamaica-and-senegal/

[26] UNFCCC and Adaptation Fund. The Accreditation Process. April 23-25 Apia, Samoa http://unfccc.int/files/adaptation/application/pdf/accreditation_process.pdf

[27] Personal communication with Saleemul Huq, Director, International Centre for Climate Change and Development February 5, 2013.

[28] Personal communication with Marcia and Dima, Adaptation Fund. February 6, 2013.

Lessons

- While it is a success to have had a non-state actor chosen as an NIE it is also important to note that the NIE has links to government. Some climate finance experts emphasise the need for government engagement to ensure a national, strategic response to climate change and alignment with government efforts.[29]

- Thus far the adaptation finance debate has focused on countries and the vulnerability of countries. However the AF is focused on projects, leaving a gap between the national and the local level. This highlights the significant need to better connect the two levels.[30]

- The AF's policies acknowledge vulnerability at the sub-national level and countries are requested to pay attention to needs of the most vulnerable communities. Regardless, there is no mechanism for ensuring inclusion of this local level strategy or analysis. This may in part be a way of giving countries ownership over the proposals. However, as a result, there is no requirement for a proposal to justify the beneficiaries it targets. This undermines equity as well as the ability to meet the goals of adaptation financing. Most country proposals did not even mention vulnerable target beneficiaries.[31]

- In response to civil society concerns the AF has introduced stricter requirements for documentation of stakeholder consultation in projects. This does not however address the issue of identifying which communities are most vulnerable within a country and is something that should be further considered.

- The AF has been innovative in some important ways such as trying to move past a formulaic approach. Lessons generated from the 4-person accreditation panel of experts emphasise that it is not effective to have a one-size-fits-all accreditation process because the varying actors being nominated will have different systems in place based on the type of organisation and their size.

- It was also highlighted by AF secretariat that it is important to help NIEs build skills that will allow them to be successful in other funding processes in the future, which takes time. At the same time, those skills can have an amplified impact for recipient countries in the long-term.[32]

- Despite the growing progress of the direct access modality of the AF, modalities for distributing funds through intermediaries have continued to be the predominant channel for distribution. As a result, the pots of money available through intermediaries have been depleted and the AF Board has placed a cap on Multilateral Implementing Entity at 50% of the AF's available resources. This is probably in part due to the need for national capacity building to ensure national entities are equipped to successfully receive accreditation and be prepared to carry out the required fiduciary, administrative, and assessment functions to become NIEs. In time this learning and capacity building should be extended to working with countries to ensure country driven, inclusive proposals that effectively link to the local level.

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[29] ODI and UNDP. Direct Access to Climate Finance: experiences and lessons learned. Discussions paper. November 2011. http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7479.pdf
[30] Stockholm Environment Institute. Equity and Efficiency in the Adaptation Fund: Prioritizing Among the 'Particularly Vulnerable' Policy Brief. 2012
[31] Ibid
[32] Marcia Levaggi and Dima Reda

4.2. Global Fund to Fight Aids, Tuberculosis, and Malaria

While not a climate change-related fund, the Global Fund (GF) has been repeatedly indicated by civil society, scholars and government as an important source of lessons for development of the GCF and can provide insight into multi-stakeholder decision-making bodies at the country level.

The GF primarily disburses funds through a Country Coordinating Mechanism (CCM) which is a multi-stakeholder body including government, civil society and the private sector. In addition, every CCM has to have a representative from affected communities. The GF oversees development of a sound and cohesive country proposal to receive funds from the GF.[33] The benefit of the CCM, in which there is civil society representation, is that there is one overarching body, which has oversight and coordination of all projects.[34]

Different stakeholders including ministries, NGOs and the private sector can apply to be a part of the CCM country proposal to the GF. An independent review panel looks at the CCM proposals. This means that the GF is only peripherally involved in content of proposals, which is carried out at the national level by multi-stakeholder national and local organisations and entities that are selected by the CCM to be a part of the country proposal.

Independent financial auditors are used by the GF to ensure financial integrity. Generally Pricewaterhouse Coopers agents or KPMG agents in the country do an audit of how the funds are being spent. [35]

Successes

A five-year external evaluation of the GF revealed that it has been highly effective in making a significant impact on the target health issues within a short period of time and has increased services provided in a number of GF recipient countries. Among a range of partners and countries, the CCM model was seen as one of the most positive dimensions of the fund. In particular it has fostered a range of partnerships with governments, international and local NGOs, the private sector, and affected communities.

As an institution, the GF has been deliberate in modelling equity in its structure, through assuring the representation of women and marginalized populations at the level of the Board, Secretariat, and CCMs.[36]

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[33] Personal communication with Nicolas Demey former Corporate Partnerships Officer, Global Fund. January 25, 2013.
[34] Caritas International and Cidse. Business as Unusual. Direct Access: Giving power back to the poor? June 2010.
[35] Personal communication with Nicolas Demey former Corporate Partnerships Officer, Global Fund. January 25, 2013.
[36] The Five-Year Evaluation of the Global Fund to Fight Aids, Tuberculosis, and Malaria. Synthesis of Study Areas 1, 2, and 3. Macro International Inc. March 2009

Lessons

While emphasising the impressive gains of the GF, the five-year review also made recommendations for strengthening its performance, which can provide important lessons for other funds.

- In particular the evaluation recommended that the GF continue to advocate with host governments for increased civil society organisation and private sector participation in the CCM function so that they are not perceived as GF entities rather than mechanisms for country ownership and carrying out country-level work, which seems to currently be the case.

- Analysis of global health systems has shown that CCMs have often been fairly separate from the institutions entrusted with managing national health systems. As a result, the GF has not been as effective in strengthening overarching systems and in some cases has created parallel structures instead of incorporating participatory decision making into existing institutions. The GF has demonstrated a willingness to adapt to and align with country systems but does not appear to have done so thus far according to critics. [37]

- It is also important to note that recommendations were made to the GF to specifically monitor the impact of grant performance at the country level related to gender, vulnerable groups and rural-urban divides to ensure that the Fund's principles of equity are applied at the country and local levels.[38]

4.3. The GEF Direct Access and Small Grants Programme

The GEF funds are in large part channelled through a multilateral intermediary. However, in response to increasing calls for direct access from GEF recipient countries, the GEF has begun to pilot direct access modalities as of 2010.

GEF recipient countries can directly access up to $30,000 for preparing a plan on how they will use larger GEF allocations of money through GEF replenishment periods. Governments can also directly access GEF funds to prepare reports to conventions. These grants range between $150,000 and $500,000.

In order to be granted direct access a country has to assign a national agency, which is usually a ministry. Because of the GEF's limited legal status and infrastructure, the World Bank assesses the eligibility of the national agency on the GEF's behalf. If they get approval, the GEF CEO can sign a grant agreement directly with the country, unlike its other grants, which go through the World Bank. Under the direct access modality, the GEF takes on a role similar to one of the 10 implementing agencies it normally uses.[39]

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[37] Biesma et al. The effects of global health initiatives on country health systems: a review of the evidence from HIV/AIDS control. Health Policy Plan. (2009) 24 (4): 239-252. June 2, 2009

[38] The Five-Year Evaluation of the Global Fund to Fight Aids, Tuberculosis, and Malaria. Synthesis of Study Areas 1, 2, and 3. Macro International Inc. March 2009

[39] Personal communication with Lily Uy Hale, Sr. Operations Officer (Project Cycle), Operations and Business Strategy, the GEF. February 4, 2013.

Lessons

- The direct access efforts of GEF are on a modest scale and only relate to preparing plans and reports. However, they reflect the fact that funding institutions increasingly have to respond to the growing demand for direct access.

- GEF secretariat staff acknowledges that while direct access requires significant initial investments in working with recipient countries, it is much better for them overall in that it builds skills they can use to apply to other funds. The GEF specifically has funds set aside for capacity building because there is recognition that is not something that is vital to work with developing countries.[40]

- The shift within the GEF toward direct access does not however address the role of sub-national and non-state actors in climate finance.

Small grants programme

The GEF's small grant programme (SGP) is a small fund run by UNDP in response to the demands of civil society for grassroots conservation. GEF launched the SGP in 1992, in thirty-three pilot countries to provide an opportunity for increased NGO involvement in the GEF and to demonstrate small-scale projects, strategies and processes.[41] Grants are capped at $50,000. However, most of the grants are $20,000-$35,000.[42] UNDP serves as the implementing agency and receives a fee for this service.

Grants are given through a national selection committee, which includes government representatives, community based organisations, NGOs, academics and scientific experts as well as representatives from the UNDP country office. This multi-stakeholder structure seems to have created closer links to local level efforts more so than traditional project implementation arrangements of the GEF. To receive grants, NGOs or community organisations apply to the national coordinating mechanism and demonstrate that they will contribute to the GEF's goals through participatory local activities.[43] The grants are disbursed through the national office of UNDP.

Successes

Within two years of the launch of the SGP, the GEF independent evaluation found that the programme was "well received" by developing countries.[44] Furthermore, in an independent evaluation in 2008 the programme was found to be a cost-effective way for the GEF to generate environmental benefits through NGOs and CSOs. In the evaluation, 93% of projects received good ratings. It also found that 80% of completed projects demonstrated a high level of sustainability, indicating high likelihood of continuation beyond the funding period. These projects ranked slightly better than GEF full-sized and medium-sized projects and ranked significantly better in terms of project sustainability than the others. In addition, in several cases, GEF projects benefited from the organisational capacities of SGP grantees. It is important to note that17 of the 22 projects reviewed have apparently contributed to climate change mitigation efforts by introducing renewable energy sources and energy-efficient

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[40] Personal communication with Lily Uy Hale, Sr. Operations Officer (Project Cycle), Operations and Business Strategy, the GEF. February 4, 2013.
[41] Horta, K et al. The Global Environment Facility The First Ten Years – Growing Pains or Inherent Flaws? Environmental Defense Fund and Halifax Initiative. August 2002.
[42] Global Environment Facility Evaluation Office and United Nations Development Programme. Evaluation Office. Joint Evaluation of the GEF Small Grants Programme. Evaluation report no. 39. GEF and UNDP. June 2008
[43] Horta, K et al. August 2002.
[44] Ibid

alternatives. [45] However, projects that fall outside the scope of mitigation can only be funded through co-financing.

The SGP has also demonstrated successes with respect to targeting the poor. In the most recent evaluation period, 72% of the SGP projects directly or indirectly targeted the poorest and at least 15% of projects specifically targeted indigenous people.[46]

The SGP has also been innovative in mainstreaming gender in its projects, which is a key element for addressing issues of equity.[47] Of the 22 country strategies reviewed, only one did not consider women to be a priority target group.[48] In comparison, gender mainstreaming in GEF projects has been very limited in relation to the efforts of other organisations. Of 172 projects reviewed, only 17% identified women among groups of stakeholders and beneficiaries of projects that the project will or has consulted for project development and implementation. [49]

Lessons

- The SGP has made funds very accessible to a variety of NGOs and communities, rather than just large NGOs, by putting in place measures to facilitate their access such as allowing applications for funds to be submitted as audio recordings.

- In addition, the SGP has generated important lessons about bringing decision-making closer to local and national technical expertise and moving away from a model that allows for external consultants to impose their agendas. Furthermore, UNDP early evaluations highlighted that the projects were demonstrating the importance of using participatory approaches to engage communities affected by projects throughout the process in order to build ownership of projects, improve outcomes and facilitate appropriate scaling-up of projects to provide local solutions.[50]

- At the same time, GEF small grant co-financing has been a barrier for some local organisations that have difficulty raising funds to match those provided by the SGP for activities that are complimentary but do not fall within the GEF's core activities. This includes adaptation efforts, which require co-financing. The co-financing requirements can also pose particular challenges for women's groups given that they traditionally have more restricted access to financial resources and therefore have more difficulty raising matching funds.[51] This can limit the participation of women and women's groups in the SGP.

- In addition, independent evaluators found that the SGP must adapt its management model if it is to grow any further. One area where adaptation is necessary is finding ways to address the differentiated needs of the country programmes now that there is a

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[45] Global Environment Facility Evaluation Office and United Nations Development Programme. Evaluation Office. Joint Evaluation of the GEF Small Grants Programme. Evaluation report no. 39. GEF and UNDP. June 2008
[46] Ibid
[47] Personal communication with Liane Schalatek, Heinrich Boell Foundation. February 1, 2013
[48] Global Environment Facility Evaluation Office and United Nations Development Programme Evaluation Office. June 2008
[49] GEF. Mainstreaming Gender at the GEF. Washington DC, 2008.
[50] Horta, K et al. The Global Environment Facility The First Ten Years – Growing Pains or Inherent Flaws? Environmental Defense Fund and Halifax Initiative. August 2002.
[51] Personal communication with Liane Schalatek, Heinrich Boell Foundation. February 1, 2013

greater diversity of the types of countries participating that have different levels of capacity and unique challenges as well as resources.[52]

4.4. National Climate Funds and local access

Many countries have established national climate funds as a means for countries to take rapid and much needed action while also providing mechanisms for coordination and blending domestic sources of funds with the resources from the numerous different international climate change funds. This is an increasing trend with governments establishing funds in Brazil, Bangladesh, Ecuador and the Philippines, among others. Development of such funds provides additional options for national entities through which the GCF can channel funds, while supporting national efforts and priorities. If designed properly these funds can be important mechanisms for ensuring that international and national climate finance reaches the local level.

Bangladesh Climate Change Trust Fund

The Bangladesh Climate Change Trust Fund (BCCTF) was established in 2010 as a national response to the immediate need for funds to address climate change. It is funded entirely with national resources. However, it can receive funds from international sources such as the GCF once it is functional.

The BCCTF is made up of a board of trustees, which is responsible for policy formulation, project approval and overall management of the Trust. The Board is chaired by the Minister for Environment and Forests and has members two of which are from CSOs.[53]

The Fund has two windows for finance, one for proposals from government ministries and agencies, for which 90% of the funds are earmarked and a window for NGOs and civil society organisations for which 10% of the funds are earmarked. A technical committee is responsible for reviewing and approving the government proposals and a select number of NGO proposals. A sub-technical committee is in charge of reviewing and assessment of the NGO proposals.[54]

Lessons

- The BCCTF has established capacity building as a key issue. As a result, most projects have an element of capacity building for the implementing ministry. There are also a few stand-alone capacity building projects being financed.[55]

- One of the greatest challenges of the BCCTF is that it operates on a first come, first serve basis and not all ministries have equal capacity for developing proposals and projects for the fund. As a result, more resourced ministries have dominated the BCCTF while

[52] Global Environment Facility Evaluation Office and United Nations Development Programme Evaluation Office. June 2008
[53] Khan, S et al. The Bangladesh National Climate Funds: A brief history and description of the Bangladesh Climate Change Trust Fund and the Bangladesh Climate Change Resilience Fund. International Institute for Environment and Development (IIED) and the European Capacity Building Initiative (ecbi) http://ldcclimate.files.wordpress.com/2012/05/bangladeshnationalfund.pdf accessed on February 8, 2013.
[54] Ibid
[55] Ibid

ministries such as the ministry of local governments, responsible for channelling funds to the local level have not had the capacity to sufficiently access resources.[56]

- Current civil society efforts are under way to ensure that the BCCTF increasingly dedicates funds to the local level. These efforts are inspired by examples of good practice and commitments made elsewhere such as the Nepali government's commitment to devolve 80% of adaptation funds to the local level.

The Amazon Fund, Brazil

The Amazon Fund focuses on raising money for efforts to prevent, monitor and combat deforestation and promote the sustainable use of forests.[57] It was initiated in 2008 by a $1 billion pledge from the Norwegian government as well as additional German funds and private funds from the Brazilian energy company Petrobas. The Brazilian Development Bank (BNDES) manages the Amazon Fund. However, decisions are made by a multi-stakeholder structure called the Guidance Committee that includes local government, ministries and civil society as well as a committee of technical and scientific experts. The guidance committee identifies priorities for project funding and advises BNDES, which makes the final decisions.

NGOs and public and private institutions can apply. The Fund's eligibility criteria specifically identify a preference for "projects involving articulation between stakeholders from the public, private and third (NGO) sectors as well as local communities with shared governance structure".[58] Interestingly, to be able to apply State-level governments, unlike NGOs or others, must submit a state level strategy for addressing deforestation. This places emphasis implementation rather than the creation of plans.[59]

Lessons

- This structure and decision-making process present an example of how international and national finance are being combined and targeted at the local level with multi-stakeholder engagement and is something for consideration in thinking through the types of funds with the GCF could work and the type of structures it should support.

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[56] Personal communication with Saleemul Huq, Director, International Centre for Climate Change and Development February 5, 2013.
[57] Amazon fund website http://www.amazonfund.gov.br
[58] Guidelines and Criteria for the Allocation of Resources of the Amazon Fund in the Amazon Biome. http://www.amazonfund.gov.br/FundoAmazonia/export/sites/default/site_en/Galerias/Arquivos/diretrizes_criterios/Diretrizes_e_Criterios_ing.pdf
[59] Watson, Charlene and Nakhooda, Smita. Financing Readiness: Insights from the Amazon Fund and Congo Basin Forest Fund's efforts to reduce emissions from deforestation and degradation. Climate Finance Policy Brief. Heinrich Boell Foundation and ODI. July 2012. http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7758.pdf

- It is still too early to tell what the overall impact will be of the Fund and it should be noted that there has been concern expressed about the fact that the Fund's rules and standards don't clearly distinguish between natural forests and plantations.[60]

Peoples Survival Fund, Philippines

Last year the President of the Philippines signed a law creating the 1 billion peso ($24.5 million) Peoples' Survival Fund (PSF), which is expected to receive funding within a year. The PSF aims to implement local-level climate action plans to make communities more resilient and prepared to confront climate change. The PSF will channel funds to local governments and communities.[61] The focus will mainly be on local governments however there is an opportunity for the Climate Change Commission (The Secretariat for the PSF Board) to accredit community/local organisations to receive funds in cases where capacity is a concern.[62]

The PSF will be built with national resources to mainstream climate in development activities. However, it is able to receive funds from sources abroad such as bilateral or UN- multi-lateral funds. It will have a board that includes civil society, academic and private sector members that have full voting rights. The PSF Board chair will be the Minister of Finance to encourage leadership and engagement on the issue outside of the environment and development ministries.[63]

Lessons

- Since the PSF is not operational yet, no lessons can be drawn as yet. That said it provides a good example of how national funds are being structured and are build multi-stakeholder decision-making and participation into their structures while specifically aiming to channel funds to local governments and communities.

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[60] Fatheuer, Thomas. Dollars, Hopes and Controversies - REDD in the Amazon: A Small Guide through a Complex Debate. November 11, 2010. http://www.boell.de/worldwide/latinamerica/latin-america-10558.html
[61] Imelda Abano. Filipino government makes climate change a top 2013 priority. Alternet. January 27, 2013.
[62] Personal communication with Renato Constantino, Executive Director of the Institute of Climate and Sustainable Cities. February 4, 2013.
[63] Personal communication with Renato Constantino, February 4, 2013.

5. Conclusions and recommendations

5.1. Conclusions

Experiences around the world demonstrate the extent to which climate change impacts are felt at the local level and the ways in which local actors are already effectively adapting to these changes, while at the same time implementing promising local mitigation measures. These efforts must be placed at the centre of the international response to climate change and the accompanying distribution of climate finance through funds such as the GCF. Effective climate policies and implementation require government involvement and coordination across sectors of the economy and different agencies. However, they also require the involvement of, and accountability of governments to, citizens, civil society and vulnerable communities.

The GCF has recognised the need for increasing country ownership of climate funds, which is reflected in its Governing Instrument. This recognition has extended to acknowledging the role of non-state actors and in doing so, alludes to the need to ensure that climate funds reach the local level. However, as the GCF is further developed, funding modalities and clear mechanisms for ensuring that funds are devolved to local actors must be put in place and made more explicit. This also must hold true for criteria and mechanisms that ensure inclusive multi-stakeholder decision-making processes.

Direct access modalities and particularly enhanced direct access offer an opportunity for devolving decision-making to the national level and increasing country-ownership. While growing support for such modalities is an important step forward, these modalities cannot be truly effective without explicit criteria and structures built in that ensure funds reach the local level and that there is active participation of a range of stakeholders, including local actors and affected communities.

No existing fund has a model for direct access that is sufficient to be adopted in full by the GCF to ensure funds reach the local level. Therefore, the GCF Board should draw upon lessons from various other funds and take advantage of the opportunity for innovation presented by the creation of a new climate finance fund.

As seen with the Adaptation Fund NIEs, large amounts of capacity building are needed at the national and sub-national levels to enable countries to directly access funds. It is equally important to ensure absorptive capacity for climate finance and the ability to effectively channel funds to where they are most needed. A disadvantage of the NIE model is that they do not explicitly require multi-stakeholder engagement or coordination at national and local levels.

In this regard, experiences with direct access through dedicated multi-stakeholder entities such as the CCMs under the Global Fund have been shown to increase the capacity for independent oversight by civil society, such as effective monitoring and evaluation, and more targeted use of the funds. The GF successes as well as areas for continued growth emphasise the need for country coordination to ensure that government is fully engaged in the creation of a cohesive response as well as a range of other key actors such as NGOs, community organisations and the private sector. These lessons should inform the ways in which the GCF is designed.

Reflecting on the potential of national funds such as the Bangladesh Climate Change Trust Fund, the GCF's efforts should work in coordination with and in support of emerging national financing mechanisms. Such funds provide an important opportunity for enhancing country ownership by devolving decision-making to the country level. However, they need to be actively encouraged to ensure distribution of such funds to the local level and to support multi-stakeholder decision-making.

Meanwhile, lessons from the GEF small grants programme demonstrate that such programmes can be cost-effective tools for reaching the poor and most vulnerable. They provide an opportunity to dedicate specific funds for local civil society organisations and pilot and demonstration projects without requiring them to have the same capacity as governments and larger entities that access the main pots of finance in terms of fiduciary standards, language skills, etc. However, the GEF's SGP covers three different conventions and has a limited number of climate change related projects. Those climate change projects that are supported are focused on mitigation and require anything that falls outside the scope of mitigation to be funded through co-financing. This leaves open an important area where the GCF can add value in a niche that is not yet being filled elsewhere.

5.2. Recommendations

Drawing on lessons learned from these various funds, while taking into account the needs for local access, a two-pronged approach to ensure such inclusive decision-making and devolution of funds to the local level seems like the most appropriate structure for the GCF:

(A) Work through a national Funding Entity or Mechanism at country level which allow for direct access and participation in governance by a broad range of stakeholders.
(B) Establish a dedicated small grants mechanism that channels money directly to non-state actors.

Specifically, the GCF should:

A) Channel GCF's main funds directly to a national Funding Entity or Mechanism selected by the recipient countries under specific accreditation criteria to ensure there is broad stakeholder participation including local and non-state actors in those entities or mechanisms. This allows for country ownership, alignment with national policies, and the opportunity for local actors to access funds. This direct access modality should:

- **Establish funding windows that support inclusive decision-making and access by local actors** - The GCF's funding windows should have multi-stakeholder governance, including women, indigenous people and representatives of people most vulnerable to climate change, and reach local actors, who are key contributors to effective adaptation and mitigation strategies. This will ensure greater effectiveness of the funding windows as well as accountability and greater stakeholder buy-in.

- **Allow for country ownership and flexibility in proposing funding entities -** The GCF windows should allow for countries to propose different types of existing entities or multi-stakeholder coordinating structures to directly access funds, allowing for a single entity for each country to ensure country coordination. This could include using NIEs that countries have already had approved through the Adaptation Fund, using national funds or creating country coordinating mechanisms as long as they are able to meet certain eligibility criteria (see below).

- **Create clear criteria for country level multi-stakeholder participation and devolution of funds** - Specific elements and modalities are needed to ensure that funds reach beyond the national level in addition to criteria for fiduciary and other standards. As part of accreditation for receiving funds, direct access entities should be required to demonstrate that they meet the criteria. This should include:

  - A national fund/ body that includes civil society and multi-stakeholder representation, for decision-making on the devolutions of funds;
  - Requiring that national level representation include several different ministries and coordination amongst them;
  - A dedication of a specific proportion of the funds to local level efforts;
  - Sufficient capacity building for civil society, to ensure that they can engage and ensure accountability. This should be supported by channelling a percentage of the national funds to go directly to civil society capacity building and accountability;
  - Establishment of easily accessible accountability mechanisms at the national and sub-national levels, including ombudsmen/ parliamentary oversight of budget-related funds as well as reporting procedures for non-government stakeholders;
  - Investment in monitoring and reporting of results after the funds become operational. This should include reflecting upon whether or not local actors have been empowered to design and carry forward adaptation and mitigation projects and programmes. It should also measure whether or not the number of vulnerable groups has been reduced;
  - Guidelines for funds to contribute to equity. Policies such as the GCF's commitments to include gender issues can only be effective if coupled with specific evaluation measures to track progress, particularly at the country level.

- **Prioritise capacity building** - Building the long-term skills of national and sub-national entities (both governmental and non-governmental) will ensure that they not only succeed in accessing the GCF, but are also able to build skills that are applicable to other funding opportunities as well as effective and efficient management of the funds received. An often-missed point is that this capacity building support may be required even after accreditation of a national body.

B) **Establish a dedicated small grants mechanism that channels money directly to non-state actors.** This allows accessibility to smaller NGOs and CBOs, with a specific focus on the most vulnerable. It also provides an opportunity to work on small or pilot/demonstration projects with the potential to be replicated or scaled-up through the national coordinating mechanisms and larger pots of money as well as the possibility to contribute to the accountability of the national funding entities by raising critical issues, organising national/sub-national debates when needed and sharing local experiences which deserve more attention by the national funding entities. In doing so the GCF should:

- **Build upon successes and lessons of other small grants programmes** - The GCF create its own programme to support local level responses to climate change and should build upon the successes and lessons of the GEF small grants programme to enhance effectiveness of the programme from the outset.

- **Evaluate co-financing and whether it contributes to or hinders access and effectiveness -** It should critically evaluate the effectiveness of co-financing requirements and their impact on access to funds and diversity of the types of groups that can access funds.

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