



ClimDev-Africa

# **Enhancing climate finance : understanding the direct access modality and the role of the fiduciary standards in emerging climate finance discourse.**

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# background

- **Adaptation Fund(AF)** setup under the Kyoto Protocol of the UNFCCC.
- With goal to finance **concrete** adaptation projects.
- **Automatically sourced** from the 2% share of CERs proceeds.
- AF **fully operationalized** in 2010 with **Direct Access(DA)** modality.
- DA described in Paragraph 29 Decision 1/CMP 3 as ability where *“eligible parties shall be able to submit their proposal directly to the Adaptation Board and the implementation or executing entities chosen by the governments that are able to implement projects funded under the AF may approach the AFB directly”*(UNFCCC 2007)

# direct access modality-features

- Simplified allocation of resources to recipient countries through their own nominated entities; either a **National Implementing Entity(NIE)**, **Multilateral Implementing Entities(MIEs)** or **Regional Implementing Entity(RIE)**.
- Entities can be national or regional, academic institution etc.
- Domestic entities have **main implementing status** within the program circle usually by executing entities.
- Such entities **must be endorsed** by the designated national authority and **have legal status** to transact and receive financing from AF.
- Financial transfers are made **directly** to such entities.
- Vetting procedures of domestic entities need to be in place to ensure fiduciary and program standards.

# direct access modality-benefits

- **Eliminates and transfers** role of 3<sup>rd</sup> party agencies to beneficiary countries.
- **Ensures proper harmonization** with national systems, plans and priorities
- Increased level of **country ownership, oversights and involvement** with adaptation activities.
- More efficient and effective channel for **speedy delivery** of financial support to developing countries and guarantying delivery of desired outcomes.
- Provides the AF with **flexibility** in accepting diverse institutions as NIEs.
- Promotes balanced partnership between contributing and recipient nations and **potentially removing mistrust.**
- Strengthening the **accountability of recipient nation.**

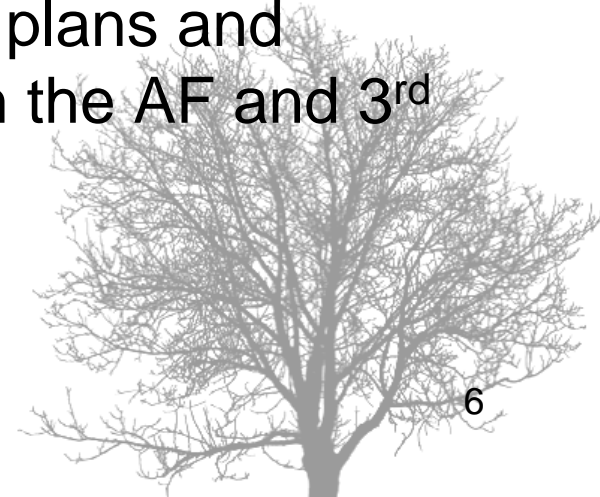


# NIE accreditation procedures

- Only Kyoto Protocol parties are eligible.
- National government nominates a Designated Authority- which must be a person; not institution.
- The Designated Authority is responsible for endorsing the use of selected implementing modality; NIE or MIE.
- Submit application for accreditation to the AF to be reviewed by the Accreditation Panel.
- Accreditation Panel makes recommendation to the AFB for final decision.
- Accreditation: so far 6 NIEs and 9 MIEs. 3 of the NIEs are from Africa ( Senegal, South Africa and Benin).
- Accreditation valid for 5 years unless there are reasons for cancellation or suspension of the accreditation.

# role of fiduciary standards(FS)

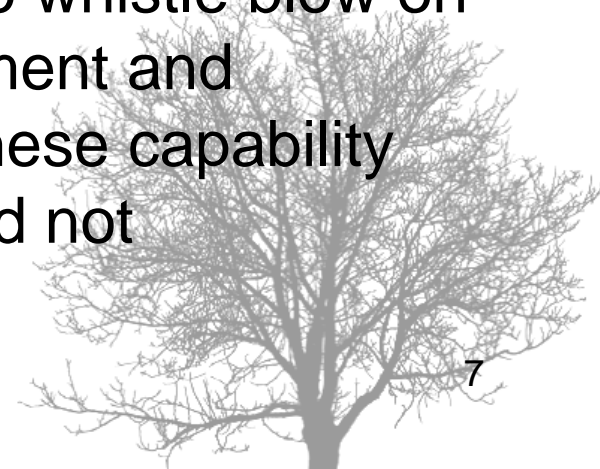
- **NIEs and MIEs must meet FS** set by the AF. Core elements of the FS are:
  - I. **Financial and management integrity**-ability to accurately and regularly record transactions and balances to an appropriate standards as attested by a competent body; ability to safe guard, manage and disburse funds effectively to recipient on a timely basis ; competency to produce forward-looking plans and budgets and legal status to contract with the AF and 3<sup>rd</sup> parties.





# fiduciary standards cont.

- 2. Requisite institutional capacity** relates to : the procurement procedures that provides for transparent competition including effective means of redress; capacity to undertake monitor and evaluation; ability to identify, develop and appraise projects and competency to manage and oversee projects execution
- 3. Transparency and self-investigative powers and anti-corruption measures:** freedom to whistle blow on issues of fraud and gross mismanagement and objectives policies for self-regulation(these capability must be demonstrated by the entity and not outsourced).



# Limitations of the DA

- AF identified the lack of understanding of the DA and the role of the FS as a challenge; difficulty in identifying the most appropriate institution to act as NIE; difficulty of documentation to support accreditation ; language barriers and outright lack of confidence as some limitations.
- FS appears very high for most African countries which could be counter-productive for effective adaptation funding.
- It is not clear the number of NIE a country can accredit.
- No clarity if the private sector or civil society can independently be accredited.





# Limitations cont.

- A potential area of conflict of interest exist; since the NIE that propose and appoints executing entities also monitors and report outcomes of the project without sufficient external checks and balances in monitoring.
- No redress mechanisms available to local communities in the event of non-disclosure by the NIE.
- Prominence of MIEs suggests business as usual : as at June, 2011 out of 22 proposals submitted,21 involves MIEs; UNDP alone has 18 of those, deriving \$8.5m in project management fees.
- No defined mechanism to guarantee multi stakeholder engagement at domestic level despite the AF Operational Policies and Guidelines envisage mass participation for the needy and vulnerable.

# Recommendations

- DA has created both **opportunity and responsibility**. Climate governance policy reform is imperative for governments to provide **the sophistication** demanded by the emerging climate finance regimes. Appropriate policy to overcome national capacity constraints.
- To avoid business as usual, African countries must develop **appropriate national capacities** to set up their NIEs and develop an exit strategy for MIE activity within recipient nations.
- Urgently review/evaluate institutions to determine which can meet FS.
- African must **adopt “learning by peers”** method where the accredited African NIEs provide lessons for the others.
- Need for the AF to develop **appropriate communication strategy** in addition to its accreditation toolkit to increase level of understanding on the DA and its FS. ([www.adaptation-fund.org](http://www.adaptation-fund.org))
- Need for African institutions to be ready to hit the ground running when the Green Climate Fund takes up.

Thank you

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