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# International donors should embrace more local control of climate financing

By Ned Helme

Not every decision has to come from the top. In fact, the drive to reduce greenhouse gas emissions would be greatly enhanced if international organizations like the United Nation's Green Climate Fund chose ambitious national programs and allowed countries the flexibility to select for themselves in which communities investments would be made.

The GCF is set to begin to dispense millions of dollars to reduce carbon emissions by the end of the year and is expected to become a primary vehicle for deploying climate-related financing. Developed nations have pledged over \$10 billion dollars so far, with contributions expected to be ramped up over time to support the GCF's goal of combating climate change in developing countries.

How best to deploy all that money is still being hotly debated. There's strong evidence that home-grown programs, when carefully managed, can reduce emissions through a suite of projects implemented as part of broader national policy reforms. This can help create an environment for sustainable businesses to thrive for many years after funding ends.

Experts have a term for such locally chosen environmental programming: Enhanced Direct Access. EDA enables national decision makers to decide how to divide up GCF financial support among various programs as long as they fall within an approved broad-scale initiative.

For example, the country of Colombia has been awarded a grant to help cities develop in a more transit- and pedestrian-friendly way by a fund backed by United Kingdom, Germany, Denmark and the European Commission. These cities will reduce commuter-related air pollution by locating affordable housing and shops near mass transit stations, thus reducing the need for cars.

The EDA twist is that Colombia will be allowed to decide which five cities to situate the transit hubs. The multi-nation fund blessed the overall concept and the selection criteria; Colombia will choose not only where they'll be built but also what they'll look like based on local needs and desires.

Such local control won't always work, of course. EDA will only be effective in countries that have stable institutions and private sector partners with patience, capital and a longer-term vision.

In such places, the advantages of delegating decision-making are manifold. First and foremost, the chance of long-run success is enhanced because the people who will be part of the programs will have a strong say in shaping them. EDA also encourages governments to propose bolder programs with a sector-wide or national scope rather than merely requesting funds for narrow, individual projects that inevitably have limited ambitions.

Permitting local decision-making does not mean giving up all management control. The Colombia initiative is overseen by a decision-making body that includes representatives from key national ministries as well as financial and technical experts. The board, which includes senior representatives from the ministries of Transportation, Housing, Environment and National Planning, will evaluate and select which city initiatives to fund, a process that ensures broad political buy in.

In addition, individual proposals would have to be aligned with the goals laid out by GCF. Preference will be given to programs that are consistent with and contribute to these larger objectives. Cities that get selected, for instance, must agree to advance the low-carbon policies in transportation that led to the grant to begin with.

Pilot programs of this kind are popping up around the globe. Major development banks have already begun to implement this model, including the World Bank and France's national development agency. Their experiences could well provide a model for how GCF can move beyond the financing of individual projects toward more comprehensive national programs that can help put a country on a low-carbon path.

EDA programs have the potential to provide sector-wide improvements rather than project-based patches. When done right, they can serve as catalysts for significant private-sector investments that can transform an entire sector of an economy in a way that reduces the danger of climate change.

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