



**GREEN
CLIMATE
FUND**

Meeting of the Board
4–6 April 2017
Songdo, Incheon, Republic of Korea
Provisional agenda item 10(b)

GCF/B.16/Inf.08
29 March 2017

Facilitating an increase in proposals from direct access entities

Summary

In decision B.15/03, paragraph (b), the Board requested the Secretariat to prepare a document for consideration by the Board at its sixteenth meeting that outlines the actions to be taken by the Board in order to facilitate an increase in proposals from direct access entities in the pipeline. This document provides information on current engagement with direct access accredited entities (AEs), including current status of the direct access AE pipeline of projects; identifies and addresses direct access AE needs for support; and provides options for additional support to direct access AEs that the Board may wish to consider.

I. Background

1. The Governing Instrument for the Green Climate Fund (GCF) identifies direct access as a modality through which recipient countries receive funding. The GCF Strategic Plan identifies ensuring the GCF's responsiveness to developing countries' needs and priorities by enhancing country programming and direct access as a core operational modality.
2. Furthermore, through decisions B.13/20, B.13/21 and B.14/07, the Board has requested the Secretariat to facilitate and enhance access to the Fund's resources by direct access entities (DAEs) through a number of channels, including the simplified approval process and the Readiness and Preparatory Support Programme.
3. The Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), by UNFCCC decision 10/CP.22, *requests the Board to facilitate an increase in the amount of direct access proposals in the pipeline and to report to the Conference of the Parties on progress made in this regard.*
4. In decision B.15/03, paragraph (b), the Board requested the Secretariat to prepare a document for consideration by the Board at its sixteenth meeting that outlines the actions to be taken by the Board in order to facilitate an increase in proposals from direct access entities in the pipeline. This document provides information on current engagement with direct access accredited entities (AEs), including current status of the direct access AE pipeline of projects; identifies and addresses direct access AE needs for support; and provides options for additional support to direct access AEs that the Board may wish to consider.

II. Current engagement with direct access accredited entities

5. In line with decision B.14/08, the GCF strives to fulfil its mandate on balance, diversity and coverage of AEs and advance the objectives of the GCF in that regard. With a view to enhance country ownership and reach a balanced portfolio, the GCF closely works with 23 direct access AEs, representing nearly fifty per cent of the 48 AEs to enhance their portfolio of projects.
6. GCF's current portfolio of approved projects include 10 funding proposals from direct access AEs, which accounts for 29 percent of total approvals. This amounts to USD202 million, representing 14 per cent of total approved funding as of the 15th meeting of the Board (B.15) in December 2016. This initial relatively lower share of proposals from direct access entities can be partly explained by their accreditation status: only nine of the 23 direct access entities are accredited with specialized fiduciary standards for intermediation functions and six for medium- and large sized-projects.¹ Furthermore, these entities are still in the process of strengthening their capacity in designing, structuring and appraising investments to meet GCF requirements and standards.
7. Looking at the funding proposals in the pipeline at 31 January 2017, 15 funding proposals originate from direct access AEs, with requested GCF funding of USD752 million. This indicates an increase of the requested GCF funding by nearly 50 percent since B.15.
8. At the same date, there are 43 concept notes submitted by direct access AEs requesting USD1.7 billion of GCF resources. In addition, 9 concept notes had been submitted directly from national designated authorities (NDAs) with the requested GCF amount of USD643 million.
9. The Board also approved, in decision B.10/04, the terms of reference to launch a request for proposal (RFP) for a pilot phase enhancing direct access (EDA) to the GCF, including the target of USD200 million requested for at least 10 proposals, with at least four proposals to be

¹ As defined in annex I to decision B.08/02.

implemented in least developed countries (LDCs), small island developing States (SIDS), and African States.

10. Early engagement with direct access has helped to respond to this RFP. To date, 15 among the 23 direct access AEs currently accredited are accredited for grant-award or on-lending functions, which is a requirement for implementing EDA Pilot projects². At 31 January 2017, the EDA pilot has resulted in 13 submissions in the form of concept notes. One concept note from EIF was further developed in a EDA Pilot funding proposal and was approved at the fourteenth meeting of the Board (B.14)³ (“Empower to Adapt: Creating Climate-Change Resilient Livelihoods through Community-Based Natural Resource Management in Namibia”).

11. The geographical breakdown of the EDA submissions pipeline is as follows:

- (a) Africa: 8;
- (b) Latin America and the Caribbean: 3;
- (c) Asia-Pacific: 2;
- (d) SIDS: 2; and
- (e) LDCs: 3.

12. As the Secretariat maintains a steady dialogue with all 23 direct access AEs, including through their entity work programme briefs,⁴ the further identification of challenges as well as strengths has been underway. In this regard, the Secretariat is exploring the possibility of providing further technical support to NDAs and direct access entities for developing high quality funding proposals.

13. This engagement with direct access entities has more particularly enabled an earlier identification of their needs and needs at the institutional level or at the project level that could be addressed through the GCF Readiness and Preparatory Support Programme⁵ or the Project Preparation Facility (PPF).⁶

14. This dialogue has also led to earlier identification of potential upgrades in accreditation types for direct access AEs (e.g. size category, fiduciary functions, and environmental and social risk category) and potential gaps related thereto.

III. Identifying and addressing direct access accredited entity needs for support

15. While direct access AEs comply with the GCF's standards they have been accredited for, there are a number of challenges for some direct access entities in the development of their

² As set by the approved EDA Terms of Reference in Annex I to decision B.10/04.

³ Decision B.14/07, paragraph (q) (vii).

⁴ In line with the strategic plan for the GCF, the Secretariat is working with all AEs in order to update or develop draft entity work programme briefs. Aiming to strengthen the GCF's proactive and strategic approach to programming in order to deliver country-owned, high impact proposals, the entity work programme briefs include information on overall engagement with the GCF envisioned by the AEs, focus areas (e.g. geographical regions, sectors, types of activities, impact areas, etc.), potential pipeline with the GCF, as well as readiness needs. The Secretariat reported on the development of 31 entity work programme briefs, including those for all 18 direct access AEs at that time, to the Board in documents GCF/B.15/Inf.09, GCF/B.15/Inf.09/Add.02 and GCF/B.15/Inf.09/Add.03. The Secretariat has compiled an update to the entity work programme briefs contained in document GCF/B.16/04 titled “Implementation of the initial strategic plan of the GCF: annual report” and its addenda 02 through 04).

⁵ Refer to annex VII to decision B.13/32 for a revised indicative list of activities that can be supported by the Readiness and Preparatory Support Programme.

⁶ Decision B.13/21.

project/programme proposals, identified through the initial rounds of proposal approval process. These challenges are as follows:

- (a) The size and scale of funding proposals coming from direct access entities are usually limited. This is because the large majority of direct access entities (74%) are accredited for micro-⁷ and small-⁸ size projects;
- (b) The lack of direct access entities with specialized fiduciary standards as most are only accredited for project management;
- (c) Their need to increase capacity in designing, structuring and appraising investments, including conducting feasibility assessments, environmental and social impact assessments, economic and financial modelling amongst others; and
- (d) Their need to build experience in project management and implementation as well as familiarity with GCF policies, procedures and standards.

16. These challenges account for the limited number and scale of projects that some direct access AEs can undertake with the GCF. Such barriers increase the time that some direct access AEs need to prepare their funding proposals before submission to the Board for its consideration.

17. The Board has recognized some of these challenges and has responded through the Readiness and Preparatory Support Programme as described under section 4.1. In addition, to address these gaps, a number of decisions were taken by the Board including:

- (a) Decision B.13/21, which especially targets direct access AEs as recipients of Project Preparation Facility (PPF) support;
- (b) Decision B.13/20, which specifies that simplified approval processes be applicable for direct access AEs; and
- (c) Decision B.13/32, which notes the difficulties in finalizing Readiness grant agreements and the need to expedite disbursement of Readiness resources.

IV. Elements within existing modalities that assist in increasing proposals from direct access accredited entities

18. Through a number of channels within the GCF, there exist modalities that serve to increase or facilitate an increase on the origination of funding proposals from direct access AEs.

4.1 Support through the Readiness Programme

19. The Secretariat works with direct access AEs and provided dedicated and targeted support in translating the identified needs into readiness requests and PPF requests while ensuring alignment with their respective NDA or focal point. The Secretariat has also noted that some of the direct access AEs have received readiness and capacity building support from other institutions – some of which include international access AEs to the GCF and their own readiness programmes – and are working with those institutions aiming to coordinate delivery of readiness support.

⁷ As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme”.

⁸ As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD10 million and up to and including USD50 million for an individual project or an activity within a programme”.

20. At 31 January 2017, one readiness proposal has been approved for a direct access AE (Environment Investment Fund of Namibia). However, out of the remaining 22 direct access AEs, 14 have indicated they would need Readiness support to build their institutional capacities and pipeline of projects. Beyond closing accreditation conditions and achieving upgrades in terms of fiduciary standards and environmental and social safeguards, these activities also aim to genuinely develop direct access AEs' capabilities.
21. Direct access AEs seek support to enhance their capacity to identify, develop and implement projects for the GCF. The Secretariat has been looking at ways to improve their project identification and development mechanisms. Most of this support could be provided by experts in environmental and social safeguards, gender or fiduciary standards. In addition, some direct access AEs seek support to increase the climate change focus of their projects or in developing specific kinds of projects, particularly renewable energy and energy efficiency projects.
22. Direct access AEs could also benefit from the GCF Readiness and Preparatory Support Programme in order to develop enhanced multi-stakeholder consultation and engagement processes for project identification and development purposes, often targeting particular areas such as the private sector.
23. Considering the importance of monitoring and evaluation activities for AEs, all of the direct access AEs have indicated needs in further improvements in this regard, mainly by upgrading their monitoring and evaluation procedures in order to address GCF's Monitoring and Accountability Framework.⁹
24. With a view to anchor the provided knowledge and capacities within direct access AEs beyond consultants' activities, direct access AEs are also looking to tap the GCF Readiness and Preparatory Support Programme to provide training sessions and communication material on the improved capacities, such as a new environmental and social safeguard manual or a grant-award mechanism.

4.2 Support through the Project Preparation Facility

25. At its thirteenth meeting, the Board decided on the operational modalities of the PPF. As per decision B.13/21, the PPF will support project and programme preparation requests from all AEs, especially direct access entities, and especially for projects in the micro-to-small size category in accordance with decision B.10/17, with a view to enhancing the balance and diversity of the project pipeline.
26. At 31 January 2017, one Project Preparation Facility (PPF) proposal from the Ministry of National Resources of Rwanda (twelfth meeting of the Board (B.12), USD1,498,841) was approved. Activities are under implementation, and the first disbursement request (USD500,000) was processed in November 2016.
27. At 31 January 2017, direct access entities have submitted three PPF requests and the Secretariat is working with all direct access entities to help them develop further PPF requests. The majority of the support sought in the PPF requests are to conduct feasibility studies, environmental and social impact assessments, as well as stakeholders' consultation.
28. The Secretariat is currently processing PPF requests from direct access AEs. Additionally, the Secretariat is helping to identify potential PPF requests and related readiness needs when engaging with direct access AEs as they develop their potential pipeline of GCF projects in their entity work programme briefs.

⁹ Decision B.11/10.

4.3 Other ways to support direct access entities

29. In addition to the modalities listed above, there are additional modalities that serve to increase or facilitate an increase in the origination of funding proposals from direct access AEs, including:

- (a) EDA pilot phase RFP: the purpose of this pilot phase is to enhance country ownership of projects and programmes by devolving decision making to the country level, thereby allowing greater involvement and input from impacted stakeholders. EDA is designed to provide an opportunity for AEs and countries to move beyond the financing of individual, bankable projects towards a more comprehensive, stakeholder-driven and programmatic approach;
- (b) Enhancing programming: The Secretariat has worked with direct access AEs to develop their entity work programme briefs. Entity work programme briefs summarize the entities' potential projects/programmes and outline an action plan for engagement with the GCF, addressing short- and long-term activities to building institutional and project implementation capacity;
- (c) Monitoring and accountability of AEs: international access entities accredited to the GCF are expected to indicate how they intend to strengthen capacities of potential subnational, national and regional entities in order to enhance country ownership; and
- (d) Concept notes: The ability to submit a concept note ahead of the formal funding proposal could provide direct access AEs with an opportunity to receive feedback from the GCF that could further improve the probability of funding proposal approval.

30. Despite the aforementioned activities undertaken by the Secretariat and direct access AEs, their scope does not address some particular needs, such as appropriate capacity and staffing to scale up programming with the GCF.

V. Additional support to direct access accredited entities to be considered

31. The Board may wish to consider other ways to improve the pipeline from direct access AE. Those may include the following options:

- (a) Encourage partnerships between entities accredited for higher standards with those accredited for lower standards by incentivising such entities to work as co-implementers or as AEs and executing entity: This combination of resources and capacities would help direct access AEs build their track record in the perspective of upgrades and would simultaneously strengthen country ownership of such projects. Options to incentivize such partnerships may include, but are not limited to, a request for proposal, reporting requirement or prioritization of such projects; and
- (b) Promote South-south learning: Further promote lessons learnt and knowledge and experience-sharing workshops for direct access AEs of different accreditation types across all regions and sectors.