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**GCF/B.20/04**

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# Strategy to increase funding proposals from direct access entities

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## **Summary**

In accordance with decision B.18/02, paragraphs (b) and (d), this document presents an analysis of the challenges, barriers, gaps and recommendations to achieve an increase in the amount of direct access proposals in the pipeline. It takes into account the views of Board members and alternate Board members, national designated authorities/focal points and direct access accredited entities and also incorporates an initial review of the Readiness and Preparatory Support Programme. This document also includes recommendations and suggestions collated from the interviews and surveys conducted to develop the comprehensive analysis.

## I. General mandate

1. The Governing Instrument for the GCF identifies direct access as a key modality through which recipient countries receive funding. The GCF Strategic Plan identifies the need to ensure GCF 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 GCF 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 addition, the Paris Agreement calls for efficient access to financial resources by developing country parties, particularly for least developed countries and small island developing States.
5. In line with decision B.18/02, paragraphs (b) and (d), this document presents an analysis of the challenges, barriers, gaps and recommendations to achieve an increase in the amount of direct access proposals in the pipeline. It takes into account the views of Board members and alternate Board members, national designated authorities (NDAs)/focal points and direct access accredited entities (AEs) and also incorporates an initial review of the Readiness and Preparatory Support Programme.
6. The document includes recommendations and suggestions collated from the interviews and surveys conducted to develop the comprehensive analysis. The questions used in the interviews and surveys are presented in annex II and annex III.
7. This document also contains a draft decision for consideration by the Board, presented in annex I.

## II. Recommended action by the Board

8. It is recommended that the Board:
  - (a) Take note of the information presented in document GCF/B.20/04 titled "Strategy to increase funding proposals from direct access entities"; and
  - (b) Adopt the decision presented in annex I to this document.

## III. Linkages with decisions and other documents

9. This document has actual or potential linkages with the following items:
  - (a) "Strategic plan for the Green Climate Fund" (decision B.12/20);
  - (b) "Simplified processes for approval of proposals for certain activities, in particular small-scale activities: recommendations from the Co-Chairs" (decision B.13/20);
  - (c) "Operational guidelines for the Project Preparation Facility" (decision B.13/21);
  - (d) "Country programming, readiness and preparatory support" (decision B.13/32);
  - (e) "Strategy on accreditation" (decisions B.13/19 and B.14/08);

- (f) “Consideration of funding proposals” (decision B.14/07);
- (g) “Facilitating an increase in proposals from direct access entities” (decision B.18/02);  
and
- (h) “Readiness and Preparatory Support Programme: progress report”  
(GCF/B.19/15/Rev.01).

#### **IV. Analysis of challenges, barriers and gaps**

10. In accordance with decision B.18/02, paragraphs (b) and (d), this document presents an analysis of the challenges, barriers, gaps and recommendations to achieve an increase in the amount of direct access proposals in the pipeline.

11. Two surveys were conducted dated 24 April 2018 and 23 May 2018 to generate information and identify gaps and challenges by taking into account the views of NDAs/focal points and direct access AEs while also incorporating an initial review of the Readiness and Preparatory Support Programme.

12. The Secretariat also conducted interviews with Board members, alternate Board members, NDAs/focal points and direct access AEs to validate information collated via survey.

#### **Engagement, communication and access to information**

13. With respect to overall engagement with GCF, the Secretariat’s responsiveness has been assessed positively. Forty-two per cent of respondents indicated engagement was satisfactory, 32 per cent indicated it was very good, and 20 per cent deemed it excellent, relying on an open communication flow between GCF and the entity/NDA. The survey results have shown that the approachability of staff and GCF communication (including information products) have been key factors in ensuring effective and continued engagement with DAEs. In particular, access to and the availability of information on readiness and project preparation support were deemed good.

14. Nevertheless, GCF operational procedures (including readiness grant agreements) are assessed as being heavy and slow. Additionally, language accessibility remains an area for improvement for the Secretariat as entities have expressed concerns about the lack of documentation available in languages other than English. Despite overall satisfaction, some specific readiness support areas have not benefited from sufficient communication from the Secretariat, such as the roster of environmental and social safeguards and gender expert firms.

15. The satisfaction levels of DAEs regarding the support provided by the Secretariat to engage with NDAs also remain good. However, the survey identified the need for more regular and structured dialogues between DAEs and NDAs (as well as the need to focus on dialogues at the sub-regional level).

#### **Processes and procedures**

16. GCF engagement and responsiveness has been assessed as good, however, processes have been assessed as cumbersome by about 50 per cent of DAEs. This has impacted the efficiency of various stakeholders involved in readiness activities, project development and implementation.

17. Key challenges as described by DAEs revolve around:
- (a) Feedback timelines;

- (b) Layers of reviews of proposals (including the independent Technical Advisory Panel review and process);
- (c) The consistency of the advice provided to AEs, including on outreach and engagement, particularly regarding various templates, funded activity agreements, and post project approval instructions;
- (d) Understanding GCF terminology;
- (e) Frequent template modifications;
- (f) Language issues; and
- (g) Policy gaps.

### **Policy and programme guidance**

18. A majority of DAEs have expressed concerns regarding the lack of clarity on some of the GCF policies related to funding proposals, in particular with respect to co-financing and concessionality, environmental social safeguards, and gender policy, among others.

19. Additionally, the majority of DAEs have expressed the need for further clarification from the Secretariat on what a paradigm shift entails and on the differentiation between climate change projects and development projects; financial and economic analysis; understanding and learning more about climate reasoning, theory of change and the methodology to assess the incremental cost of climate change.

20. To increase the number of funding proposals, a good understanding of GCF result areas is key. Among the 50 respondents, 26 per cent have expressed that they need support in ecosystem services, 20 per cent need support on the most vulnerable people and communities, and 16 per cent need support on health and well-being, and food and water security, among others, for project development.

21. Regarding international entities supporting DAEs, NDAs expressed that many opportunities are missed as international AEs do not engage sufficiently with national partners. This could be improved to strengthen the capacity of DAEs.

22. Drawing from the survey, as of 31 January 2018, USD 0.9 million of readiness support had been allocated for the performance of gap assessments against the GCF standards for accreditation and committed to DAEs seeking accreditation. A further USD 1.8 million of support had been approved for DAEs to strengthen their institutional capabilities, and USD 3.4 million for project preparation support for accredited DAEs. One hundred per cent of NDAs that were able to comment rated readiness support a success, and both active observers and 70 per cent of Board members agreed. This clearly indicates that expanding support to DAEs is both beneficial and effective; continuation of this support is thus important as the number of direct access AEs are increasing.

## **V. Actions the Secretariat has undertaken and continues to pursue**

### **1.1 Strengthening the capacity and pipeline of direct access entities through the Readiness and Preparatory Support Programme**

23. The Readiness and Preparatory Support Programme provides support to DAEs throughout the accreditation process as well as after accreditation to develop their pipeline building capacity as articulated in their entity work programmes, and to effectively implement projects/programmes funded by GCF.

24. With the technical assistance provided by the programme, seven direct access AEs (Agency for Agricultural Development of Morocco, Centre de Suivi Écologique, Namibian Environmental Investment Fund, South African National Biodiversity Institute, Unidad Para el Cambio Rural, National Environment Management Authority of Kenya, and the Peruvian Trust Fund for National Parks and Protected Areas) have been granted readiness support to strengthen institutional and project development capacities. Two readiness proposals (Fundacion Avina and the Caribbean Community Climate Change Centre) from direct access AEs are currently under discussion.

25. The Secretariat has a roster of institutions that provide technical and capacity-building support to both applicant and accredited DAEs in environmental, social safeguards, gender and fiduciary aspects. This support is deemed important to strengthen DAEs to build their capacities while developing and implementing climate investment projects. As of 30 May 2018, one DAE has received support through this roster. The outcome of this support was to develop GCF compliant policies in terms of environmental and social safeguards and gender, staff trainings, and a road map to operationalize these policies. Two other DAEs are currently in the process of receiving this support. Targeted support is being provided to DAEs to close their conditions related to environmental and social safeguards as well as gender.

26. The Secretariat is working with all the DAEs to help them advance a pipeline of projects from their entity work programmes into quality concept notes and funding proposals. Entity work programme discussions with DAEs have led to a comprehensive dialogue addressing their needs for strategic engagement with GCF and resulting in a streamlined and prioritized pipeline for GCF. The Secretariat and the DAEs have also been working together to match this identified pipeline with the capacities of the DAEs to ensure timely delivery and implementation of projects.

## **1.2 Support to direct access entities through the Project Preparation Facility**

27. The Project Preparation Facility (PPF) also supports DAEs in the development of funding proposals. As of 30 May 2018, the Secretariat has received a total of 51 requests from AEs for project preparation support through the PPF, out of which 25 requests are from DAEs (with the relevant letters of no objection). Six PPF requests from DAEs have been approved to date, amounting to USD 5.1 million.

28. The Secretariat is undertaking a series of actions to substantially increase the pace and quantity of approved PPFs. As at 30 May 2018, substantive written feedback had already been provided by the Secretariat to AEs and NDAs for 46 of the 51 requests, 26 of which are pending refinement by the AEs.

29. The Secretariat, with an objective to increase quality project preparation requests and funding proposals from DAEs, has recently initiated hands-on technical support for developing concept notes and associated applications to the PPF. Consultants have been hired with an expertise in agriculture, ecosystem, water, land use, energy efficiency, and renewable energy. They are readily available to provide support at no cost to DAEs, in coordination with NDAs.

30. This support from consultants can be requested both before or after the submission of concept notes and associated PPF applications, in written form from the DAE (email is sufficient), with the NDA in copy, and with a brief description of the project idea and associated desired project preparation support.

31. GCF prioritizes all requests for hands-on support based on considerations of the project idea, the need of the DAE, as well as entity and regional balance and relevance to advancing one or two of the most-ready project ideas in entity workplans.

32. The role of these consultants is to support DAEs in developing strong concept notes and associated PPF applications, but this technical support does not imply any guarantee of

endorsement or approval of a concept note, PPF application or funding proposal. Any submission of a concept note, PPF application or funding proposal, with or without the technical assistance of these consultants, will undergo the standard GCF review procedures.

33. As of April 2018, four DAEs have received this hands-on support from the Secretariat, helping to advance five PPF requests and/or funding proposals.

### **1.3 Support provided to direct access entities through strategic engagement**

34. With the intention of providing dedicated support, the Secretariat conducted country visits in the Latin America and Caribbean region from 26 June to 3 July 2017; and in Namibia and Kenya from 28 August to 8 September 2017 to assist direct access AEs in advancing post-accreditation requirements (accreditation conditions) and to facilitate discussion on their project pipelines. A mission to DAE was also undertaken in early February to advance their PPF request.

35. The Secretariat organized an empowering direct access workshop from 23 to 25 May 2017 at GCF Headquarters in Songdo, Incheon, Republic of Korea,<sup>1</sup> which helped to advance a number of concept notes and funding proposal from DAEs. Following the workshop, three concept notes were further developed by the direct access AEs. The workshop provided focused guidance on two enhancing direct access pilot proposals, one of which is at an advanced stage of review. The workshop also resulted in five PPF<sup>2</sup> requests submissions and two upgrade application submissions from direct access AEs (e.g. size category, fiduciary functions, and environmental and social risk category). Further upgrade applications are expected to be received from direct access AEs; and two readiness proposals from direct access AEs for enhancing their institutional capacities have been submitted and are under review.

36. Likewise, with the intention to continue support for increasing high-quality funding proposals, the Secretariat organized a global workshop for empowering direct access from 29 May to 1 June 2018 inviting all DAEs, respective countries and stage 2 DAEs in the accreditation process.<sup>3</sup>

37. The workshop was successful in creating a platform for peer-to-peer learning and encouraging DAEs to generate 19 new project ideas (in total 35 submissions, including old concept notes and funding proposals); and allowed for early inputs to be provided to transform those project ideas into concept notes/funding proposals. The Secretariat also engaged with DAEs in reviewing and providing guidance on 16 concept notes/funding proposals (already submitted) with an objective to translate them into high-quality funding proposals.

38. The Secretariat continues to work with DAEs through the planning and implementation of a series of regional structured dialogues to provide them support in aligning their projects with country programmes and entity work programmes while building up their project pipelines.

## **VI. Recommendations to address identified gaps based on the analysis**

39. Based on the feedback provided by DAEs, countries and the Board members, recommended steps to minimize the identified gaps include the following:

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<sup>1</sup> Available at <<http://www.greenclimate.fund/meetings/2017/direct-access>>. Further information on the workshop may be found in document GCF/B.17/05 titled "Consideration of accreditation proposals".

<sup>2</sup> Decision B.13/21.

<sup>3</sup> Further information on this subject can be found at <<https://www.greenclimate.fund/meetings/2018/direct-access>>.



- (a) Ensure further documentation is available in additional United Nations languages to enhance access to information and clarity on processes and procedures;
- (b) Further mainstream and simplify internal processes and procedures, including guidelines related to funding proposals, readiness proposals and legal agreements, with a view to ensuring more timely, consistent and coherent feedback;
- (c) Share best practices related to project development, including showcasing projects from both the public and private sector, to provide guidance and clarity on the type of projects that GCF is looking for and the processes to follow;
- (d) Develop an orientation/induction training programme/workshop to be held at GCF Headquarters for countries (particularly those without DAEs) and DAEs to understand GCF norms, processes and programming as part of readiness support;
- (e) Provide further guidance on the terminology contained in GCF policies related to funding proposals;
- (f) Continue to strengthen and mainstream internal processes to promote one point of contact to countries and entities promoting country-aligned priorities, including consistent messaging and advice on GCF policies, processes and procedures;
- (g) Clearly define alternative roles or modalities of interaction with GCF (such as readiness delivery partners or executing entities) to filter out entities from the accreditation process; and
- (h) Broadly promote the availability of PPF and readiness support by GCF and/or NDAs; greater and quicker access should be facilitated to the PPF for financial and technical support.

## **VII. Actions the Secretariat plans to undertake to increase the pipeline of projects from direct access entities**

40. In addition to the actions that the Secretariat plans to continue to strengthen the capacity of direct access accredited entities; the Secretariat plans to focus dedicated support to further strengthen a growing pipeline of projects from DAEs and applicants through trainings, guidance, mentoring and twinning with international entities, among others, to increase funding proposals. Specifically, the Secretariat plans to:

- (a) Broaden structured readiness support provided to DAEs, including to develop the following:
  - (i) An approach to support fiduciary gaps (combined with existing Environmental and social safeguards and gender support); and
  - (ii) Provide targeted support to direct access AEs to close their conditions on fiduciary standards;
- (b) Establish a pool of experts (e.g. by partnering with firms/organizations globally or individual experts) to mentor DAEs and develop an on-site support programme for the entire project cycle from design to implementation that includes:
  - (i) The deployment of experts to be housed within DAEs for a period of three to five years (if need be) to support in developing and implementing projects; and
  - (ii) Targeting 10 funding proposals developed over a two-year period and provide advisory support throughout the implementation process;
- (c) Promote peer-to-peer learning through organized lessons learned, knowledge and experience-sharing workshops and webinars of different accreditation types across all

- regions and sectors (including bilateral learning), and disseminate best practice guidelines;
- (d) Support NDAs in developing strategies and country programmes with increased collaboration between international access entities and direct access entities and creating a framework for knowledge and capacity-sharing/transfer via structured and regional dialogues;
  - (e) Provide structured training support to DAEs, with a focus on least developed countries and small island developing States, at different stages to strengthen their capacity and facilitate an increase in proposals in the areas of project design and preparation, project implementation (including monitoring and reporting), and portfolio management;
  - (f) Increase knowledge of climate change projects, capacity in designing, and structuring and appraising investments, including conducting feasibility assessments, environmental and social impact assessments, and economic and financial modelling, among others;
  - (g) Strengthen the capacity of DAEs in project management, implementation, and monitoring, and enhance their familiarity with GCF policies, procedures and standards;
  - (h) Strengthen the capacity of DAEs to absorb the responsibilities and commitments that would be expected during engagement with GCF; and
  - (i) Empower the Secretariat to dedicate an inter-divisional team for supporting DAEs.



## Annex I: Draft decision of the Board

The Board, having considered document GCF/B.20/04 titled “Strategy to increase funding proposals from direct access entities”:

- (a) Reaffirms decision B.10/06, paragraph (i), in which the Board decided that “all international entities, as an important consideration of their accreditation application, shall indicate how they intend to strengthen capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of the Fund in order to enhance country ownership and that they report annually on these actions”;
- (b) Takes note of the information provided in the document, including the full report on the analysis of challenges, barriers and gaps;
- (c) Endorses the actions the Secretariat suggests it take to increase the pipeline of projects from direct access entities;
- (d) Requests international accredited entities to intensify their efforts to work and partner with direct access accredited entities by providing targeted capacity-building activities for such entities to be funded by GCF;
- (e) Requests the Secretariat to prioritize the review of Project Preparation Facility requests from direct access entities with a view to ensuring at least 50 per cent of Project Preparation Facility requests approved per year are generated by direct access accredited entities; and
- (f) Encourages the Secretariat to work with direct access entities with a view to having at least thirty per cent of funding proposals presented to the Board annually submitted from direct access entities.

## Annex II: Interview questions<sup>1</sup>

1. As part of the accreditation review process, the Secretariat conducted interviews with Board members, alternate Board members, national designated authorities (NDAs)/focal points and direct access entities (DAEs) to identify challenges, barriers, gaps and recommendations to achieve an increase in the amount of direct access proposals in the pipeline.
2. The questions asked in these interviews are listed below.

### I. Questions for national designated authorities

1. Do you have a strategy or a policy to nominate entities (national or regional) for accreditation to GCF? If yes, please go to question 3, if no, please go to question 2.
2. Please answer the following:
  - (a) What are the obstacles that prevent your country from nominating relevant entities for accreditation?
  - (b) What do you think would help your country overcome such obstacles? To what extent could GCF support your country?
  - (c) Do you think your country needs to nominate national entities for accreditation?
3. Has this entity(ies) been successful in developing projects in your country for GCF? How many?
4. What are the common issues that DAEs/national project developers encounter when developing funding proposals?
5. Are the entities well placed to develop projects with climate rationale?
6. Do you have national climate change policies/plans or strategies?
7. What do you think would help potential entities in the country to prepare funding proposals for GCF?
8. Are you aware that the GCF Readiness and Preparatory Support Programme also covers entity support?
9. Have you considered applying for/have you already applied for the Readiness and Preparatory Support Programme to support a DAE? If not, why?
10. What type of support would you be comfortable to approve to strengthen the capacities of DAEs?

### II. Questions for Board members/alternate Board members

1. What do you think are the main obstacles that prevent an increase in the number and requested amount of funding proposals from DAEs, by order of importance?
2. Do you think some of those obstacles are exclusive to GCF? If so, which ones?
3. What existing policies do you think should be further improved or elaborated to better support DAEs in developing more and larger funding proposals for GCF? What would the scope of those improvements be?

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<sup>1</sup> Extracted from consultant's report on accreditation review, May 2018 (currently under preparation as a B.20 document).

4. How do you think the Secretariat can facilitate, within the current policy framework and in accordance with Board decisions, an increase in the number and requested amount of direct access funding proposals?
5. Do you think GCF needs new policies to develop stronger support for DAEs in developing high-quality and larger funding proposals for GCF?
6. Noting the current list of 32 DAEs, do you think GCF should develop a staggered approach (in terms of timing, type and capacity) to prepare DAEs to meet the requirements of GCF funding proposals?

### III. Questions for accredited entities

1. Do you have an entity work programme?
  - (a) Does your entity work programme correctly capture the entire pipeline of projects?
  - (b) Does your entity work programme reflect information related to your support needs?
2. How would you describe your institution's capacity in terms of project development?
  - (a) Very limited
  - (b) Limited
  - (c) Medium
  - (d) Robust
  - (e) Very robust
3. Which of the following items limits your project development capacity?
  - (a) Lack of staff members
  - (b) Lack of knowledge and/or expertise
  - (c) Lack of knowledge retention
  - (d) Lack of policy and institutional infrastructure
4. Do you think developing funding proposals for GCF requires more resources than for other funds/financers?
5. If so, why do you think this is the case? Please provide a few relevant examples.
6. How many funding proposals do you think your institution can bring to GCF on a yearly basis?
7. What are the main obstacles to increasing the number of projects?
8. What kind of support would you need to overcome these obstacles?
9. Readiness support is often provided through external consultants who could potentially walk away with the knowledge they bring to an institution. In your view, what is the most efficient way to internalize the knowledge provided through readiness support within an institution?
10. Do you have examples in which innovative tools were deployed to make sure the knowledge would be kept within an institution?

11. Have you applied for Project Preparation Facility (PPF) grants to support the development of quality funding proposals? If not, please respond to question 11(a). If yes, please go to question 12.
  - (a) What obstacle(s) prevented you from applying for PPF grants?
12. Do you think PPF grants are helpful in developing funding proposals?
  - (a) Have you have faced any difficulties with PPF grants? If so, please elaborate on these issues.
  - (b) Please share any suggestions for improvement of PPF grants.

## Annex III: Survey questions to participants of the Empowering Direct Access workshop 2018

1. What is your overall perception of the quality of support/interaction with the GCF Secretariat?
2. How would you evaluate the following items?
  - (a) Responsiveness to accredited entity needs in general
  - (b) Approachability of staff
  - (c) Communication flow between GCF and accredited entity
  - (d) Support from the Secretariat to engage with national designated authorities
  - (e) Information and access to readiness support
  - (f) Information and access to project development support
  - (g) GCF communication and information products (e.g. forms, templates, publications, website, etc.)
3. What is the level of information that you have on the following aspects of our readiness support areas?
  - (a) Enabling direct access entities to meet GCF accreditation standards/conditions
  - (b) Roster of environmental and social safeguards/gender expert firms to strengthen and/or build accredited entity capacities, including once accredited
  - (c) Development of initial pipelines of projects and programmes, concept notes and funding proposals
  - (d) Project Preparation Facility support
4. What are some of the challenges encountered by your accredited entity in its engagement with GCF? What actions should be considered by GCF in addressing the above-mentioned challenges?
5. What aspects of the project development and approval process require more information from GCF?
6. Please rate the following documents related to the submission of funding proposals?
  - (a) Funding proposal template
  - (b) Feasibility study
  - (c) environmental and social safeguards/gender documentation
  - (d) Financial and economic analysis
7. What GCF project related policies are difficult to apply to concept notes/funding proposals and would require further support?
8. What results areas/sector would you need most project development support on?
9. What aspects of reporting to GCF would you like more information on?
10. What information would you require from sessions on gender policy during the workshop?
  - (a) Incorporating gender considerations when designing/preparing GCF projects
  - (b) Requirements for GCF funding proposals
  - (c) Examples of good practices on gender issues
  - (d) Any other suggestions

11. What information would you require from sessions on indigenous peoples during the workshop?
- (a) Incorporating indigenous peoples' considerations when designing/preparing GCF projects
  - (b) Requirements for GCF funding proposals
  - (c) Examples of good practices on integrating considerations on indigenous peoples
  - (d) Any other suggestions
12. What would you require to develop a comprehensive theory of change for your projects?
- (a) Better understanding on the concept and methodology of building a theory of change
  - (b) Capacity-building of your team (e.g. training staff on a theory of change, resource)
  - (c) Technical guidelines and information provided by GCF
  - (d) Trainings from GCF or other organizations
  - (e) Other (please specify)
13. What do you expect to learn from the Independent Evaluation Unit session?
- (a) Based on the lessons learned from the portfolio review, learning from areas of improvement and recommendations for the project portfolio
  - (b) Gain introductory level knowledge about the independent evaluation of GCF (e.g. its functions, methodology, how evaluations can support entities, etc.)
  - (c) Guidance on how to build a theory of change for your project
  - (d) Sharing your expectations and ideas on the independent evaluation of GCF and its projects
  - (f) Other (please specify)
14. What are your expectations of this Empowering Direct Access workshop? What would the main takeaways be?
-