



**GREEN
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Status of the GCF pipeline – Addendum III

Update on the Enhancing Direct Access Pilot

Summary

This addendum provides an update on the Enhancing Direct Access Pilot launched in decision B.10/04. It provides information on the actions taken by the Secretariat, the outcomes of the different consultations on the Enhancing Direct Access Pilot and further recommendations.

I. Background

1. In decision B.10/04, the Board approved the terms of reference to launch a request for proposal (RFP) for a pilot phase enhancing direct access (EDA) to the GCF. The pilot phase's objective for EDA is to allow for the effective operationalization of modalities with the potential to improve access by sub-national, regional, public and private entities to GCF. This will include decision-making devolved to such entities (once accredited) and stronger local multi-stakeholder engagement.
2. EDA is designed to allow countries to move towards a more comprehensive, stakeholder-driven approach, which is based on transparent criteria aligned with the GCF investment criteria and results management framework.
3. An initial envelope of USD 200 million was allocated by the Board in decision B.10/04, for at least 10 pilots, including at least four pilots to be implemented in Small Island Developing States (SIDS), least developed countries (LDCs), the Least Developed Countries, and African States.
4. The pilot phase was scheduled to be evaluated after five years from the launch of the RFP in June 2016 to draw lessons learned and lead to potential scaling up. The GCF Independent Evaluation Unit included the review of all RFPs in its 2021 workplan (document GCF/B.27/11), including the Enhancing Direct Access Pilot (EDA Pilot).

II. Update on the status of the Enhancing Direct Access Pilot: access, projects and actions undertaken by the Secretariat

5. As of December 2020, 16 concept notes and funding proposals have been submitted under the EDA Pilot. Out of those:
 - (a) Seven (7) submissions are active (i.e. 4 concept notes and 3 funding proposals) and requesting USD 134.38 million from the GCF, with the total financing of USD 167.95 million.
 - (b) Seven (7) submissions are not currently active due to having been withdrawn by the AEs or NDAs, or with no resubmission or communication from the AEs for more than six months.
 - (c) Two (2) funding proposals were approved by the GCF: (FP024 submitted by the Environmental Investment Fund of Namibia and FP061 submitted by the Department of Environment (DOE) of Antigua and Barbuda) for total approved GCF funding of USD 30 million; and
 - (d) Both approved projects mentioned in (b) above cover SIDS, LDCs and/or African States.
6. Overall, the EDA Pilot has yet to approve eight pilots and allocate 85 per cent of the funding allocated under its initial funding envelope of USD 200 million.
7. Over the five years of implementation of the EDA Pilot, the Secretariat has identified potential items that may account for the unexpectedly low demand for EDA pilots. These are the following:
 - (a) The EDA Pilot was developed and launched at an early stage in GCF operationalization when there was limited experience in GCF modalities and processes;
 - (b) The initial terms of reference of the EDA Pilot phase might not have provided an optimal level of guidance to potential project proponents; and

- (c) The accredited entities (AEs) that can present EDA funding proposals to the Board are required to be direct access with specialized accreditation functions for intermediation (grant award and/or funding allocation mechanisms and/or on-lending/blending). By the end of 2017, only 25 AEs were accredited for such requirements (42 per cent of total AEs); this number increased to 51 by the end of 2020 (49 per cent of total AEs). However, despite this increase, less than half of the GCF portfolio of AEs were in a position to present an EDA funding proposal by the end of 2020, pointing at EDA submission requirements as a possible obstacle to the uptake of EDA pilots.
8. The Secretariat has taken steps to address some of the issues highlighted above, starting by assigning a partially EDA-devoted team within the Division of Country Programming. In the course of 2020, those steps resulted in the following deliverables:
- (a) Guidelines for the development of EDA projects with GCF were developed in consultation with relevant stakeholders, including the Adaptation Fund, the International Centre for Climate Change and Development (ICCCAD), the International Institute for Environment and Development (IIED), the United Nations Capital Development Fund (UNCDF) and the World Resources Institute (WRI);
- (b) The Secretariat and WRI organized two webinars in December 2020 with the GCF national designated authorities (NDAs) and AEs and the WRI Locally Led Action Track partners. These were conducted to promote the EDA pilot, disseminate the Enhancing Direct Access Guidelines and engage stakeholders in an open dialogue around locally-led climate action through the EDA Pilot;
- (c) The Secretariat continued to maintain regular engagements with the locally-led climate action partners, including the Adaptation Fund, ICCCAD and WRI, to explore collaboration opportunities and potential synergies on EDA; and
- (d) Starting in January 2020, the Secretariat assigned a part-time team dedicated to coordinating and supporting the uptake of the EDA.
9. As of 31 December 2020, direct access entities (DAEs) in various stages in the accreditation process are applying for or are accredited for at least one specialized fiduciary criterion required for EDA projects:
- (a) 51 DAEs are accredited;
- (b) 12 DAEs in Stage II (Step 1) (86 per cent of AEs in this stage) of the Accreditation Panel review (subject to the Accreditation Panel's review and recommendation and Board consideration); and
- (c) 36 DAEs in Stage I (86 per cent of AEs in this stage) of the accreditation process (subject to the Secretariat's review, the Accreditation Panel's review and recommendation, and Board consideration).
10. Given the current and growing number of entities with the necessary accreditation functions to bring EDA funding proposals to the Board, it is expected that the EDA demand, pipeline and portfolio will increase by the end of the first replenishment period of the GCF, contributing to the Updated Strategic Plan for the GCF: 2020–2023.¹

¹ Decision B.27/06, paragraph 13 (d).

III. Outcomes of the stakeholders' consultations on enhancing direct access

11. Over the course of 2020 and early 2021, the EDA team within the Secretariat organized and participated in virtual outreach events and consultations² on EDA with the GCF DAEs, NDAs and a broad range of stakeholders involved with country-owned and locally-led climate action, including the Huairou Commission and UNCDF.

12. Stakeholders' views and insights were captured in order for the Secretariat to appropriately develop a knowledge product on EDA (the guidelines on EDA proposal development), collect feedback on the relevance of EDA for national and local actors and identify how GCF EDA can best address climate needs at the local level.

13. Overall, the EDA Pilot's potential benefit to enhance country ownership and direct access by devolving decision-making was stressed during the consultations. According to the stakeholders involved in the consultations, the following elements should be considered in future development efforts to fully unlock the EDA Pilot's potential:

- (a) Improve the accessibility to GCF funds through the EDA Pilot, for example by simplifying project requirements for EDA and/or allowing project-specific accreditation for EDA proposals;
- (b) Provide long-term capacity-building to local actors in the context of EDA projects, especially for LDCs and SIDS;
- (c) Continue to develop guidance materials for EDA project development, including a guided template for EDA proposals; and
- (d) Consider setting up a small grant/loan global initiative that could directly finance non-accredited organizations such as community-based organizations, non-governmental organizations, micro, small and medium-sized enterprises, indigenous peoples' associations, local governments, women's groups and civil society organizations. Under this initiative, grants/loans should be provided for local-level adaptation/mitigation projects under the condition that the proponents complete a financial management capacity assessment and that an endorsement from the relevant NDAs/focal points is provided.

² Open Dialogue on the Development of the GCF Enhancing Direct Access Guidelines organized in partnership with WRI on 8 December 2020 (recordings available at: <<https://www.greenclimate.fund/event/open-dialogue-development-gcf-enhancing-direct-access-guidelines>>) and Locally-led Climate Action with the GCF: the Enhancing Direct Access Pilot (see <<https://www.greenclimate.fund/event/locally-led-climate-action-gcf-enhancing-direct-access-eda-pilot>>).