

GCF insight #17

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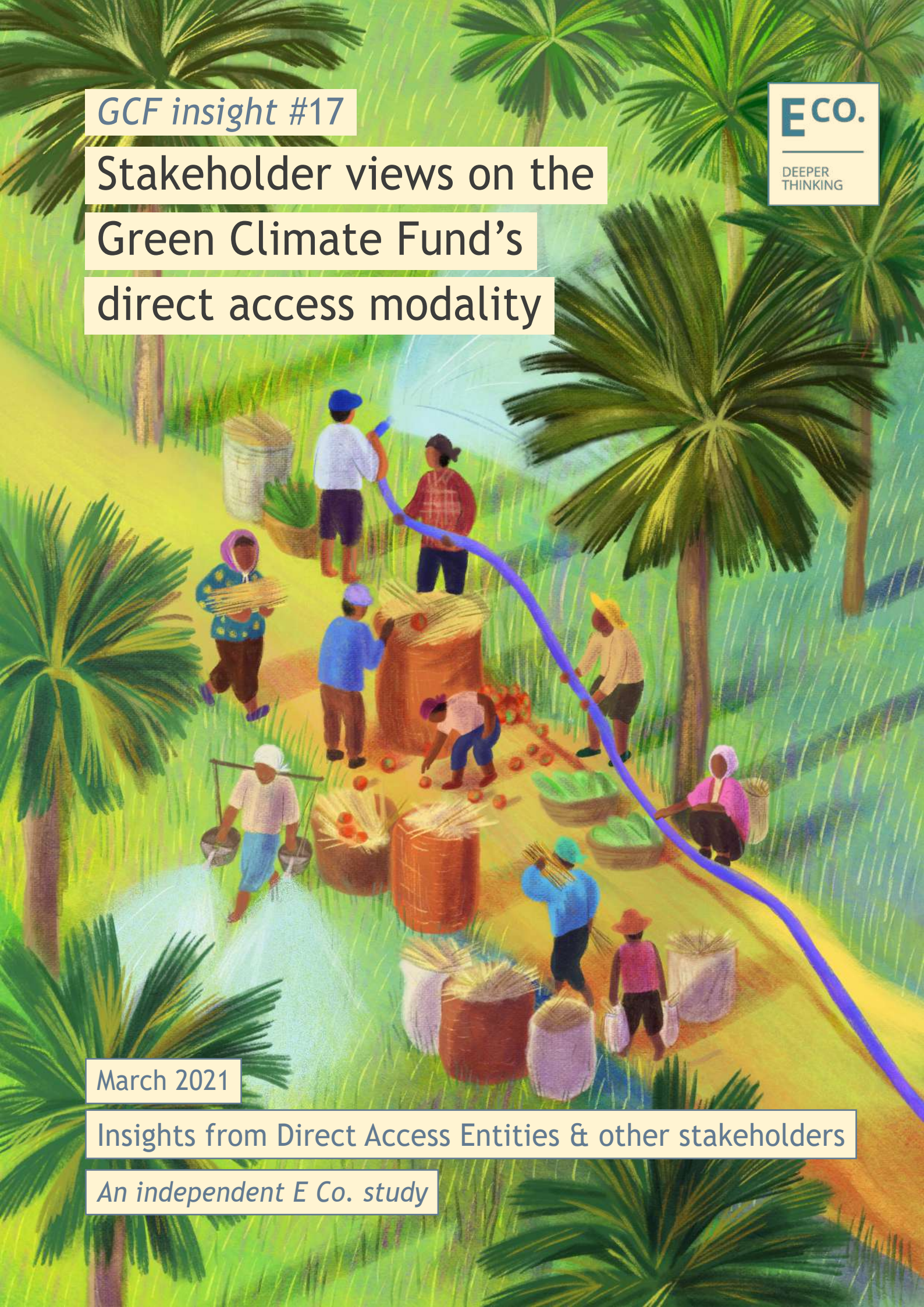
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THINKING

Stakeholder views on the Green Climate Fund's direct access modality

March 2021

Insights from Direct Access Entities & other stakeholders

An independent E Co. study



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GCF insight #17

GCF insight seeks to understand what's working - and what's not working - in Green Climate Fund (GCF) project development. These surveys and reports spotlight the most topical GCF issues. This seventeenth edition explores stakeholder views on the GCF's direct access modality.



Spotlight on the Green Climate Fund's direct access modality

What is direct access?

Direct access occurs when national or regional entities become accredited to receive finance directly from climate funds. It does not require finance to be channelled through an international organisation, such as a UN agency or multilateral development bank.

The objective of the Green Climate Fund's (GCF) direct access modality is to promote recipient countries' ownership of climate finance and ensure that funding is aligned with national priorities such as National Adaptation Plans, NDCs and other national strategies (GCF 2018). The GCF's direct access modality seeks to achieve these outcomes through the programmes as described below:

Readiness programme: Provides grants and technical assistance to National Designated Authorities (NDAs) and/or focal points (FPs) to enhance the capacity of national institutions.

Project Preparation Facility: Provides financial and technical assistance for the preparation of project and programme funding proposals through the two modalities: PPF funding and PPF service.

Simplified Approval Process: Aims to reduce the time and effort for project cycle eligible projects, which must have a budget of < USD 10 million, with minimal to no environmental and social risks.

Enhanced Direct Access Pilot: A funding window for DAEs*. Devolves decision making to the national/regional level. Projects hinge on a nationally run financial vehicle that can disburse funds to local sub-projects.

*DAE - Direct Access Entity

In brief, here's what we found:

For respondents, the key benefits of Direct Access are increased country ownership, a more efficient use of funds and capacity building for national stakeholders. Overall, a majority of survey respondents believe that the GCF's Direct Access Modality does at least "reasonably well" increasing country ownership.

But the GCF's Direct Access Modality isn't perfect. Stakeholders identified a number of challenges to direct access. These included the GCF's complex project cycle, lengthy timelines and limited capacity.

There is a gap between what the GCF expects from DAEs and what they feel they can reasonably deliver. DAEs require clarity and further support from the GCF in order to submit bankable projects.

Methodology

This study was carried out in February 2021 and has been produced using a mix of primary data collection (a survey and semi-structured interviews) and desk-based research.

The survey sought to understand perceptions of direct access and the GCF's success in increasing direct access to promote country ownership. Four semi-structured interviews were conducted with Direct Access Entities in the South Pacific, Sub-Saharan Africa and Southeast Asia.

The aim of the interviews was to understand their experience using the GCF's direct access modality and identify the associated benefits, challenges and opportunities.

List of abbreviations

CIF	<i>Climate Investment Funds</i>
DAE	<i>Direct Access Entity</i>
EDA	<i>Enhanced Direct Access</i>
GCF	<i>Green Climate Fund</i>
NDA	<i>National Designated Authority</i>
PPF	<i>Project Preparation Facility</i>
SAP	<i>Simplified Approval Process</i>
SIDS	<i>Small Island Developing States</i>

1 Benefits of direct access

For respondents, the key benefits of direct access are increased country ownership, a more efficient use of funds and capacity building for national stakeholders. Overall, a majority of respondents believe that the GCF's direct access modality does at least "reasonably well" increasing country ownership.

Respondents indicated a number of benefits to direct access. The top three most commonly identified benefits were:

- Increased country ownership
- A more efficient use of funds
- Capacity building for national stakeholders

Country ownership

Nearly a quarter of respondents identified increased country ownership as a key benefit of direct access and 59% felt that the GCF's direct access modality does at least "reasonably well" in increasing country ownership. Country ownership is the political support for, active engagement with and owning of climate change related initiatives. Country ownership plays a central role in achieving long-term transformational results.

Projects and programmes that demonstrate country ownership integrate national priorities into projects and programmes and ensure engagement with national stakeholders. For many respondents, this leads to a number of additional benefits. These included projects and programmes with a thorough understanding of the local context, the strengthening of national climate programmes and as one respondent noted, "deeper involvement of stakeholders."



CASE STUDY 1

The role of institutional capacity building in increasing local ownership

Country ownership does not mean local ownership. Local ownership has several key benefits including empowering local communities to make decisions on how climate finance is spent. However, local ownership can be difficult to deliver. A number of the challenges that inhibit direct access also hinder local ownership, including institutional capacity.

Limited institutional capacity at the national level can result in the absence of frameworks needed for inclusive stakeholder consultations at the local level, Sejal Patel, a Research at IIED, notes. In order to maximise their influence, local stakeholders should be involved early on starting at investment planning (Patel et al 2020). However, at the GCF and other funds, country ownership translates into the representation of national representatives such as the NDA (Patel et al 2020). Limited institutional capacity can also result in low levels of awareness of climate finance in general, as one respondent noted. "Sub-national stakeholders have limited knowledge and awareness of climate finance and the processes."

Building engagement takes time and there is a need to give institutions time to absorb the support they receive.

Institutional capacity building can be a slow process, Sejal cautions. Building engagement takes time and there is a need to give institutions time to absorb the support they receive. She says that climate funds can support institutions by allowing longer funding timelines, seven years at minimum, but ideally ten or more. This requires more financing than what is currently available from the GCF's readiness programme. (Patel et al 2020).

The GCF may wish to look to the Climate Investment Funds (CIF) for inspiration. The CIF's Pilot Program for Climate Resilience (PPCR) has been more successful engaging with local stakeholders (Patel et al 2020). The PPCR's Monitoring and Reporting Toolkit cites participatory approaches as a principle, stating that "local stakeholders actively contribute to the system" (CIF 2020). CIF's Forest Investment Program includes a Dedicated Grant Mechanism for Indigenous Peoples and Local Communities. The Forest Investment Program identified the need for active participation of these communities who in turn identified the need for "dedicated support to augment their capacity to participate in the Forest Investment Program" (Douthwaite et al 2019).

The Dedicated Grant Mechanism has the following objectives:

1. To support specific initiatives of Indigenous Peoples and Local Communities in Forest Investment Program pilot countries that enhance Forest Investment Program strategies;
2. To develop the capacity of Indigenous Peoples and Local Communities to participate in national REDD processes in general;
3. To provide support for strengthening territorial and resource rights;
4. To gather lessons from local-level experience and initiate the sharing of successful local REDD+ strategies and innovation; and
5. To build partnerships and networks of Indigenous Peoples and Local Communities to support and strengthen capacities to address the drivers of deforestation, forest degradation and other threats to forest ecosystems (Douthwaite et al 2019).

A similar mechanism could effectively enhance local ownership in GCF projects.

A more efficient use of funds

15% of respondents noted funds were used more efficiently via direct access. Direct access eliminates the need for international intermediaries and reduces transaction costs. Several respondents referred to the savings this generates. A key benefit of direct access, one respondent noted, was that the DAEs retain the management fee that would otherwise be paid to an international accredited entity. Others observed a link between a more efficient use of funds and better projects. One participant felt the direct flow of funds to DAEs resulted in better projects designed to address the reality on-the-ground. Another felt the elimination of international intermediaries increases investment in resilience building.

Capacity building for national stakeholders

15% of respondents highlighted capacity building for national stakeholders as a benefit of direct access. Amongst respondents, the Project Preparation Facility (PPF) was the most commonly used form of assistance (10% of respondents indicated they used the PPF), followed by the Readiness Programme (7%) and SAP (7%), and finally the Enhanced Direct Access Programme (EDA) (5% of respondents). Experiences with or expectations of capacity building likely stem from the Readiness Programme. Based on the survey replies and interviews with stakeholders, there is a desire to strengthen DAEs and continue to build their capacity to access climate finance.



2 Challenges of direct access

The GCF's direct access modality isn't perfect. Stakeholders identified a number of significant obstacles to direct access. These included the GCF's complex project cycle, lengthy timelines and limited capacity.

Though respondents identified a number of benefits of the GCF's direct access modality, they also reported a number of challenges. We aggregated the responses based on key characteristics and found that majority of responses fall under three categories:

- The GCF's complex project cycle and unclear requirements
- Lengthy timelines
- Limited capacity

Complex project cycle and unclear requirements

The GCF's complicated project cycle and unclear requirements were frequently cited as key obstacles to direct access. Respondents felt that GCF processes and requirements were at times ambiguous and placed a significant burden on Direct Access Entities. Over 20% of survey respondents mentioned the complexity of GCF processes and unclear requirements. A lack of transparency was a source of frustration for some respondents while another noted how convoluted processes put DAEs at a disadvantage, compared to international accredited entities who have the capacity to devote staff and time to understanding them. Amongst some DAEs, there is a perception that submissions from international accredited entities are approved faster.

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Multiple survey respondents and half of the interviewees flagged accreditation in particular as a key challenge to direct access. In order to become accredited to receive GCF funds, entities must demonstrate that they have the policies, procedures and track record in place to do so and these are assessed against the GCF's own criteria.

Based on survey responses and interviews, there is tension between ensuring that DAEs can meet fiduciary requirements and assurances to receive millions of dollars in public funding and limited institutional capacity. Respondents indicated that the accreditation process was time-consuming and voiced concern that it would delay or discourage potential direct access entities from engaging with the GCF. For their part, the DAEs that responded to our survey were frustrated. "The accreditation process may cause delays, especially for national entities that have limited capacity and resources," one respondent cautioned. This may cause potential DAEs to turn to international accredited entities to submit GCF projects (Tanner et al 2019).

Lengthy timelines

Complicated processes at the GCF are accompanied by lengthy timelines. Accreditation was again a notable pain point for respondents. Multiple respondents identified the duration of the accreditation process to be a key challenge, with one describing it as a "long, gruesome process" that "can take several months, if not years" to complete. This is not unheard of; the Infrastructure Development Company Limited in Bangladesh reported that it took the organisation two years to become accredited (Tanner et al 2019).

More than 10% of respondents flagged the GCF project cycle as a similarly lengthy undertaking. Respondents attributed the duration of the project cycle to a number of issues including:

- Data requirements and gaps
- Slow GCF feedback processes
- Limited technical capacity
- Lack of resources
- The overall complexity of GCF processes



Several respondents and an interviewee also expressed frustration with the Simplified Approval Process (SAP). The SAP was designed to accelerate the project cycle for smaller projects by reducing the burden on project developers. According to the GCF, the SAP simplifies key documents, requires fewer pages and uses more concise forms with clear guidelines to reduce the duplication of information. The GCF aims to have DAEs account for 50% of approved projects under the SAP. Despite this, respondents and interviewees reported that using the SAP had not saved their organisation any time. One lamented that the “SAP is not simplified at all!”

Other timing related challenges were related to the disbursement of funds and timeliness of GCF feedback on concept notes and funding proposals.

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Limited capacity

15% of respondents cited limited capacity as a key obstacle. Capacity limitations take several forms. Those surveyed noted limited technical capacity in recipient countries and a shortage of expertise in GCF project development. Institutional capacities were specifically cited as a challenge by another 15% of respondents. The GCF recognises the need for institutional capacity building. The Fund's Updated Strategic Plan for 2020-2030, published in February, calls for a more streamlined deployment of the Readiness Programme and PPF as a way to “help build lasting institutional capacity” and plans to scale up pre and post-accreditation support for institutional capacity building for Direct Access Entities.

Respondents also flagged limited technical capacity as a challenge to accessing GCF financing. Respondents pointed to limited in-country expertise, with one observing that “local experts are not always available in some [areas] and this... limits developing countries [ability to develop] bankable projects and receive climate finance.” Several respondents and an interviewee discussed the gap between available data and the GCF's expectations. Inflexible data requirements burden DAEs and prolong already lengthy timelines. One respondent flagged the data required for the climate rationale as a particular burden, observing that this section of the proposal is “stringent in terms of establishing long time historical data that proves the rationale. In some cases developing countries may not have enough [data].”



CASE STUDY 2

Supporting SIDS to access the GCF

Despite being among the countries least responsible for climate change, SIDS are some of the most likely to experience its adverse effects. There is an urgent need for SIDS to access funding to build resilience. However, they face similar challenges to other DAEs when it comes to accessing the GCF. Several respondents from SIDS emphasised that GCF processes are unclear and sometimes communicated poorly. Additionally, communication with the GCF can be challenging; already lengthy timelines are drawn out when requests for clarification go unanswered.

SIDS also experience a more unique set of challenges. Two SIDS DAEs mentioned that the gaps in data and rigid requirements from the GCF were also an obstacle. Often times, data may exist for some islands but not others. In some cases, data from one island could reasonably be substituted for another but often the GCF does not permit this. Additionally, caps on project management costs may not leave sufficient budget for SIDS to cover operational costs. SIDS are often small and remote, meaning travel costs are high. Additionally, staffing needs and costs may exceed the cap as offices are frequently understaffed.

[...] the gaps in data and rigid requirements from the GCF were also an obstacle. Often times, data may exist for some islands but not others.

Additionally, caps on project management costs may not leave sufficient budget for SIDS to cover operational costs.

E Co. routinely works with DAEs, including SIDS, to increase their access to climate finance. One such client is the Pacific Community (SPC). SPC is a regional Direct Access Entity located in New Caledonia. Together with the NDA, SPC is developing an Enhanced Direct Access (EDA) programme that will establish a dedicated facility to strengthen the capacity of local authorities (LAs) in the Federated States of Micronesia to adapt to climate change and to address urgent, top priority vulnerability issues. The facility will empower all interested LAs by providing them with organisational and individual capacity-building in resilience and priority adaptation project development. The facility will then release, through the NDA and focal points, call(s) for proposals for LAs to submit priority adaptation projects according to a set of pre-identified criteria. Direct grants will be provided to partner LAs (or support organizations) to implement selected projects.

As part of this assignment, E Co. developed the GCF Funding Proposal document based on the existing Feasibility Study, Gender Assessment and Action Plan, Stakeholder Engagement Plan and Operations Manual which were provided by SPC. Additionally, the E Co. team developed mandatory annexes of the full Funding Proposal package, such as the Economic and Financial model, the term sheet, detailed budget plan, monitoring and evaluation plan, procurement plan and implementation timetable.

3 Looking ahead

Final recommendations

Participatory consultation

Peer-to-peer learning

Awareness raising on the GCF's policies and processes

Targeted capacity support

This report has identified a number of key benefits and challenges of direct access. Survey respondents and interviewees reported a number of benefits, including increased country ownership, a more efficient use of funds and capacity building for national stakeholders. A majority of study participants felt that the GCF's direct access modality increases country ownership at least "reasonably well." Despite this, there is an urgent need for the GCF to address the challenges listed in the previous section. DAEs still face significant obstacles to accessing GCF financing, including the GCF's complex project cycle and unclear requirements, lengthy timelines and limited capacity, both institutional and technical.

No singular approach will remedy these issues. Based on the survey responses and interviews undertaken for this report, there is a gap between the GCF's expectations and what is feasible for DAEs. One possible approach is a participatory consultation to discuss opportunities for meeting the needs of both. Alternatively an Independent Evaluation of the GCF's direct access modality could be undertaken. The outcomes of either could help to shape the GCF's direct access modality and any future assistance that falls under it.

[...] there is a gap between the GCF's expectations and what is feasible for Direct Access Entities.



The GCF may also wish to consider promoting peer-to-peer learning amongst DAEs in the same region. Some DAEs are already doing this, sharing lessons learned for navigating the GCF's processes and requirements. Peer-to-peer learning could allow DAEs to learn from one another what has worked and what hasn't and share best practices that are appropriate for their region. However, it is important that the onus for translating the GCF's complex processes not be placed upon DAEs. This is an issue the GCF will need to address moving forward.

Awareness raising around the GCF's policies and processes would also be beneficial to DAEs. Several respondents reported a lack of awareness of GCF processes and climate finance in general while others felt they lacked transparency. Clearly communicating expectations, policies and processes will benefit both the Fund and DAEs.

Finally, targeted capacity support to DAEs and local stakeholders will be essential in promoting direct access, especially at the institutional level. While this is already done in part through the Readiness Programme, efforts should be made to broaden the scope of the support offered. Training on project development will continue to be critical but training curriculums should also include more technical trainings on the GCF's results areas to grow pools of in-country experts.

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CASE STUDY 3

E Co institute: Working with GGGI and the NDC Partnership

E Co. is committed to increasing local and national actors' access to climate finance. Through our training arm, E Co. institute, our team has travelled around the world delivering training on GCF processes and project design.

In one such assignment, the E Co. team travelled to Uganda to deliver two 5-day long trainings to representatives from the government of Uganda (including the National Planning Authority). The trainings provided insight on the proposal development process, with a focus on GCF proposal development. The assignment didn't end with the final day of training. To ensure the continuity learning, the E Co. team also developed a training manual that provides key insights on climate-change related project development. The manual included content on key funding bodies, climate finance architecture and outlined a clear process for proposal development.

In another assignment, E Co's experts travelled to Indonesia to deliver training to local stakeholders that had been selected via a competitive call organised by the National Designated Authority (NDA). The team developed the training materials on the GCF and delivered training in Jakarta in January 2020. Following the training, E Co. designed and implemented a remote coaching programme to review and provide feedback on 25 GCF concept notes over a 16-week period. Participants' concept notes were evaluated against E Co's evaluation matrix and participants received three rounds of written feedback. Also during the remote coaching phase, the team hosted three webinars on topics relevant to participants. Topics covered included co-financing requirements, environmental and social safeguards, the climate rationale and paradigm shift. Each webinar included a question and answer session. At the close of the assignment, the team prepared a final report outlining the key lessons learned and recommendations for capacity development relating to GCF project development.

In all of our capacity building work, E Co. strives to ensure that learning continues beyond the final day of our trainings. As a number of survey respondents and interviewees noted, accessing GCF finance is complicated and, at times, overwhelming. We aim to ensure that our clients have the knowledge and support they need to design bankable projects.



E Co. institute

E Co. institute is the training division of E Co. and is run by our project formulation experts. In addition to our public learning resources, such as this *GCF insight* series, we also offer bespoke remote coaching and tailored workshops to individuals and teams across the globe.

We aim to support individuals and organisations in deepening their knowledge of climate funds and provide practical tools to precisely address what the funds are looking for.

Our trainings are targeted towards mid-level professionals from NGOs, UN agencies, bilateral organisations, development banks, and local or country government officials, but should your background not meet the above, please feel free to contact us as well.

To discuss your training needs further, please follow the link below and complete the short form:

[I would like to discuss my training needs with an E Co. consultant](#)

About E Co.

We specialise in designing low-carbon, climate-resilient projects and programmes. For over 20 years, we've been providing technical expertise to help our clients solve climate adaptation and mitigation challenges and access project funding. We assess markets, develop strategies and formulate projects to provide long-lasting solutions for vulnerable populations worldwide.

Climate finance expertise

Our **99% success rate** in unlocking climate finance has led to the mobilisation of over USD \$1 billion of climate finance from global climate funds, including: GCF, GEF, Adaptation Fund and NAMA Facility. We are proud members of the [GCF Communities of Practice network](#).

Funders, project developers and local beneficiaries alike trust us to work on their projects and programmes. This spans public and private sector organisations, from National Designated Authorities (NDAs), multilateral development banks, Accredited Entities, to NGOs.

Clients include: AfDB, BOAD, Carbon Trust, EBRD, FAO, GCF, GEF, GIZ, NAMA Facility, UNDP, UNHCR, UNIDO, World Bank, WRI and WWF.

WORKED IN 160+ countries
MOBILISED USD \$1.2 billion+
SPEAK 15+ languages
DEVELOPED 300+ projects

How do we make your projects more successful?

Working with our multidisciplinary core team, key associates and expert network means:

- Your projects will be in safe hands. You can trust us to understand your needs and give your projects the due time and attention they deserve.
- Your projects will be approved more quickly, and with fewer revisions, thanks to our specialist knowledge and experience.
- You will have access to institutional support, including: selecting project partners, cutting edge tools & techniques, procurement, budget designs and project management.

Our core services

- Market assessment
- Strategy development
- Project formulation
- + Training with E Co. institute

For more information, or to speak to our consultants, contact us at:
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“The E Co. team are smart thinkers.” - UNDP

“We have 100% funding success with E Co.” - EBRD

“We have lots of consultants working for [us] but E Co. stood out.” - World Bank

This report was independently developed by E Co. consultants

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About *GCF insight*

This survey and report is an initiative of E Co., emerging from work we are doing to develop low-carbon, climate resilient projects. E Co.'s team of consultants designed and administered the survey and prepared this report. E Co. has conducted this research independently and is not affiliated with the GCF, the GCF Secretariat or donors. The views expressed in this report are those of the authors and do not represent those of the GCF. Nothing in the interviews or any information or material relating thereto shall be construed as implying any official endorsement of or responsibility on the part of the Green Climate Fund.

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