

INDEPENDENT SYNTHESIS OF DIRECT ACCESS IN THE GREEN CLIMATE FUND

BACKGROUND

The Independent Synthesis¹ to conduct an assessment and provide learning on the Fund's implementation of the direct access concept and approach in GCF.

This independent synthesis used a utilization-focused framework, with the objective of being beneficial to its intended users in terms of providing learning, informing decision-making, and assessing and improving overall performance of the direct access portfolio.

KEY FINDINGS

1. Theory of change of Direct Access in GCF

There is no explicit ToC of direct access in the GCF. Direct access is mainstreamed into the GCF business model, with no institutional home within the GCF Secretariat or overarching direct access strategy (e.g.

there is no distinction in the way the GCF treats or processes IAEs and DAEs, other than some additional capacity-building options for DAEs).

Tensions appear between the Updated Strategic Plan's explicit programming objectives, tracked by indicators and the need for capacity-building from DAEs.

The ToC reconstitution uncovered several assumptions, including that the capacity to become accredited would translate into the capacity to design, secure approval for and implement projects. It is also assumed that GCF support would ensure a level playing field among DAEs with various levels of capacity.

2. Effectiveness and Efficiency of Direct Access in GCF

DAEs have outnumbered IAEs since the beginning of the GCF's operationalization, and the gap continues to widen, with national DAEs representing the bulk

¹ Independent Evaluation Unit (2023). *Independent Synthesis of Direct Access in the Green Climate Fund. Evaluation report No. 15 (February)*. Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

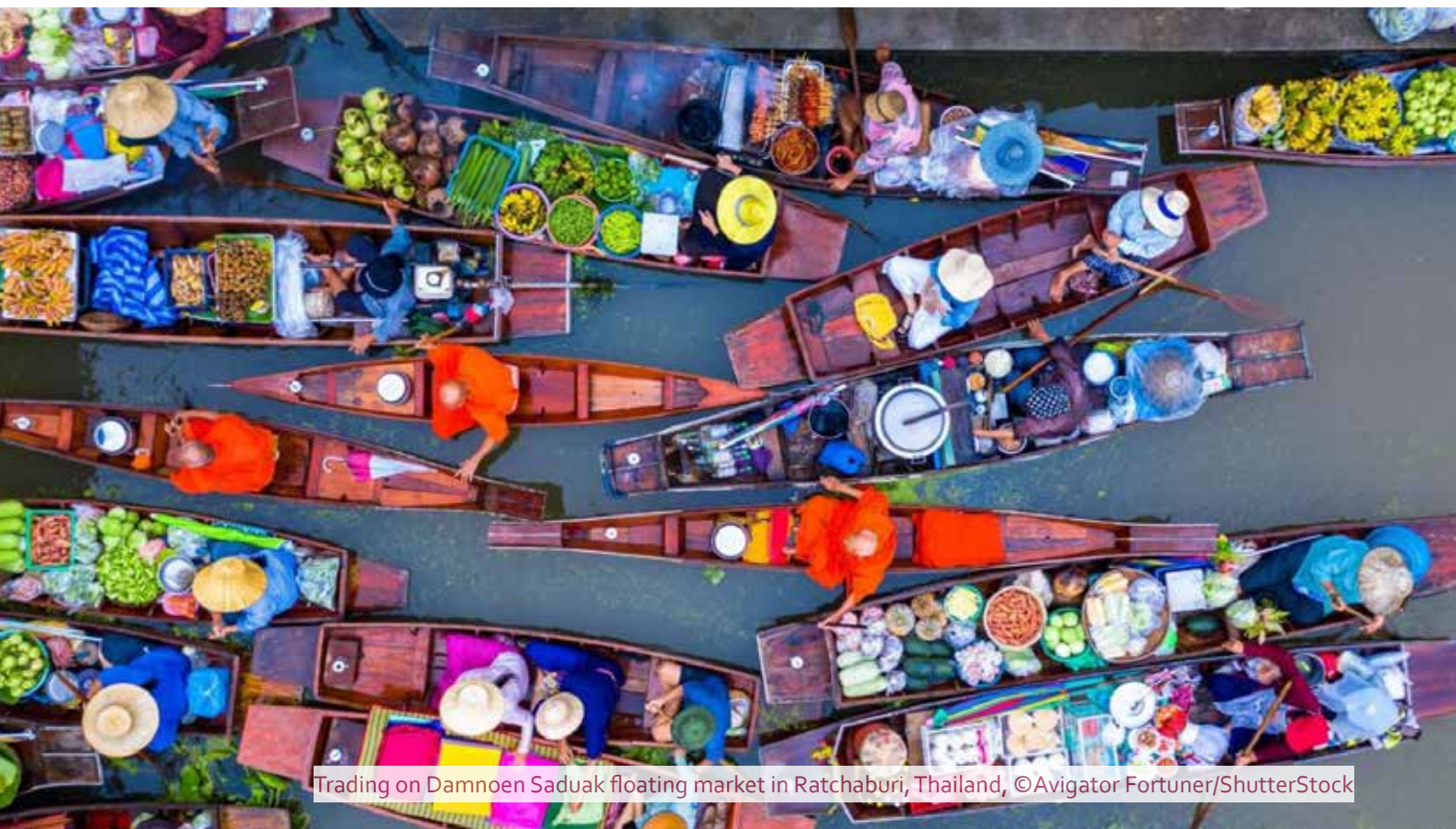
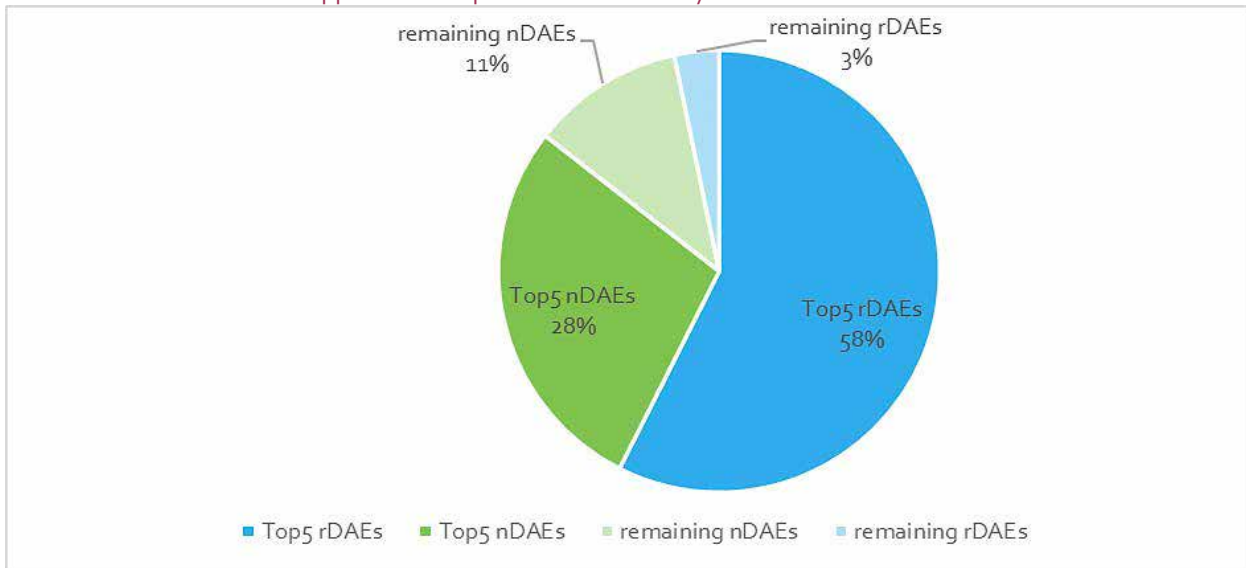


Figure 1. Concentration of the approved DAE portfolio in monetary terms



Source: iPMS data as of B.33, analysis by the IEU DataLab.

of DAEs. The DAE category covers a heterogeneous range of national and regional entities, with financial institutions or mechanisms representing the majority of DAEs.

DAEs represent 21 per cent of GCF funding, up from a baseline of 15 per cent during the IRM period.

The GCF’s DAE project portfolio is highly concentrated, with 66 per cent of the nominal value of the DAE portfolio resting with five DAEs. Four of these are regional development banks.

Hindering factors for getting projects approved lie at the GCF level (e.g. long and redundant processes), national level (e.g. change in administration leading to delays or changes in priorities) and entity level (e.g. limited staff capacity to deal with high demand from countries).

3. Relevance and Effectiveness of GCF Support for Direct Access

The RPSP’s effect on direct access was not possible to assess because until the Readiness Results Management Framework was approved in 2022 reporting focused primarily on inputs, grant cycle milestones and outputs, without reporting at the outcome level. Readiness also lacks clear differentiation with PPF.

DAEs request more PPF support than IAEs. Nevertheless, access to PPF support is considered difficult, and numerous DAEs have reported favouring support options outside the GCF that are perceived as simpler.

The SAP has attracted a higher percentage of DAEs than the regular proposal approval process (PAP). The SAP requires fewer documents, and the review time is shorter, but it has not succeeded in either fundamentally reducing the burden of project approval or meeting its target of 50 per cent of SAP-approved projects originating from DAEs.

4. Portfolio positioning of DAEs

DAEs access more loans than IAEs, especially regional DAEs and financial institution DAEs, which represent the majority of DAE programming with the GCF. Differences in projects’ themes (adaptation and mitigation) are less correlated with the access modality than with the types of institutions within direct and international access. Financial institution DAEs, MDBs, asset managers, private equity and UN agency (especially REDD+ projects) IAEs specialize more in mitigation projects, whereas non-financial institution DAEs and UN agency (non-REDD+ projects) and international NGO IAEs specialize more in adaptation projects.

Table 1. Comparative advantages of institutions

	ADAPTATION ONLY PROJECTS	MITIGATION ONLY PROJECTS
Financial Institutions DAEs	06	16
Non-Financial Institutions DAEs	13	02
Total DAE projects	19	18

5. Implementation of the Direct Access Portfolio

DAEs and IAEs projects face challenges during implementation at the same frequency and that the perceived impact of these challenges on project implementation is, on average, similar. However, the capacity-related challenges of DAE projects seem to have been exacerbated in 2020, more so than for those of IAEs.

DAEs are found to better adapt to policy and governance disruptions at the country level, highlighting their grounding in their country context and institutions and local networks. However, in 2020, DAE capacity challenges impacted implementation more so than for IAEs, which were able to mobilize resources internationally to get over COVID induced disruptions. Despite the “thorough” and onerous approval process for projects, both DAE and IAE projects face design gaps to a significant extent.

CONCLUSIONS

Conclusion I: The COP and the GCF’s GI provide for a prominent role for direct access in GCF operations. However, direct access has only been implemented through accreditation; there is no other effective modality established and used to date. Pathways for operationalizing direct access in the GCF require trade-offs that are difficult to reconcile.

Conclusion II: Country ownership is essential for the Fund and is based on three attributes viz. country drivenness in strategic processes for identifying projects and programmes; country has institutional capacity to plan, manage and implement activities and; countries, entities and the GCF share responsibility and accountability for delivering climate action. Given the importance of country drivenness, a comprehensive approach to direct access to meet country climate priorities is missing.

Conclusion III: Institutional accreditation alone does not account for country needs. It does not lead to successful programming within a reasonable timespan and doesn’t determine the ability of an entity to undertake climate programming. It also doesn’t account for the need for suitable partnerships at the country level. The DAEs, as a means of implementing direct access, are not sufficiently providing finance for countries to achieve paradigm shift.

Conclusion IV: Undertaking programming with the GCF entails high transaction costs for most DAEs. The GCF has a range of support programmes, the SAP and the RFP modalities to meet these transaction costs. However, support programmes are not differentiated or effective. Support programmes, processes and modalities are not attuned to the relative importance of direct access in the GCF and have not been successful so far.

Conclusion V: As the DAE portfolio matures and diversifies, the GCF’s business model lacks agility and adaptive management in implementation and has limited effective and real-time implementation support and capacity-building to ensure the effectiveness of results.

KEY RECOMMENDATIONS

R1: The Board and the Secretariat should clearly articulate and lay out a vision for direct access.

R2: The GCF should provide options for countries to directly access financing through measures beyond accreditation as part of their country programming. Country programmes could be an entry point for defining such pathways to access GCF financing if countries and GCF deem them to be useful.

- The GCF should actively partner with NDAs to prepare country programmes, in either their current format or a revised format, to identify the different entities that an NDA wants the GCF to partner with in the corresponding country.
- For identified national and regional entities, the need for institutional accreditation should be contingent upon the volume of financing that the country requires the entity to access, the capacity of the institution and the complexity of programming that the NDA and country programme foresee for such institutions.
- The GCF should actively consider financing new and ongoing sectoral projects in the area of climate change to further direct access.

R3: As the pool of DAEs and partners expands, the GCF should consider a differentiated approach to project approval, to account for the varying institutional capacities.

- Introducing a differentiated approach should start with a SAP, which considers the varying capacities of DAEs and simplifies the approval process.

The GCF Secretariat should consider the IEU's recommendations made in the SAP evaluation undertaken in 2019.

- Options similar to a SAP with different tracks of project approval should be considered for direct access projects based on the existing capacities of entities for managing climate projects. This would enable entities that are likely to undertake smaller projects and entities that have relatively lesser capacity to access GCF financing expeditiously.

R4: The GCF should include a lens that focuses on the effect and implications on direct access in all the tools and instruments supporting accreditation and operations.

- GCF should ensure that PSAA includes a direct access focus. For this, the Fund should consider having an RFP for direct access using PSAA modality.
- GCF should elaborate and crystallize the role of RPSP for support towards enabling direct access. The differentiation of RPSP support for direct access at large vis-à-vis PPF for project development needs to be clearly established and both of them need to be offered in an integrated manner.
- GCF should reconsider operationalizing the RFP EDA, taking into account the lessons and recommendations of the RfP evaluation carried out by the IEU.

R5: The GCF should enhance existing support programmes and management tools to encourage projects to better understand and manage risks as well as to implement with an adaptive management approach.

METHODS

The evaluation deployed a mixed-methods approach for data collection and analysis, including the review and analysis of Board decisions, Secretariat guidance documents and project reports. The literature and documentation review was conducted systematically, using the most current sources. The evaluation team relied on IEU's DataLab and conducted 86 stakeholder interviews. These included interviews with representatives from the Board, the Secretariat, UNFCCC, NDAs, AEs, civil society, private sector and stakeholders within countries. The evaluation included deep dives of four Direct Access Entities viz. Micronesia Conservation Trust, Xac Bank, Central American Bank for Economic Integration and Centre de Suivi Écologique.

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