INDEPENDENT SYNTHESIS OF DIRECT ACCESS IN THE GREEN CLIMATE FUND

Final report

GREEN CLIMATE FUND | Independent Evaluation Unit

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GREEN CLIMATE FUND
INDEPENDENT EVALUATION UNIT

Independent Synthesis of Direct Access in the Green Climate Fund

FINAL REPORT

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ABBREVIATIONS

AE	Accredited entity
AMA	Accreditation master agreement
APR	Annual performance report
BOAD	*Banque Ouest Africaine de Développement*
CABEI	Central American Bank for Economic Integration
CAF	*Corporación Andina de Fomento*
CCM	Country Coordination Mechanism
COP	Conference of the Parties
CPDAE	Community of Practice of Direct Access Entities
CSE	*Centre de Suivi Ecologique (Sénégal)*
CSO	Civil society organization
DAE	Direct access entity
DBSA	Development Bank of South Africa
DCP	Division of Country Programming
DMA	Division of Mitigation and Adaptation
DPM	Division of Portfolio Management
EDA	Enhanced direct access
EE	Executing entity
ESS	Environmental and social safeguards
FAA	Funded activity agreement
FP	Funding proposal
FPR	Forward-looking Performance Review of the GCF
Gavi	Gavi, the Vaccine Alliance (formerly the Global Alliance for Vaccines and Immunisation)
GCF	Green Climate Fund
GI	Governing Instrument
GIZ	*Deutsche Gesellschaft für Internationale Zusammenarbeit*
GPE	Global Partnership for Education
IAE	International accredited entity
IEU	Independent Evaluation Unit
iPMS	Integrated Portfolio Management System
IRM	Initial resource mobilization
IRMF	Integrated results monitoring framework
iTAP	Independent Technical Advisory Panel
LDCs	Least developed countries
LORTA	Learning-Oriented Real-Time Impact Assessment
MCT	Micronesia Conservation Trust

MDB	Multilateral development bank
NABARD	National Bank for Agriculture and Rural Development (India)
NDA	Nationally designated authority
nDAE	National direct access entity
NGO	Non-governmental organization
NIE	National implementing entity
OED	Office of the Executive Director
OGA	Office of Governance Affairs
PPF	Project Preparation Facility
PSAA	Project-specific assessment approach
PSF	Private Sector Facility
PSO	Private sector organization
rDAE	Regional direct access entity
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RfP	Request for proposals
RPSP	Readiness and Preparatory Support Programme
SAP	Simplified approval process
SIDS	Small island developing States
SPR	Second Performance Review
TCA	Targeted Country Assistance
ToC	Theory of change
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
USD	United States dollar
USP	Updated Strategic Plan

EXECUTIVE SUMMARY

Overview

The 2022 workplan of the Independent Evaluation Unit (IEU) of the Green Climate Fund (GCF, or the Fund) was approved at the thirtieth meeting of the Board (B.30), held virtually from 4 to 7 October 2021 (decision B.30/10). This approved workplan includes an independent synthesis on the topic of direct access in the GCF.

Purpose and scope

The purpose of this synthesis is to conduct an assessment and provide learning on the Fund's implementation of the direct access concept and approach, as mandated by the Fund's Governing Instrument (GI), and to improve the relevance and performance of the GCF's direct access modality as a way of accessing financing from the Fund.

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. This approach necessitated consultations with relevant stakeholders to ensure their experience and feedback related to direct access was appropriately considered.

Methodology

The evaluation team used a mixed-methods approach, employing both qualitative and quantitative data and methods to inform the evidence-based findings, conclusions and recommendations that are presented in this report.

Given the central role of direct access in the GCF's operations, almost all the 11 completed evaluations and assessments of the IEU to date have directly or indirectly assessed various aspects of the GCF's direct access modality, thereby generating an extensive evidence base on the topic. This synthesis builds extensively on this body of evidence, as well as on the evidence produced by the two evaluations carried out concomitantly by the IEU – namely, the Second Performance Review (SPR) and the evaluation of the GCF's investments in African States.

Other data-collection and analysis methods included the following:

- An extensive document and literature review, including GCF documents and key peer-reviewed and grey literature on direct access
- Interviews carried out with more than 85 key informants, including four direct access entity (DAE) focused deep dives
- Two focus groups: one with selected GCF Secretariat staff to reconstruct the theory of change (ToC) of direct access in the GCF and one with DAEs to identify hindering and facilitating factors they encounter in their interactions with the GCF
- A landscape analysis reviewing the implementation of direct access in four organizations within and outside the realm of climate finance: the Adaptation Fund; Gavi, the Vaccine Alliance (Gavi); the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund); and the Global Partnership for Education (GPE)

Analysis of data acquired from GCF systems directly, as well as data developed by the IEU's DataLab based on inputs provided by Secretariat divisions and accredited entities (AEs).

The methodology described responded to the evaluative questions outlined in the approach paper for this synthesis:

- Question 1: Does direct access fit in with the GCF's mandate and business model and respond to the needs of its partner countries? Is the direct access ToC clear, focused and fit for purpose relative to the GCF mandate?
- Question 2: What are the results of direct access?
- Question 3: How does direct access contribute to the paradigm shift necessary to deal with the climate emergency?

Context and mandate of direct access in Green Climate Fund and comparator institutions

Direct access has been a key element of the GCF mandate and identity since the Fund's creation, supported by all Parties but with different priorities and visions. The GCF GI reflects the best political agreement possible, but because of political ambiguity it does not provide precise operational guidance on direct access.

COP guidance related to direct access has been limited, with only one relevant piece of guidance given at COP22, requiring the Board "To facilitate an increase in the number of direct access proposals in the pipeline and to report to the COP on the progress made in this regard." This guidance therefore focuses on a quantitative outcome and not on providing guidance on the causes of the low number of DAEs. Specific actions required to implement said guidance were at the discretion of the GCF because the COP is mandated to provide guidance on policies, programme priorities and eligibility criteria, so it is not overly prescriptive.

Board guidance regarding direct access has been quite extensive, leading to, for example, the creation of relevant processes to support direct access (e.g. readiness, PPF). However, the Board has yet to produce a comprehensive coherent strategic framework for direct access or provide full clarification of its vision for direct access – for example, on the type of institutions or projects that direct access should bring to the GCF or how the direct access modality contributes to the GCF mandate.

The Secretariat presented a DAE action plan in 2021 to better integrate support to direct access, but it is not a strategy and was only submitted to the Board as an annex to the report on the activities of the Secretariat, which the Board took note of.

The review of direct access in other institutions, both within the climate realm (e.g. Adaptation Fund) and outside of it (e.g. the Global Fund and Gavi), highlights different models for direct access to financing. These can be categorized as "implementer first–proposal second", where the emphasis is put on the entity submitting the project or programme (e.g. Adaptation Fund, GCF), or "proposal first–implementer second" (e.g. Global Fund, Gavi), where country-level coordination mechanisms lead to proposals that are channelled through relevant implementing partners.

CONCLUSIONS

Conclusion 1. 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 (Chapter 2 and Chapter 3).

The Transitional Committee's deliberations for the design of the GCF mentioned direct access extensively. The Transitional Committee members considered direct access to be of high importance, both to achieve climate impact in the short and medium term and as an end unto itself in terms of the capacity-building and financing it would bring to national entities, with various orders of priority, depending on the Party. The GCF's GI reflects this importance by providing for both direct access through accreditation and modalities that enhance direct access, without providing further operational details. This ambiguity regarding the envisioned purpose of the direct access modality is reflected in the GCF's operationalization, as an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC).

There is no explicit ToC for direct access in the GCF. There is also no explicit framework that spells out what type of institutions or projects should be brought to the GCF through direct access or that clearly defines how the direct access modality contributes to the GCF's mandate. There is also no institutional home for direct access within the GCF Secretariat.

The reconstructed ToC (designed by the IEU) of direct access in the GCF reveals trade-offs in the short term. In the short term, to meet its programming targets, the GCF may work with well-resourced DAEs (i.e. following a programming pathway). In the longer term, working with a wider range of direct access institutions requires the GCF to build capacity and undertake programming with them, irrespective of their existing capacity (i.e. following a capacity-building pathway). Each of these pathways entail the GCF realigning its processes, tools, procedures and business model to address the needs of different kinds of DAEs.

Conclusion 2. Country ownership is essential for the Fund and is based on three attributes. First, a country takes leadership in the strategic processes for identifying projects and programmes that align with their national policies, strategies and targets. Second, a country has institutional capacity to plan, manage and implement activities. And third, countries, entities and the GCF share responsibility and accountability, and develop and act on best practices in planning and delivering climate action. Given the importance of country drivenness, a comprehensive approach to direct access to meet country climate priorities is missing (Chapter 4 and Chapter 6).

A comprehensive approach at the country level involves analysis of country priorities, the entities required to meet such priorities, their respective capacities and mandates to fulfil the priorities, and the different pathways to access GCF funding. Direct access is ultimately expected to meet the **priorities** of countries. However, national-level priorities require an analysis of the relative strengths of the **entities** that can fulfil such priorities. Different kinds of institutions serve different roles in addressing the programming priorities of the GCF and countries. In the GCF portfolio, institutions have sorted themselves quite clearly to undertake projects and programmes pertaining to different sectors and themes, presumably in terms of their comparative advantages. This implies that meeting GCF and country programming priorities – for example, community-led adaptation – merits partnerships with country-level institutions that may have the mandate to do so. Depending on the entities' **mandate** and **capacities,** they may require **pathways** for access to the GCF that are simplified and go beyond institutional accreditation. Such an approach is currently missing in the GCF's approach to direct access.

Conclusion 3. 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 (Chapter 4 and Chapter 6).

So far, the GCF's efforts in enabling "access" to resources have been heavily skewed towards accreditation, but the assumption that accreditation would translate into programming did not materialize. Hindering factors also lie at the national and entity levels – for example, unrealistic expectations at accreditation and low capacities to answer numerous countries' demands that are sometimes not well tailored to the GCF. Institutional accreditation has not been an appropriate filter in measuring an entity's ability to undertake climate programming. For this reason, most of the entities have not been able to graduate from accreditation to programming in a reasonable time frame. The reactive nature of institutional accreditation does not enable the GCF to form in-country partnerships that are able to meet country priorities. Instead, a direct access model anchored in institutional accreditation only enables access based on an entity's ability to meet the transaction costs of the accreditation process. The GCF also lacks the mandate and mechanisms to actively source institutions for partnerships.

Conclusion 4. Undertaking programming with the GCF entails high transaction costs for most DAEs. The GCF has a range of support programmes, the SAP and the Request for Proposals (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 (Chapter 5).

The GCF's current set of support elements in place before, during and after accreditation are insufficient in ensuring that most DAEs can navigate the GCF's programming cycle, including FP appraisal processes and funded activity agreement negotiations. The Readiness and Preparatory Support Programme (RPSP), SAP and PPF do not particularly consider direct access and DAEs and may not be easy to access for DAEs. The RPSP's objectives have so far supported accreditation for direct access, but its role in supporting programming for direct access is unclear. The roles and differentiation between the RPSP and the PPF are unclear with regard to support for direct access. The SAP, as a process for small- to medium-sized projects, does not provide an agile and simplified process for potential DAE projects. The GCF's existing concept note and FP processes do not treat DAEs differently than IAEs in supporting them through the development, approval and implementation of project proposals, despite the GCF's prioritization of direct access. The RfPs, in particular EDA, have been limited in their uptake and generally do not help to overcome the limitations of the GCF business model in programming. The project-specific assessment approach (PSAA) has not been tested, and its value-added over and above institutional accreditation and its relative value to direct access remain to be seen.

Conclusion 5. 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 (Chapter 7).

The current cohort of DAEs with projects is heavily biased in favour of high-capacity institutions. Even then, DAEs face certain challenges to a higher degree than their IAE counterparts. These implementation challenges are expected to get more severe and wide-ranging as a more diverse range of direct access partners programme with the GCF. Current implementation support is not tailored to the specific needs and capacities of a wide pool of regional and national entities. With the continued expansion and diversification of the direct access portfolio and partners, the need for implementation support and simple, agile adaptive management becomes more crucial for proactively addressing design, capacity gap and project management challenges.

Conclusion 6. Expansion of the AE pool while maintaining existing partnerships will strain the GCF's accreditation system, as it exists currently (Chapter 8).

Trade-offs and challenges exist at accreditation, the design stage and the implementation stage when accommodating the ambition to incorporate more DAEs into programming. An expansion in the number of AEs will likely put pressure on the accreditation system of the GCF, with its limited capacity. The Board has not put in place additional modalities that further enhance direct access despite relevant provisions in the GI.

RECOMMENDATIONS

Based on the above six key conclusions, the evaluation team recommends the following actions to the GCF Secretariat and Board.

Recommendation 1. Clarify the vision and purpose of direct access.

The Board and the Secretariat should link this vision with the GCF's next strategy and implementation plan. This should include a clarification of the purpose of direct access and whether the GCF should concentrate on programming with direct access partners who have the capacity to transact with the GCF (i.e. following a programming pathway) or on building the capacity of a wider, more diverse or more specified range of direct access partners (i.e. following a capacity-building pathway), or a combination of both. A clear ToC for such a vision needs to be laid out to ensure accountability for its operationalization.

Recommendation 2. 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 robust pathways to direct access.

This report has established that (a) accreditation is not a uniformly suitable indicator for entities' ability to programme with the GCF; (b) a direct access model anchored in accreditation is not uniformly useful for meeting country priorities; (c) the GCF's own institutional limitations prevent a dependence on accreditation for wide-ranging direct access collaboration; and (d) the GCF does not provide differentiated access to resources for DAEs. Thus, the evaluation makes the recommendations below.

As an overarching recommendation, the GCF should actively consult with national designated authorities (NDAs) to jointly develop different options for collaborating with national and regional entities and partners and financing thematic priorities. **If the GCF finds country programmes suitable for programming, then country programmes could be the entry point for providing different options for access.** Thus, there are three sub-recommendations here:

1) **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**. The entities should be

identified based on their ability and comparative advantage to undertake programming relevant to the country's priorities as set out in its nationally determined contribution. The GCF may consider setting up mechanisms for joint responsibility between NDAs and the GCF for country programming.

2) **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.** Pathways for access other than institutional accreditation should be explored by the GCF and NDAs (as identified in paragraph 47 of the GI). The ability to access GCF resources without requiring institutional accreditation may also incentivize NDAs to collaborate with the GCF in preparing country programmes, identify the relevant institutions to programme with over a programming cycle and take a more strategic approach to programming.

3) **The GCF should actively consider financing new and ongoing sectoral projects in the area of climate change to further direct access.** Sector support or basket funding opportunities should be explored so that the GCF can finance new or ongoing national and subnational programmes in the area of climate change. This can become a suitable conduit for ensuring that access to GCF resources can be achieved without needing accreditation at the subnational and local levels. Such initiatives could follow a "proposal first–implementer second" model, as in the case of the Global Fund or Gavi, where country-level coordination mechanisms lead to proposals that are channelled through relevant implementing partners.

Recommendation 3**. Ease direct access through different project approval channels, including simplified approval process, to approach a wider range of institutions**.

1) 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. The following sub-recommendations from that evaluation would be particularly important:
    a) Referring to the SAP evaluation's recommendation 1 (a), the GCF should develop a strategy for the SAP while focusing on processes that accelerate and simplify the project cycle, and so respond (also) to guidelines from the UNFCCC and the GI.
    b) Referring to the SAP evaluation's recommendation 2 (a), the GCF should simplify the review criteria for the SAP and develop different and tailored investment criteria.
    c) Referring to the SAP evaluation's recommendation 3 (b), the GCF should include a capacity-development programme (small and fast approval) to support DAEs on how to apply the simplified and accelerated procedures, and the GCF key concepts, within the RPSP or other instruments.

2) 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.

Recommendation 4**. Include a lens that focuses on the effect and implications on direct access in all the tools, modalities and instruments supporting accreditation and operations**.

The GCF should ensure that the PSAA includes a direct access focus. Based on recommendation 2, the Fund should consider having an RfP for direct access using the PSAA modality. Furthermore, the GCF should elaborate and crystallize the role of the RPSP for support towards enabling direct access. The differentiation of RPSP support for direct access at large vis-à-vis the PPF for project development needs to be clearly established, and both of them need to be offered in an integrated manner to facilitate direct access. Lastly, the GCF should reconsider operationalizing the RfP EDA, taking into account the lessons and recommendations of the RfP evaluation carried out by the IEU.

Recommendation 5. Enhance support to DAEs during implementation stage.

This should start at accreditation, making sure that entities have project management systems that enable them to identify and deal with problems during implementation (e.g. having monitoring systems for projects at risk or problem projects, to encourage transparency and the identification of problems and find solutions before it is too late and to identify lessons and experiences to be transferred to other projects and entities). The GCF should consider introducing modalities and tools at the implementation stage to better identify and address emerging risks in an expedited manner.

MAIN REPORT

Chapter 1. INTRODUCTION

A. OVERVIEW

1. The 2022 workplan of the Independent Evaluation Unit (IEU) of the Green Climate Fund (GCF, or the Fund) was approved at the thirtieth meeting of the Board (B.30), held virtually from 4 to 7 October 2021 (decision B.30/10). This approved workplan includes an independent synthesis on the topic of direct access in the GCF.

1. PURPOSE AND SCOPE

2. The purpose of this synthesis is to conduct an assessment and provide learning on the Fund's implementation of the direct access concept and approach, as mandated by the Fund's Governing Instrument (GI), and to improve the relevance and performance of the GCF's direct access modality as a way of accessing financing from the Fund.
3. 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. This approach necessitated consultations with relevant stakeholders to ensure their experience and feedback related to direct access was appropriately considered.
4. The key and potential users of this synthesis include the IEU, the GCF Board, the Secretariat, other independent units, NDAs / focal points, civil society organizations (CSOs), private sector organizations (PSOs), accredited entities (AEs) - direct access entities (DAEs) and international access entities – and other delivery partners.
5. The scope of this synthesis covers all relevant aspects of direct access. As direct access is mainstreamed in the GCF's operational processes throughout the accreditation and project cycles, it touches upon access, portfolio positioning, implementation and relevant operational processes supporting direct access; it also provides forward-looking perspectives. The data cut-off date for this synthesis is B.33, 20 July 2022.

2. METHODOLOGY

6. The evaluation team used a mixed-methods approach, employing both qualitative and quantitative data and methods to inform the evidence-based findings, conclusions and recommendations that are presented in this report.
7. Given the central role of direct access in the GCF's operations, almost all the 11 completed evaluations and assessments of the IEU to date have directly or indirectly assessed various aspects of the GCF's direct access modality, thereby generating an extensive evidence base on the topic. This synthesis builds extensively on this body of evidence, as well as on the evidence produced by the two evaluations carried out concomitantly by the IEU – namely, the Second Performance Review (SPR) and the evaluation of the GCF's investments in African States.
8. Other data-collection and analysis methods included the following:
    - An extensive document and literature review, including GCF documents and key peer-reviewed and grey literature on direct access

- Interviews carried out with more than 85 key informants, including four DAE-focused deep dives[1]
- Two focus groups: one with selected GCF Secretariat staff to reconstruct the theory of change (ToC) of direct access in the GCF and one with DAEs to identify hindering and facilitating factors they encounter in their interactions with the GCF
- A landscape analysis reviewing the implementation of direct access in four organizations within and outside the realm of climate finance: the Adaptation Fund; Gavi, the Vaccine Alliance (Gavi); the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund); and the Global Partnership for Education (GPE)
- Analysis of data acquired from GCF systems directly, as well as data developed by the IEU's DataLab based on inputs provided by Secretariat divisions and AEs

9. The quantitative data were analysed, and quality assured by the IEU DataLab. Data cut-off for this synthesis was 20 July 2022 (B.33), although a part of Chapter 8 reports on data up to B.32 and data on accreditation is updated as of August 2022 given the data updating cycle of Accreditation and Entity Relations Unit. Data sources acquired from the information and communications technology systems and Secretariat teams include project accreditation data, portfolio data, financial data, Project Preparation Facility (PPF) data and timestamps. Data sets developed by the IEU DataLab include investment criteria data and co-financier, Readiness and Preparatory Support Programme (RPSP) and executing entity (EE) data.
10. The data-collection and analysis methods used in each chapter are specified in the chapter's introduction. Annex 1 provides further details on the methodology, and Annex 2 provides the list of persons interviewed. Annex 3 covers summary of DAE action plan, Annex 4 covers a layout of the direct access landscape in other organizations and finally, Annex 5 contained the metadata used for data used in Chapter 7 on implementation experience of GCF's DAE and IAE projects. The full list of documents consulted is presented in the References at the end of the report.
11. One important point to mention is that during their lifetime of accreditation with the GCF, AEs can change their modality, as well as other accreditation parameters. At the time of completion of this report, two of the DAEs changed their accreditation modality to become IAEs. To reflect this development, the evaluation team has presented it in the analysis in the following way: AEs are categorized according to their accreditation modality as of B.33, and projects are categorized according to the modality of the AE at the time of project approval. Such an approach best reflects the results of DAE efforts in climate finance access and accounts for the current situation within the GCF's accreditation portfolio.
12. The methodology described responded to the evaluative questions outlined in the approach paper for this synthesis:

- Question 1: Does direct access fit in with the GCF's mandate and business model and respond to the needs of its partner countries? Is the direct access ToC clear, focused and fit for purpose relative to the GCF mandate?
- Question 2: What are the results of direct access?
- Question 3: How does direct access contribute to the paradigm shift necessary to deal with the climate emergency?

[1] The four DAEs are Centre de Suivi Ecologique, XacBank, the Central American Bank for Economic Integration and the Micronesia Conservation Trust; see further details about the deep dives in Annex 1.

13. As a result of the findings of the data-collection and analysis phase, and in order to increase the coherence and readability of the report, these questions have been reordered according to the structure outlined in the next section.[2]

B. STRUCTURE OF THE DOCUMENT

14. This synthesis report is organized into nine chapters. Chapter 1 introduces the objectives, scope and methodology of the synthesis. Chapter 2 examines the background, GCF mandate, and Conference of the Parties (COP) and Board guidance on direct access. It also examines the differences and similarities in direct access in the GCF and four other organizations – within and outside of the climate finance realm – as well as lessons learned by, or that could be relevant for, the GCF. Chapter 3 seeks to reconstruct the ToC of direct access in the GCF. Chapter 4 evaluates the effectiveness and efficiency of the direct access modality. Chapter 5 evaluates the relevance and effectiveness of GCF operational processes supporting direct access (fast-track accreditation, readiness, the PPF, the simplified approval process (SAP) and enhanced direct access (EDA)). Chapter 6 examines the portfolio positioning of DAEs vis-à-vis IAEs, the extent to which IAEs interact with DAEs in a way that builds their capacities, and the impact that being GCF accredited has on DAEs. Chapter 7 examines the challenges encountered in the implementation of DAE projects and whether they differ from those of IAEs. Chapter 8 reflects on how direct access contributes to paradigm shift and provides prospective elements on what direct access in the GCF could look like in the medium to long term. Chapter 9 provides the overall conclusions and recommendations of the synthesis.

[2] Annex 1 provides a mapping of the evaluation matrix set out in the approach paper against the final structure of this synthesis.

Chapter 2. CONTEXT AND MANDATE ON DIRECT ACCESS IN THE GREEN CLIMATE FUND

KEY CONCLUSIONS

- Ambiguities coming from Parties' different views and priorities regarding direct access at the GCF design stage are reflected in the GI and live on in the operationalization of direct access in the GCF to this day.
- While the GCF GI provides for both direct access through accreditation (§45) and for considering "additional modalities that further enhance direct access, including through funding entities with a view to enhance country ownership of projects and programs" (§47), so far direct access implementation has focused on access through accreditation and other modalities have been limited, mostly to a request for proposals (RfP) on EDA, for which accreditation is still required (see Chapter 5).

KEY FINDINGS

- Direct access has been a key element of the GCF mandate and identity since the Fund's creation, supported by all Parties but with different priorities and visions. The GCF GI reflects the best political agreement possible, but because of political ambiguity it does not provide precise operational guidance on direct access.
- COP guidance related to direct access has been limited, with only one relevant piece of guidance given at COP22, requiring the Board "To facilitate an increase in the number of direct access proposals in the pipeline and to report to the COP on the progress made in this regard." This guidance therefore focuses on a quantitative outcome and not on providing guidance on the causes of the low number of DAEs. Specific actions required to implement said guidance were at the discretion of the GCF because the COP is mandated to provide guidance on policies, programme priorities and eligibility criteria, so it is not overly prescriptive.
- Board guidance regarding direct access has been quite extensive, leading to, for example, the creation of relevant processes to support direct access (e.g. readiness, PPF). However, the Board has yet to produce a comprehensive coherent strategic framework for direct access or provide full clarification of its vision for direct access – for example, on the type of institutions or projects that direct access should bring to the GCF or how the direct access modality contributes to the GCF mandate.
- The Secretariat presented a DAE action plan in 2021 to better integrate support to direct access, but it is not a strategy and was only submitted to the Board as an annex to the report on the activities of the Secretariat, which the Board took note of.
- The review of direct access in other institutions, both within the climate realm (e.g. Adaptation Fund) and outside of it (e.g. the Global Fund and Gavi), highlights different models for direct access to financing. These can be categorized as "implementer first–proposal second", where the emphasis is put on the entity submitting the project or programme (e.g. Adaptation Fund, GCF), or "proposal first–implementer second" (e.g. Global Fund, Gavi), where country-level coordination mechanisms lead to proposals that are channelled through relevant implementing partners.

A. INTRODUCTION

15. The concept of "direct access" is a central part of the GCF mandate and identity. In order to set the stage, this chapter looks back at why and how direct access was included as one of the two GCF modalities to access financing from the Fund[3] and the guidance the COP and the Board have provided on direct access until now. It also investigates how direct access is implemented in other donor funds within and outside of the climate finance realm and what lessons have been drawn from these experiences.

16. This chapter relies on an exhaustive review of submissions made by the GCF Transitional Committee members during the GCF's design in 2011, an exhaustive review of COP and Board guidance related to direct access, an extensive literature review of strategic and guidance documents from the selected donor organizations (the Adaptation Fund, Gavi, the Global Fund and the GPE),[4] and evaluative evidence from independent evaluations of the organizations. Findings were triangulated through interviews.

B. ANALYSIS

1. INCLUSION OF DIRECT ACCESS AS A GCF MODALITY: HISTORY AND EXPECTATIONS

From COP15 to COP17, the genesis of direct access in the GCF GI

17. In 2009, COP15 resulted in the Copenhagen Accord, which states that a "Copenhagen Green Climate Fund shall be established as an operating entity of the financial mechanism of the Convention to support projects, programme, policies and other activities in developing countries related to mitigation including REDD+, adaptation, capacity-building, technology development and transfer" (FCCC/CP/2009/11/Add.1, decision 2/CP.15).

18. While COP15 highlights that the new funding developed countries committed to mobilize should be "delivered through effective and efficient fund arrangements, with a governance structure providing for equal representation of developed and developing countries" (FCCC/CP/2009/11/Add.1, decision 2/CP.15), direct access is only mentioned at COP16 in Cancún, when the GCF was officially established, some of its governance aspects were further fleshed out, and a mandate was given to a 40-member Transitional Committee to further design it.[5] This mandate gave the Transitional Committee one year to present operational documents to the COP for approval at COP17. These documents were to address a wide range of topics to ensure the functioning of the GCF. Direct access is explicitly mentioned as one of the access modalities,[6] highlighting its importance for several Parties in the context of the Adaptation Fund's pioneering the concept with the accreditation of its first national implementing entity (NIE) in March 2010. While no specific definition of direct access is provided, it is generally understood as opposed to countries accessing

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[3] The two modalities for accessing the GCF's funding are international access (through IAEs) and direct access (through regional and national DAEs).

[4] The main criteria to select these entities were that they had a direct access modality and had evaluative evidence on this modality.

[5] The Transitional Committee was composed of 15 members from developed country Parties and 25 members from developing country Parties – 7 members from each regional grouping (Africa, Asia, and Latin America and the Caribbean) plus 2 each for small island developing States and least developed countries.

[6] "Methods to manage the large scale of financial resources from a number of sources and deliver through a variety of financial instruments, funding windows and access modalities, including direct access, with the objective of achieving a balanced allocation between adaptation and mitigation" (FCCC/CP/2010/7/Add.1, decision 1/CP.16, appendix III).

financing from the Fund through international access – that is, such as United Nations (UN) agencies or multilateral development banks (MDBs).

19. The Transitional Committee's work was organized in four workstreams.[7] Workstream III dealt with operational modalities under five categories: finance entry points, managing finance, accessing finance, balance between mitigation and adaptation, and external inputs. Direct access was addressed under sub-workstream III.3, on accessing finance. The workplan for this sub-workstream covered the financial instruments that the Fund could use to achieve its priorities; how they might be used, including linkages with nationally appropriate mitigation actions or national adaptation programmes of actions, blending and coordination with other financing sources at the country level; methods to deliver through access modalities, including direct access, criteria for prioritizing access, proposal and approval processes; and methods for proposing and approving funding.

20. Co-facilitators of the different workstreams of the Transitional Committee called for inputs from committee members and observer organizations. Informal consultations with small island developing States (SIDS)[8] and least developed countries (LDCs)[9] were held by the co-facilitator of workstream III (Mr. Farrukh Khan, Pakistan), and their conclusions were included in a submission. All submissions by Transitional Committee members were reviewed for this synthesis (Transitional Committee, 2011e). Box 2-1 presents illustrative quotes from Transitional Committee members, and the following points summarize the expectations and priorities, disaggregated by major Party constituencies, expressed in these submissions regarding direct access.

- Developing country Parties mention direct access more than developed countries in their submissions, including in other workstreams than workstream III. For example, it is mentioned as a principle for the GCF (workstream I) by several developing country Transitional Committee members.[10] Several submissions link direct access directly to country ownership and country drivenness.[11] They also highlight it as a strong added value of the GCF.[12] In this regard, direct access is viewed less as a means to an end than an end in itself. Developing country Parties also highlight problems with current finance delivery mechanisms (i.e. the Global Environment Facility) in terms of costs coming from the fees charged by international entities and delays, and voice hope that the GCF will contribute to solving these issues.[13]
- SIDS highlight the need for consistency in access provisions across multilateral climate funds in order to reduce the administrative burden, the importance of regional entities in their particular circumstances, the complementarity between direct access and multilateral implementation options, and the importance for countries to have the choice between these different channels. They also emphasize the capacity constraints they face as SIDS, an issue they hope would be addressed by having capacity-building feature as a core, cross-cutting element of direct access in the GCF.

[7] These were Workstream I: Scope, guiding principles and cross-cutting issues; Workstream II: Governance and institutional arrangements; Workstream III: Operational modalities; and Workstream IV: Monitoring and evaluation. (FCCC/CP/2011/6).

[8] See Transitional Committee (2011e). Compilation document 2.

[9] See Transitional Committee (2011e). Compilation document 6.

[10] See, for example, submissions by Belize, Brazil, the Democratic Republic of the Congo and Egypt, Nicaragua and the Philippines in compilation documents 3 (DRC and Egypt), 4 (Belize and the Philippines), 5(Brazil) and 6 (Nicaragua).

[11] See submissions by Argentina, Belize, Brazil and Nicaragua in compilation documents 4,5 and 6.

[12] See, for example, submissions by the Democratic Republic of the Congo and Egypt in compilation document 4 and Samoa in compilation document 6.

[13] See, for example, submissions by the Philippines and LDCs in compilation documents 4 and 6 respectively.

- LDCs highlight that direct access should be a priority for the GCF because it would enable developing countries to avoid the fees charged by multilateral implementing entities and would ensure that national governments maintained the leadership role and that national planning on climate change was integrated. Like SIDS, the LDCs highlight the complementarity between direct and multilateral implementation options,[14] as well as the importance of addressing capacity constraints in smaller developing countries, particularly LDCs, and that these constraints are exacerbated by the existing architecture to access finance, which requires navigating a complex web of applications and eligibility criteria.
- Developed country Parties recognize the importance of direct access but emphasize the need for DAEs to follow internationally recognized fiduciary and environmental and social safeguards (ESS) standards. They also emphasize that the respect of these standards, as well as results, must be monitored[15] in order to avoid reputational risk and ensure contributors' confidence in the Fund. They expect direct access to increase effectiveness (in line with the Paris Declaration on Aid Effectiveness) and responsiveness and to bring better value for money.[16]
- Some developed country Parties explicitly acknowledge potential capacity-building needs linked to the fiduciary requirements and the smooth implementation of direct access in general, especially for LDCs and SIDS.[17] Some also mention the link between direct access and country ownership.[18]
- Civil society stakeholders and several developed country Parties[19] make a link between direct access and the involvement of stakeholders, including civil society and local communities. Encouragement of the involvement of relevant stakeholders is also linked to direct access in a common submission by developing country Parties.[20]
- Finally, it is worth noting that Zambia (Chair of the LDCs at the time) introduced the concept of EDA, following the third meeting of the Transitional Committee.[21] Zambia's submission links it to the scale of the GCF and mentions that it would require "some form of resource allocation system" and for the GCF "to undertake fiduciary assessments for countries to determine the respective capacity needs that would create in-country enabling conditions for such EDA".

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[14] For example, Ethiopia saw a trade-off between the need to finance development strategies rather than stand-alone projects in order to promote a lower carbon, climate-resilient growth path in developing countries, and direct access. Its submission highlights that "Developing countries would be best served by relatively big amounts of money disbursed over a number of years. From this vantage point, it would be judicious to limit the magnitude of funds that would be made available under direct access and let the bulk of the fund be channelled through the World Bank and Regional Development Banks", showing that not all developing countries put the same emphasis on direct access.
[15] See, for example, submissions by Canada, Denmark and the Netherlands, the European Commission, France, Germany, Japan and Sweden in compilation documents 3 (Germany), 4 (the EC), 5 (Japan, France and Denmark with the Netherlands), 6 (Sweden) and 9 (Canada).
[16] See, for example, submissions by the European Commission, France and the United Kingdom in compilation document 5.
[17] See, for example, submissions by Canada, the European Commission and Sweden in compilation documents 9, 4 and 6 respectively.
[18] See, for example, submissions by Denmark, the European Commission and the United Kingdom in compilation document 5.
[19] See, for example, submissions by the European Commission, France, Japan and Sweden in compilation documents 5 and 6.
[20] See submission by Egypt on behalf of the Transitional Committee members from Burkina Faso, China, the Democratic Republic of the Congo, Egypt, El Salvador, India, Morocco, Nicaragua, the Philippines and Saudi Arabia in compilation document 12.
[21] This has been linked with the support provided by the European Capacity Building Initiative to the LDCs chair, with the Initiative a strong supporter of the concept and its inclusion in the GCF operational modalities (see Murray and others, 2021).

Box 2-1. Illustrative quotes from GCF Transitional Committee members' submissions on key aspects of direct access (non-exhaustive)

Direct access as a principle

> "The main guiding principles of the GCF should be to: give first priority to direct access of the Developing Beneficiaries Countries and to the decentralised management of operations, projects and programmes …"

Mr. Richard Weber (Adviser to European Union members of the Transitional Committee)

> "The GCF should be built on the principles of direct access to the Parties/Governments to the resources of the Fund."

Mr. Yaga Reddy (India)

> "Another key principle of any instrument resulting from the work of the Transitional Committee shall be direct access to funding by recipient developing country Parties to ensure expedited the entire process, reduce administrative costs, and avoid the challenges and difficulties that developing countries have encountered with implementing agencies in existing funds."

Mr. Paul Oquist (Nicaragua)

Direct access and fiduciary standards

> "Direct access can be granted only if the quality of relevant fiduciary standards of the implementing/executing entities are fully guaranteed. It is essential to apply an open approach that allows for a range of types of organizations, including not least the relevant national institutions/entities. However, reflecting on the limited capacity of some government institutions, the global nature of the climate change issues, and the important role of private investors, NGOs and private sector partners should also be considered when granting direct access, based on prior specified conditions."

Mr. Per Callesen (Denmark) and Mr. Maarten Verwey (Netherlands)

> "Provided that quality and fiduciary standards of the implementing/executing entities are fully guaranteed, the privileged mode of access should be direct access through nationally accredited entities."

Mr. Richard Wagner (European Commission)

Direct access and capacity-building

> "It will be particularly important to see to that SIDS and LDCs can access support, implement, and follow up on results. This may be ensured, inter alia, by enhancing institutional capacity building at the national level."

Mr. Jan Cedergren (Sweden)

> "On access, the key is to design an instrument that will find the right balance between ease of process and accountability for results. Canada would support the consideration of a 'pathway' to direct access, available to all countries who can demonstrate compliance with core fiduciary standards and other safeguards and well as maintain a track record of results. The pathway to direct access should itself be a process that helps build national capacity necessary to benefit from the direct access modality."

Mr. Rob Stewart (Canada)

> "The Fund will also seek to help build capacity, including in-country institutional capacity, for direct access to the funds, project planning, application and implementation."

Mr. Derek Gibbs (Barbados)

> "Many developing countries currently may not have the institutional capacity that would be required to participate in the envisaged enhanced direct access although they have been implementing a number of projects through various mechanisms. It will be crucial for the success of the GCF at scale to undertake fiduciary assessments for countries to determine the respective capacity needs that would create in-country enabling conditions for such enhanced direct access. This enabling process will also have to take into account the need to avoid setting fiduciary standards for the GCF which would make it impossible for LDCs to participate in (enhanced) direct access."

Ms. Carol Mwape (Zambia)

Direct access and country ownership

> "In promoting a country driven approach, direct access should be a key element."

Ms. Audrey Joy Grant (Belize)

> "Direct access to the Fund by the Parties themselves or by their designated entities or institutions is necessary to ensure the consistency and coherence of any project financed by the Fund with national obligations, commitments, priorities and action plans."

Mr. Paul Oquist (Nicaragua)

> "Argentina considers that the GCF should enhance country ownership and priorities and respect the country involvement in the formulation and implementation processes. In this regard, direct access could contribute to this aim, offering a flexible approach to access funds directly through a range of options for developing countries to submit proposals and to receive, manage and spend financial resources."

Ms. Vanesa Valeria D. Elia (Argentina)

> "In promoting a country driven approach based on national development plans, direct access can be a key element."

Mr. Per Callesen (Denmark) and *Mr. Maarten Verwey (Netherlands)*

> "The aim of direct access in international cooperation is to maximise responsiveness and impact by increasing the level of country ownership and alignment to countries. priorities, reducing transaction costs, and creating stronger accountability."

Mr. Nick Dyer (United Kingdom of Great Britain and Northern Ireland)

Source: Transitional Committee members' submissions as compiled on the UNFCCC website; see Transitional Committee (2011e).

21. The submissions and discussions went into some depth on how to operationalize direct access: there were, for example, a few mentions of direct access as a funding window along with REDD and the Private Sector Facility (PSF),[22] but this was not retained. The design of the GCF involved many sensitive issues linked to United Nations Framework Convention on Climate Change (UNFCCC) climate finance negotiations, such as differentiation (i.e. who should contribute to the Fund), the relationship between the Fund and the COP, and the scale and role of private finance, which made it difficult to work on operational issues.
22. As COP17 got closer, tensions mounted during negotiations and ultimately Transitional Committee members were not able to agree on the final draft GI to be submitted to the COP, with the United States and Saudi Arabia objecting to the text (International Institute for Sustainable Development, 2011; Raman, 2011). This is reflected in the co-chairs' letter to the COP accompanying the Transitional Committee report (FCCC/CP/2011/6/Add.1). The letter states that "The report,

[22] See, for example, submissions by Japan and the United Kingdom in compilation documents 1 and 5 respectively.

including the recommendations and the draft GI of the Green Climate Fund, was *considered* [emphasis added] by the Transitional Committee at its fourth and final meeting. The Transitional Committee agreed to submit the results of its work to the COP for its consideration and approval", as the United States and Saudi Arabia did not agree to state that the text was "adopted" by the Transitional Committee.

23. Given the political importance of launching the GCF at COP17 in Durban, the text submitted by the Transitional Committee to the COP was agreed without being reopened because it was considered the best possible political agreement and sufficient to start operationalizing the Fund.
24. The conclusion from this review of the GCF's design phase is that the ambiguities coming from Parties' different views and priorities regarding direct access in the GCF are reflected in the GI and live on in the operationalization of direct access in the GCF to this day.

2. Access and relevance of COP and Board guidance

a. Direct access and EDA in the GCF GI

25. Paragraph 31 of the GI states that the Fund will provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects (FCCC/CP/2011/9/Add.1, decision 3/CP.17, annex).
26. Paragraph 45 of the GCF's GI states that GCF resources and modalities will be accessed through national, regional and international implementing entities accredited by the Board. The choice of the modality is to be determined by the recipient countries, and both modalities (direct and international) can be used simultaneously. Paragraph 47 states, "Recipient countries will nominate competent subnational, national and regional implementing entities for accreditation". Once accredited, these entities can receive and implement GCF funding, directly.
27. The GI further stipulates, in paragraph 40, that the GCF will provide resources for readiness and preparatory activities and technical assistance, "in order to enable countries to access the Fund directly". Such support includes preparing or strengthening low-emission development strategies or plans and in-country institutional strengthening. Moreover, in paragraph 47, the GI provides that the Board will "consider additional modalities that further enhance direct access, including through funding entities with a view to enhance country ownership of projects and programmes".
28. While there is no widely recognized strict definition, it is worth noting that in the GCF's GI both references to direct access (again in paragraph 45) are understood as access through subnational, national and/or regional AEs and to "additional modalities that further enhance direct access, including through funding entities." However, as will be explored in Chapter 2, Chapter 4 and Chapter 5, direct access has been operationalized exclusively through institutional accreditation, with additional modalities of direct access being operationalized though one RfP,[23] which still requires accreditation. To that extent, the direct access modality can be assessed predominantly through assessment of support to and effectiveness of DAEs in accreditation, programming and implementation.
29. It is worth highlighting that the GI does not provide any guidance on what type of institutions or projects should be brought to the GCF through direct access, nor does it clearly define how the direct access modality contributes to the GCF mandate.

[23] This is the Enhancing Direct Access pilot, see Chapter 5.

b. COP guidance

30. The only COP guidance directly related to direct access in the GCF was given at COP22, in Marrakesh, Morocco (2016), where the COP, in UNFCCC decision 10/CP.22, paragraph 6, requested the GCF Board "to facilitate an increase in the number of direct access proposals in the pipeline and to report to the Conference of the Parties on the progress made in this regard" (FCCC/CP/2016/10/Add.1).

31. Otherwise, the COP has kept to welcoming information on direct access, such as the increase in the number of DAEs and the creation of the PPF, reported by the GCF as part of its annual report to the COP.

32. In terms of relevance, this COP22 guidance focuses on a quantitative outcome – increasing the number of direct access proposals – but without identifying the causes of the low number of DAEs and thereby the actions needed to tackle them. This is, however, in line with the fact that COP guidance to its financial mechanism is limited to policies, programme priorities and eligibility criteria (UNFCCC, 1992).

c. Board guidance

33. In addition to the mandate on direct access provided by the GI and the limited COP guidance, several Board decisions relate to direct access. These decisions are listed, in chronological order, in Table 2-1 below.

34. In terms of relevance, the below-mentioned Board decisions have led to the creation of relevant processes to support direct access, most importantly readiness and PPF. There have also been several decisions to prioritize DAEs for accreditation. They also operationalized the GI provision on enhancing direct access (§47) by creating an RfP on EDA and, more recently, through the project-specific assessment approach (PSAA) (decision B.31/06, annex IV). It is worth noting that the GI provision could have been implemented differently than by an RfP. Finally, the Board answered to COP guidance on increasing the number of DAEs and reporting on it. However, these decisions are not always explicit on all steps of the logical chain they intend to impact. For example, there appears to be a gap between prioritizing DAEs in accreditation, providing them with project design support (via the PPF) and the expected outcome to have more proposals coming from DAEs in the pipeline, revealing that assumptions were made but did not materialize. More generally, these Board decisions do not produce a comprehensive coherent strategic framework for direct access in the GCF. Chapter 3 further analyses this absence of an explicit ToC of direct access in the GCF. Cognizant of this, the Secretariat has presented a DAE action plan (GCF/B.29/inf.07, annex I), with the aim of integrating its approach to DAE support, covering the entire cycle from entity nomination to project approval. However, it is not a strategy and was only submitted to the Board as an annex to the report on the activities of the Secretariat, which the Board took note of. The table summarizing this action plan is provided in Annex 1.

35. In addition to the decisions explicitly targeting direct access listed in Table 2-1, below, several decisions that do not directly target direct access address subjects that have been identified as hindering factors by DAEs (see Chapter 4.B). Important recent ones include the update of the SAP (decision B.32/05), the decision including the possibility of lending in local currency (decision B.33/14)[24] and the decision including the possibility of using information from traditional, local and

[24] B.33/14, "Second review of the GCF's financial terms and conditions", §c: *"Also requests the Secretariat to develop a local currency financing pilot programme that addresses current barriers and risks associated with currency fluctuations*

indigenous knowledge and practices to form the basis for the demonstration of impact potential (decision B.33/12).[25]

Table 2-1. Direct access-related Board decisions

Decision	Direct access-related provisions
B.04/06 (2013)	The decision notes the *"Board will consider additional modalities that further enhance direct access, including through funding entities to enhance country ownership of projects and programmes"*. The decision further provides readiness and preparatory activities, technical assistance and in-country institutional strengthening to enable countries to access the GCF directly.
B.08/09 (2014)	Requests the Secretariat to *"prepare terms of reference for modalities for the operationalization of a pilot phase that further enhances direct access"*.
B.10/04 (2015)	Approves the terms of reference for a pilot phase regarding additional modalities that further enhance direct access to the GCF.
B.11/04 (2015)	The Board decided *"that readiness and preparatory support is a priority for the GCF to enhance country ownership, ensure a strong pipeline and provide sustained support for building institutional capacity to enable direct access"*.
B.13/21 (2016)	The Board decided that the *"Project Preparation Facility will support project and programme preparation requests from all accredited entities, especially direct access entities, especially for projects in the micro-to-small size category … with a view to enhancing the balance and diversity of the project pipeline"*.
B.14/07 (2016)	The Board *"urges direct access entities to make use of the Project Preparation Facility to strengthen their proposals in order to demonstrate greater potential to adapt to the impacts of climate change and/or to limit and reduce greenhouse gas emissions in the context of promoting a paradigm shift"*.
B.14/08 (2016)	The decision provides that *"future accreditation decisions by the Board should aim to bring forward accredited entities that fill the mandate on balance, diversity, and coverage and advance the objectives of the GCF"*. The decision further provided for the prioritization in 2016 and 2017 of several entities applying for accreditation, including but not limited to national DAEs, entities in the Asia-Pacific and Eastern European regions, private sector entities (in particular those in developing countries), and entities responding to requests for proposals issued by the GCF, including a pilot phase for enhancing direct access.
B.18/02 (2017)	The decision includes some provisions relating to the Secretariat's reporting on matters related to DAEs. Requests for the Secretariat included the following: • Report information on proposals by DAEs to the Board and COP. • Prepare a report to analyse challenges, barriers, gaps and recommendations to increase the number of direct access proposals in the pipeline. • Enhance its capacity to (1) "Strengthen and actively support direct access accredited entities"; and (2) "Consider and provide feedback in a timely manner on concept notes and funding proposals received from direct access accredited entities or national designated authorities/focal points." • Communicate the support available to DAEs through the GCF and how DAEs can

at the programme/project level, including an analysis of the requirements for operationalization and impact assessment of a programme, with a view for the Investment Committee to review and make a recommendation to the Board no later than the thirty-sixth meeting of the Board."

[25] B.33/12, "Steps to enhance the climate rationale of GCF-supported activities", §h: *"Decides that the use of best available information and data, including from the Intergovernmental Panel on Climate Change, and from traditional, local and indigenous knowledge and practices is sufficient to form the basis for the demonstration of impact potential for GCF-supported activities, while taking into account the context of the proposal, the different capabilities of accredited entities, and country and regional circumstances."*

Decision	Direct access-related provisions
	access such support.
B.21/16 (2018)	The Board decided *"that future accreditation decisions by the Board should aim to bring forward accredited entities that fulfil the mandate on balance, diversity, and coverage and advance the objectives of GCF",* and prioritized the accreditation of several entities up to the end of B.23, including but not limited to national DAEs and entities responding to RfPs issued by the GCF, such as a pilot phase for enhancing direct access.
B.23/11 (2019)	The Board decided that *"future accreditation decisions by the Board should aim to bring forward accredited entities that fulfil the mandate on balance, diversity, and coverage and advance the objectives of GCF",* and prioritized the accreditation of several entities up to the end of B.24, including national DAEs.
B.29/01 (2021)	The Board allocated an additional amount of up to USD 12.4 million under the RPSP as a *"new dedicated support component to be provided directly to direct access entities, including regional direct access entities, to support the implementation of the integrated results management framework".* The Board also requested the Secretariat to not only *"operationalize this funding window to allow direct access entities to request such funds directly"* but also *"inform national designated authorities of support rendered to direct access entities within their national mandate".*
B.30/05 (2021)	The Board decided to extend fast-track accreditation to two additional NIEs of the Adaptation Fund, by announcing that it *"Decides that those entities referred to in annex V are also eligible to apply under the fast-track accreditation process for the standards of GCF in accordance with decision B.08/03, paragraph (f), for entities under the Adaptation Fund."*
B.30/07 (2021)	The Board urged the Secretariat to *"implement the target agreed under decision B.27/06, to significantly increase funding channelled through direct access entities, to support a greater number and diversity of direct access entities to undertake programming with GCF and promote participation of local private sector actors and micro, small and medium-sized entities, including through technical assistance and capacity development for concept note and funding proposal preparation, approval and implementation, recognizing that this requires capacity and resources for sustained engagement on the part of both the Secretariat and direct access entities".*
B.31/06 (2022)	The Board decided to *"implement, on a pilot basis, a project-specific assessment approach that combines assessments undertaken during the existing accreditation and proposal approval processes in a fit-for-purpose manner".* Additionally, it decided that in the first year of implementation of the PSAA, it will prioritize proposals from *"(i) subnational, national and regional entities based in developing countries, particularly those from developing countries that have yet to have an approved GCF-funded activity at the time of the launch of the project-specific assessment approach; and (ii) entities responding to requests for proposal issued by GCF".* Furthermore, the Board decided that the PPF *"can also support project and programme preparation requests from entities not yet accredited to GCF, in particular subnational, national and regional entities, which have submitted a complete application for the project-specific assessment approach".* In relation to an accreditation strategy, the Board also decided that the strategy should focus on the following points, among others: • Increasing the share of DAEs above initial resource mobilization period levels by *"prioritizing accreditation of and capacity support for direct access entities of countries which do not yet have a national or regional direct access accredited entity"* and promoting micro-, small- and medium-sized enterprises. • Informing the reaccreditation decisions of IAEs with, among others, the examination of IAEs' contribution to building the capacities of DAEs. • Enhancing pre-accreditation and post-accreditation support for DAEs.

DECISION	DIRECT ACCESS-RELATED PROVISIONS
B.32/06 (2022)	In relation to the private sector strategy, the Board recognized that to meet the requirements for the allocation of resources of the first replenishment, programming requires a particular increase in direct access and adaptation programming through the PSF.

Source: IEU compilation of Board decisions as of B.33.

3. DIRECT ACCESS IN OTHER FUNDS AND LESSONS LEARNED

a. Modalities to access resources in other organizations

36. **Direct access and EDA, as defined above, are not unique to the GCF or the climate finance landscape**. The evaluation team reviewed four organizations, across climate as well as other development sectors, to draw relevant lessons. These organizations are the Adaptation Fund, the Global Fund, Gavi and the GPE. For a detailed comparison table, please refer to Chapter 4.

37. The operationalization of the access modalities, specifically the accreditation function now present in the GCF, were built on the existing modalities of the Adaptation Fund, which in turn were informed by the arrangements of the Global Fund. In clarifying the roles and responsibilities for those entities that are accessing resources "directly", the Adaptation Fund put forward that the entities will be accountable to the Board for meeting the Board-approved fiduciary and other standards and will be subject to performance management and supervisory systems (Adaptation Fund, 2008).

38. While ultimately the accreditation process fulfilled this role for the Adaptation Fund's version of DAEs (the NIEs), the Adaptation Fund also considered the Global Fund's model as an example. In this model, local fund agents in the given country or region – who are selected through competitive bidding – provide the Global Fund with independent programme performance and supervisory services, including the upstream review to assess the potential grant recipients' capacity to implement the grant (Adaptation Fund, 2008).

39. Overall, access modalities of the four reviewed organizations can be grouped into two categories: one where pre-approved legal entities submit the requests for funding, and one where countries' governments, typically represented through a multi-stakeholder forum, submit proposals for funding directly to the fund. The former arrangement is common to the GCF and the Adaptation Fund. The other three reviewed funds fall into the second category.

40. **The first category can be viewed as an "implementer first–proposal second" model. In the Adaptation Fund, much like in the GCF, countries' official government focal points can nominate entities, which will then prepare and submit proposals for funding on behalf of the countries.** On a national level, a focal point or a designated authority (which are always central government entities) endorses the submissions. The role of the focal point is also to convene multi-stakeholder forums and to nominate the entities for accreditation, among other responsibilities (Schäfer and others, 2014). The Adaptation Fund also has an Enhanced Direct Access Mechanism, which, like the GCF's EDA, devolves decision-making on specific projects and their financing to the entity level; however, the mechanism still requires the accreditation of a national entity that will oversee the implementation process on a project basis.

41. **The second category can be described as a "proposal first–implementer second" model, where the designated country-level forums directly submit proposals to the funds, and in that process select the entities or principal recipients that will be implementing the funds.** There are country-level coordination mechanisms present to guide the formulation of those proposals to ensure the

representation of relevant stakeholders. These mechanisms – the national Coordination Forum in Gavi, the Country Coordination Mechanism (CCM) in the Global Fund, and the Local Education Group in the GPE – are also the decision makers related to the coordinated submission of the country's grant proposal. Throughout this process, these forums are also responsible for selecting the partner through which the funding will be channelled and implemented. In Gavi, the funds are typically channelled to the health ministries, whereas in the Global Fund the principal recipients can be a wide range of stakeholders at the national and subnational levels, including the local branches of multilateral organizations. Meanwhile, the GPE has a hybrid model, where the LEGs can submit proposals to implement the projects along the nationally agreed plans through grant agents, which are accredited by the GPE.

42. Beyond these access modalities mediated nationally or through AEs – both international and national – the Adaptation Fund and the GPE also provide additional funding through dedicated funding vehicles to other stakeholders. The Adaptation Fund created the Climate Innovation Accelerator, where funding for innovation grants is channelled through the United Nations Development Programme (UNDP) and the United Nations Environment Programme to applicants, which do not have to be accredited to the Adaptation Fund. Similarly, the GPE has a fund implemented by Oxfam called Education Out Loud, which provides grants to national CSOs and networks. Also, its Knowledge and Innovation Exchange vehicle, implemented by the International Development Research Centre, provides grants on a to national and regional organizations.

b. Type and scale of funding available

43. In order to access financial resources, Gavi, the Global Fund and the GPE distribute resources based on allocation formulas, while the GCF and the Adaptation Fund distribute resources primarily on a "first-come, first-served" basis and the establishment of a pipeline that is managed by the secretariats for proposals submitted by the entities. The Global Fund's resource allocation to each country is based on the countries' disease burdens, economic capacity and presence of key vulnerable populations (Global Fund, 2021a). Gavi calculates allocation through a formula measuring, among other things, the amount of zero-dose or under immunized children (Gavi, n.d.). Similarly, the GPE's country eligibility and allocations are linked to gross national income per capita, and school completion rates (GPE, 2022d).

44. While only a proportion of the Adaptation Fund's funding is channelled into NIEs, Gavi channels funds directly into the country institutions, and the Global Fund channels funding directly through the CCMs on the national level, disbursing the funds to the chosen recipients. At the Adaptation Fund, NIEs can submit projects of up to USD 10 million each, one country can have up to two NIEs, and every country can receive single-country project funding up to USD 20 million (Adaptation Fund, 2021). In Gavi, countries receive an allocation ceiling for each strategic period; the largest allocation for Gavi 5.0 (2021–2025) pertained to Nigeria, with USD 126 million available for disbursement. At the Global Fund, an allocation ceiling is similarly set. In the 2020–2022 funding cycle, the maximum available funding was made available to Nigeria, at USD 891 million. At GPE, the system transformation grants available are up to USD 162.5 million per country; however, they are implemented through grant agents.

45. While in the Global Fund, there are no readily available data about the composition of the principal recipients of the disbursed grants, there is a minimum allocation requirement for CSOs to guarantee their access to resources. As noted earlier, the GPE also provides differentiated access to funding for civil society organization (CSO) networks through its Education Out Loud funding vehicle.

c. Support mechanisms targeting capacity-building

46. Acknowledging the high barriers to access and the needed capacity support, each reviewed organization provided some level of support for countries/entities to access finances.
47. The Adaptation Fund has a Readiness Programme that is explicitly targeted at the capacity-building of national and regional entities. The resources available through the Readiness Programme can support the NIEs' accreditation, provide grants for project formulation and provide technical assistance to NIEs to tap into external ESS- and gender-related expertise. The Readiness Programme also provides support to design scaling pathways for projects.
48. Under Gavi's Partners' Engagement Framework, core partners (the World Health Organization (WHO), United Nations Children's Fund (UNICEF), the Centers for Disease Control and Prevention, and the World Bank) and expanded partners (local institutions) provide non-financial technical assistance to countries under Targeted Country Assistance (TCA). The request for TCA forms an integral part of a country's overall funding request and is embedded into the ToC of the country proposal.
49. The Global Fund provides the Community, Rights and Gender Strategic Initiative, which is aimed at strengthening the engagement of civil society and communities in the Global Fund processes. This can take the form of short-term technical assistance to CSOs or long-term capacity strengthening through 12 pre-identified organizations or networks. Countries can also request technical cooperation throughout the funding cycle that can target national planning, country dialogue, funding request development, grant-making or implementation support.
50. The GPE provides support through system capacity grants, which can be used for preparing the overall system transformation grants. The GPE also provides programme development grants that are aimed at programme design.
51. Overall, all reviewed organizations provide support to the national levels in order to facilitate access to resources. Project preparation support is available in the reviewed organizations across the board, targeted at proposal development, stakeholder engagement during the design phase, and to tap into required technical expertise. Direct support targeted at CSO involvement is available at the Global Fund and, as mentioned above, the GPE also provides a separate vehicle targeted at CSOs. Only the Global Fund provides funding explicitly to support implementation through technical cooperation (Global Fund, n.d.).

d. Lessons learned from access modalities in other funds

52. **Evaluative evidence shows that the different versions of direct access in these funds do contribute to more country-owned programming.** However, a key challenge that is similar across the various funds is the comprehensive and meaningful involvement of a diverse group of stakeholders beyond the national government, such as CSOs, or private sector groups and, collaterally, struggling to reach the most vulnerable and the marginalized consistently through the various access models.
53. **The Adaptation Fund shows that direct access was contributing to country ownership by aligning with national priorities, and the accreditation model was contributing to building the capacities of the national entities; however, it was a slow mechanism to reach the most vulnerable.** Meanwhile, the operationalization of the Adaptation Fund's EDA window has not progressed sufficiently to provide results yet. The Adaptation Fund's first overall evaluation found that the direct access modality was appropriate to achieve the goal of supporting implementation capacity and ensuring alignment with national priorities. At the same time, it found that direct access

was relatively slow in reaching the most vulnerable, with it being accessed primarily by middle-income countries at the time (TANGO International and ODI, 2015).The second phase of its overall evaluation ultimately found that the Adaptation Fund's direct access support to vulnerable countries had improved, at the time, but that further support was needed for countries with weak governance mechanisms to achieve accreditation (TANGO International, 2018). In addition, it found that NIEs improved their fiduciary, project management, financial and accounting, monitoring and knowledge management capacities as a result of the accreditation process. The mid-term review of its medium-term strategy found that the operationalization of the EDA window is not progressing according to the envisioned pace in the Fund's implementation plan (Adaptation Fund Technical Evaluation Reference Group, 2021).

54. **Evaluative evidence of the Global Fund shows that its model of access also ensures alignment with national priorities; at the same time, the performance of the CCMs varies greatly from country to country and yields better results when CCMs have members that are more capacitated and more experienced.** The Global Fund's 2020 strategic review found evidence that that the Fund's coordination mechanisms can struggle to generate political commitment to meet all of its strategic priorities, which is also particularly difficult for CSO programming (Global Fund, Itad and the University of San Francisco, 2020).The Global Fund's latest MOPAN assessment also noted that the CCMs had to historically contend with issues around country ownership, especially when it comes to the prioritization of marginalized groups (Multilateral Organisation Performance Assessment Network, 2022). It also confirmed that the functioning of the CCMs can vary widely based on the host country and the CCM life cycle – specifically, the experience and capacity of the members of the CCM.

55. **Evaluative evidence shows that Gavi's business model of channelling funds directly into countries is a cost-efficient model and contributes to country ownership. At the same time the engagement of CSOs and the private sector at the national country forums requires further strengthening.** Gavi's second evaluation found that this business model that finances governments directly is unique and contributes to the organization's efficiency, making its administrative overheads as a proportion of financing comparable to that of the Global Fund, despite that being a significantly smaller organization (CEPA, 2010). The evaluation also found that its coordination mechanism is indicative of effective partnering among stakeholders, and a considerable value addition of Gavi is the level of country ownership it provides compared to other donors. However, the evaluation also found that occasionally CSOs and the private sector need to be engaged more meaningfully, and overall monitoring and communication at the country level is to be strengthened further. At the same time, another evaluation found that channelling funds via partners, such as UNICEF, may have allowed for more effective implementation in some countries; however, it caused delays in others where the partner's and the country's administrative systems were not aligned. It also found that channelling funds via these international partners raised concerns about the lack of strengthening of national systems and the possibility of undermining national oversight and ownership (Gavi, 2018).

56. **The GPE's evaluative evidence suggests that, like other funds, the national-level stakeholder coordination is not sufficiently consistent across countries, often due to capacity limitation, and often does not meaningfully engage subnational levels**. An independent summative evaluation of the GPE found that "requiring a sector-wide focus for planning and monitoring in a multi-stakeholder partnership is a unique feature of GPE's model" and that this model is the most difficult to implement effectively (MDF Training & Consultancy, 2019). The summative evaluation also found that LEGs' effectiveness is uneven across countries. Technical capacity gaps within the

complex government systems are an issue for LEGs, as well as data collection in order to close the loop between action and learning from results at the level of the national coordinating mechanism. A synthesis of country-level evaluations of country dialogues found that subnational actors are often absent from the central mechanisms, despite their key roles in sector plan implementation (GPE, 2020b). Additionally, country ownership of the sector dialogue is weakened by the lack of clarity over roles and responsibilities when several ministries share responsibilities for the sector. However, the GPE evaluation found that when the sector dialogue becomes more evidence driven, the quality of the sector dialogue improves.

Chapter 3. RECONSTITUTION OF THE DIRECT ACCESS THEORY OF CHANGE

KEY CONCLUSIONS

- There are two potential main pathways for direct access to increase its contribution to the GCF mandate and goals: (1) provide capacity-building to entities so more of them can become DAEs, and/or (2) increase the programming of funding that is focused on DAEs that can perform. These two pathways are not exclusive in the long term, but they result in tensions in the short to medium term. The capacity pathway requires more resources and more time but may increase country ownership and sustainable results, whereas the programming pathway will produce faster results on the ground.
- Given that these pathways are implicit, the GCF Secretariat lacks clarity on where to focus its efforts and resources.

KEY FINDINGS

- 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.

A. Introduction

57. Direct access is a central part of the GCF mandate and identity, but its translation into the GCF business model is not guided by one specific policy or operational division. In this context, this chapter seeks to assess whether the ToC of direct access is clear, focused and fit for purpose relative to the GCF mandate and partner countries' priorities.

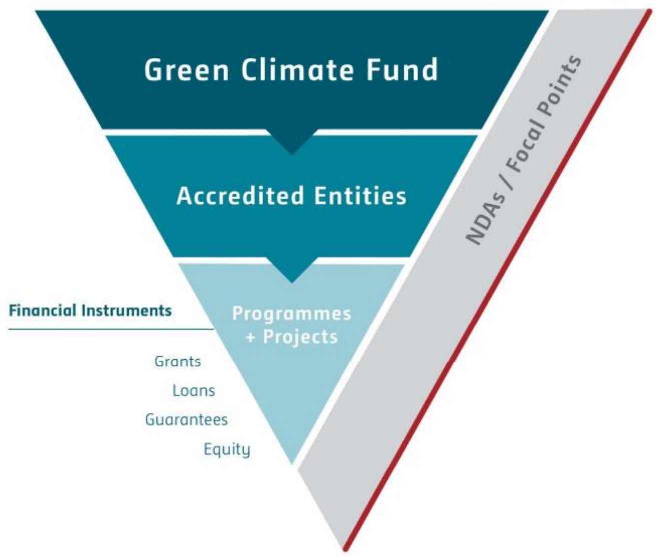
58. This analysis relies on evidence from an extensive review of relevant Secretariat documents and a participative ToC reconstitution workshop carried out by the evaluation team with relevant staff from the GCF Secretariat. The reconstructed ToC was then triangulated during interviews with DAEs.

B. Analysis

1. Direct access: a modality mainstreamed into the GCF architecture

59. As outlined above, direct access has been part of the GCF identity and mandate from the beginning. However, the GCF architecture is not articulated around access modalities (in contrast to the way the Adaptation Fund is, for example, see Chapter 2.B.3 for further details). As shown in Figure 3-1, AEs are addressed as one block.

Figure 3-1. GCF architecture

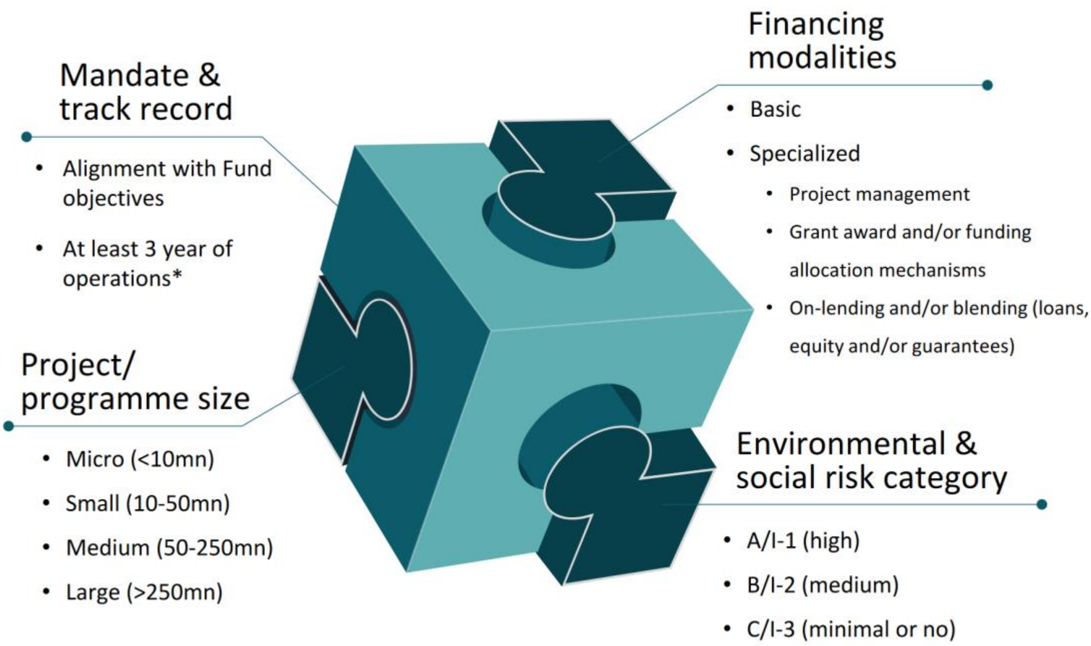


Source: GCF/B.31/14, annex IV.

60. The only recognized differentiator between IAEs and DAEs, both regional and national, is whether the entity is headquartered in an UNFCCC Annex 1 country or not. The accreditation framework adopted by the Board at B.31 states that direct access is "for subnational, national and regional entities that are registered in a developing country that will implement projects in developing countries only, including the country where they are registered" (decision B.31/06, annex IV). Entities headquartered in non-Annex I countries and nominated by them are considered DAEs.

International access is "for international entities, including United Nations agencies, MDB, international financial institutions and regional institutions", according to the GCF accreditation framework (GCF/B.31/14, annex IV). Some exceptions to this rule have been observed, as discussed in Chapter 4.A. During the accreditation process, all AEs are differentiated according to three parameters (see Figure 3-2 below): the project/programme size, the financing modalities, and the environmental and social risk category they apply for.

Figure 3-2. Parameters of AEs



Source: GCF/B.32/08, annex II.
Note: * Lack of track record in implementing institutional systems, policies and procedures and demonstrated experience in projects/programmes instead may be addressed through conditions of accreditation required to be met prior to the development of funding proposals or during project implementation and reporting.
Abbreviations: I-1: intermediation 1; I-2: intermediation 2; I-3: intermediation 3; mn: million in United States Dollars

61. Currently, the GCF does not have a comprehensive policy or strategy regarding direct access. Those entities considered as DAEs follow the same procedures as IAEs throughout the project cycle, although DAEs benefit from targeted, but not exclusive, support related to the acknowledgement that DAEs usually have more limited capacities (see Chapter 5). Within the GCF Secretariat, direct access does not have an institutional home, meaning that no division is specifically in charge of direct access and DAEs. DAEs' main contact within the GCF Secretariat is the Division of Country Programming, through the regional desks and the Accreditation and Entity Relations Unit.

2. Direct access in GCF strategic plans

62. The GCF's work is guided by its strategic plans, which operationalize its GI in order to achieve the overarching objectives it outlines.

63. At its twelfth meeting, in March 2016, the Board endorsed, by decision B.12/20, an initial strategic plan for the GCF for the initial resource mobilization (IRM) period of 2016 to 2018. This initial strategic plan set out the Board's strategic vision for the GCF, as well as core operational priorities.

64. The initial strategic plan highlights that in order to reach maximum impact, the GCF should, among other things, “leverage its status as an operating entity of the financial mechanism of the UNFCCC to set new standards with regard to country ownership, direct access and level of ambition impacting the global practice of climate finance beyond its immediate engagement” (decision B.12/20, annex I).

65. As part of its five operational priorities, the initial strategic plan lists “ensuring that the GCF is responsive to developing countries’ needs and priorities including by enhancing country programming and direct access e.g. through enhanced support for accreditation of NIEs, ensuring fast disbursement, implementing a gender-sensitive approach, supporting multi-stakeholder engagement, ensuring the effective use of funds and enhancing transparency” (decision B.12/20, annex I).

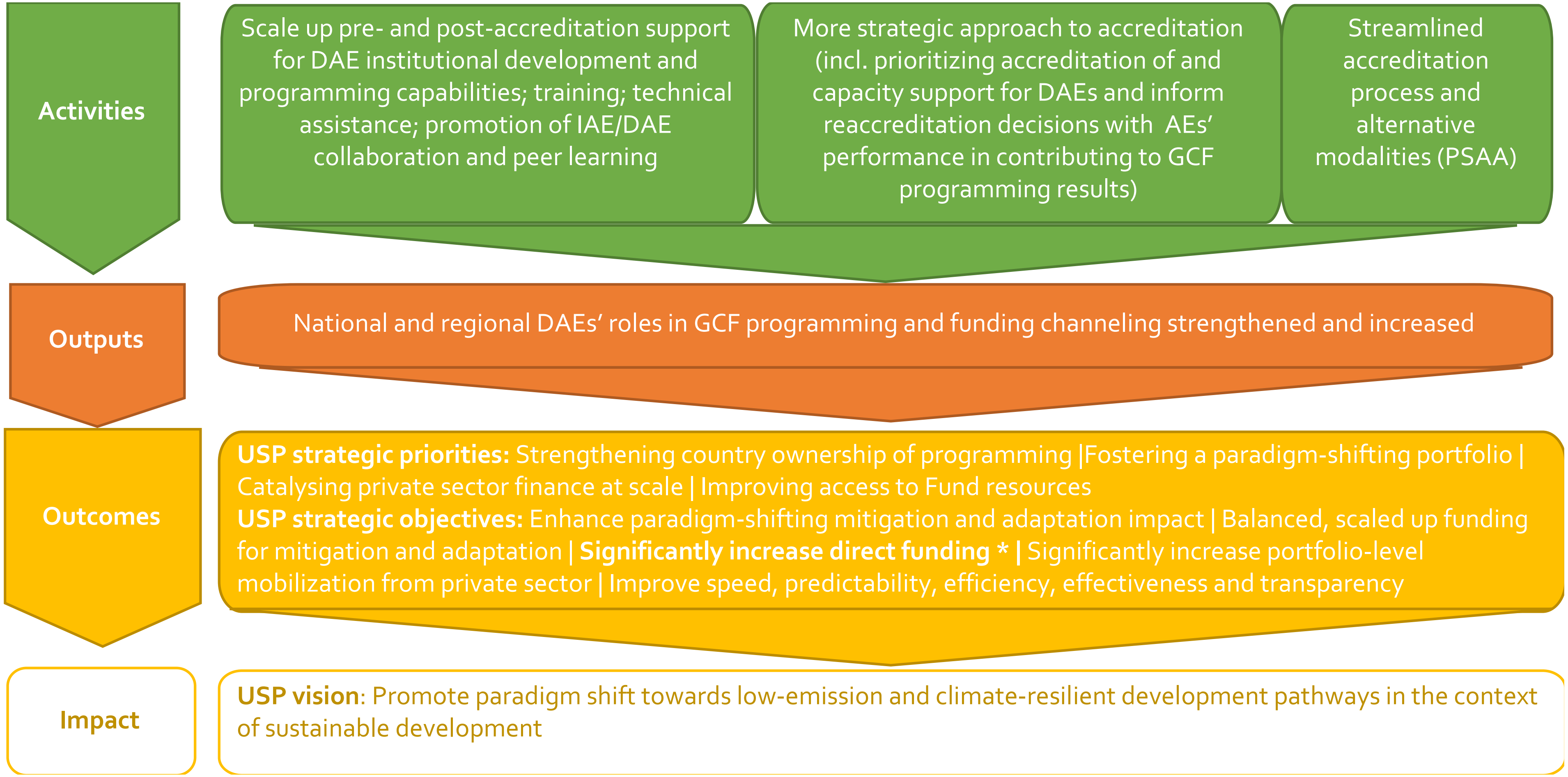
66. The initial strategic plan emphasizes the role of readiness support to DAEs (called NIEs at the time) to strengthen their capacity and thereby enable them to contribute to the GCF pipeline.

67. The *Updated Strategic Plan for the GCF: 2020–2023* (USP) was endorsed by the Board in November 2020, in decision B.27/06. The USP sets out the Fund’s specific goals as it seeks to deliver against its long-term strategic vision over the 2020–2023 programming period (GCF-1).

68. Alongside other strategic objectives summed up in Figure 3-3, the USP stipulates that the GCF will strive to deliver “significantly increased funding channelled through DAEs relative to the IRM” (decision B.27/06, annex IV). The IRM baseline is 14 per cent of GCF funding channelled to DAEs in nominal terms and 27 out of 124 approved projects.

69. By conducting an in-depth analysis of the USP, the evaluation team was able to reconstruct a partial ToC for direct access as set out by the USP, in the context of the broader mandate of the GCF and strategic vision of the USP. The reconstructed ToC is illustrated by Figure 3-3 below.

Figure 3-3. Reconstructed direct access ToC based on the USP



Source: Evaluation team on the basis of the USP
Note: *Indicator reported upon by the GCF Secretariat to measure progress on direct access.

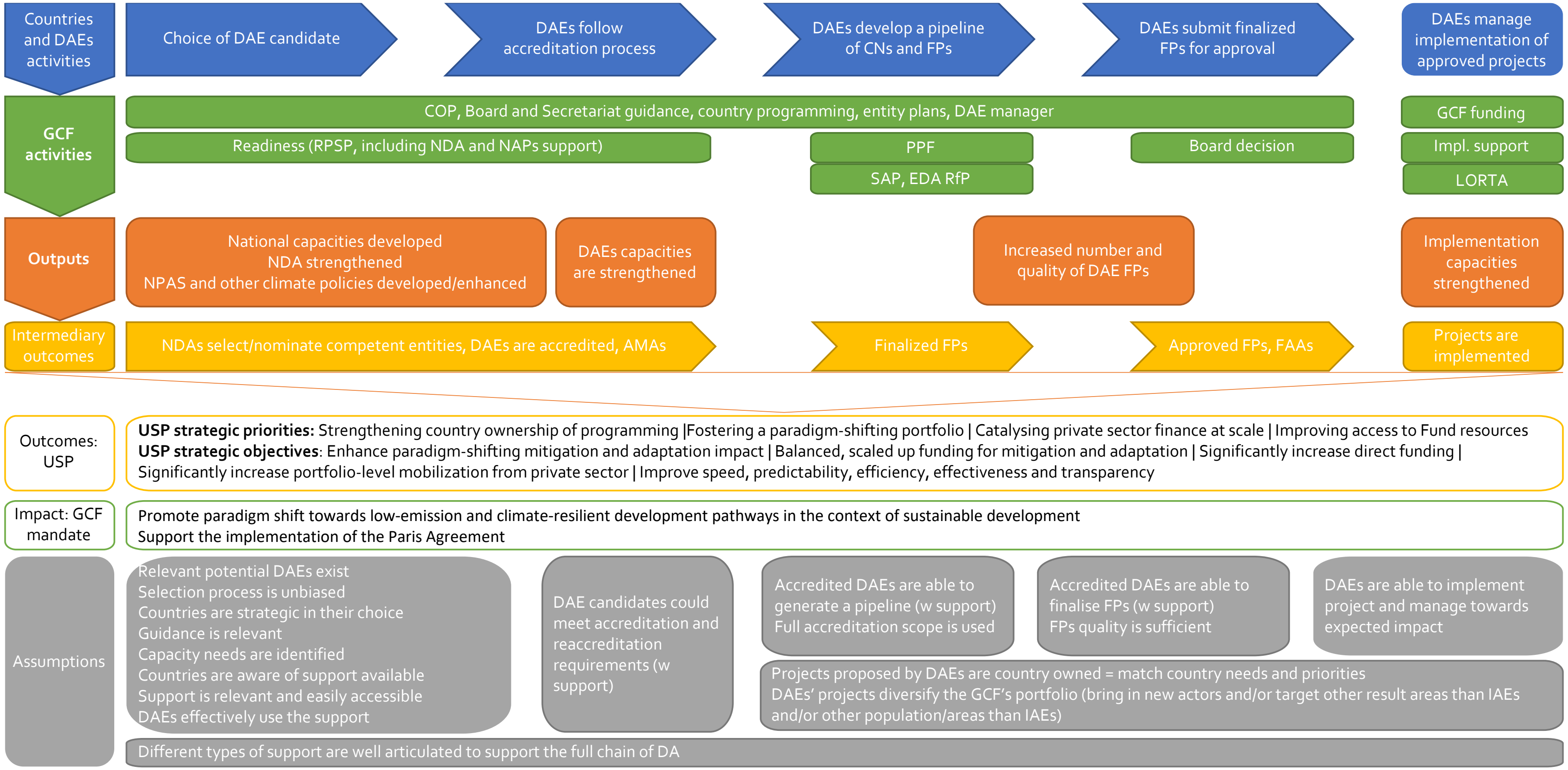
70. This ToC highlights the fundamental importance of accreditation, as well as of support (e.g. readiness, PPF), collaboration between IAEs and DAEs, and peer learning, for increasing direct access and thereby fulfilling the quantitative objective set in the USP. It also reinforces yet again the assertion made in Chapter 2 that direct access is operationalized purely through the lens of accreditation.

71. However, the broad nature of the USP, which is by essence not focused on a single aspect such as direct access, and the relatively narrow focus on increasing funds flowing through DAEs that the USP has towards direct access leave many assumptions unchecked and pieces of the puzzle uncovered. Cognizant of this, the Secretariat has presented a DAE action plan (GCF/B.29/inf.07, annex I) aimed at integrating its approach to DAE support and covering the entire cycle from entity nomination to project approval.

3. Tentative reconstruction of the ToC of direct access in the GCF

72. On the basis of all the above-mentioned sources (mandate, COP and Board guidance, USP) and other relevant GCF Secretariat documents, as well as previous evaluations and a ToC workshop with selected GCF Secretariat staff, the evaluation team sought to reconstruct a policy-based ToC for direct access in the GCF, setting it in the context of the GCF's broader mandate and vision. This reconstructed policy-based ToC for direct access in the GCF is illustrated in Figure 3-4 below.

Figure 3-4. Reconstructed policy-based ToC for direct access in the GCF



Source: Constructed by evaluation team based on workshop with Secretariat and relevant GCF documentation

Notes: The blue and green lines at the top constitute the activity level of the ToC. They show the activities carried out by countries and/or DAEs (blue) and by the Board and/or Secretariat (green). They are chronological from left to right. The activities are presented in relationship to the GCF project cycle.
The orange line represents the expected outputs of the direct access activities.
The yellow line represents the expected outcomes resulting from the direct access activities represented in the blue and green lines and their expected outputs.
Taken together, these activities, outputs and outcomes contribute to the goals of the USP and the mandate of the GCF, considered as being the impact level of the ToC.
The grey boxes list the underlying assumptions of each step.

73. The ToC for the direct access concept in the GCF indicates that there are two pathways for DAEs to contribute more to the mandate and goal of the GCF through an increase in their number: (1) by providing capacity-building so more entities can become DAEs and more DAEs can programme with the GCF, and/or (2) by increasing programming with those DAEs that already have the capacity, such as national development banks and regional institutions. However, these pathways are implicit, and the ToC is therefore not articulated around them.

74. While these two pathways are not exclusive in the long term, they do result in tension in the short to medium term. In the short term, there is a trade-off between the capacity-building pathway and maximum impact on the ground due to the time necessary to build capacity at the onset. Assuming that DAEs that are programming with the GCF are able to implement their projects smoothly, the programming pathway is likely to produce maximum impact in the short term, with more and larger projects.

75. The accreditation strategy proposed by the Secretariat at B.33 (approved in B.34) lays out this tension between the two pathways very clearly in its policy rationale section, as quoted in Box 3-1 below.

Box 3-1. Accreditation strategy of the GCF's policy rationale

13. The GCF could act as a high-volume, high-speed climate finance provider, working with a targeted set of high-performing AEs that meet the GCF standards. If GCF opts for volume and speed through a smaller AE network, its key feature of direct access and ability to recognize diversity of needs may become secondary. Alternatively, it could also play a capacity builder role, whereby priority would be given to strengthening the capabilities of AEs to design and implement climate finance projects, even if programming targets may take longer to be achieved. This would require GCF to increase its capacity to deliver tailored and scaled-up support to AEs, as well as increasing its capacity to process re-accreditation and accreditation applications and review concept notes and funding proposals.

14. In between these two options lies a combination that aims to optimize both allocation of climate funding volumes and capacity-building.

15. These potential strategic directions have inherent trade-offs and different operating model implications, calling for the need to define the role of the GCF before any material strategic or operational adjustments are made.

16. The current GCF strategies, policies and processes have elements that point towards each of the options: a focus on GCF portfolio-level programming goals (e.g. adaptation/mitigation targets and tonnes of carbon dioxide emissions mitigated or number of beneficiaries per dollar) and at the same time a focus on AE capacity-building (e.g. GCF aims to deploy funds through entities that may not have the capacity to programme more than one funding proposal and/or require active support for project development, such as through the PPF). This suggests that GCF is currently operating under a hybrid approach, despite that not being institutionalized in an explicit manner. Explicitly adopting a hybrid approach would not be proposing maintaining the status quo, but rather would formally recognize the opportunities, tensions and trade-offs, and imply an adjustment of the operating model, including GCF's capacity and focus, to best serve the ambition of the GCF.

Source: GCF/B.33/08, "Accreditation strategy of the Green Climate Fund"

76. Beyond the tensions between the short term and the long term, these two pathways also have different implications in terms of country ownership. Projects submitted by institutions favoured in the programming pathway – typically regional development banks and well-capacitated financial institutions (refer to Chapter 4) – are likely to imply more multi-country projects as these projects

are more cost-efficient, especially given the resources required to develop a GCF funding proposal (FP). However, in the long term, these projects may bear less-sustainable results, as solutions are applied to a wide range of countries but may lack the depth to keep delivering after the project's end. This is also likely to result in fewer country-owned projects, as regional DAEs (rDAEs) are less close to national designated authorities (NDAs) and governments than national DAEs (nDAEs), and multi-country projects have been associated with lower country ownership in previous evaluations (IEU, 2019b; Reyes and Schalatek, 2022). However, it should be noted that despite the logical link between direct access and country ownership, the relationship between the two is not automatic. For example, the 2019 Forward-looking Performance Review of the GCF (FPR) found that "ultimately, countries are far more interested in securing any funding at all than in obtaining any particular institutional arrangement or access modality of funding. Direct access presents obvious benefits, but the chief demand is for smooth, predictable and efficient funding cycles" (IEU, 2019a).

77. While the USP acknowledges the need for both programming and capacity-building, its performance indicators focus on programming targets, meaning that in the short term the resources spent on capacity-building reduce the impact in what the USP tracks as being direct access, which is funding channelled through DAEs. The GCF currently has no capacity-building pathway with intermediary objectives that can be followed in order to track progress.

Chapter 4. EFFECTIVENESS AND EFFICIENCY OF DIRECT ACCESS IN THE GCF

KEY CONCLUSIONS

- The assumption that institutional accreditation would lead to approved FPs has not materialized.
- From the point of view of projects approved and funding disbursed, the direct access approach as implemented by the GCF has not been successful: it does not enable countries to access GCF funding at scale.
- The focus on fiduciary standards at accreditation and the high transaction costs associated with accreditation, project design and approval have favoured well-resourced institutions that have a strong track record pre-dating the GCF and a history of engaging with international organizations and financial institutions.

KEY FINDINGS

- DAEs have outnumbered IAEs since the beginning of the GCF's operationalization, and the gap continues to widen, with nDAEs representing the bulk of DAEs. There are 71 DAEs, including 58 nDAEs and 13 rDAEs, compared to 42 IAEs.
- The DAE category covers a heterogenous range of national and regional entities, with financial institutions or mechanisms representing the majority of DAEs.
- DAEs are, on average, accredited for smaller project sizes than IAEs, especially nDAEs (e.g. 55 per cent of nDAEs are only accredited for micro or small projects).
- Few countries have a DAE and even fewer have a DAE project.
- Of the 200 projects approved by the GCF as of B.33, 24 per cent are DAE projects (26 nDAE projects and 21 rDAEs projects). Using the IRM period as a baseline (22 per cent DAE projects), this represents a marginal increase.
- In terms of funding committed in nominal terms, DAEs represent 21 per cent of GCF funding, up from a baseline of 15 per cent during the IRM period. In grant equivalent it accounts for 12 per cent in IRM, 24 per cent in GCF-1, 18 per cent of total GCF portfolio. The portfolio of DAE projects is less mature than that of the IAEs, meaning that DAE projects have a lower disbursement rate.
- In all, 63 per cent of DAEs have no projects approved; and only 12 per cent have more than one project approved. It appears that nDAEs face the most difficulty in securing project approval: 69 per cent have no projects approved, 25 per cent have one project approved and 7 per cent have more than one project approved.
- 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).

A. INTRODUCTION

78. This chapter seeks to analyse how far the GCF has come in terms of direct access, and how efficiently it has done so. The analysis presented draws on an extensive portfolio analysis carried out by the IEU DataLab team, complementary analysis of relevant data sets such as the accreditation and project portfolio data sets, the four deep dives carried out in the context of this synthesis, as well as a focus group with DAEs and interviews with selected DAEs that do not have any projects approved by the GCF yet. It also builds on findings from previous evaluations, in particular the accreditation synthesis (2020), the country ownership approach evaluation (2018), the small island developing states (SIDS) (2020) and the least developed countries (LDCs) (2022) evaluations and the SPR summary report (2022).

B. DATA AND ANALYSIS

1. DIRECT ACCESS PORTFOLIO AND ITS EVOLUTION OVER TIME

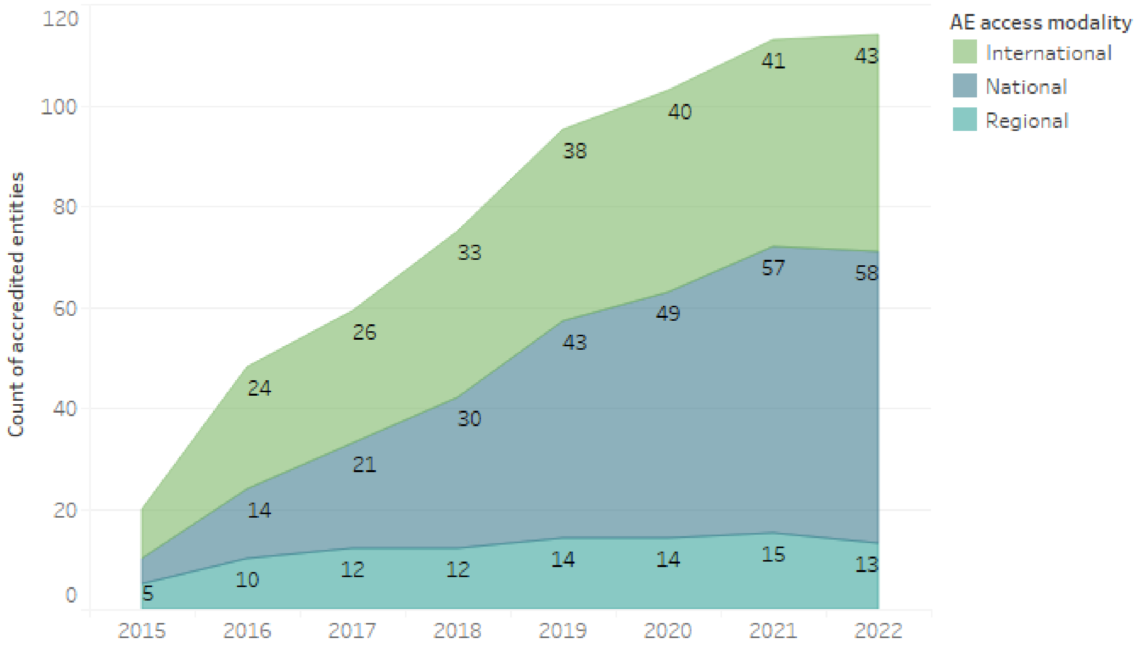
79. This section provides a detailed analysis of the GCF direct access portfolio as of B.33[26] (July 2022) in order to better understand how direct access has been implemented so far. The only exception for the cut-off of data is when discussing the statistics pertaining to accreditation as these are drawn from accreditation dataset of GCF which is updated by the Accreditation and Entity Relations Unit of GCF periodically. The last such available updated dataset is as of August 2022. As mentioned in Chapter 2Chapter 3, given that direct access in the GCF has been operationalized through accreditation only, this chapter of the synthesis will assess the effectiveness of direct access by looking at the portfolio of the DAEs themselves (number, accreditation size, type of entities and geographic coverage), before looking at funding committed and disbursed through DAEs.

a. Portfolio of DAEs

80. The GCF has 114 AEs, including 71 DAEs and 43 IAEs. Among the 71 DAEs, 58 are nDAEs and 13 are rDAEs. DAEs outnumbered IAEs early on, and the gap may continue to widen since the accreditation pipeline includes 2.5 times more DAEs than IAEs (Figure 4-1). The majority of DAEs in the pipeline are nDAEs; rDAEs constitute only 8 per cent of the overall accreditation pipeline.

[26] As outlined in Chapter 1, B.33 (July 2022) is the data cut-off date for this synthesis. As a result, all the numbers and analysis presented in this synthesis are valid as of B.33, unless otherwise specified.

Figure 4-1. Count of AEs in portfolio over time, by access modality



Source: Accreditation data, as of B.33, analysis by the IEU DataLab.
Note: Acumen and the Africa Finance Corporation upgraded their status to IAEs when getting reaccredited, which explains the decrease of the rDAE number in 2022.

81. From the analysis of the portfolio of DAEs, it is clear that the DAE category is not homogeneous nor rigid. There are differences between rDAEs and nDAEs, as well as within these subcategories, with an important differentiating factor being whether the entity is a financial institution/mechanism.[27] Financial institutions/mechanisms make up more than 50 per cent of DAEs. Furthermore, AEs may change their classification over time. There are examples of nDAEs that are working to become rDAEs and two examples of rDAEs that became IAEs at reaccreditation (being Acumen and the Africa Finance Corporation).

82. The GCF does not set specific targets in terms of the type of institutions it wants to accredit under its direct access modality. The only requirement for an entity to be classified as a DAE is that it must be headquartered in a non-Annex I country. As a result, a wide range of institutions are treated in the same way, which leads to consequences related to the amount of funding committed through DAEs and ultimately in terms of portfolio concentration, which is covered later in this chapter.

[27] This category includes private banks, commercial banks, regional development banks, development banks, national banks, investment funds/corporations and environmental funds. Environmental funds have varying legal structures, but they were predominantly created to mobilize funding from debt-for-nature swaps, governments, private individuals and international donors. For the purpose of this analysis, they are classified under the category of financial institution/mechanism. The non-financial institution category includes bilateral institutions, centres/foundations, environment-focused organizations, government ministries, infrastructure development companies, NGOs and project developers.

Table 4-1. ***Number of DAEs per type of institution, divided between financial and non-financial institution types***

Financial institutions		Non-financial institutions	
Type of institution	**Number of DAEs**	**Type of institution**	**Number of DAEs**
Development bank	10	Government, environmental ministry/ agency authority	9
Environmental fund	7	Environment-focused organization	6
Commercial bank	7	Centre/foundation	5
Regional development bank	4	Non-governmental organization (NGO)	4
Private bank	4	Infrastructure development company	4
National bank	4	Project developer	2
		Government: Ministry of Finance	2
		Bilateral	1
		Government: Ministry of Natural Resources	1
Total	**37**		**34**

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

83. In terms of project sizes, DAEs are, on average, accredited for smaller-sized projects than IAEs (Figure 4-2). This is especially true for nDAEs. Out of the 58 nDAEs, only 5 are accredited for large projects (>USD 250 million), of which 4 are banks (3 national banks and 1 regional development bank) and none are located in a low-income country. Of the remaining 53 nDAEs, 18 are accredited for medium-sized projects (USD 50–250 million), 22 for small projects (USD 10–50 million) and 13 for micro projects (up to USD 10 million). In other words, 60 per cent of nDAEs are only accredited for small and micro projects, and 17 per cent are accredited for large projects. Out of 13 rDAEs, 4 are accredited for large projects, 1 for medium, 5 for small and 3 for micro projects.

Figure 4-2. ***Number of AEs by size, sector and modality***

Modality	Sector	Micro	Small	Medium	Large	Grand Total
International	Private		1	2	8	11
	Public	2	7	8	14	31
	Total	2	8	10	22	42
National	Private		3	10	1	14
	Public	13	19	8	4	44
	Total	13	22	18	5	58
Regional	Private				1	1
	Public	3	5	1	3	12
	Total	3	5	1	4	13

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

b. Geographic coverage of DAEs

84. While coverage is increasing, it remains low, with 25 per cent of eligible countries currently covered by an nDAE and 19 per cent by an rDAE (Table 4-2). Coverage by nDAEs is much lower in SIDS (13 per cent versus 25 per cent for eligible countries and 24 per cent for both LDCs and African States), whereas coverage by an rDAE is much lower in LDCs (4 per cent versus 19 per cent for all eligible countries).

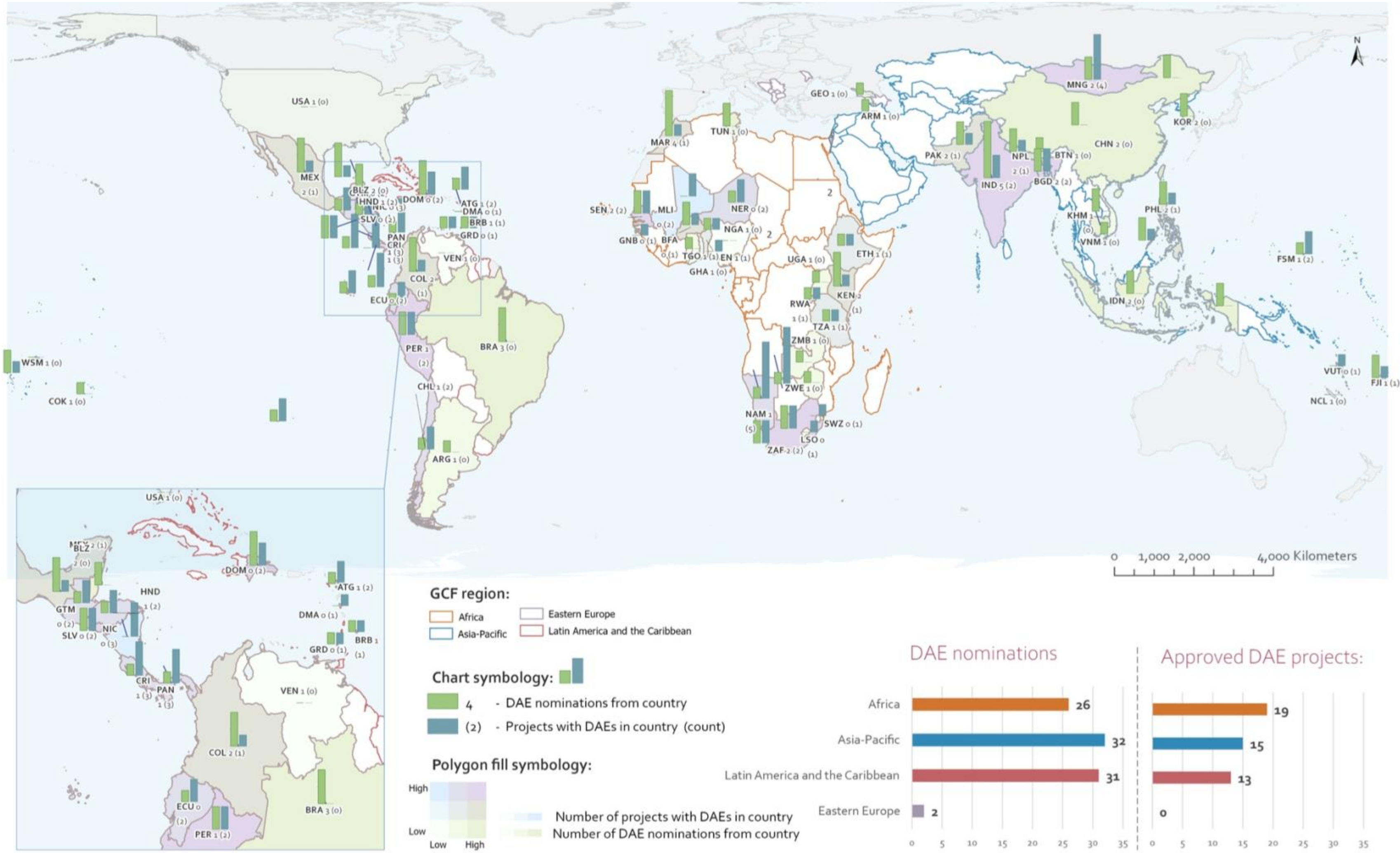
Table 4-2. Current and potential country coverage of regional and national DAEs

Country category (number)	nDAE coverage			rDAE coverage		
	IRM	**GCF-1**	**Potential – OAS Account**	**IRM**	**GCF-1**	**Potential – OAS Account**
GCF eligible countries (154)	21%	25%	68%	18%	19%	40%
African States (54)	20%	24%	70%	13%	13%	57%
LDCs (46)	20%	24%	65%	4%	4%	33%
SIDS (40)	10%	13%	60%	23%	25%	35%

Source: Accreditation data, as of B.33, analysis by the IEU DataLab.
Note: Coverage considers countries where DAE headquarters are located, or that have given at least one nomination to a regional/national entity. African States, LDCs and SIDS are not mutually exclusive categories. The GCF-1 period reflects cumulative number of countries that have gained access to DAEs throughout 2015–2022. Potential coverage reflects countries that are associated with a DAE at any stage of accreditation-related engagement with the GCF. AE modality is considered as of B.33.

85. As developed further in the next section, having an approved DAE does not necessarily mean that the country benefits from funding. Figure 4-3 displays the number of DAEs and the number of direct access projects each eligible country benefits from. Although a few countries (in purple on the map) benefit from a high number of both DAEs and direct access projects, the map also shows wide white patches indicating countries having neither of the two.

Figure 4-3. Status of direct access in GCF: AE nominations and DAE project portfolio



Source: Accreditation data, Integrated Portfolio Management System (iPMS) data as of B.33. Analysis by the IEU DataLab

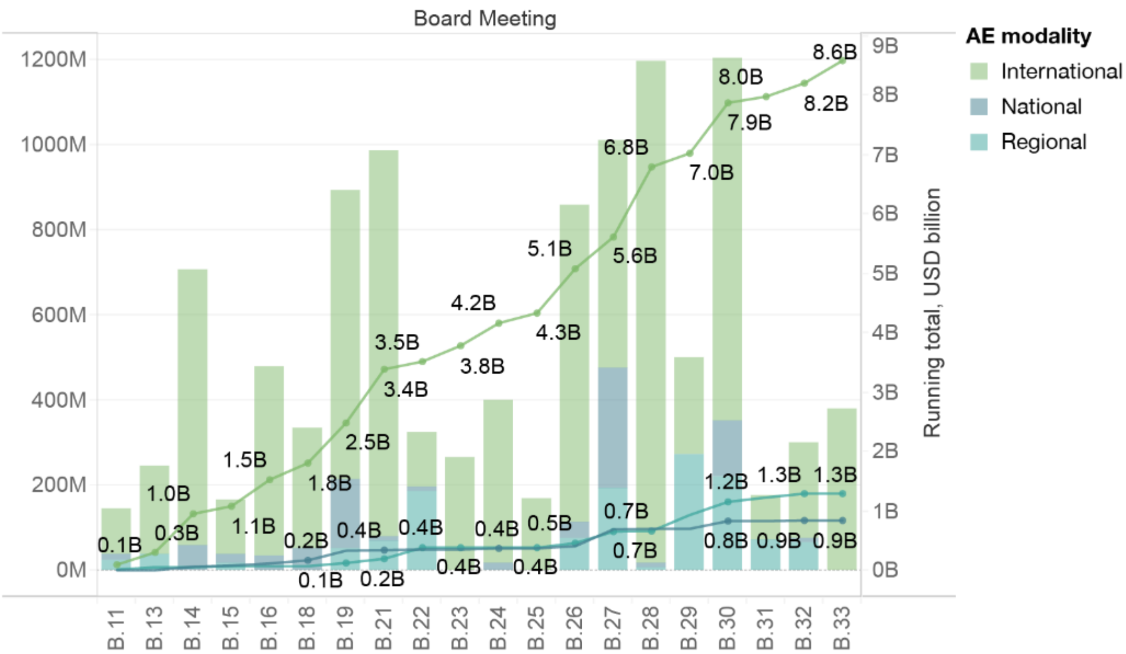
c. Portfolio committed to be channelled through DAEs

86. DAEs account for 24 per cent of the number of projects approved by the GCF so far, which represents a marginal increase from a baseline of 22 per cent (27 of 121 approved projects) during the IRM period. Out of 200 projects, nDAEs represent 26 projects, rDAEs 21 and IAEs the vast majority, with 153 projects approved (Figure 4-4).

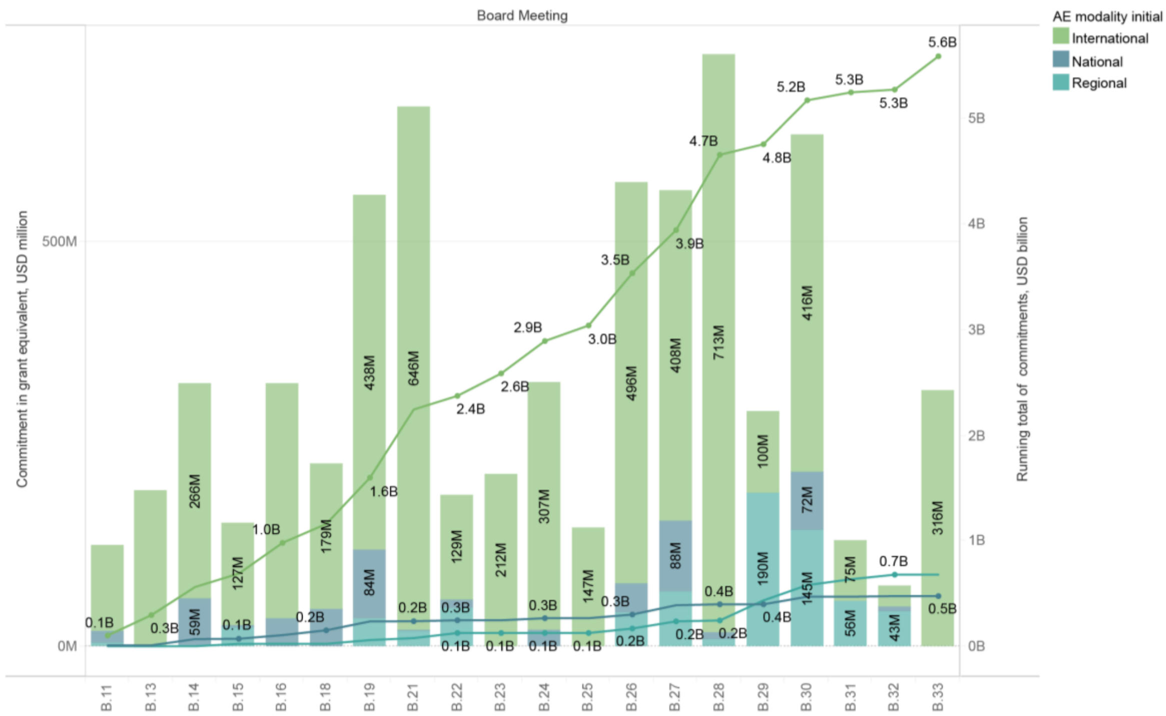
87. In terms of funding committed, DAEs represent 20.8 per cent of GCF funding committed in nominal terms, up from a baseline of 16 per cent during the IRM period. Among the funding committed to DAEs, rDAEs represent the largest share, despite a smaller number of projects, with USD 1.3 billion approved, whereas nDAEs have a portfolio of USD 850 million. As recently as B.28, the approved funding to rDAEs and nDAEs was similar, but rDAEs' portfolio has seen an increase since and approved funding for nDAEs has stagnated.

Figure 4-4. Project funding committed by access modality, per Board meeting and cumulative (a – nominal finance allocation, b – grant equivalent calculation)

a) Nominal finance allocation



b) Grant equivalent calculation

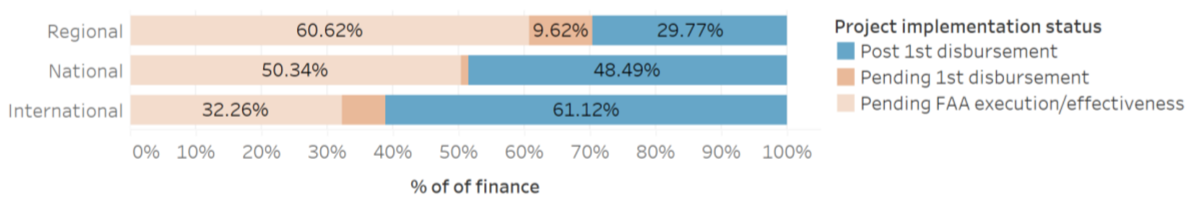


Source: iPMS data, as of B.33, analysis by the IEU DataLab.
Note: Finance allocations are calculated based on AE modality at the time of project approval.

d. Funding disbursed through DAEs

88. The DAEs' portfolio of projects is less mature than that of the IAEs (Figure 4-5). This is especially true for the rDAE portfolio, with 70 per cent of committed funding currently in pre-implementation stage (i.e. pending funded activity agreement (FAA) execution or pending first disbursal). Given that many rDAE projects have only recently been approved, it is logical that limited funding for them has been disbursed to date. Similarly, given the exponential growth of the international accredited entity (IAE) portfolio compared to the DAE portfolio in the initial years, it is not surprising that projects accounting for 68 per cent of IAEs' approved financing have received at least their first disbursement, whereas this number is only 37 per cent for DAEs.

Figure 4-5. Status of portfolio implementation, broken down by access modality



Source: iPMS data, as of B.33, analysis by the IEU DataLab.
Note: Finance allocations are based on AE modality at the time of project approval.

2. Effectiveness of DAEs in submitting FPs and explanatory factors

a. The portfolio channelled through DAEs is highly concentrated

89. In all, 63 per cent of DAEs have no project approved and only 12 per cent have more than one project. Despite representing the minority of DAEs, rDAEs have submitted more projects than nDAEs. Challenges to get projects designed and approved seem to lie at the GCF level, the entity level and the national level (see Table 4-4).

90. Out of 58 nDAEs, 40 (69 per cent) have no project approved, 14 (25 per cent) have one project approved and 4 (7 per cent) have more than one project approved. Those having more than one project approved represent four different types of entities: a governmental entity (Ministry of Environment of Antigua and Barbuda, two projects approved), a national bank (India's National Bank for Agriculture and Rural Development (NABARD), two projects approved), an environmental fund (Environmental Investment Fund, four projects approved) and a private bank (XacBank, four projects approved).

91. Out of 15 rDAEs that were historically accredited by the GCF (recalling that Acumen and the Africa Finance Corporation upgraded to IAEs during their reaccreditations in 2022), 6 (40 per cent) have no project approved, 4 (17 per cent) have one project approved and 5 (33 per cent) have more than one project approved. In the latter category, 3 have four projects approved: *Banque Ouest Africaine de Développement* (BOAD), the Central American Bank for Economic Integration (CABEI) and *Corporación Andina de Fomento* (CAF). They are all regional development banks.

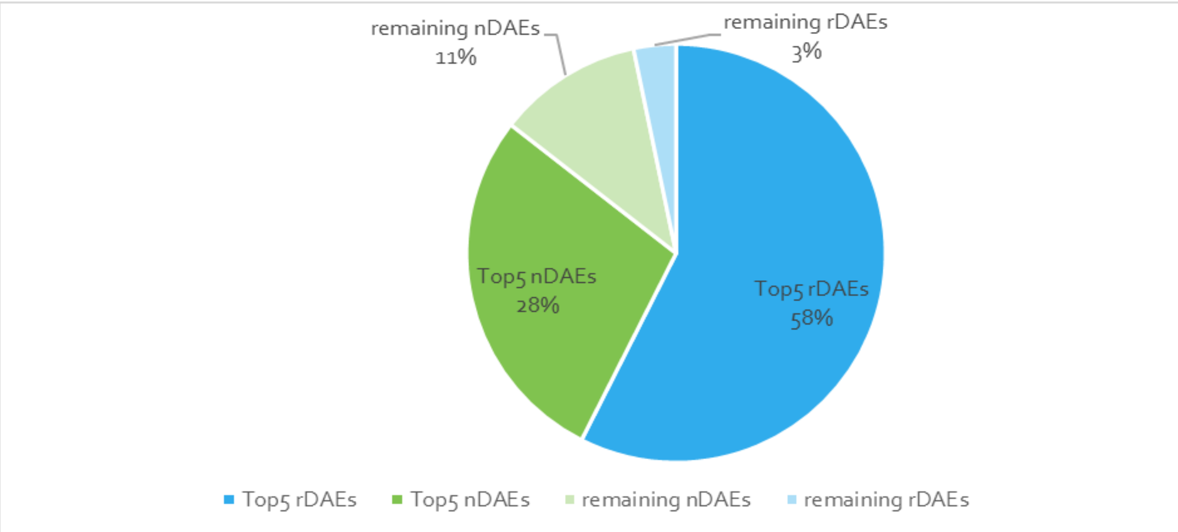
92. As a result, the GCF's DAE portfolio is highly concentrated, with five DAEs holding 66 per cent of the DAE portfolio. This is also true within DAE categories, with five rDAEs holding 58 per cent of the total DAE portfolio and five nDAEs holding 28 per cent of the total DAE portfolio. Similarly, the nine DAEs that have more than one FP approved account for 29 of the 47 FPs (62 per cent of projects) for DAEs. This demonstrates that the assumption made in the ToC (see Chapter 3) that the capacity to get accredited would translate into the capacity to design projects and get them approved did not materialize.

Table 4-3. Top five DAEs by approved GCF funding amount

ENTITY	APPROVED GCF FINANCING (USD)	ACCESS MODALITY	ENTITY TYPE	FINANCIAL/ NON-FINANCIAL	REGION
CABEI	525,194,029	Regional	Development bank	Financial	Latin America (Central America)
CAF	277,554,379	Regional	Regional development Bank	Financial	Latin America
Infrastructure Development Company Limited	256,480,000	National	Infrastructure development company	Non-financial	Asia-Pacific: Bangladesh
BOAD	207,045,763	Regional	Regional development Bank	Financial	Africa (West Africa)
DBSA	155,610,000	Regional	Regional development Bank	Financial	Africa (South Africa)

Source: iPMS data as of B.33, analysis by the IEU DataLab.
Notes: The size was established based on GCF financing, excluding indicative co-financing. The USD:EUR exchange rate on 2 September 2022 was applied (1.00).

Figure 4-6. Concentration of the approved DAE portfolio in monetary terms



Source: iPMS data as of B.33, analysis by the IEU DataLab.
Note: The size was established based on GCF financing, excluding indicative co-financing. The USD:EUR exchange rate on 2 September 2022 was applied (1.00).

b. Explanatory factors

93. Portfolio data and interviews indicate that two types of institutions are particularly successful at programming with the GCF:

a) Well-resourced institutions, with a strong track record pre-dating the GCF and a history of engaging with international organizations through dedicated projects or by virtue of international organizations having invested in them. This includes regional development banks such as CABEI, CAF, BOAD and the Development Bank of South Africa (DBSA) and other institutions such as XacBank and NABARD.

b) Financial institutions or mechanisms. Out of 71 accredited DAEs as of B.33, 38 are financial institutions. Of the 47 projects approved for DAEs, as of B.33, 32 belong to financial institutions or mechanisms.

94. This likely stems from the GCF's focus on fiduciary standards at accreditation and the high transaction costs associated with accreditation and project design and approval.

a) The GCF's accreditation requirements place an emphasis on entities having robust fiduciary standards in place and, to date, programming with the GCF requires an entity to be accredited to be able to submit a project. Interviews with DAEs and GCF Secretariat staff highlighted that financial institutions and mechanisms usually already have many of the fiduciary standards required by the GCF in place because these standards are usually a part of their local and national regulations. On the other hand, many non-financial institutions highlighted the time and resources necessary to put these standards in place or to strengthen them in their organization in order to get accredited.

b) Interviews and data also show that programming with the GCF implies high transaction costs to comply with the long and complex procedures, both at the accreditation stage and at the project design and approval stages. Well-resourced (in terms of technical capacities, number of staff members and/or financial resources) institutions are therefore more successful.

95. Chapter 5 explores how the GCF supports DAEs in order to reduce these biases and the results of this support so far.

96. These findings are in line with the hindering and facilitating factors highlighted by DAEs and other relevant actors in the deep dives, the focus group discussion, and interviews with selected DAEs that do not yet have a project approved by the GCF or those that have projects but went through an arduous approval process. These explanatory factors at the GCF level, the entity level and the national level are summed up in Table 4-4 below. These corroborate findings of previous evaluations – in particular, the accreditation synthesis, the country ownership approach evaluation, and the SIDS and LDCs evaluations. Thus, institutional accreditation has not served the purpose of filtering AEs by their capacity to programme and implement projects with the GCF, even though it has been the sole method to operationalize direct access so far. Accreditation doesn't ensure access to GCF resources.

Table 4-4. Hindering and facilitating factors for DAEs to get projects approved by the GCF

Levels	Hindering factors	Facilitating factors
Entity level	• Political or "marketing" reasons for accreditation, unrealistic expectations • Need to adapt policies to accreditation requirements, leading to a long delay between applying for accreditation and being able to submit projects for approval • Small staff, need for support to prepare concept notes and FPs • Limited understanding of what a "GCF project" is, at the entity level or at its client/partner level, leading to project ideas that are not aligned with GCF	• Previous engagement with Adaptation Fund as a NIE • More widely, previous programming with international entities • Having fiduciary standards in place before becoming a DAE • Engagement as an EE in GCF projects • Engagement as Readiness

Levels	Hindering factors	Facilitating factors
	requirements • Low capacity to analyse climate data and undertake forward-looking modelling • High demand from countries (especially for regional entities, especially in SIDS) • Time required for stakeholder engagement (while recognized important)	Delivery Partner in GCF readiness activities
Country level	• Insufficient knowledge of GCF procedures and requirements from the NDA, leading to the project developer having a low awareness of GCF procedures and requirements, resulting in difficulty originating bankable projects • Changes in national administration, affecting priorities and/or the national validation processes of focal points • Adverse economic circumstances in sectors relevant to the GCF (e.g. green infrastructure) • Lack of climate data to support climate rationale in project proposals	• Strong NDA • National involvement in the GCF (climate being a priority, country hosting the COP, country having a Board Member) • Existence of national coordination processes • Strong link between DAE and NDA and national administration
GCF level	• Changes in policies, expectations and guidance, leading to high uncertainty and difficulty in building knowledge and transferring it from one project to another • Lack of clarity on what processes entail; no clarity provided to NDA focal points on what the GCF is expecting in FPs and what each step of approval entails • Redundant processes (both for accreditation and FP approval; same questions asked multiple times by different divisions) • Long delays for all processes (accreditation, FP approval, PPF), which can lead to the pipeline "getting cold" (i.e. project proponents consulted might not be interested anymore several years later and/or with no visibility and certainty over the timeline of project approval) • Lack of considerations for the specific circumstances of countries, including on climate rationale • Unattractive conditions for the private sector (currency, subsidy level)	• PPF, despite difficulties, provides relevant support • Having a long-standing dedicated interlocutor • In-person meetings and structured dialogues

Source: Qualitative interviews with NDAs, DAEs and Secretariat staff

97. As mentioned in Chapter 2, the GCF is addressing some of these hindering factors. For example, B.33 adopted a decision including the possibility of lending in local currency (decision B.33/14)[28] as well as the decision including the possibility of using information from traditional, local and

[28] B.33/14, "Second review of the GCF's financial terms and conditions", §c "*Also requests the Secretariat to develop a local currency financing pilot programme that addresses current barriers and risks associated with currency fluctuations at the programme/project level, including an analysis of the requirements for operationalization and impact assessment of a programme, with a view for the Investment Committee to review and make a recommendation to the Board no later than the thirty-sixth meeting of the Board*."

indigenous knowledge and practices to form the basis for the demonstration of impact potential (decision B.33/12).[29]

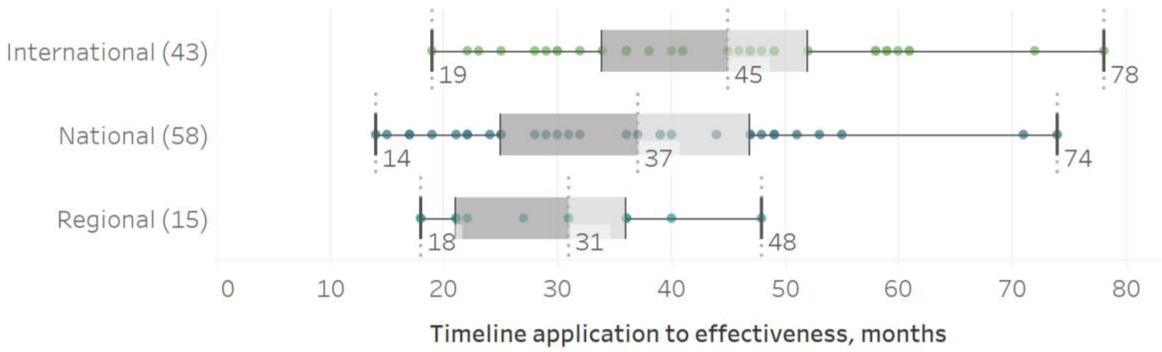
3. Efficiency of direct access and its evolution over time

a. Efficiency of accreditation

98. Accreditation includes three stages: stage 1 consists of the applicant's submission and the GCF Secretariat's institutional assessment and completeness check; stage 2 consists of the accreditation application's review by the Accreditation Panel and of the Board's decision on the application; and stage 3 is the finalization and signature of the accreditation master agreement (AMA) between the GCF and the AE.

99. Compound time from accreditation application to AMA effectiveness is longer for IAEs (45 months, on average) than for DAEs (37 months for nDAEs and 31 months for rDAEs), as illustrated in Figure 4-7 below.

Figure 4-7. Accreditation timeline from application to effectiveness by access modality (in months)

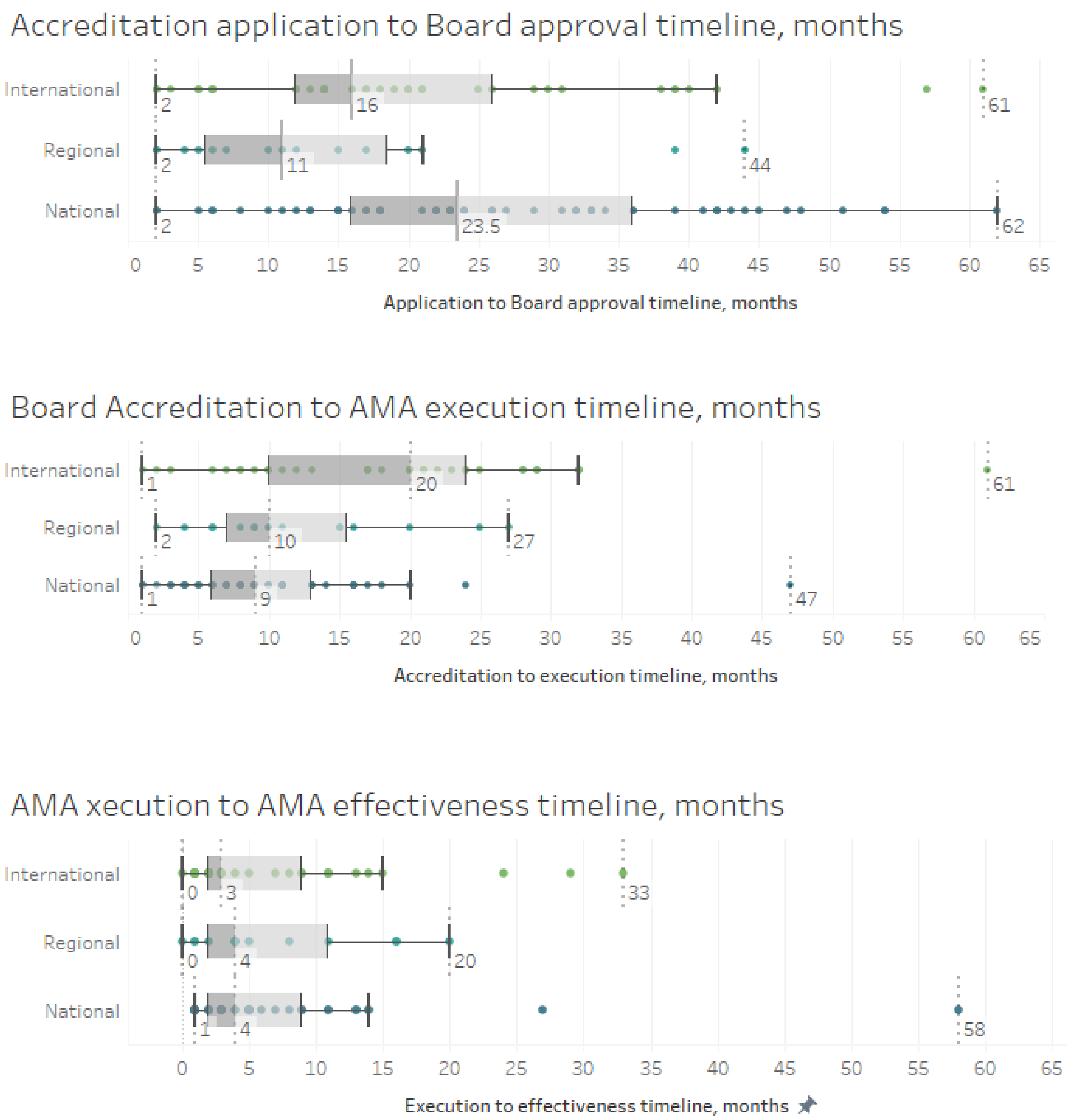


Source: iPMS data, as of B.33, analysis by the IEU DataLab.
Note: Overall, 15 AEs were accredited as rDAEs. Two entities from the rDAE portfolio have changed their access modality during reaccreditation to become IAEs, bringing the current count of rDAEs to 13.

100. Previous analysis (IEU, 2019a) has shown that IAEs are generally efficient in commencing the application but that they spend more time negotiating accreditation conditions (AMAs), resulting in a longer timeline from accreditation to getting to the first dollar. For DAEs, especially for nDAEs, most of the time to AMA effectiveness is spent on the application-to-approval stage, indicating that nDAEs are adjusting their structures and frameworks throughout accreditation. Less time is spent on the execution and effectiveness stages, indicating that DAEs do not negotiate the terms of the AMAs to the same extent as IAEs. Overall, rDAEs are most effective in the process of accreditation, probably due to the fact they are more "GCF ready" than nDAEs when applying and necessitate less AMA negotiation time than nDAEs or IAEs. Figure 4-8 below shows these differences between phases among access modalities in detail.

[29] B.33/12, "Steps to enhance the climate rationale of GCF-supported activities", §h: *"Decides that the use of best available information and data, including from the Intergovernmental Panel on Climate Change, and from traditional, local and indigenous knowledge and practices is sufficient to form the basis for the demonstration of impact potential for GCF-supported activities, while taking into account the context of the proposal, the different capabilities of accredited entities, and country and regional circumstances."*

Figure 4-8. Timeline for the different accreditation phases, by access modality (in months)



Source: Accreditation data, as of B.33, analysis by the IEU DataLab.
Note: Analysis considers all historic values for each accreditation modality. The rDAE subset includes Acumen and the Africa Finance Corporation.

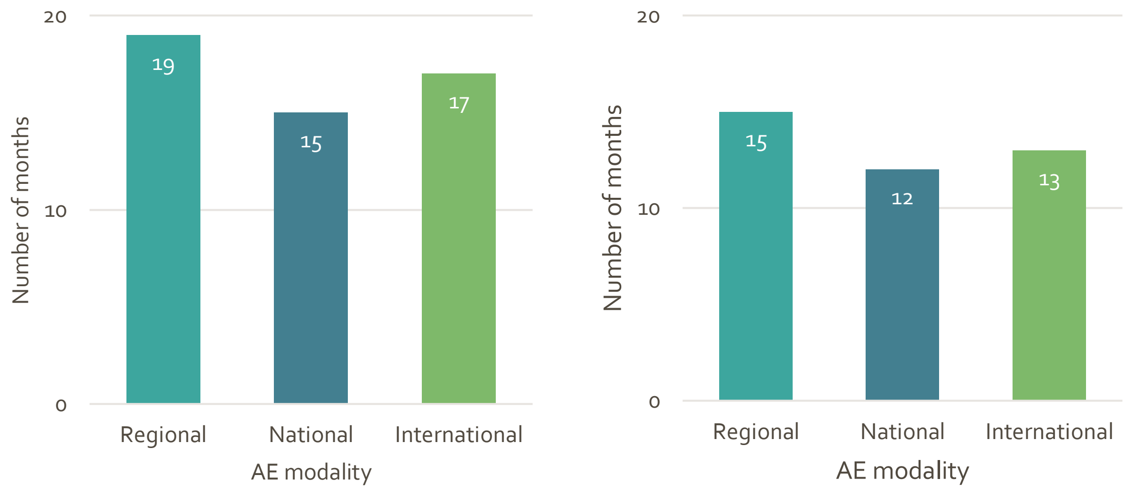
101. There is no clear trend over time regarding the efficiency of accreditation from application to effectiveness, but there is a tendency to an increased duration, and thereby decreased efficiency when looking at the time from application to Board approval.

b. Efficiency of project approval and launch

102. The median number of days both from concept note submission to approval by the Board and from approval by the Board to first disbursement is smaller for nDAEs than for rDAEs and IAEs. However, project approval takes longer for rDAEs than for IAEs (Figure 4-9). One of the reasons for this difference is likely the fact that nDAEs are typically accredited for smaller projects and the average size of an nDAE project is much smaller, with IAEs having the second largest average project size and rDAEs having the largest average project size. Thus, the larger projects seem to take

a longer time for project approval. Larger projects tend to have a higher ESS category, which is linked to their higher ESS-related requirements.

Figure 4-9. Median timeline from concept note to project approval (left) and from approval to first disbursement (right), by access modality (in months)



Source: iPMS data, as of B.33, analysed by the IEU DataLab.
Note: The figure uses data for 201 approved projects through 157 international entities, 26 national entities and 18 regional entities.

Chapter 5. RELEVANCE AND EFFECTIVENESS OF GCF SUPPORT FOR DIRECT ACCESS

KEY CONCLUSIONS

- Access to the GCF's DAE support mechanisms and the EDA RfP is reported long and difficult, both by previous IEU evaluations and by DAEs interviews. It implies that these mechanisms may not play their role in levelling the playing field between DAEs and IAEs and supporting the weakest DAEs.
- It is too early to assess the impact of the newly approved PSAA, the enhancements made to the PPF and the SAP, but they are deemed relevant. The potential role for EDA in supporting locally led climate action is gaining new momentum. There is room for further improvement in readiness to support direct access, especially in the context of making the capacity-building pathway more explicit in the GCF's business model.
- Beyond individual mechanisms' room for progress, these mechanisms lack coherence and integration with each other, a weakness that is identified in the GCF Secretariat's DAE action plan.

KEY FINDINGS

The GCF has several operational mechanisms that support DAEs to get accredited and design projects directly and exclusively. The objectives of these mechanisms are relevant for supporting DAEs, but their effectiveness has been limited.

- Fast-track accreditation: 25 DAEs were approved by the Board and 22 of these have reached AMA effectiveness. There are currently no more DAEs in the fast-track accreditation pipeline. Prioritization of DAEs in accreditation can only occur during the Secretariat's review phase, which limits its reach and impact.
- The PSAA could be relevant to national entities trying to reach GCF funding, but it has just been approved recently. Its value addition to direct access in GCF is yet to be seen.
- It is impossible to assess RPSP's effect on direct access 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.
- 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. However, recent enhancements (e.g. simplified PPF funding modality, PPF service modality, technical assistance) could enhance access to PPF support, particularly for DAEs with limited capacity.
- The SAP has attracted a higher percentage of DAEs than the regular proposal approval process. 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.
- The EDA RfP is the only process that exclusively targets DAEs. It has so far only approved three projects for a total of USD 46.6 million. Bottlenecks have been identified and addressed by the Secretariat, and the modality is gaining new momentum within and outside the GCF. However, EDA is still constrained by GCF's business model.

A. Introduction

103. The aim of this chapter is to assess the relevance and effectiveness of GCF support for direct access. The following operational processes were deemed most relevant to direct access and were therefore discussed and analysed: fast-track accreditation and prioritization in accreditation, readiness, the SAP, the PPF, the PSAA and the EDA RfP. This chapter reviews how each of these processes targets direct access, how and why they have evolved over time in relation to direct access, how relevant and internally coherent they are with other processes, how relevant they are deemed by interviewed DAEs and how effective they have been to date in terms of supporting direct access.

104. This chapter draws on previous IEU evaluations and their Secretariat management responses – in particular, the Independent synthesis of the Green Climate Fund's accreditation function (2020), the Independent Assessment of the GCF's Simplified Approval Process Pilot Scheme (2020), the Rapid Assessment of the Green Climate Fund's Request for Proposals Modality (2021), the Independent Evaluation of the GCF's Readiness and Preparatory Support Programme (2018), and the rapid review of the PPF embedded in the Independent Evaluation of the Green Climate Fund's Environmental and Social Safeguards and the Environmental and Social Management System (2020). This chapter also takes into account the extensive work done by the Secretariat to respond to these evaluations, as reflected in Board documents. It further relies on an extensive portfolio analysis carried out by the IEU DataLab, the four deep dives carried out in the context of this synthesis, as well as a focus group discussion with DAEs and further interviews with DAEs and other relevant stakeholders such as GCF Secretariat staff.

B. Data and analysis

1. Fast-track accreditation and prioritization in accreditation

a. Fast-track accreditation

105. Adopted by the Board at B.8, in October 2014, through decision B.08/03, the fast-track accreditation programme enables entities that have already been accredited by the Global Environment Facility, the Adaptation Fund or the European Commission's Directorate-General for International Partnerships (formerly the Directorate-General for International Cooperation and Development)[30] to apply, upon the Board's approval, to a streamlined accreditation process.

106. The fast-track accreditation deadline for entities accredited by these three institutions was extended in subsequent decisions (decisions B.10/06, B.12/30, B.14/09, B.15/09, B.17/13 B.18/05, B.19/14, B.22/09, B.23/13, B.24/11 and B.26/01). These decisions reflect the importance given to getting a number of reputable and established entities accredited without delay in order to build the GCF's pipeline.

107. This mechanism does not specifically target DAEs, but rather any institution that fulfils the above criteria. However, the inclusion of the Adaptation Fund in the list of eligible funds meant that its 25 NIEs at the time, and 34 as of B.33, could access this streamlined accreditation process.

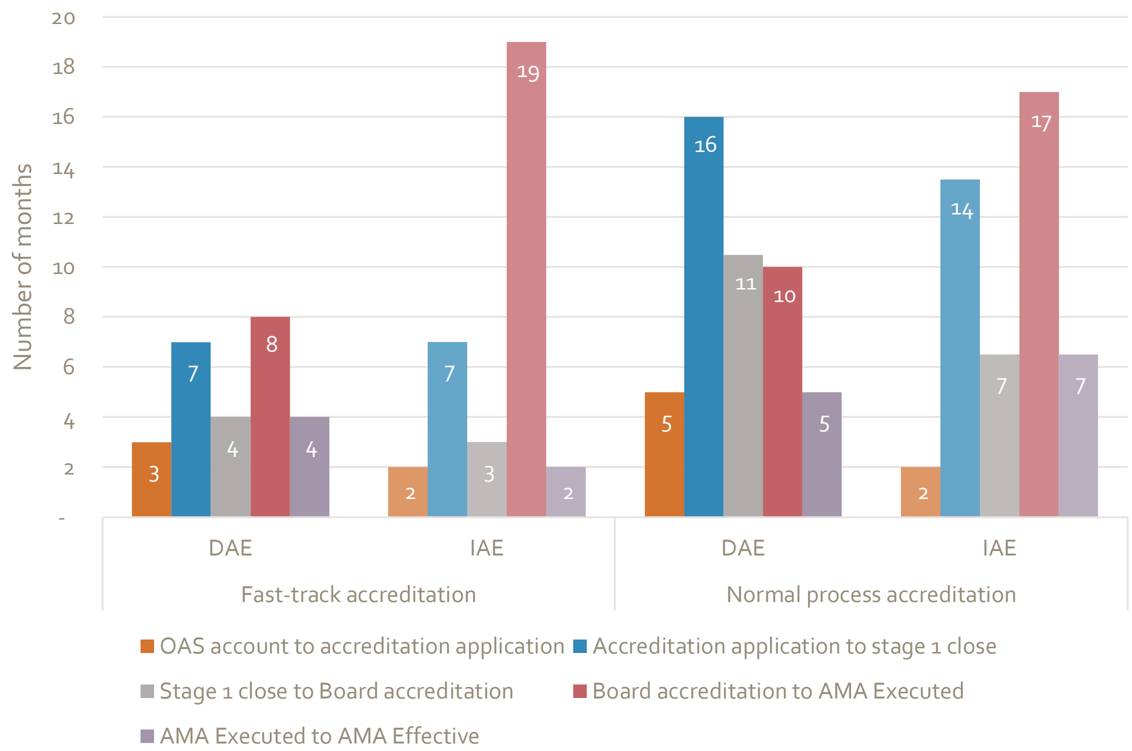
108. A total of 25 DAEs have been accredited through fast-track accreditation to date. All 25 have been approved by the Board, and 22 of these have reached AMA effectiveness. There are currently no more DAEs in the fast-track accreditation pipeline. In all, 19 Adaptation Fund NIEs have also been

[30] These three institutions follow a similar accreditation process to that of the GCF, including fiduciary and environmental and social standards comparable to the GCF's requirements.

accredited as GCF DAEs, with 11 of them being accredited for larger-sized projects than they are able to submit to the Adaptation Fund (max. USD 10 million).

109. Current data show that the fast-track process reduces each accreditation phase length compared to regular accreditation, for both DAEs and IAEs. As mentioned in Chapter 4, accreditation comprises three stages, which each have several steps. Stage 1 consists of the applicant's submission (step 1) and the GCF Secretariat's institutional assessment and completeness check (step 2). Stage 2 consists of the accreditation application's review by the Accreditation Panel (step 1) and of the Board's decision on the application (step 2). Stage 3 concludes with the finalization and signature of the AMA between the GCF and the AE. Fast-track accreditation decreases the duration of the accreditation process by 45 per cent for DAEs and 30 per cent for IAEs, compared to the regular accreditation process.

Figure 5-1. Accreditation timeline, fast-track and normal process (months)



Source: Accreditation data, as of B.33, analysis by the IEU DataLab.
Note: The figure uses data for 260 AEs: 92 IAEs and 168 DAEs. OAS: Online Accreditation System.

b. Prioritization of DAEs in accreditation

110. Recognizing that DAEs in some regions were slow in advancing through accreditation, the Board decided to prioritize their review in several instances from 2016 to 2021 (see Table 2-1 for details). However, prioritization can only take place during step 2 of accreditation stage 1, when the accreditation has reached the Secretariat review stage, as the other stages and steps do not depend directly on the GCF's Secretariat.

c. Delinking institutional accreditation and access through the PSAA

111. As covered in Chapter 4, accreditation does not necessarily lead to access to GCF resources, nor does it automatically bring in the relevant entities to fulfil the GCF's programming targets. As outlined in Chapter 2, the Board approved the PSAA (decision B.31/06, annex IV) as part of the updated accreditation framework of the GCF, to provide a modality for entities not accredited to the GCF to access GCF funding without needing institutional accreditation. This complementary approach to institutional accreditation aims to enable the GCF to bring in projects in line with its objectives and to broaden access to the GCF for entities for whom the higher transaction costs associated with institutional accreditation are not in line with the nature and number of projects they intend to develop with GCF support. Each entity will be capped at a maximum of one approved FP under this approach, and only category C/intermediation 3 or category B/intermediation 2 proposals are eligible.

112. The PSAA framework lays out a process in which the Secretariat carries out a project-specific assessment of the entity's ability to undertake the project, which will be included in the Secretariat's assessment of the FP. The project entity check includes the assessment of the institution's fiduciary and ESS procedure check and the institution's experience in implementing similar projects. Based on this information, an institution will be classified as a high-, medium- or low-capacity institution. Low-capacity institutions will need to address the identified gaps prior to further consideration of the FP under the PSAA. NDAs may request RPSP support for such entities to address the gaps identified.

113. Medium-capacity institutions will be required to demonstrate how they can fill the identified gaps before their FP will be considered, and high-capacity institutions' FPs will get assessed. Although this check concentrates on the capacity of the entity to implement its proposed project in line with the GCF standards, and not the wider institutional capacity of the entity, its requirements include the GCF standards for institutional accreditation.

114. Given the above, it does not seem that the PSAA would allow many institutions that have lacked capacity thus far to pass institutional accreditation to get a project approved through this modality. It could, however, provide a more efficient first step for an institution to test whether a long-term engagement with the GCF would be feasible. This is particularly relevant for entities from non-Annex I countries for which the cost and difficulty of institutional accreditation is often proportionally high. In this regard, the PSAA framework highlights that entities may be encouraged to seek institutional accreditation after undergoing the PSAA, should they have the potential to be a long-term partner and show interest in aligning their institutional systems to the standards of GCF accreditation. It also highlights that the institutional capacity checks related to the delivery of the targeted project/programme under the PSAA would be used to inform the institutional accreditation process. The PSAA's impact, including on direct access, shall be assessed after its implementation has started in 2023.

2. Readiness

115. Readiness is provided for in the GI (§40), and the RPSP was operationalized in 2014 by decision B.08/11. The RPSP is aimed at supporting country ownership and aligned GCF investments by strengthening the institutional capacities of NDAs, focal points and DAEs to enable them to prioritize and oversee the development and implementation of country-driven strategies and low-emission and climate-resilient interventions. It is thereby a key support for direct access in the GCF.

116. Following its first years of operation, based on the Secretariat's initial review and the IEU evaluation (IEU, 2018), the Board requested that the RPSP be updated. The revised RPSP and RPSP Strategy 2019–2021 outline five main objectives that are disaggregated in outcomes, some of which are relevant for direct access (GCF/B.22/08; decision B.22/11). Secretariat reporting highlights the results with links to the relevant RPSP objectives (GCF/B.33/07). The Readiness and Preparatory Support work programme and budget for 2022–2023 also highlights the alignment and key contribution of readiness to the 2021 Secretariat DAE action plan (decision B.33/04, annex I).

117. The objectives and outcomes in the RPSP strategy and the corresponding results reported relevant for direct access are listed in Table 5-1 below.

Table 5-1. RPSP strategy outcomes and results relevant for direct access

Objective	Outcome	Results captured
Objective 1: Capacity-building	Outcome 1.2 refers to DAEs having established capacity to meet and maintain GCF standards for accreditation, and accredited DAEs having the capacity to develop a pipeline of projects and effectively implement GCF-funded activities.	Fifteen DAE applicants were supported with readiness grants to strengthen institutional capacities in alignment with GCF accreditation standards; 51 nominated DAEs have been supported to identify and close gaps for accreditation; 11 accredited DAEs have been supported to strengthen institutional capacities to effectively implement GCF-funded activities.
Objective 2: Strategic frameworks	Outcome 2.3 refers to entity work programmes of accredited DAEs having been developed, which are aligned with the priorities of the countries, including country programmes and the GCF result areas.	Eight DAEs in SIDS and LDCs have developed entity work programmes.
Objective 4: Pipeline development	Outcome 4.2 refers to an increase in the number of quality FPs developed and submitted from accredited DAEs.	Eight grants requested support with FPs developed and submitted by DAEs.
Objective 5: Knowledge-sharing and learning	Outcome 5.1 refers to best practices with respect to institutional capacity-building, direct access and pipeline development that are developed and disseminated to strengthen engagement by NDAs, DAEs and delivery partners with the GCF.	

Source: Readiness Work Programme and Budget 2022-23

118. The RPSP as a mechanism was intended to build the capacity of potential DAEs and prepare them for the process of accreditation. A true measure of its impact would look at not just those entities for whom accreditation has been successfully facilitated, projects submitted and entity work programmes developed but also those cases where the same could not be achieved. To that extent, readiness probably serves the most important role at the pre-accreditation stage as it is the only instrument that is available for potential DAEs. As pertains to support to programming by DAEs, RPSP lacks clear distinction with PPF.

119. Until the implementation of the Readiness Results Management Framework in 2022, it was not possible to assess the effectiveness of funding or compare the use of readiness funding in different contexts. This is because reporting on the performance of the RPSP focuses primarily on inputs (e.g.

grants approved, types of support requested), grant cycle milestones (e.g. disbursement, no-cost extensions, number of days to grant closure) and outputs (e.g. country programmes or knowledge products prepared), without reporting at the outcome level (GCF/B.29/Inf.07/Add.04; GCF/B.30/Inf.09).

120. The IEU DataLab examined all approved RPSP proposals to identify whether they targeted outcomes that supported direct access. As shown in Table 5-2, about 17 per cent of the RPSP financing was found to comprise components that also support direct access capacity-building. However, the funding finances activities that support direct access among other priorities and not exclusively. Given that the RPSP proposals do not provide a budget disaggregated by activity, it is not possible to pinpoint the exact amount of funding going towards the realization and enhancement of DAEs.

Table 5-2. Readiness funding committed to direct access realization/enhancement within each relevant outcome category since 2019, in USD

	Direct access realization/enhancement	
2.3.2. Outcome number (group)	**No**	**Yes**
1. Capacity-building	61,535,627	34,197,988
2. Strategic frameworks	70,425,984	2,065,331
3. National adaptation plans and national adaptation planning processes	18,957,816	
4. Pipeline development	60,131,842	7,200,392
5. Knowledge-sharing and learning	39,575,168	1,236,224

Source: GCF Fluxx data, extraction and analysis by the IEU DataLab, as of B.33.
Note: RPSP grant outputs have been categorized as contributing (or not) to direct access realization based on individual screening. The volume of finance reflects the finance under RPSP grants that have components contributing to direct access realization. The sum does not reflect finance dedicated solely to this theme.

121. It should also be noted that 28 out of 71 DAEs also serve as readiness delivery partners, and some of them feature among the delivery partners implementing the most grants: Caribbean Community Climate Change Center, the Secretariat of the Pacific Regional Environment Programme and Inter-American Institute for Cooperation on Agriculture for the rDAEs, and Centre de Suivi Ecologique for the nDAEs. Interviews with readiness delivery partner DAEs show that for some of them being a delivery partner is part of a global business model of engaging with the GCF, because readiness activities are less demanding than FP approval and project implementation and readiness enables them to keep the necessary number of staff in the organization. More generally, being a readiness delivery partner was reported as a relevant way to engage with relevant stakeholders, especially NDAs, and to share knowledge.

122. The process of accessing readiness funding is still perceived to be long and arduous for accessing a relatively small funding envelope. Given the resource constraints at the country level, there is an expectation among numerous DAEs and national counterparts that readiness should be used on an ongoing basis by DAEs and NDAs alike to enhance and build capacity. NDAs request such funding to maintain capacity on an ongoing basis to ensure coordination at the country level. The importance of such capacity is acknowledged in the 2021 GCF Secretariat DAE action plan, which mentions that

> A key aspect of driving increased DAE engagement is ensuring that sufficient capacity building and institutional strengthening occur at the entity and also at the national level through the NDA. NDAs need the capacity to fully understand national circumstances, identify areas where there is a need for climate finance, and then pull on the right partners (DAEs or otherwise) to deliver on those areas. Without this, interventions will continue to be uncoordinated, fragmented, and ad hoc.

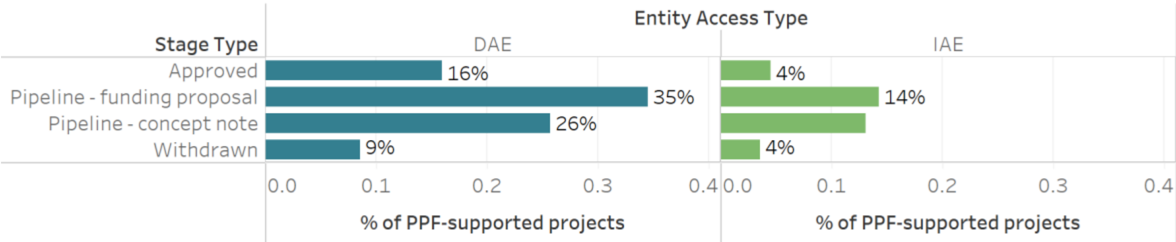
3. Project Preparation Facility

123. The PPF was established in 2015 by decision B.11/11. Its objective is to provide funding for the preparation of GCF FPs, especially those targeting small-scale activities and developed by DAEs. The operational guidelines for the PPF were developed by the Secretariat in response to decision B.12/25 and were endorsed by the Board at B.13 in June 2016, through decision B.13/21. This decision allocated USD 40 million to the PPF, with a ceiling of USD 1.5 million per PPF request to cover project preparation activities such as pre-feasibility and feasibility studies, risk assessments, identification of programme/project-level indicators, pre-contract services including revision of tender documents, advisory services and/or other services to financially structure a proposed activity, environment and social assessment, and other services such as workshops and consultations and translation of documents.

124. The PPF was designed to support DAEs, especially, for projects in the micro (<USD 10 million) to small (USD 10–50 million) size categories, with a view to enhancing the balance and diversity of the GCF project portfolio. However, all AEs (direct access and international) are eligible to apply.

125. As illustrated in Figure 5-2, as a proportion of their portfolio, DAEs request more PPF support than IAEs. In more detail, while 4 per cent of all approved FPs submitted by IAEs received PPF support, this was the case for 15 per cent of nDAEs' approved FPs and for 14 per cent of those of rDAEs.

Figure 5-2. Share of projects with PPF support at various project stages, per access modality



Source: iPMS data, as of B.33, analysis by the IEU DataLab.
Note: Project allocation is based on AE modality at the time of project approval.

126. Out of seven DAEs that have PPF supported FPs approved, four have two or more projects in total financed by the GCF (i.e. CABEI, BOAD, CAF, XacBank). Only three out of seven DAEs used PPF support before the approval of their first project with the GCF (CRDB, Infrastructure Development Company Limited, Ministry of Environment, Rwanda). Other DAEs used PPF support in their subsequent engagements with the GCF. This corroborates one of the main findings of this synthesis, which is that the DAE portfolio is highly concentrated among a few more capable DAEs. This finding also holds true for support mechanisms, which means they have not necessarily played a balancing role by helping the least capacitated of DAEs, so far. This could potentially change as and when the project pipeline materializes.

127. From the figure above it can also be noted that while IAEs have accessed the PPF in equal measure with DAEs for approved projects, DAEs seem to be accessing the PPF in proportionately larger numbers for the FPs and concept notes that are in the pipeline. These could be initial signs that the improvements in the PPF are leading to higher utilization by DAEs. However, project approvals will have to materialize before any judgment can be made on the outcome of the enhancements to the PPF.

128. When it comes to the maturity of PPF grants, 89 per cent of nDAE finance and 83 per cent of rDAE finance is at an advanced stage (disbursed, complete, or FP submitted), versus 73 per cent for IAEs. Interviews with DAEs highlighted the importance of funding to enable FP design. This could explain the higher disbursement of PPF funding for DAEs at this stage.

129. In terms of results, the PPF has provided project preparation resources that enabled 14 project proposals to be approved, amounting to USD 1 billion in GCF financing, out of which 79 per cent – or USD 790 million – was channelled through DAEs.

130. Interviews conducted with DAEs showed that while they consider the PPF's objective relevant to their needs, they also highlighted that accessing support was long and cumbersome. Several have sought assistance from partners other than the GCF to draft and/or finalize their FPs, mainly because other options were perceived as quicker and less burdensome to access. This aligns with previous findings that accessing the PPF itself was a long and burdensome process for AEs (IEU, 2020d).

131. The GCF Secretariat is aware of these difficulties, and several improvements have been made to the PPF over time, with the intention of further supporting DAEs in particular. The following are some examples:

- Streamlining the approval process for PPF support, resulting in a shorter processing time. Further streamlining is ongoing: a pilot is currently under implementation for introducing a simplified concept note, acknowledging that the review and approval of the concept note underlying a PPF request represented the main bottleneck.
- A simplified PPF funding modality. This modality, introduced in 2020, allows AEs requesting up to USD 300,000 in funding to use a shorter template that requires less information.
- A PPF service modality. Also introduced in 2020, this modality allows AEs to get project preparation services directly from the Secretariat through of roster of independent consultancy firms instead of managing a PPF grant and hiring the expertise themselves. According to Secretariat reporting, as of 31 May 2022, three DAEs have been receiving support through this modality, and another three DAEs have requests currently under Secretariat review.
- Technical assistance. This was made available in 2021 and allows fast and targeted support for AEs to strengthen their proposals.

132. These enhancements appear relevant to the challenges mentioned by DAEs regarding the need to shorten the process, the difficulty of managing the grant themselves and the need to get quick assistance when required. With these improvements, the PPF's role in the GCF toolbox to support direct access will likely be stronger. As mentioned under analysis of RPSP, one dimension that is still unclear is PPF's relative role with RPSP in supporting programming by DAEs.

4. Simplified Approval Process

133. The SAP was approved by the Board at B.18 in October 2017, through decision B.18/06. The objective of the initial SAP Pilot was "to apply best practices to reduce the time and effort needed in the preparation, review, approval and disbursement procedures for proposals of certain activities, in

particular small-scale activities" that promote scalable and transformational actions, in support of the GCF mandate (decision B.18/06, annex X).

134. Decision B.18/06, annex X sets a target for DAEs, stating that "the Secretariat shall take appropriate measures to encourage and provide support to direct access entities to submit projects or programmes under this Pilot Scheme with the aim of ensuring that submissions from such entities constitute at least 50 per cent of all approved projects under the Pilot Scheme."

135. From a relevance point of view, as noted in the independent SAP assessment carried out by the IEU in 2020, "the SAP can serve as an effective mechanism for familiarizing DAEs with the requirements of the GCF and serve as a launching pad for scaling up their capacity to prepare larger projects and achieving higher levels of accreditation" (IEU, 2020a). At this stage, for six out of the eight DAEs that have a SAP project approved, that SAP project is currently their only GCF-financed project. The two others, XacBank and the Environmental Investment Fund, are among the most successful DAEs in terms of getting projects approved, with four projects approved each.

136. In terms of effectiveness, the Secretariat's tracking of the aggregate percentage of approved SAP projects from DAEs following each meeting shows that it has ranged from approximately 33 per cent to approximately 50 per cent, depending on the approvals at the subsequent meeting. To date (B.33), nine DAE projects have been approved through the SAP for a total of USD 80.5 million in GCF funding, while 15 IAE projects have been approved for a total of USD 136.6 million in GCF funding. DAEs therefore represent 37.5 per cent of the total number of approved SAP proposals and 37 per cent of GCF funding committed through SAP proposals, below the 50 per cent target. Although the SAP Pilot has attracted a higher percentage of DAEs than the proposal approval process and has led to some reductions in the burden of document preparation and the time for review, the IEU independent assessment of the GCF's SAP concluded that the SAP had not succeeded in substantially reducing the burden of project preparation, or in appreciably improving the efficiency and effectiveness of the GCF project cycle for these "small" GCF activities (IEU, 2020a). This was confirmed by DAEs in interviews carried out in the course of this synthesis. Thus, SAP is yet to mainstream direct access specific focus.

137. As a result of this assessment, the SAP was updated at B.32, in May 2022, which adopted decision B.32/05, "Update of the Simplified Approval Process". This decision further simplifies the SAP, raises its funding cap from USD 10 million to USD 25 million and reiterates the objective that direct access proposals constitute at least 50 per cent of all approved SAP proposals. It also confirms that the SAP strategy will be addressed as part of the Board's 2022–2023 strategic programming activities.

138. Interviews conducted with DAEs showed that they consider the SAP's objective of simplification as relevant to their needs and have noted efforts from the Secretariat leading to improvements. The availability of clear guidelines and their translation into different languages were particularly noted, although changes in templates were also highlighted as implying difficulties for AEs. This confirms previous findings from the independent SAP assessment on positive feedback from SAP project proponents (IEU, 2020a).

139. The above-mentioned update of the SAP, including further simplification, could potentially allow it to enhance its role as a stepping-stone to GCF programming for less capacitated and/or new DAEs and better fulfil its target that 50 per cent of the projects approved through the SAP should come from DAEs.

5. ENHANCING DIRECT ACCESS

140. At B.10, in July 2015, the Board approved decision B.10/04, which contains the terms of reference to launch an RfP for a pilot phase enhancing direct access to the GCF. The EDA pilot phase's objective is to allow for the effective operationalization of modalities that have the potential to improve access to the GCF for subnational, regional, public and private entities. This includes decision-making devolved to such entities (once accredited) and stronger local multi-stakeholder engagement. This RfP is the only GCF process exclusively targeted at DAEs.

141. Decision B.10/04 allocated an initial envelope of USD 200 million for at least 10 pilots, including at least 4 pilots to be implemented in SIDS, LDCs and African States.

142. The IEU's rapid assessment of the GCF's RfP modality, carried out in 2021, found that the EDA RfP was relevant to the GCF's objectives of strengthening country ownership and enhancing direct access but was not effective in improving the accessibility of the GCF for national entities. In fact, only three projects (FP024, FP061 and FP169) have been approved to date (B.33) under the EDA RfP since its launch, amounting to a total of USD 46.6 million, or less than 25 per cent of the total envelope.

143. The Secretariat and the IEU rapid assessment of the RfP modality identified potential factors that can contribute to explaining the low demand for the EDA pilot:

- The EDA pilot was developed and launched at an early stage in GCF operationalization, when there was limited experience in GCF modalities and processes.
- The initial terms of reference of the EDA pilot phase might not have provided an optimal level of guidance to potential project proponents.
- The AEs that can present EDA FPs to the Board are required to be DAEs with specialized accreditation functions for intermediation (grant award and/or funding allocation mechanisms and/or on-lending/blending), which represents a limited pool of AEs, although it is growing.
- The IEU rapid appraisal identified accreditation as a key issue that limits, in practice, which entities can utilize the RfPs. The rapid appraisal stated that the accreditation model, as currently implemented, is not suitable for the RfPs, whose objective is to bring new organizations to partner with the GCF.
- The RfP is too passive and reactive, waiting for the few eligible DAEs to apply instead of proactively reaching out to DAEs to understand their needs and capacity gaps and provide the necessary support for them to be able to apply.

144. The Secretariat has taken steps to address these issues by (1) setting up a partially EDA-devoted team within the Division of Country Programming, although its staffing remains a challenge; (2) producing guidelines for the development of EDA projects in consultation with stakeholders; and (3) promoting EDA and these guidelines (GCF/B.28/Inf.08/Add.03). The Secretariat is also working on building a partnership with the Adaptation Fund to create complementarity among the EDA initiatives of the two funds.

145. The Secretariat organized virtual outreach events and consultations on EDA with the GCF DAEs, NDAs and other stakeholders involved with country-owned and locally led climate action. These events and consultations confirmed EDA's potential benefits for enhancing country ownership and direct access by devolving decision-making and suggested further simplification, capacity-building and guidance to enhance access to it (GCF/B.28/Inf.08/Add.03).

146. Interviews have shown that there is an interest within the Secretariat for a renewed EDA, highlighting the high long-term impact potential and clear ToC of the EDA model. Interviewees also highlighted that they perceive a growing interest from GCF partners.

147. Numerous interviewees in the Secretariat as well as in countries have highlighted the importance of providing GCF funding to ongoing national initiatives and regional initiatives, such as locally led adaptation basket programmes funded by national governments and other donors. Supporting locally led climate action is one of the main objectives of the EDA pilot; however, given the limited uptake of EDA and the passive approach taken on the modality, in addition to bottlenecks created by accreditation in ensuring a wide enough pool of entities for undertaking this programming, such collaboration with ongoing initiatives has not materialized. To that extent it is a missed opportunity for the EDA pilot. Such kinds of collaboration could have potentially enhanced the GCF's complementarity and coherence with other donors and contributed more directly to national and local priorities.

6. Knowledge-sharing tools and advisory inputs

148. Knowledge management and advisory regarding direct access will be looked at from two perspectives. The first is knowledge management between the GCF and its AEs, specifically the GCF's performance in communicating with DAEs on its expectations for access to its resources. The second is the GCF's role in promoting communication and knowledge management between different AEs.

149. In numerous interviews with DAEs, one of the main gaps identified was the GCF's lack of knowledge management and communication of what it expects to see in the accreditation applications, concept notes and FPs submitted to it. Often, checklists are provided to DAEs and potential DAEs without much context or other guidance. GCF involvement in such communication and knowledge management is seen as reactive, with communication taking place once the concept notes and FPs have been submitted. This approach is seen as entailing very heavy transaction costs for the DAEs and potential DAEs. DAEs and pipeline DAEs have sought a more proactive approach from the GCF in communicating its expectations at different stages.

150. On the other hand, in terms of facilitating knowledge management between different AEs, the GCF's practice of undertaking regional structured dialogues was widely appreciated as being a good practice. These dialogues, especially when they were undertaken in person before the COVID-19 pandemic, were found to be a platform for the exchange of best practices between DAEs, the cross-fertilization of ideas and the troubleshooting of programming bottlenecks in person by the GCF and DAEs. The utility of regional structured dialogues in their different iterations was uniformly acknowledged in interviews with DAEs.

151. A Community of Practice of Direct Access Entities (CPDAE) for Adaptation Fund NIEs and GCF DAEs was created in 2019 in order to build a network of DAEs that can share knowledge and practices. It is also part of broader efforts to enhance the complementarity and coherence between the GCF and the Adaptation Fund. It is led and driven by its members and supported by the Adaptation Fund and GCF secretariats. A readiness grant implemented by *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) aims at strengthening the CPDAE at an institutional level as well as its 30 members' capacity to access climate finance and implement adaptation and mitigation programmes and projects (GCF, 2021b). This will be done by strengthening the CPDAE governance framework and communication and outreach mechanisms, building the capacity of CPDAE members on various technical issues and improving the understanding of CPDAE members of the reaccreditation/accreditation upgrade processes. This readiness grant will also support the

preparation of a pipeline of projects for CPDAE members and/or the improvement of existing concept notes, in coordination with their respective NDAs, and the design of adequate knowledge and lesson-sharing materials for CPDAE members to better perform their duties as DAEs and NIEs.

Chapter 6. PORTFOLIO POSITIONING AND INTERACTIONS OF DAES AND IAES

KEY CONCLUSIONS

- Knowledge management and advisory regarding direct access will be looked at from two perspectives. The first is knowledge management between the GCF and its AEs, specifically the GCF's performance in communicating with DAEs on its expectations for access to its resources. The second is the GCF's role in promoting communication and knowledge management between different AEs.
- In numerous interviews with DAEs, one of the main gaps identified was the GCF's lack of knowledge management and communication of what it expects to see in the accreditation applications, concept notes and FPs submitted to it. Often, checklists are provided to DAEs and potential DAEs without much context or other guidance. GCF involvement in such communication and knowledge management is seen as reactive, with communication taking place once the concept notes and FPs have been submitted. This approach is seen as entailing very heavy transaction costs for the DAEs and potential DAEs. DAEs and pipeline DAEs have sought a more proactive approach from the GCF in communicating its expectations at different stages.
- On the other hand, in terms of facilitating knowledge management between different AEs, the GCF's practice of undertaking regional structured dialogues was widely appreciated as being a good practice. These dialogues, especially when they were undertaken in person before the COVID-19 pandemic, were found to be a platform for the exchange of best practices between DAEs, the cross-fertilization of ideas and the troubleshooting of programming bottlenecks in person by the GCF and DAEs. The utility of regional structured dialogues in their different iterations was uniformly acknowledged in interviews with DAEs.
- A CPDAE for Adaptation Fund NIEs and GCF DAEs was created in 2019 in order to build a network of DAEs that can share knowledge and practices. It is also part of broader efforts to enhance the complementarity and coherence between the GCF and the Adaptation Fund. It is led and driven by its members and supported by the Adaptation Fund and GCF secretariats. A readiness grant implemented by GIZ aims at strengthening the CPDAE at an institutional level as well as its 30 members' capacity to access climate finance and implement adaptation and mitigation programmes and projects (GCF, 2021b). This will be done by strengthening the CPDAE governance framework and communication and outreach mechanisms, building the capacity of CPDAE members on various technical issues and improving the understanding of CPDAE members of the reaccreditation/accreditation upgrade processes. This readiness grant will also support the preparation of a pipeline of projects for CPDAE members and/or the improvement of existing concept notes, in coordination with their respective NDAs, and the design of adequate knowledge and lesson-sharing materials for CPDAE members to better perform their duties as DAEs and NIEs.

KEY FINDINGS

- Regional DAEs have the largest projects of all access modalities, with an average size of USD 68.7 million and a median size of USD 59.9 million. The average size of IAEs' projects is USD 54.9 million, and their median size is USD 29.9 million. National DAEs have the smallest projects, with an average size of USD 32.8 million and a median size of USD 10 million.

- The rDAEs' portfolio has the biggest share of multi-country projects, more than the IAEs' portfolio in terms of number of projects and slightly less in terms of share of their portfolio financing size (37 per cent for rDAEs versus 42 per cent for IAEs). Unsurprisingly, nDAEs rarely pursue multi-country projects (there is one project, representing 2 per cent of their total portfolio financing).
- DAEs access more loans than IAEs, especially rDAEs and financial institution DAEs, which represent the majority of DAE programming with the GCF. This is partially because UN institutions, which constitute a large share of the IAEs' project portfolio, can only access grants.
- Differences in projects' sectors (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.
- DAEs have a lower co-financing ratio than IAEs. National DAEs have the lowest co-financing ratio overall but leverage more domestic co-finance, including from national governments, than other AEs. DAEs are also projected to leverage more co-finance from the private sector than IAEs.
- Ex ante assessment of FPs by the independent Technical Advisory Panel (iTAP) and GCF Secretariat only shows minor differences between access modalities.
- The data do not show important differences in how DAEs include gender considerations and involve stakeholders, including indigenous peoples, compared to IAEs. DAEs tend to provide slightly more detailed information than IAEs on their gender-sensitive approaches in their FPs, while IAEs report engaging formally and informally with stakeholders slightly more than DAEs. National DAEs report slightly more engagement with NDAs, PSOs and local communities than other AE types, and IAEs report slightly more engagement with CSOs, NGOs and international NGOs.
- Out of 149 IAE projects as of B.33, only 22 (15 per cent) had an accredited or applicant DAE as EE, while 28 projects (19 per cent) used an EE that is part of the same entity that houses the NDA. IAEs' reaccreditation assessments show that the capacity-building of DAEs is not systematic and in most cases not directly linked to supporting accreditation to the GCF. The main reasons for the low level of support from IAEs to DAEs include that (1) IAEs are driven by their own priorities and procedures, (2) there are no dedicated resources for this purpose, and (3) IAEs usually collaborate with already capacitated EEs.
- DAEs report institutional and reputational benefits of being accredited by the GCF. However, this positive impact does not directly translate into capacity to design and implement GCF projects, which questions the relevance and efficiency of the support received at accreditation.
- The effect of GCF accreditation on entities' portfolios is ambivalent: it generally supports a pre-existing decision from the DAEs to green their portfolio.

A. Introduction

152. This chapter examines the characteristics of the DAEs' project portfolio (scale, use of multi-country projects, financial instruments, co-financing and stakeholder engagement) with a comparative perspective on its positioning vis-à-vis the IAEs' portfolio and within different types of DAEs. It also seeks to understand the extent to which IAEs interact with DAEs in a way that builds DAE capacities, especially by involving them in their projects as EEs (known as "twinning"). Finally, this chapter touches upon the impact being a GCF AE has on DAEs.

153. This chapter draws on previous IEU evaluations – in particular, the independent synthesis of the accreditation function – an extensive portfolio analysis carried out by the IEU DataLab, complementary analysis of relevant data sets such as the project portfolio data sets, the four deep dives carried out in the context of this synthesis, a focus group with DAEs and further interviews. For the capacity-building and twinning examination, a specific database was built that relied on the information available in FPs and funded activity agreements (FAAs) in order to identify projects' EEs. Institutional reporting produced by IAEs, as summarized in reaccreditation assessments published by the Secretariat, and interviews with selected IAEs were used to expand the evidence base and triangulate results.

B. Data and analysis

1. Portfolio positioning of DAEs versus IAEs

a. Scale of projects

154. As detailed in Table 6-1, the mean and median GCF funding size of DAE projects is slightly smaller than for IAE projects. However, when disaggregating between rDAEs and nDAEs, it appears that the mean and median sizes of rDAE projects are bigger than those of IAEs, whereas nDAE projects are much smaller, with a median size of USD 10 million (versus USD 29.9 million for IAEs and USD 39 million for rDAEs). This is consistent with the fact that more than USD 1 billion of the rDAE portfolio of USD 1.3 billion comes from 12 projects pertaining to three entities: BOAD, CABEI and CAF.

Table 6-1. Size of funding by modality

	Mean funding size (in million USD)	Median funding size (in million USD)
IAE (n=152)	54.9	29.9
DAE (n=44)	47.5	27.1
nDAEs (n=26)	32.8	10
rDAEs (n=18)	68.7	59.9

Source: iPMS data, as of B.33, analysis by the IEU DataLab.
Note: Project allocation is based on AE modality at the time of project approval.

b. Use of multi-country projects

155. As detailed in Table 6-2, multi-country projects represent a smaller share of the DAE portfolio compared to the IAE portfolio. However, there is an important difference between rDAEs and nDAEs: multi-country projects represent a higher share in the rDAE and IAE portfolios (38 per cent

of the number of projects for rDAEs versus 20 per cent for IAEs, and 37 per cent of GCF funding for rDAEs versus 4 per cent for IAEs), whereas, unsurprisingly, nDAEs do not use multi-country projects, bar one exception (an EDA project under implementation by the Department of Environment of Antigua and Barbuda that also covers Dominica and Grenada). This is important because multi-country projects have been associated with lower country ownership (IEU, 2019b; Reyes and Schalatek, 2022), which has also been highlighted in interviews carried out for this synthesis.

156. Interviews with CSOs, potential DAEs and NDAs revealed that while these actors are aware that the GCF assures that the potential existence of multi-country projects in a country does not impact the approval of a DAE project or, at least, a single-country project, they hold the perception that countries included in numerous multi-country projects operations, at least as stated in respective FPs, are penalized in accessing single-country projects.

Table 6-2. Proportion of multi-country projects by access modality and region

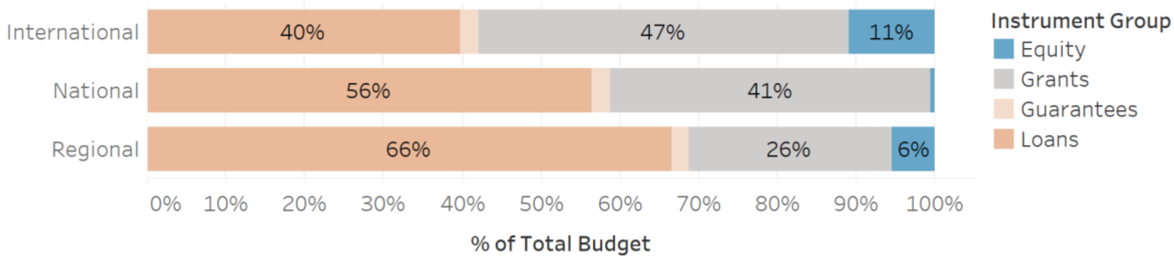
		Number of projects			GCF financing		
		Portfolio	# of multi-country projects	% of multi-country projects in the portfolio	Multi-country GCF financing	Total GCF financing	% of GCF financing towards multi-country projects
IAE	**Total**	153	31	20%	**3,821,068,623**	**8,595,125,750**	44%
	Africa	62	23	37%	1,876,712,794	3,082,655,238	61%
	LDCs	66	22	33%	1,060,590,329	2,315,488,734	46%
	SIDS	38	15	39%	443,678,791	1,099,665,749	40%
DAE	**Total**	47	9	19%	**426,654,980**	**2,074,397,851**	21%
	Africa	19	5	26%	116,854,980	620,866,268	19%
	LDCs	15	5	33%	66,805,980	671,583,628	10%
	SIDS	10	4	40%	57,349,101	165,942,517	35%
nDAE	**Total**	26	1	4%	**20,000,000**	**851,826,759**	2%
	Africa	10		0%		271,930,404	0%
	LDCs	7		0%		472,696,765	0%
	SIDS	3	1	33%	20,000,000	57,706,595	35%
rDAE	**Total**	21	8	38%	**487,654,980**	**1,303,571,092**	37%
	Africa	9	5	56%	197,854,980	429,935,863	46%
	LDCs	8	5	63%	97,145,980	229,226,863	42%
	SIDS	7	3	43%	37,349,101	108,235,922	35%

Source: iPMS data, as of B.33, analysis by the IEU DataLab.
Note: Project allocation is based on AE modality at the time of project approval.

c. Financial instruments used

157. As illustrated in Figure 6-1, DAEs rely quasi exclusively on loans and grants, while IAEs also utilize equity and guarantees, although these instruments are rarely used in the GCF across all AEs. DAEs channel proportionally more loans than IAEs; this is especially the case for rDAEs, for which loans represent 66 per cent of their portfolio, against 56 per cent for nDAEs and 40 per cent for IAEs. IAEs get around 47 per cent of their financing as grants, nDAEs get 41 per cent of their financing from grants and rDAEs get 26 per cent of their financing as grants. Overall, rDAEs and nDAEs combined get 32 per cent of their financing in the form of grants. The composition of the GCF portfolio affects the percentage of grant funding for IAEs, because the UN agencies, which account for a significant share of GCF projects, can only handle grants.

Figure 6-1. Share of financial instruments in the nDAE, rDAE and IAE portfolios

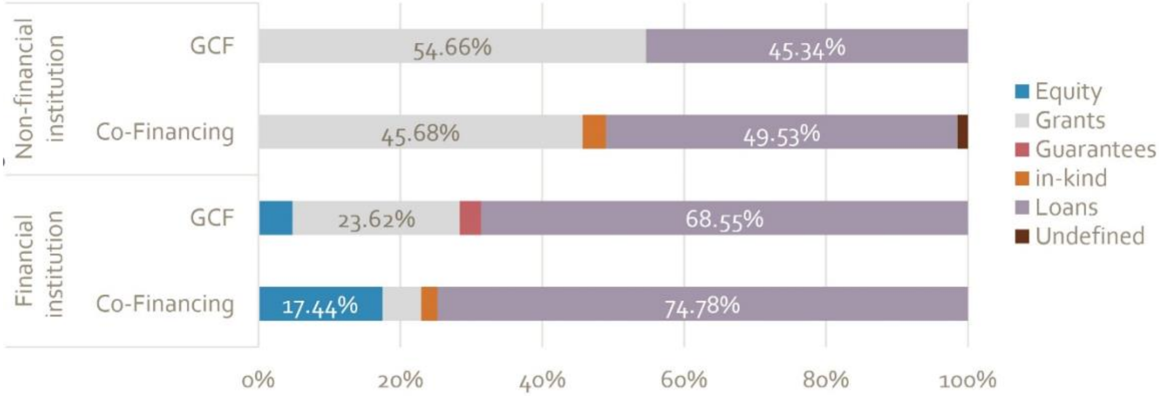


Source: iPMS data, as of B.33, analysis by the IEU DataLab.
Note: Project allocation is based on AE modality at the time of project approval.

158. Financial and non-financial institutions within the DAE portfolio channel about the same volume of grants to countries in absolute value (USD 301 million and USD 382 million, respectively), but there is an important difference in the share these instruments represent in the total funding received by each type of institution (Figure 6-2). Grants constitute 55 per cent of non-financial institutions' GCF finance versus 24 per cent for financial institutions. The share of grants in financial institutions' financing envelope would go down further if environmental funds were not considered in the same category as banks, given that entities such as the Environmental Investment Fund, in Namibia, and Profonanpe, in Peru, have programmed with the GCF entirely through grants.

159. Non-financial institutions use solely grants and loans for GCF-funded activities, and the Infrastructure Development Company Limited represents the majority of the loans taken on by non-financial institutions. Financial institution DAEs use equity but secure it mostly from co-financers (3.6 times more than from the GCF). Thus, the higher usage of loans by DAEs compared to IAEs comes from the predominance of financial institutions in the portfolio. Financial institutions usually undertake "bankable projects" and often have a mandate that does not allow re-granting, and hence mostly use non-grant instruments.

Figure 6-2. Share of financing and co-financing by financial instruments used by DAE types



Source: iPMS data, as of B.33, analysis by the IEU DataLab.
Note: Project allocation is based on AE modality at the time of project approval.

d. Sectors

160. There is no clear difference between the three categories of AEs regarding adaptation and mitigation. Basically, the distribution among sectors is the same. It is the same within the adaptation subsectors. Within the subsectors for mitigation, rDAEs have a larger representation in energy access and transport sectors, and nDAEs have a larger representation in buildings/cities. In terms of share of their total portfolio, nDAEs focus on adaptation at a marginally higher level, with 41 per cent of their total portfolio financing dedicated to the four adaptation result areas, versus 38 per cent for IAEs and 32 per cent for rDAEs (Table 6-3). In contrast, rDAEs focused most on mitigation (67 per cent of their total GCF portfolio). In absolute value, however, due to the number and size of IAE projects compared to those of DAEs, IAEs represent the most financing by far in all areas, with USD 1.881 billion for adaptation projects versus USD 560 million for DAEs (rDAEs and nDAEs combined); USD 2.962 billion for cross-cutting projects versus USD 341 million for DAEs; and USD 3.494 billion for mitigation projects versus USD 1.322 billion for DAEs.

Table 6-3. Percentage of portfolio/result area by access modality (number of projects)

	IAEs	rDAEs	nDAEs
Total GCF financing	**100%**	**100%**	**100%**
Adaptation result area	**38%**	**32%**	**41%**
Health, food and water security	10%	7%	13%
Livelihoods of people and communities	13%	14%	17%
Ecosystems and ecosystem services	7%	9%	5%
Infrastructure and built environment	8%	2%	6%
Mitigation result area	**62%**	**67%**	**59%**
Energy generation and access	27%	32%	16%
Transport	7%	23%	0%
Forests and land use	15%	8%	5%
Buildings, cities, industries and appliances	13%	4%	38%

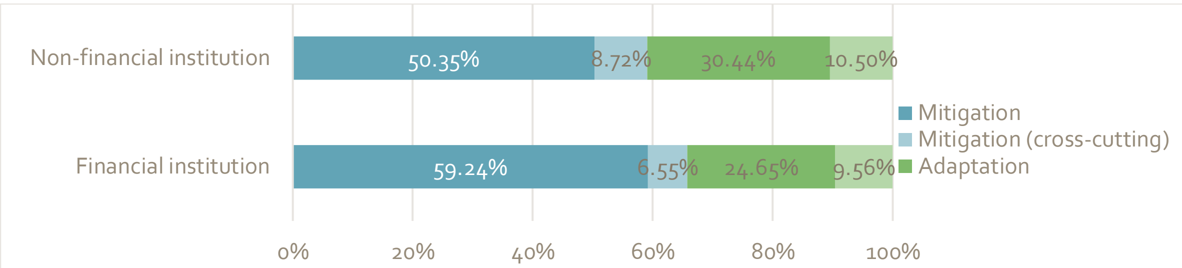
Source: iPMS data, as of B.33, analysis by the IEU DataLab.

161. The current portfolio shows that the difference in thematic focus is less between IAEs and DAEs than between sub-categories of institutions within each access modality (Figure 6-3). Financial institution DAEs compete with IAEs that are MDBs, asset managers, private equity and UN agencies (especially REDD+ projects) in the mitigation space, and IAEs that are UN agencies (non-REDD+ projects) and international NGOs compete in the adaptation space with non-financial institution DAEs.

162. In the IAE portfolio, 64 out of 149 projects are tagged as adaptation only. Of these, 44 projects come from UN agencies and international NGOs alone. In the DAE portfolio of 47 DAE projects, 19 projects are tagged as adaptation only. Of these 19 projects, 13 come from non-financial institution/mechanism DAEs. This number would be higher if environmental funds were also considered alongside non-financial institution DAEs.

163. Of the 149 IAE projects, 44 are tagged as mitigation only. Of these, 28 projects pertain to MDBs, bilateral institutions, asset managers, commercial banks and private equity funds; 15 projects belong to UN agencies (REDD+ projects); and 1 project belongs to an international NGO. Of the 47 DAE projects, 18 are tagged as mitigation only, and of these 18 projects, 16 are from financial institutions. Thus, among both DAEs and IAEs certain kinds of institutions come with comparative advantages and stronger interest in undertaking certain kinds of projects.

Figure 6-3. Share of finance by sector by organization type DAE only (financial and non-financial)



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

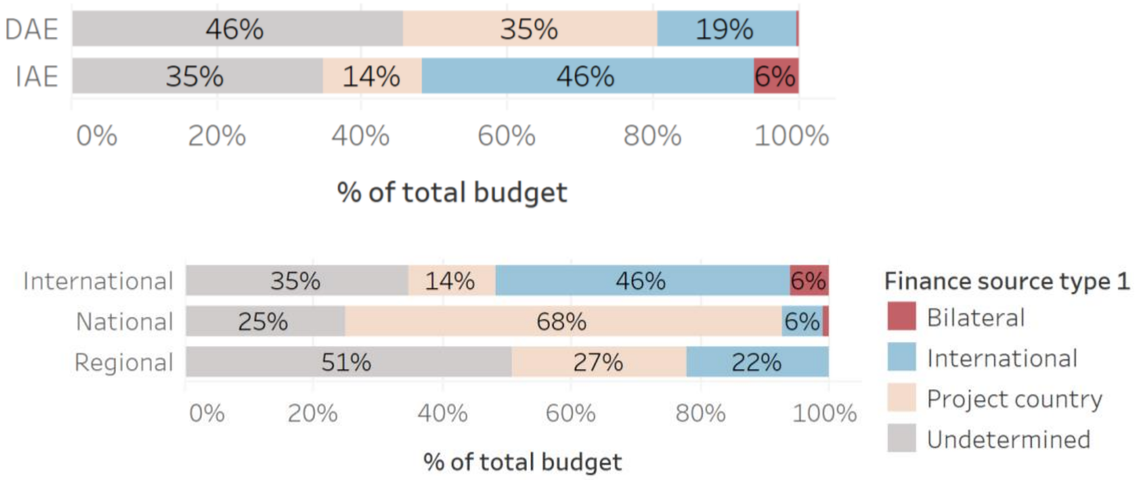
e. Co-financing and engagement of different players

164. One of the GCF's roles is to crowd in financing from a wide variety of institutions. One of the ways such crowding in is achieved is through co-financing. About 87 per cent of total co-finance in the GCF portfolio is projected to be mobilized though IAE projects, with a rough parity between single-country (USD 12.1 billion) and multi-country projects (USD 12.8 billion). This is understandable given the large share of IAEs compared to DAEs in the GCF portfolio. Within the DAE portfolio, rDAEs are projected to mobilize 10.5 per cent of the total GCF portfolio co-financing, mostly through single-country projects (USD 2.5 billion for single-country projects against USD 0.5 billion for multi-country projects). National DAEs are projected to mobilize 2.4 per cent of the total co-finance with nearly all of it being for single-country projects.

165. In terms of co-financing ratio, IAEs leverage the highest ratio of projected co-finance, USD 2.2 for every USD 1 of financing from the GCF. Regional DAEs have the next biggest co-financing ratio, with USD 1.4 mobilized for every USD 1 of financing from the GCF. National DAEs have the smallest co-financing ratio, at USD 0.9 mobilized for every USD 1 financed by the GCF. Here, it should be noted that a major assumption being made is that all co-financing envisaged at the FP stage will materialize.

166. In terms of origination of projected co-finance on GCF projects, IAEs rely mainly on international sources (47 per cent), and DAEs rely mainly on co-finance from the project country (35 per cent) (Figure 6-4). Between nDAEs and rDAEs, the main difference in projected co-finance origin is that over half of nDAEs' co-finance is expected to come from the project country, whereas for rDAEs only 27 per cent is expected to come from the project country. The origin of co-finance is not specified for 34 per cent of IAE project co-financing, for 25 per cent of nDAE project co-financing, and for 50 per cent of rDAE project co-financing. Thus, nDAEs, followed by rDAEs, seem to be most successful in mobilizing and crowding in local-level actors. This also validates the contention made in interviews with DAEs and potential DAEs that funding channelled through them will likely mobilize higher financing and engagement from other local actors. In addition to the geographic origin of the co-financing, the composition of the actors contributing to this co-financing is also important.

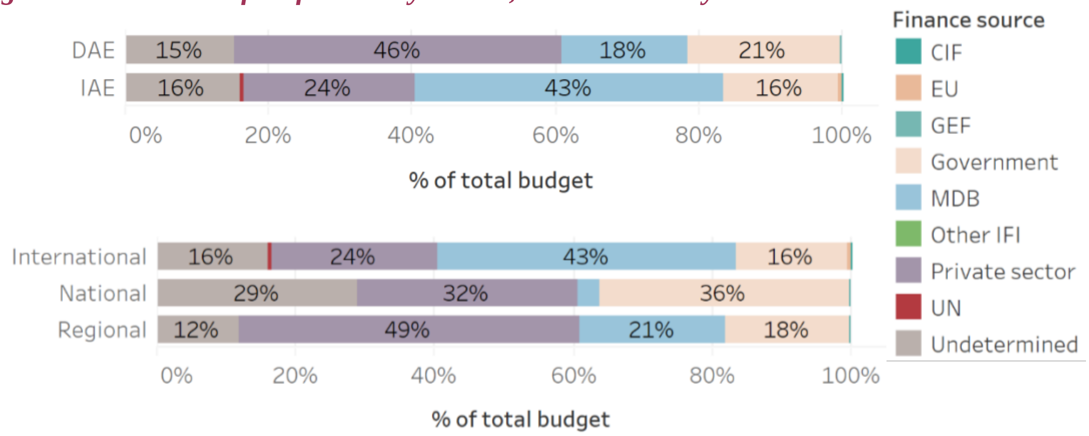
Figure 6-4. Share of flows by origin, broken down by access modality



Source: Co-financer data, as of B.33, analysis by the IEU DataLab.
Note: Project allocation is based on AE modality at the time of project approval.

167. The composition of the sources of co-financing IAE and DAE projects differs. For example, IAEs have a large share of co-finance coming from MDBs (45 per cent) in comparison to DAEs (17 per cent) (Figure 6-5). Almost half of DAEs' projected project co-finance comes from the private sector (46 per cent), noting that rDAEs are projected to leverage 49 per cent of co-finance from private sector, whereas this share is 32 per cent for nDAEs. DAEs also attract a higher share of projected co-financing from governments (21.35 per cent) as compared to IAEs (15.31 per cent of co-financing). This is especially true of nDAEs (36 per cent). About 29 per cent of co-finance of nDAEs is projected to come from sources that are not determined at the stage of FP approval. For IAEs, undetermined sources of co-finance constitute 16 per cent of overall volume, and for rDAEs about 12 per cent.

Figure 6-5. Share of co-finance by source, broken down by access modalí



Source: Co-financer data, as of B.33, analysis by the IEU DataLab.
Note: Project allocation is based on AE modality at the time of project approval.

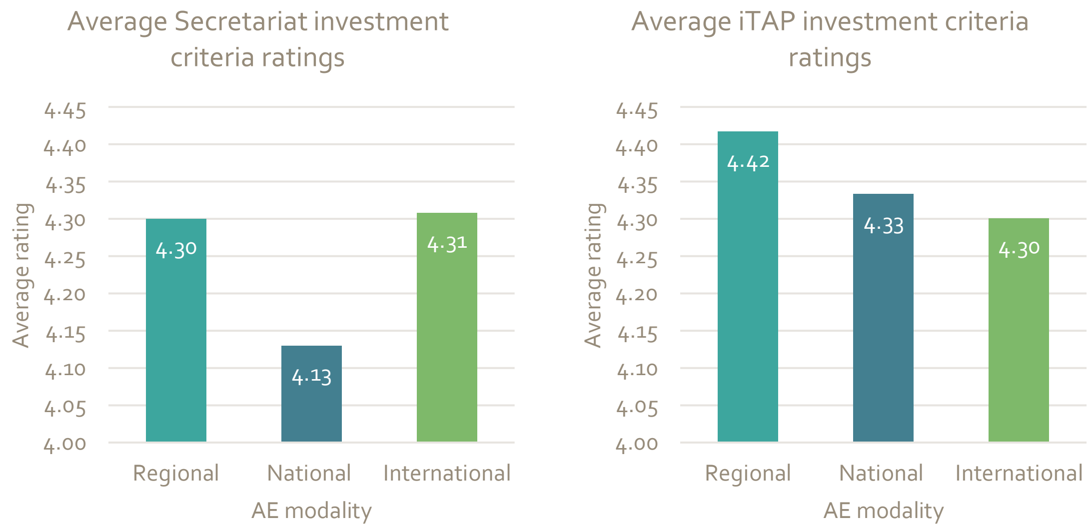
168. In terms of portfolio positioning, DAEs seem to be well suited for private sector engagement, given the predominance of financial institutions. The private sector involvement in DAE programming can be deduced through two pieces of evidence. The first is the private sector's co-financing of GCF FPs, which is 32 per cent for nDAEs and 49 per cent for rDAEs, the highest share of co-financing from the private sector across access modalities. However, the predominant share of this private sector co-financing in rDAE projects comes from one CABEI project on transportation in Costa Rica (USD 1.1 billion).

169. The second piece of evidence is the indirect engagement of DAEs with the private sector. The prominent DAEs are banks, and there are other bank DAEs with projects in the pipeline. These institutions build their own pipelines to advance the GCF's senior loans onwards as subordinate loans. Through numerous interviews, it can be deduced that most of these borrowers are local market actors (local private sector). Thus, GCF FPs involve engagement with the private sector even beyond the immediate visibility of the GCF's processes and capturing by GCF databases. This engagement is driven by the heavy representation of financial institutions in the GCF's DAE portfolio. Thus, the heavy representation of financial institutions in the DAE portfolio makes it positively disposed to direct and indirect private sector participation.

f. Assessment of Secretariat and iTAP

170. There is little difference between the ratings by the Secretariat and iTAP for the different AE categories (Figure 6-6). As concluded by the IEU in the FPR, the investment criteria ratings are very high, above 4 for most projects. This can be linked with the findings that the DAEs that are able to programme with the GCF, which are a minority of DAEs, are able to produce FPs that garner nearly similar ex ante ratings as those of the IAEs, which results in only marginal differences between DAE and IAE projects in the Secretariat's and iTAP's expectations of performance. This trend carries over into implementation, as demonstrated in Chapter 7.

Figure 6-6. Secretariat (left) and iTAP (right) average assessment of investment criteria by access modality



Source: iTAP assessment and Secretariat assessment data set as of B.33, analysis by the IEU DataLab.
Note: The figure presents data for 141 approved projects through 117 international entities, 9 national entities and 15 regional entities for Secretariat assessment, and 147 approved projects through 120 international entities, 11 national entities and 16 regional entities for iTAP assessment.

g. Inclusion of gender aspects, stakeholders' engagement and country ownership

171. The GCF is the first climate finance mechanism to mainstream gender perspectives from the outset of its operations, with an initial Gender Policy adopted in 2015 and an Updated Gender Policy adopted in 2019 (decision B.24/12, annex XXIII). The Updated Gender Policy took the GCF from gender sensitive to gender responsive, with a focus on gender transformative action and gender mainstreaming.

172. The GCF also has an Indigenous Peoples Policy, which provides a structure for ensuring that activities of the GCF are developed and implemented in a way that fosters full respect, promotion and safeguarding of indigenous peoples so that they 1) benefit from GCF activities and projects in a culturally appropriate manner; and (2) do not suffer harm or adverse effects from the design and implementation of GCF-financed activities (decision B.19/11, annex XI).

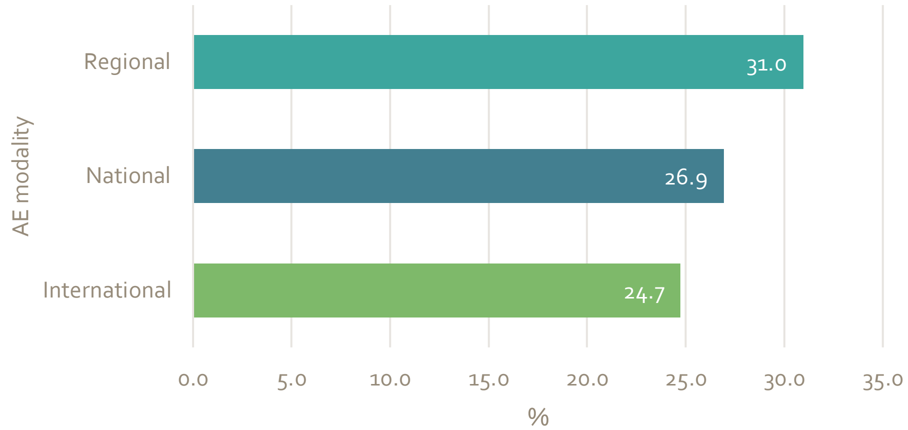
173. Both policies apply to all AEs and FPs, and AEs – particularly DAEs – may request readiness and preparatory support from the GCF to enhance their capacity to implement them.

174. The only data available in machine-readable format (and that can thereby readily be aggregated at the portfolio level) to assess the attention given to gender and the involvement of stakeholders, including indigenous peoples, is the information given by AEs in their FPs, which is captured in an IEU data set. Annual performance reports (APRs) do contain relevant sections on gender and ESS, but the fact that these are not machine readable nor aggregated in any manner means it was not possible to use them in the scope of this synthesis. The following section is therefore based on FP information as captured in the IEU database only.

175. As illustrated in Figure 6-7 below, more projects from DAEs tend to provide detailed information on gender-sensitive approaches in their FPs than IAE projects. However, the differences are marginal. It appears that most GCF projects, across access modalities, do not outline gender-sensitive

approaches. Beyond the information available in FPs, there are no data at the portfolio level that track the number of women beneficiaries targeted and their proportion of total beneficiaries, nor data that track the level of focus of projects on gender (as is the case in development projects with Rio markers).

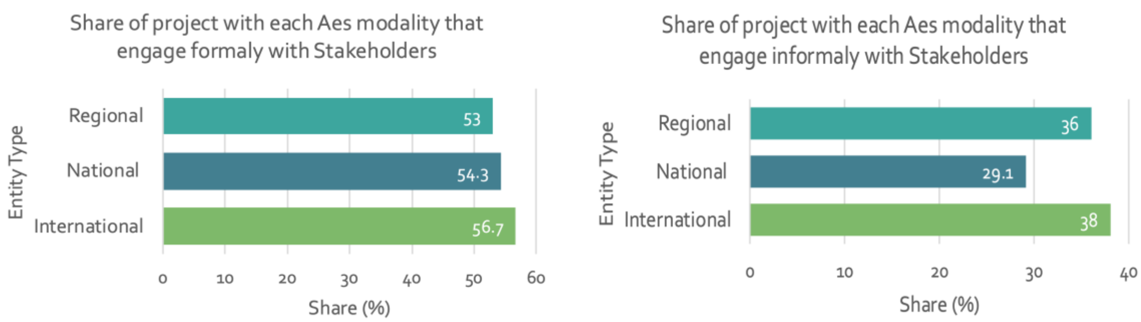
Figure 6-7. Share of projects providing detailed information on gender-sensitive approach by access modality



Source: Sustainable development potential data set the end of July 2022, analysed by the IEU DataLab.
Note: The figure uses data for 200 approved projects through 153 international entities, 26 national entities and 21 regional entities. The different categories of gender-sensitive approaches mentioned in the FP are female-headed business owner/role of women in small business development; female-headed household access to electricity; improve access to finance for women (and economic opportunities); gender-specific target in jobs created; supported women participation in technical aspect and implementation of the project; and bringing women into leadership roles in decision-making.

176. Regarding engagement with stakeholders, IAE projects most often report engaging formally and informally with stakeholders, although the difference in formal engagement is relatively marginal (57 per cent of IAE projects, 54 per cent of nDAE projects and 53 per cent of rDAEs projects).

Figure 6-8. Share of projects engaging formally (right) and informally (left)



Source: Country Ownership-Investment criteria dataset, as of 20 July 2022, analysed by the IEU DataLab.
Note: The figure uses data for 200 approved projects: 153 through IAEs, 26 through nDAEs and 21 rDAEs.

177. A closer look at the type of stakeholders that different types of AEs engage with formally and informally shows that there are no major differences across access modalities. It still appears that nDAEs engage formally slightly more with NDAs, PSOs and local communities than other AE types, whereas IAEs seem to engage informally slightly more with CSOs, NGOs and international NGOs.

178. Thus, fundamentally, IAEs and DAEs do not differ in their engagement with different stakeholders. This lack of difference is also reflected in an analysis of ex-ante ratings of both the Secretariat and iTAP on country ownership for IAEs and DAEs, which are identical. On the other hand, as seen earlier in this chapter, DAEs do seem to mobilize a good level of private sector and government co-financing. Thus, the current evidence base alone is inconclusive in establishing a direct link between direct access and country ownership. This is likely because country ownership requires meeting numerous other preconditions besides a DAE project.

h. Direct access and country priorities

179. From the analysis this far, certain institutions bring comparative advantages to engage in specific sectors, with specific partners and engage in specific thematic areas. As an example, financial institutions are found to be better placed to engage with private sector and in mitigation. In interviews with numerous DAEs, civil society actors and national authorities, including NDAs, demand for adaptation projects and community-oriented projects has been prominently expressed. However, the synthesis found no systematic effort to identify such needs and priorities at the national level and match them to direct access partners with capacity and mandate to fulfil such priorities and pathways for them to access GCF funding, including mechanisms beyond institutional accreditation (see more in Chapter 2Chapter 4). Interviews of DAEs and national authorities, including NDAs, and experiences from implementation of EDA show that institutional accreditation is the significant barrier in ensuring need based and rapid linkage of direct access to country priorities given the high transaction costs of getting accredited to GCF. The approach to direct access has been ad hoc with no organic link to meeting country priorities. There has been little evidence of systematic use of country programmes in ensuring direct access.

2. Capacity-building by IAEs to DAEs

180. This section seeks to assess whether projects implemented by IAEs contribute to building national capacity and facilitating direct access.

181. In decision B.08/03 the Board recommended that

> *"International entities who apply for fast-track propose, as an important additional consideration of their fast-track accreditation application, how they intend to strengthen capacities of or otherwise support potential subnational, national and regional implementing entities and intermediaries to meet, at the earliest opportunity, the accreditation requirements of the Fund in order to enhance country ownership."*

182. Further strengthening this recommendation, in decision B.10/06, the Board also decided that all IAEs shall indicate how they intend to strengthen the capacities of, or otherwise support, potential subnational, national and regional entities to meet the accreditation requirements, and annually report on these actions.

183. Despite the requirement of the Board, the IEU's Evaluation of the GCF's Country Ownership Approach did not find conclusive evidence for systematic support by IAEs to DAEs. It found that

some IAEs do support DAEs through trainings, expertise-sharing and pipeline support; however, this is not done systematically by all IAEs, and when it is done it is often not related to the GCF (IEU, 2019b). The evaluation identified that there is an opportunity for the GCF to better support nDAEs by encouraging twinning (or co-development/co-implementation) as an opportunity to build the capacity of applicant or accredited DAEs, and to make IAE investments more country led and more embedded in country systems. The evaluation proposed that this could be in the form of IAEs having nominated DAEs as EEs. In its management response to that evaluation, the Secretariat has confirmed that it is encouraging IAEs to partner with DAEs (GCF/B.27/12/Add.01).

184. Since the IEU's country ownership evaluation, the reaccreditation process has been approved by the Board, and decision B.24/13, annex XXVI, confirmed that the scope of the reaccreditation process includes "*for international access entities, reports on their support to direct access entities to strengthen capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of GCF in order to enhance country ownership.*"

185. Since this decision, as of B.33, six IAE reaccreditations have taken place.[31] The reaccreditation assessments of three of these IAEs have stated that the IAE's engagement in capacity-building for DAEs does not take place in a targeted and intentional manner. The reaccreditation assessments for the Asian Development Bank and the European Bank for Reconstruction and Development found that there is limited targeted support for GCF DAEs and that their capacity-building support forms part of their general efforts towards their constituents, and in most cases is not directly linked to supporting accreditation to the GCF by local, national and regional entities (GCF/B.33/09/Add.01). UNDP's reaccreditation assessment follows similar lines, as it states that

> UNDP has not effectively used its portfolio with GCF to empower GCF direct access entities (DAEs). The majority of approved projects by UNDP either have government Ministries as executing entities or UNDP itself acts in that capacity. In future, it is recommended that the AE consider working with DAEs in countries where the DAEs accredited to GCF are present and appropriate for the role of executing entity with a view to strengthening the capacity of such DAEs

GCF/B.30/03, annex VI, para. 31

186. The other three IAEs' assessments have indicated some engagement with DAEs:

a) The International Union for Conservation of Nature's reaccreditation assessment states that their annual reporting highlighted the provision of support to 10 DAEs or potential DAEs across multiple regions in the form of technical support for GCF proposal preparation, building familiarity with GCF policies and modalities, and technical support to meet accreditation requirements. In addition, the reaccreditation assessment also states that the International Union for Conservation of Nature has engaged some of these entities as "partners/executing entities to build their track record" (GCF/B.30/03, annex V, para. 24). The evaluation team found one project where an applicant DAE was named as the EE.

b) In the case of United Nations Environment Programme, the reaccreditation assessment found that it engaged some DAEs as EEs in projects; however, these were mostly already accredited rDAEs (GCF/B.33/09/Add.01). The evaluation team found one case where an nDAE was named as an EE.

[31] Acumen is not accounted for here as it was an rDAE before becoming an IAE, thus the capacity-building reporting requirement did not apply.

c) Conservation International's reaccreditation assessment also referred to a "potential national or sub-national [entity]" (GCF/B.31/07, annex IV). It is not sufficiently clear from the assessment if this was in fact an already nominated DAE that was already in the accreditation pipeline. In addition, the assessment referred to Conservation International as being in discussion with two DAEs to engage them as EEs for proposals. Available information does not confirm that entities engaged by Conservation International as an EE have been an accredited or an applicant DAE.

187. On twinning, some DAE respondents said that they wished the GCF was more hands-on about encouraging it. They also highlighted that encouraging twinning was a part of the NDA's responsibility, while acknowledging that factors such as weak NDA capacity and IAEs not consulting NDAs as they often have other, "higher", political interlocutors in the country, could make that match-making role difficult.

188. Interviews with selected IAEs and with DAEs that attempted to collaborate with IAEs highlighted three main reasons for the lack of a systematic view of capacity-building and twinning, beyond the roles of the GCF and the NDA. First, most IAEs do not have a mandate from their own governing bodies to collaborate with the GCF's DAEs. They are largely driven by their own, global, regional and country priorities and procedures (e.g. UNDP usually uses the National Implementation Modality, which delegates the implementation to the recipient country's government). Second, most IAEs do not have free-standing resources to undertake capacity-building of DAE EEs outside the rubric of existing projects. Third, even within the context of a GCF-financed project, tension exists between building capacity and achieving programming objectives. Thus, IAEs usually tend to collaborate with DAEs that are of a certain level of capacity.

189. Overall, based on the evaluation team's analysis of the EEs in the IAE portfolio of projects, the team found that there is limited participation of accredited or applicant DAEs as EEs. As of B.33, out of the 149 IAE projects, only 22 had an accredited or applicant DAE named as an EE, which represents only 15 per cent of projects. Slightly more common is when IAEs use the same entity that houses the NDA as an EE. This occurs in 28 out of the 149 IAE projects (19 per cent of IAEs projects).

190. There is also a tendency among IAE projects to change EEs after project approval, at the FAA stage; this happens more often in IAE projects than in DAE projects. While it rarely results in the addition of more DAEs as EEs, it also does not lead to the removal of an applicant or accredited DAE as EE. The change in EEs has occurred in 24 per cent of the IAE projects, whereas it only occurs in 8 per cent of nDAE projects and 14 per cent of rDAE projects. In addition, only five IAE projects have had an applicant DAE named EE between project approval and FAA execution, and only one IAE project had an rDAE removed as EE between the FP and FAA stages.

191. The above figures come with the caveat that most accredited and pipeline DAEs are major development actors in their individual countries and are likely to collaborate with IAEs even without GCF financing. Hence, any collaboration between DAEs and IAEs should not be automatically attributed to the GCF alone. This is reinforced by the reaccreditation applications quoted earlier.

3. Effect of becoming a GCF DAE for the AE

192. This section examines the effect of becoming a GCF DAE for the AE's organization, capacity, portfolio, strategy and operations, among others.

193. Interviews with DAEs highlighted that they consider the accreditation processes to have positive effects in terms of policies, especially regarding ESS but also in terms of institutional reputation and capacity. This is consistent with the data presented in Chapter 4 showing that DAEs spend longer

than IAEs in the early stages of accreditation as they are updating their policies to conform to GCF requirements. Both Secretariat and DAE interviews have highlighted the monetary value that the GCF support provided for accreditation would represent if it had to be contracted by the AEs themselves. This confirms previous findings of the accreditation synthesis (IEU, 2020d).

194. Entities linked GCF accreditation to enhanced reputation, which was sometimes highlighted as a major reason to seek accreditation in the first place, and stated that this could potentially lead to new partnerships. However, this potential positive effect on the DAEs' overall climate change programming is not tracked. Generally speaking, any effects on portfolios are ambivalent, as entities' applications to GCF accreditation often accompany a pre-existing mandate or shift towards sustainable development but are identified as supporting it.

195. Project development capacity is not directly coming from accreditation, as shown by the high number of DAEs that do not have a project approved, some of them not even having a project in the pipeline after several years of accreditation. As of B.33, only 27 of the accredited DAEs have at least one project. Of the remaining 45 DAEs, 29 have been accredited since 2019 or earlier. This demonstrates that while there might be some capacity-building happening in the process of accreditation and FP development, it doesn't lead to approved projects. This is also noted by the accreditation synthesis (IEU, 2020d).

196. The design and risk ratings of DAEs and IAEs are nearly identical, as covered under the section on assessment of Secretariat and iTAP earlier in this chapter. This could mean that accreditation is either building the capacities of DAEs to match IAEs or that the DAEs that manage to get their projects through are already of high enough capacity. The reality is likely somewhere in between. Given the bias of the portfolio towards already well-capacitated institutions, those institutions may not necessarily have required capacity-building for FP approval. However, the less prominent or capacitated DAEs have benefited from the process of accreditation, but accreditation is not sufficient to enable them to manoeuvre the GCF's processes. It is also still unclear if the capacity-building through accreditation and FP approval is the right manner of capacity-building and if it is the worth the time invested in it, because this capacity-building has not necessarily directly resulted in the capacity to design and implement projects.

Chapter 7. IMPLEMENTATION OF THE DIRECT ACCESS PORTFOLIO

KEY CONCLUSIONS

- The large similarity of the implementation challenges faced by DAEs and IAEs, as well as their perceived impact on project implementation, seem to confirm the conclusions drawn in earlier chapters that the GCF model (starting at the accreditation process and extending to programming) has so far favoured well-resourced DAEs with capacities that resemble those of IAEs.
- The main difference, which is that DAEs are found to better adapt to policy and governance disruptions at the country level, seems to confirm their better grounding in the country context and institutions and local networks. However, this adaptation to challenges was less clear during 2020 due to the COVID-19 pandemic, when DAE capacity challenges had a higher impact on implementation but IAEs were able to mobilize resources internationally to adapt their implementation.
- The implementation challenges analysed do not seem to be specific to implementing climate change projects but also apply to regular development projects. The GCF will likely have to learn from the experiences of development actors and their adaptive management practices.
- Despite heavy due diligence, the support provided through readiness, and the relatively similar and "perceived robust capacities" of the pool of IAEs and DAEs that have projects, they do nonetheless face challenges at implementation. This strengthens the need for adaptive management and implementation support in the life of project – beyond project approval and disbursal – as well as better ways to assess the capacity of project implementation in the accreditation process (rather than focusing only on fiduciary standards). It is unclear if the GCF's current processes and policies will be able to meet these adaptive management needs of future DAEs if the portfolio expands and diversifies and when it matures further.

KEY FINDINGS

- The GCF does not offer additional financial support to AEs during the implementation stage, but with the GCF portfolio maturing, and implementation under way in over 100 projects, new insights can be drawn from this implementation and the challenges that entities face at this stage.
- APR data show that DAE and IAE 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.
- IAE projects tend to face governance- and policy-related challenges more often than DAE projects and face deeper impacts as a result of such challenges. 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.
- Despite the "thorough" and onerous approval process for projects, both DAE and IAE projects face design gaps to a significant extent.

A. INTRODUCTION

197. As discussed in the previous chapters, the GCF provides support to entities at multiple stages through a number of operational processes. These include tools such as readiness grants for the capacity-building of applicant entities before they get accredited, fast-track accreditation for entities meeting certain conditions and PPF support for financing the design process. However, when it comes to the implementation stage, not many implementation support tools have been provided to date, beyond the implementation fee paid to AEs. This fee is approved by the Board together with the project or programme and covers project implementation, reporting and evaluation costs (GCF, 2018). The Learning-Oriented Real-Time Impact Assessment (LORTA) programme is offered by the IEU of the GCF to enhance the learning and accountability functions of the AEs and implementing partners through monitoring and evaluation and impact assessment capacity-building to selected projects. Additionally, ad hoc support is provided by GCF Secretariat at implementation stage, such as the ongoing exercise of monitoring and evaluation gaps assessment (GCF/B.33/10).

198. With the GCF portfolio maturing, and implementation under way in over 100 projects, new insights can be drawn from the implementation and the challenges that entities face at this stage. This chapter examines the challenges encountered in the implementation of DAE projects and whether they differ from those of IAEs, in order to identify what implementation support could be relevant for DAEs.

199. As a key source of evidence on implementation, the evaluation team explored the self-assessment APRs submitted by AEs, both DAEs and IAEs, to understand the type and scale of challenges during project implementation that entities reported on. The evaluation team analysed the APRs covering the implementation years 2018, 2019 and 2020, covering 68 projects and 211 APRs in total. The team focused on the sections in the APR template that detail the "Challenges encountered" during implementation, the "Measures adopted" to address the challenges, "Lessons learned and other remarks" and the perceived "Impact on project implementation". The full cohort of APRs for 2021 was not available at the time of writing this report.

200. The APR template provides standard categories[32] that the reporting entity can choose from to categorize a reported challenge. The evaluation team found that, in practice, the categories were used by the entities to categorize the symptoms of the given challenge, rather than identifying the root cause itself. For example, entity A is reporting that the project is struggling to achieve the required percentage of spending to trigger the next disbursement, hence they categorize the challenge as financial. However, entity A also explains in the qualitative description of the relevant APR section that the spending is not at the expected pace due to a shortage of staff. This means that, in practice, the project is facing capacity challenges that are leading to financial symptoms.

201. To understand more about where implementation challenges are originating from and uncover some of the root causes underlying the challenges faced by projects, the evaluation team carried out text analysis and created new categories aiming to identify these common root causes in section 2.6 of the APRs. The categories used by the evaluation team were the following: Capacity, COVID, Design gap, Extreme Weather, Financial, GCF-related, Governance and Policy-related, Project management, Procurement, Safeguards & gender, and Technical (see Annex 5 for metadata). This process of constructing these categories was iterative, with the analysis of a sample of APRs informing the development of categories and subsequent validation through other APRs.

[32] The APRs' standard implementation challenge categories are Implementation; Legal; Financial; Environmental/Social; Political; Procurement; Other; AML/CFT; Sanctions; and Prohibited Practices.

202. In the APRs' dedicated section on implementation challenges, entities report qualitatively on any challenges faced by the project in the given reporting year. They also indicate the perceived level of impact that the particular challenge had on project implementation. The level of impact of a given challenge is reported on a 3-point scale within the APR template, with the scale ranging from minor/solved challenges to moderate and high impact. There may be multiple challenges identified under a single root cause for a given project. However, to ensure non-duplication of reporting, a project is counted only once for the highest degree of impact a given category of challenge has on implementation.

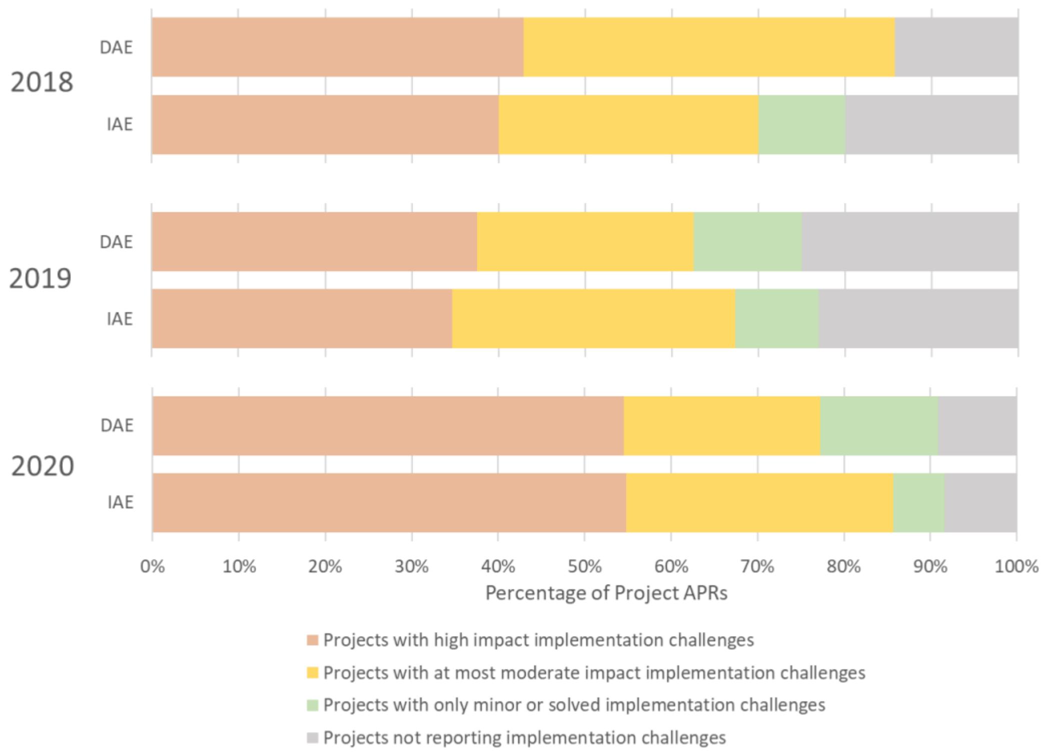
203. There are some limitations to this analytical exercise that the evaluation team wants to explicitly highlight:

- The APRs are self-assessment tools, and the GCF Secretariat provides limited guidance on how to prepare them. Even if each APR is of good quality, comparing across APRs may be difficult because different entities may have interpreted the different sections of the APR differently.
- The analysis is limited only to the text that is identified in the APRs. The major limitation here is that APRs often are not very descriptive, and there is no way for the GCF to validate their contents. Thus, any challenges and their symptoms that are not identified in the APRs are not captured in this analysis. To address this, the analysis of APRs has been carefully triangulated with qualitative interviews and other quantitative data in order to make conclusions and arrive at any recommendations.
- Another limitation pertains specifically to APRs from 2020, when COVID-19 may have overshadowed other challenges. Hence, it is possible that COVID-19 may have been a trigger to exacerbate the magnitude of root causes, rather than being a root cause itself. In addition, COVID-19 might have overshadowed other challenges that a project may face in normal years. To address this, the evaluation is looking at not only 2020 APRs but also 2019 and 2018 APRs to confirm or refute any trends seen in 2020 APRs. Also, as in the case of the previous limitation, the results of the analysis are triangulated with interviews.
- The sample size of DAE APRs is small, given their limited representation of DAEs in GCF programming so far. Thus, any DAE-specific findings are triangulated with interviews with DAEs and NDAs and also quantitative data from other chapters in this report.
- This analysis doesn't include the APRs of 2021, as the final versions of those APRs were not available at the time of writing this report.

B. Data and analysis

204. The data from APRs shows that IAE projects face challenges during implementation just as often as DAE projects do, and the perceived impact of these challenges on project implementation is also similar. During the implementation years from 2018 to 2020, similar percentages of IAEs and DAEs reported implementation challenges of some magnitude. In addition, Figure 7-1 shows that there is no significant difference between IAEs and DAEs when it comes to the level of impact of the implementation challenges that their projects face. For example, in 2020, 55 per cent of IAE projects and 55 per cent of DAE projects reported challenges that they perceived to have high impact on their project implementation. This figure was also similar in the years prior, ranging just above 40 per cent in 2018, and just above 35 per cent in 2019.

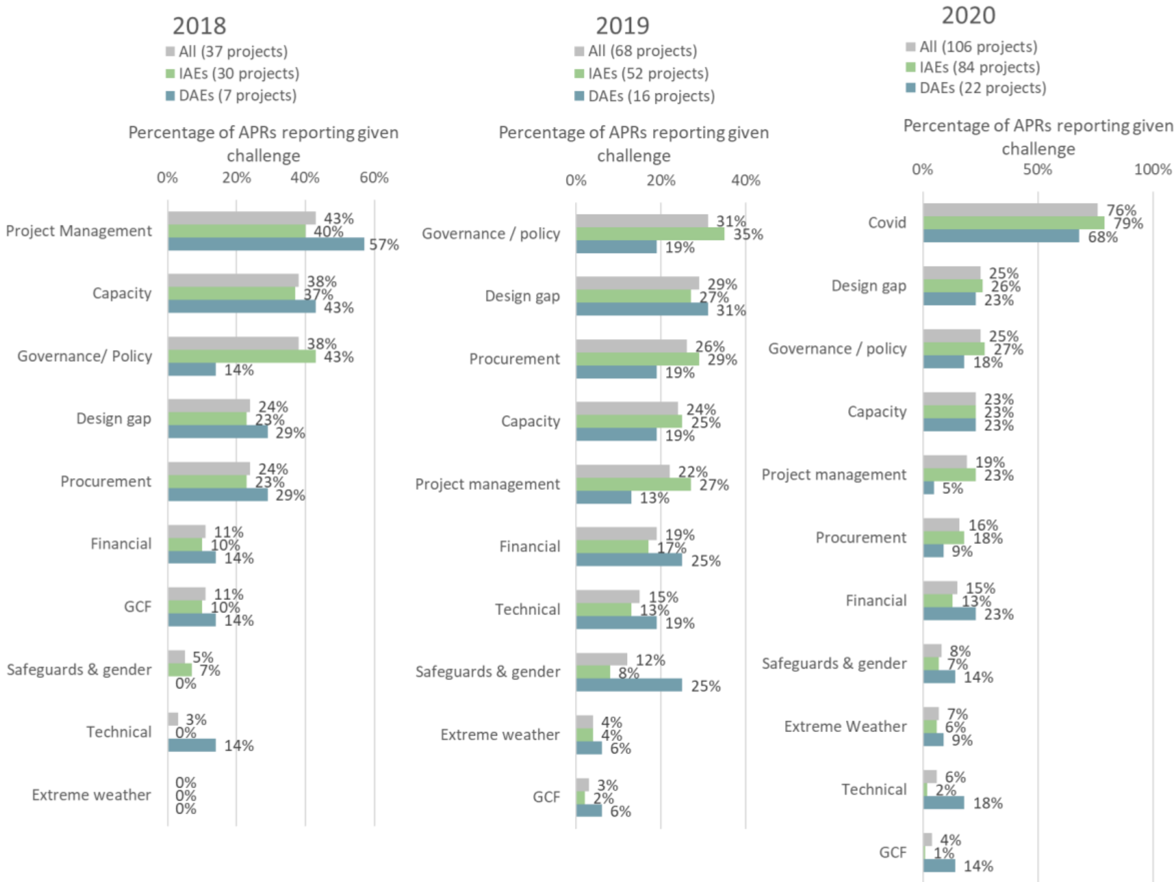
Figure 7-1. Highest level of impact of reported implementation challenges in projects by access modality and implementation year



Source: Evaluation team analysis based on APR extractions.
Note: 2018: n=37 APRs; 2019: n=70 APRs; 2020: n=115 APRs.

205. In order to uncover whether the type of challenges that projects face differ by access modality, the evaluation team, through text analysis, uncovered some of the root causes of challenges reported by the AEs. While the challenges were manyfold and specific to projects and implementation context, some key commonalities could be drawn from them. In the analysis of implementation challenges in Figure 7-2 below, the categories are based on the evaluation team's own categorization, which is based on the description of challenges provided by the AEs in the APRs and not the standard categories provided in the APR template.

Figure 7-2. Most common implementation challenge causes by year and AE access modality



Source: Annual performance reviews for the 2018, 2019 and 2020 annual reporting cycle. Analysis by the evaluation team.
Note: 2018: n=37 APRs; 2019: n=70 APRs; 2020: n=115 APRs.

206. Projects are largely facing various challenges to the same extent, regardless of whether the project is implemented by an IAE or a DAE. While the root causes of challenges affecting implementation vary, there are some causes that are more common over the years than others. As shown in Figure 7-2, besides COVID-19 in 2020, some of the most prominent causes of implementation challenges over the years are likely to be stemming from standard project management challenges (such as issues linked to roles and responsibilities, or contractors' delivery), hindrances in the national governance or policy environment, gaps at the design stage, insufficient institutional capacity and – often – procurement challenges. At the same time, the implementation of ESS and gender-related requirements are generally less frequent root causes of challenges. For now, it is also not very frequently reported in the portfolio that extreme weather events directly disrupt project implementation. Figure 7-2 also shows that in 2020 COVID-19 became the lead cause of implementation challenges, reportedly affecting 76 per cent of projects to some extent. Some of the major implementation challenges[33] and the impact of COVID-19 are outlined below in more detail.

[33] These are challenges that were faced by over 20 per cent of all projects over all three years.

1. Capacity-related challenges

207. One of the root causes identified by the evaluation team was challenges stemming from lack of sufficient institutional capacity within the different actors participating in implementation, including at AE, EE and implementation partner levels. Capacity constraints are varied, as Box 7-1 demonstrates, ranging from a lack of skills and the technical expertise of staff to insufficient human resources, to institutional knowledge discontinuity at various levels.

Box 7-1. Examples of capacity-related challenges reported in APRs

"Limited engineering skills and a lack of Agricultural Engineers experts within the [EE]."

"Delay in undertaking the cost–benefit analysis on the radar due to lack of expertise and expert availability in the Pacific."

"Inexperienced executing entities / project management units has led to challenges with on-ground implementation."

"Key staff involved with the design and development of the project left their respective organisations during the inception phase, taking with them key background knowledge and detail about the project as well as the relations/networks with the funding agency."

"Challenges with the National Executing Entity […] encountered, such as the late recruitment of key staff, lack of administrative budget, technical financial management problems, e.g. accounting software."

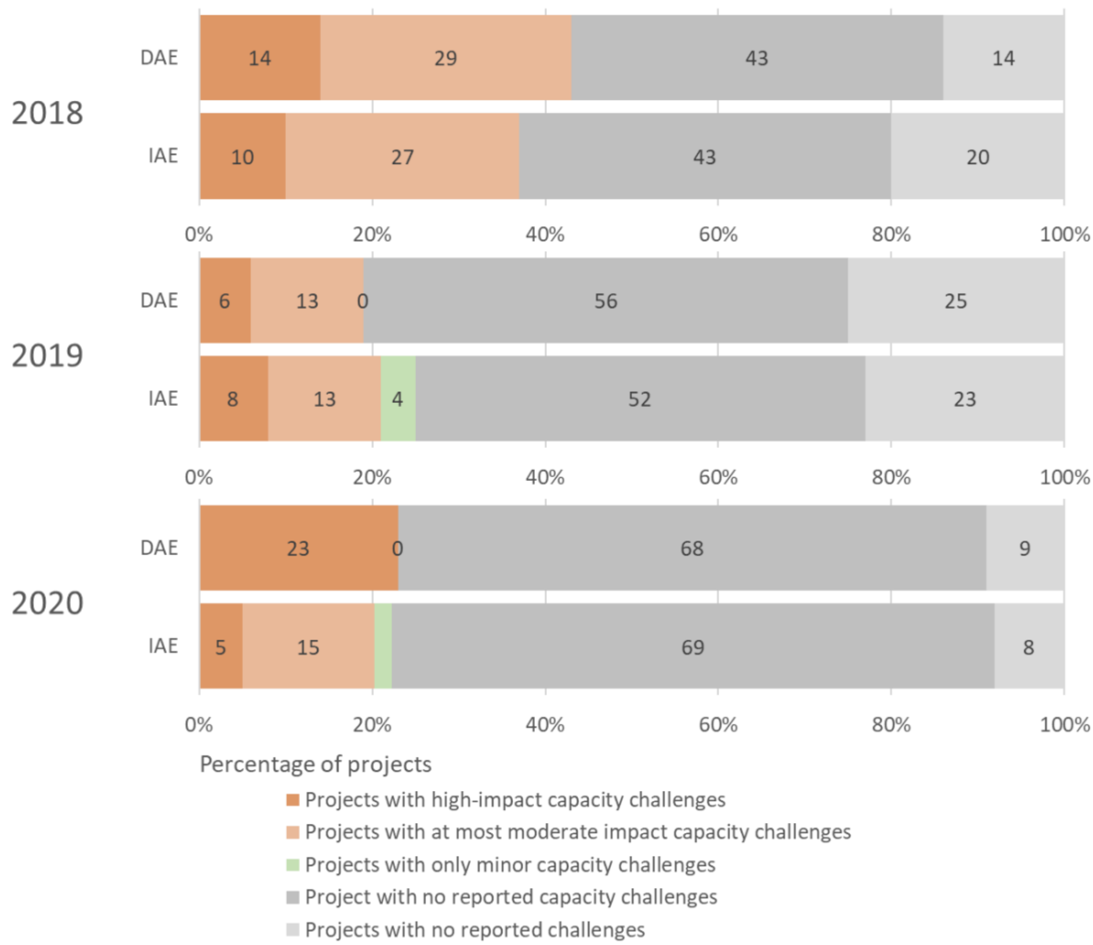
Note: The quotes from APRs are edited in order not to identify any one AE, EE or country.

208. Both IAEs and DAEs struggle with capacity challenges during project implementation that tend to have a moderate or high impact on implementation. One of the most commonly identified struggles throughout the implementation years of 2018, 2019 and 2020, as shown in Figure 7-2, related to the availability of sufficient institutional capacity at all levels for unimpeded project implementation. Every fourth project faced some level of difficulty with this challenge. Figure 7-3 shows that most often these challenges were more severe, with very few cases of capacity-related challenges being identified as of minor impact or solved.

209. In 2020, during the COVID-19 pandemic, DAEs were facing higher impacts on project implementation stemming from a lack of sufficient capacity than IAEs were. As shown in Figure 7-3, that year every DAE project that was identified as having a capacity-related issue reported high impact on project implementation. At the same time, IAE projects were equally exposed to capacity challenges but largely reported moderate impact on project implementation. However, in prior years, the frequency of occurrences of such challenges or the level of their impact show no marked differences between IAE and DAE projects.

210. As explored in Chapter 4, the DAE portfolio has largely been concentrated in well-capacitated DAEs. Their ex-ante ratings on investment criteria and risk have largely matched those of IAEs. These findings on similar levels of prevalence of capacity constraints further reinforce the idea that the DAEs that have implemented projects are of relatively similar capacity to IAEs. It is only during the COVID-19 pandemic that the underlying capacity constraints for DAEs are more magnified than they are for IAEs. Also, it is evident that despite the GCF's efforts to build capacity – during accreditation and project preparation, through readiness, PPF and twinning – capacity challenges are bound to remain at the implementation stage and tend to have moderate to high impact on implementation among DAEs and IAEs alike.

Figure 7-3. Level of impact of capacity-related challenges on project implementation, by AE access modality over the years



Source: Annual performance reviews for the 2018, 2019 and 2020 annual reporting cycle. Analysis by the evaluation team.
Note: 2018: n=37 APRs; 2019: n=70 APRs; 2020: n=115 APRs.

2. Country governance and policy-related challenges

211. In every implementation year from 2018 to 2020, country-level governance and policy-related challenges were identified among the top three causes of hindrances to project implementation, as shown in Figure 7-2. In 2018, over 40 per cent of IAE projects reported some level of impact on project implementation that stemmed from the broader national context, governance, the policy environment or the politics of the country of implementation. Box 7-2 demonstrates some of the examples that projects reported.

Box 7-2. Examples of governance and policy-related challenges reported in APRs

"The Central Bank's Consumption Loan duration remains limited to 30 months, which increases minimum monthly payment, whereas previously loan grossing banks decided on the loan term."

"The adoption of draft law 'On Multi-Apartment Building Management' stands still, as a result of political developments. This may have implication on the timing for Technical Review and development of the Operational Manual for Phase II."

"The new government […] decided not to sign the originally planned […] loan with [AE]."

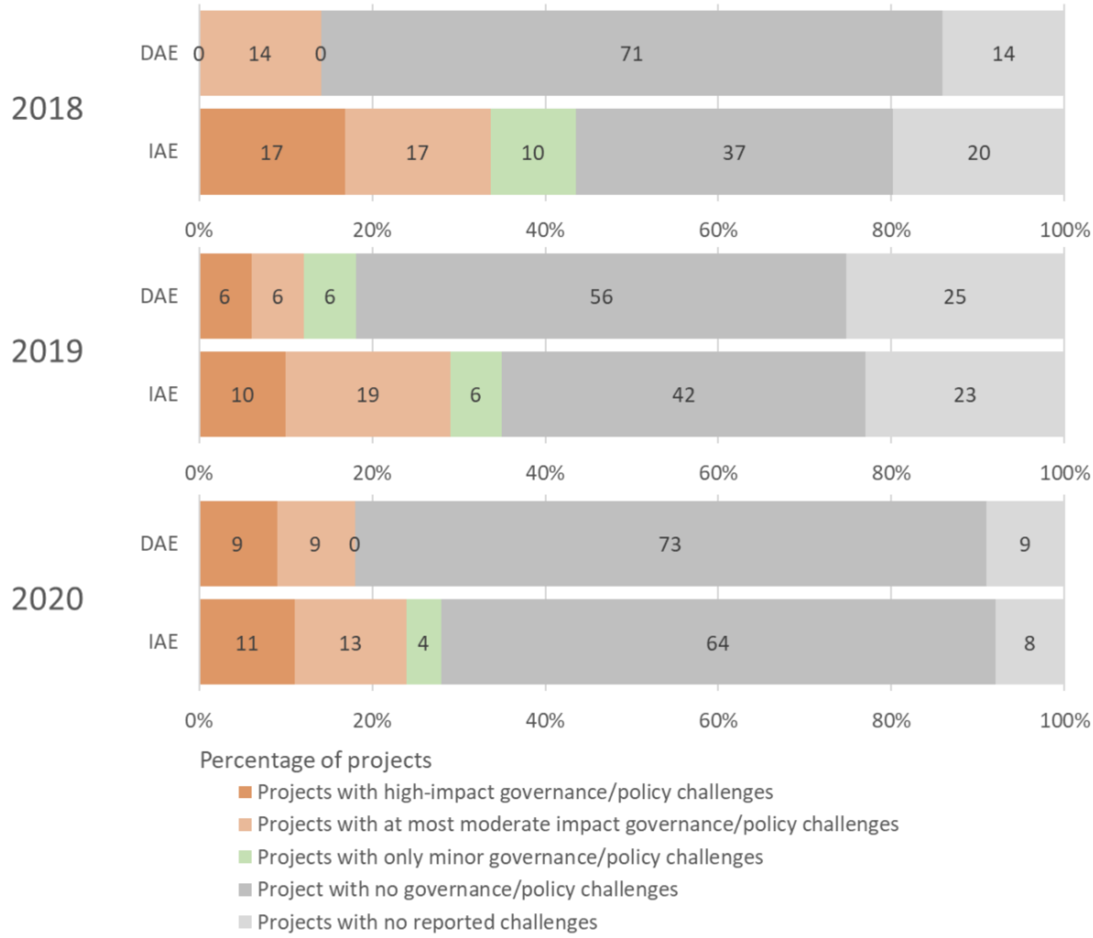
"A mutiny in the armed services led to the departure of the government and currently there is an unclear governance structure through all hierarchies of the government. Main operations are 'on hold' [in Country], which is impacting project disbursements and likelihood of project negotiation with the government, among other issues."

"The internal political crisis led to significant changes in Government and caused delays in project implementation, such as impossibility to establish a permanent Project Board, to promote and ensure adoption of the policy and regulatory changes, as well as inability of the Project's National Implementing Partners […]to carry out Project's activities due to uncertainty regarding their jurisdiction, future status and mandate."

Note: The quotes from APRs are edited in order not to identify any one AE, EE or country.

212. Among all of the categories identified by the evaluation team, governance and policy-related challenges at the country level show the strongest correlation over the years with the entity's access modality. IAE projects tend to face governance or policy-related challenges more often than DAE projects and face higher impact as a result of such challenges. Figure 7-4 demonstrates these trends and shows that not only is the occurrence of such challenges more frequent but also they tend to have a higher level of negative impact on project implementation. It is likely that, given the wider geographic spread of IAEs, including in countries with fragile situations, IAEs may face a higher degree of policy and governance related shocks. On the other hand, DAEs are found to manage the challenges with policy and governance related shocks with more alacrity, with the impact of any country-level policy or governance shocks being lower. In interviews with some existing DAEs, prospective DAEs and NDAs this flexibility was attributed to DAEs' existing networks in the country and their constant communication with the NDA, which enabled them to positively ride out the uncertainties. DAE projects are likely to be more embedded in the national policy and governance environment and are less likely to face challenges that affect implementation in a significant way.

Figure 7-4. Level of impact of governance-related challenges on project implementation, by AE access modality over the years



Source: Annual performance reviews for the 2018, 2019 and 2020 annual reporting cycle. Analysis by the evaluation team.
Note: 2018: n=37 APRs; 2019: n=70 APRs; 2020: n=115 APRs.

3. Design gap-related challenges

213. Another reason why projects faced challenges during implementation had to do with certain gaps, flaws or a lack of specificity in the project design. Despite the onerous approval process for projects, design gaps do tend to slip in, in IAE and DAE projects alike. As Figure 7-2 shows, at least every fourth project faced some sort of challenge that could be traced back to the design stage. Box 7-3 details some of the examples of challenges that the evaluation team linked to gaps or flaws of project design.

Box 7-3. Examples of design gap-related challenges reported in APRs

"The project covers remote areas in nine States, where there are no other means of transport than cars, and renting vehicles is very expensive. There are only 5 vehicles committed by [AE] to support the implementation of this important project and no vehicles were budgeted for in the GCF financing contribution, despite the risk of not having adequate and secured mobility for the project staff at the national and State levels to effectively and timely achieve the planned outputs."

"The main difficulty noted in the implementation of the project is related to certain characteristics of the facility. Indeed, the restrictions related to the eligibility of solar projects not connected to the grid and public projects also constitute a brake on the use of the facility."

"The project documents do not provide a clear vision and plan for what the project is about, aims to do and how. This has created confusion and room for different interpretations of components, activities, tasks and linkages between them for essentially a new cohort of people who have joined the project teams and within [AE] and [EE]."

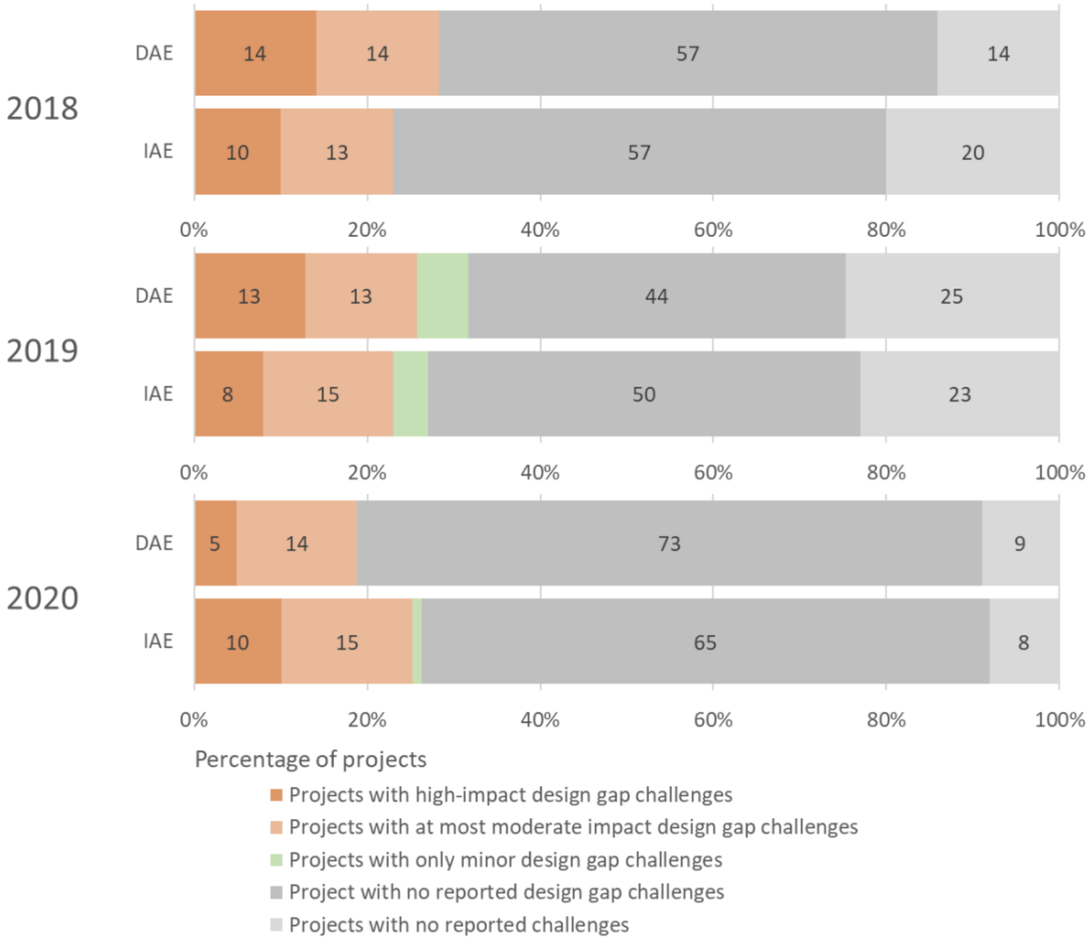
"The incentive identified in the project of USD 272 per hectare for restoration activities is not enough to incentivize active restoration processes. According to the Environment Ministry parameters, a minimum of USD 800 per hectare is required for active restoration."

"Relatively high number of low-quality proposals were received, despite the awareness raising and capacity-building activities. […] Capacity-building efforts with the current project budget were not sufficient. Capacity-building efforts that were removed from the initial project proposal could enable the AE to conduct in depth governance, capacity and skills transfer to improve and yield better results and subsequently receive better-quality proposals."

Note: The quotes from APRs are edited in order not to identify any one AE, EE or country.

214. The level of impact on implementation stemming from the challenges caused by way of design gaps varies, but projects tend to experience hindrances with moderate-level impact. On average, less than 10 per cent of projects, either DAE or IAE, face high-impact challenges from gaps at design stage (Figure 7-5). Interviews with DAEs point towards two broad issues that lead to design gaps. First, GCF reviewers tend to lack an appreciation for the contextual realities of the country and do not accommodate elements in the design that are necessary to ensure success at implementation. Second, and more importantly, implementation contexts constantly change. This implies that the design must be constantly adapted to ensure the project remains relevant. In the GCF, such adaptive management becomes a bigger challenge given the long time it takes for project approval. Hence, by the time a project is approved the context has changed, and some level of redesign or adjustment is already required. This analysis also indicates that despite the GCF's long FP approval processes, supposedly to ensure rigour, design gaps are bound to be found at the implementation stage and such gaps will need to be dealt with on an ongoing basis.

Figure 7-5. Level of impact of design gap-related challenges on project implementation, by AE access modality over the years



Source: Annual performance reviews for the 2018, 2019 and 2020 annual reporting cycle. Analysis by the evaluation team.
Note: 2018: n=37 APRs; 2019: n=70 APRs; 2020: n=115 APRs.

4. Effect of COVID-19 on implementation

215. As Figure 7-2 shows, the evaluation team's analysis finds that 75 per cent of projects reported some level of impact on their project implementation due to COVID-19 in 2020. More specifically, COVID-19 had a high impact on implementation in over one third of IAE and DAE projects (Figure 7-6).

216. COVID-19 resulted in challenges that manifested in many ways:

- Interruption of planned stakeholder engagement and participatory workshops, without ease of access to online engagement alternatives
- Procurement challenges of goods and services due to travel bans or supply chain issues
- Lack of staff capacity of public sector implementation partners due to new COVID-19 response-related responsibilities
- Difficulty and delays of on-site implementation and monitoring due to new COVID-19 protocols

- Co-financing reallocation to emergency response
- Inability to make cash payments to local implementation partners

217. Box 7-4 presents some examples.

Box 7-4. Examples of COVID-related challenges reported in APRs

"COVID-19 travel restriction resulting in the delay of Chinese workforce arrival."

"A large delay in the start of the project due to COVID-19–related restrictions and thus missing the rainy season for sowing."

"Economic slowdown and COVID-19 has led to power demand stagnation."

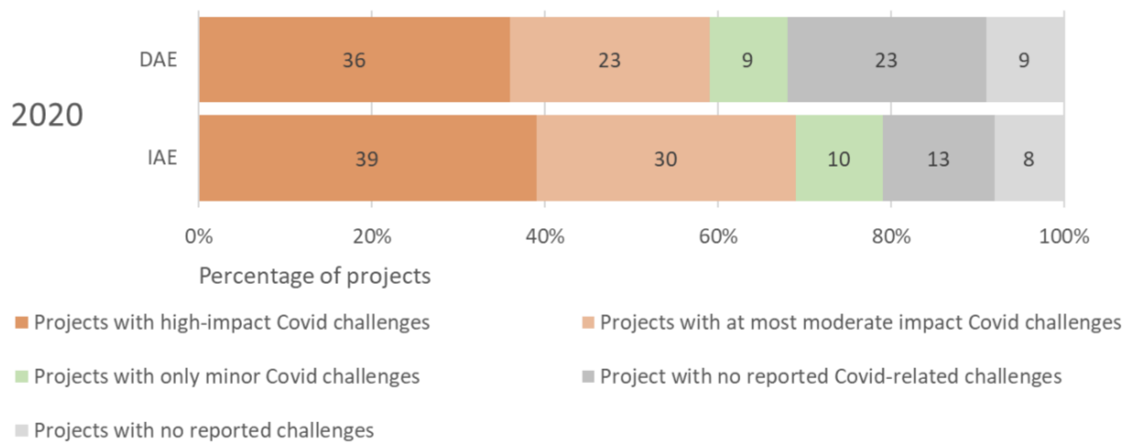
"Travel restrictions affected ongoing and planned activities, including travel schedule of and hiring of international firms and consultants hired by the project. Domestic travel restrictions hindered the timely implementation of project activities."

"The team moved fully towards remote working, which changed interactions between the team, portfolio companies and pipeline companies. All meetings were carried out remotely with minimal impact on communication and progress on team goals and milestones."

"Change in business priorities due to the sudden, severe economic slowdown due to COVID-19, resulting in less demand for investment capital in the short term."

Note: The quotes from APRs are edited in order not to identify any one AE, EE or country.

Figure 7-6. Level of impact of COVID-related challenges on project implementation in 2020, by AE access modality



Source: Annual performance reviews for the 2018, 2019 and 2020 annual reporting cycles. Analysis by the evaluation team.
Note: n=115 APRs.

218. It is clear that DAEs and IAEs have been similarly affected by COVID-19. The in-country restrictions on movement and shifting priorities of governments have manifested in areas such as financial management, procurement and implementation delays, among others.

C. Need for adaptive management

219. The above figures and analysis highlight the range of challenges that the GCF may face at implementation. Nearly all the challenges that GCF projects face are those that would be expected of a typical development project. These challenges are encountered despite the arduous accreditation process for selecting AEs, provision of readiness support, PPF support and extensive inputs during the FP design stage. Some of these challenges – such as COVID-19 and governance- and policy-related challenges – are largely exogenous to the GCF and its AEs. Even here, governance and policy disruptions are externalities that are expected to be accounted for by projects, whereas COVID-19 is an externality of an unforeseen nature. However, other challenges, such as design and institutional capacity challenges, are largely endogenous to the GCF and its AEs, and they are expected to close these gaps through their respective interventions and variety of instruments. Apart from the four challenges that have been discussed, projects also face financial challenges, procurement-related challenges and other implementation challenges. Projects appear to face numerous issues and thus require adaptation in real time, sometimes from the AEs themselves and sometimes from both the GCF and the AE in the case of a project requiring restructuring, in line with the GCF's restructuring and cancellation policy.

220. However, some of the DAEs and Secretariat staff interviewed in the process of this synthesis have expressed that the GCF's restructuring processes and procedures involve major efforts, repeated justifications for the changes and comments from multiple divisions of the Secretariat. The restructuring process is triggered by the Secretariat spotting the need for such a change or by the AE itself flagging the need for changes. Once the process is triggered, it involves sending the restructuring proposals to different divisions, which include the division of the original task manager and any divisions that have oversight or mandate over the areas of changes being proposed. The AE is expected to make changes to the proposal based on the comments of the different stakeholders in the GCF. Then, depending on the determination of the Secretariat on whether changes suggested are minor or major, they are either approved by the Operations Committee of the GCF Secretariat or the Board, respectively. The DAEs interviewed find the nature of such interactions to be more "policing" in nature than collaborative and perceive it as a lack of trust from the GCF Secretariat. In addition, they find the process to be inordinately long, for relatively mundane requests.

221. It is likely that as more projects come to the implementation phase and as a more diverse set of DAEs with varying capacities programme with the GCF, they will face increasingly complex challenges with likely higher impacts on their performance. These challenges will occur despite the numerous instruments and processes that the GCF has at the ex-ante stage. It is unclear if the GCF's adaptative management practices are yet suited to proactively identify and resolve such challenges in a timely manner. While it is acknowledged that it is the AE's responsibility to bring forth its proposal to restructure and redesign projects, DAEs have expressed that the process can be long and uncertain and involves answering many queries, which makes them hesitant to transparently bring forward implementation challenges and address them jointly with the Secretariat.

Chapter 8. PERSPECTIVES ON THE FUTURE OF DIRECT ACCESS AND ITS CONTRIBUTION TO PARADIGM SHIFT

KEY CONCLUSIONS

- The data available to date are unconclusive regarding DAEs' paradigm-shift potential compared to IAEs.
- The implications of extending the geographical coverage of direct access, as well as of diversifying the type of DAEs in terms of Secretariat capacity, highlight the need to review the central role of accreditation in direct access.

KEY FINDINGS

- Paradigm shift, while being the ultimate goal set out for the GCF by its GI, has been loosely defined until recently, and FPs' potential to contribute to it was only assessed ex ante until the adoption of the Integrated Result Monitoring Framework (IRMF) at B.29 in July 2021.
- According to the IEU Stoplight database, which assesses whether AEs can credibly measure their impact potential including on paradigm shift, IAE and rDAE projects generally appear to be well placed to measure and report on paradigm shift, whereas nDAE projects may not be.
- Both the Secretariat and iTAP ex ante assessments of FPs rate DAEs and IAEs very similarly on their paradigm-shift potential.
- According to the IEU transformational change database, IAEs are better placed than DAEs to carry out projects at scale and to replicate them, especially across countries. From a qualitative point of view, DAEs leverage more involvement from national stakeholders, including the private sector and governments, than IAEs.
- Extending direct access to all developing countries would require changes in Secretariat capacity to accredit and reaccredit AEs, as well as to support project design and implementation.

A. Introduction

222. This chapter reflects on the potential contribution of DAEs to the GCF's overall goal to promote a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development and seeks to provide some prospective elements, both quantitative and qualitative, on what direct access in the GCF could look like in the medium to long term, in the context of the upcoming GCF-2.

223. This chapter draws on document analysis, including previous evaluations, the iTAP's and Secretariat's FP assessments, interviews and a modelling exercise.

B. Data and analysis

1. Direct access and paradigm shift

224. Although supporting a paradigm shift is the ultimate goal set out for the GCF by its GI and one of the two end goals of the USP, what this means is ill understood and has been loosely defined until recently. Until the adoption of the IRMF at B.29 in July 2021 (decision B.29/01, annex I), the GCF's assessment on paradigm-shift potential was only conducted ex ante. It was conducted by the iTAP and the Secretariat, since the financed projects' actual contribution to paradigm shifting was not tracked. The IRMF highlights three dimensions for paradigm shift – scalability, replicability and co-benefits – which GCF-funded projects are now required to report on. Support is offered by the Secretariat to enable DAEs to adjust their reporting efforts.

a. Ability to measure paradigm shift

225. As part of its work on the evaluability of GCF FPs (Fiala, Puri and Mwandri, 2019), the GCF IEU has put together a Stoplight database assessing whether the GCF and its AEs can credibly be expected to be able to measure their impact potential, including on paradigm shift. This is done by rating FPs, ex ante, on four criteria: (1) their ToC, (2) their potential to identify causal change, (3) their ability to inform the GCF investment criteria (whether the FP credibly informs a project's impact, country needs, effectiveness, paradigm shift and sustainable development potential), and (4) their reporting systems.

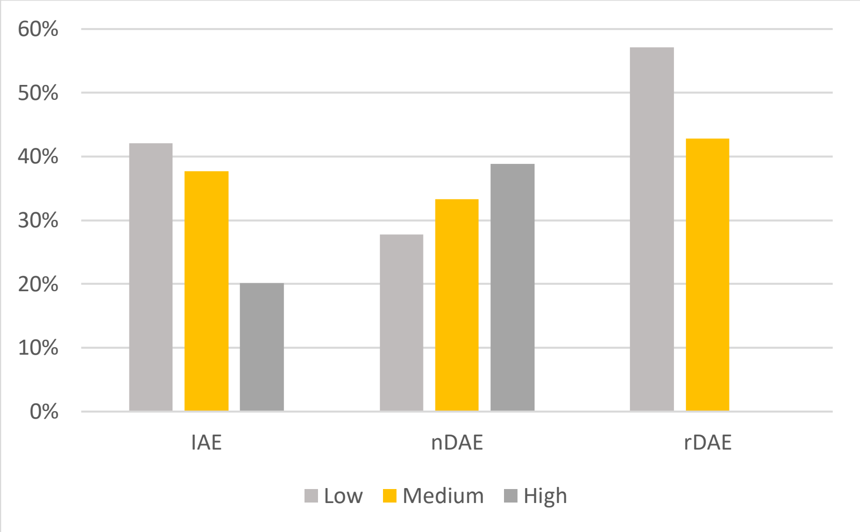
226. The extent to which paradigm shift potential is identifiable and measurable in the proposal is rated according to the following level of risks of not being able to measure paradigm shift:

- Low risk (1). Paradigm-shift potential is well articulated in the proposal and appears to be measurable using high-quality methods.
- Medium risk (2). Paradigm-shift potential is specified but needs some clarifications. (Missing information is specified.) Paradigm-shift potential is measurable, but high-quality methods may not be feasible given the programme design.
- High risk (3). Paradigm-shift potential is specified, but it relies on significant assumptions that are not verified and/or paradigm-shift indicators are vaguely described. Measurement and evaluation potential appears to be low.

227. As illustrated by Figure 8-1 below, based on this database, the FPs submitted by rDAEs' have, on average, the most promising ability to measure paradigm shift in the future with 8 (57 per cent) rated at low risk of not being able to measure paradigm shift and none assessed as high risk. Looking at the IAEs' FPs, 48 out of 114 FPs (42 per cent) were rated low risk and 20 per cent of projects are at

high risk of not being able to measure paradigm shift. Finally, the nDAEs have 6 out of 18 FPs (28 per cent) rated as at low risk of not being able to measure paradigm shift, whereas close to 40 per cent of nDAE projects are at high risk of not being able to measure paradigm shift.

Figure 8-1. Risk of AEs not being able to measure paradigm shift



Source: IEU stoplight assessment dataset, as of 2021. Extraction and analysis by the IEU DataLab.

228. Overall, IAEs and rDAEs appear well placed to measure and report on paradigm shift in the future, whereas nDAE projects are at risk of not being able to do so.

b. Ex ante assessment of paradigm shift potential depending on access modality

229. The evaluation team reviewed available ex ante evidence to assess the potential contribution of direct access to paradigm shift: this evidence included Secretariat and iTAP assessments as well as relevant aspects of the transformational change database, a database elaborated by the IEU and examining many aspects of projects at the design stage.

230. The Secretariat and iTAP assess the paradigm-shift potential of FPs at the design stage, examining different dimensions in the proposals in order to address this GCF investment criterion (Climate Analytics, 2020).[34] Both the Secretariat and iTAP assessments of FPs rate DAEs and IAEs very similarly on their paradigm-shift potential.

231. Turning to the transformational change database, the evaluation team has looked at the below relevant aspects to assess scale and replicability dimensions of transformational change for which data was available. No evidence was available on the dimension of sustainability.

[34] Dimensions of assessment for providing a rating include (1) potential for replication or scaling up, especially relevant for pilot projects; (2) innovation – for example, new business models or market segments, new technologies or introducing innovative co-financing – while acknowledging national circumstance; (3) knowledge sharing or learning – for example, through capturing and sharing lessons learned from the activities and building institutional capacity through knowledge sharing and learning; (4) sustainability of proposed activities, to ensure impact beyond the planned implementation period for the project by making sure the enabling environment and long-term financial sustainability are in place and identifying barriers; (5) link to national policies and frameworks with activities that advance national policies and/or regulatory frameworks on climate change; and (6) identifying and addressing barriers to implementation.

- Scale. Beyond the sole scale of financing in nominal value, the projected level of co-financing at the design/ex-ante stage, the nature of the co-financing mobilization foreseen, and the size of population coverage foreseen at design are relevant aspects of projects pertaining to scale.
- Co-financing. As covered in Chapter 6, DAEs are expected to mobilize a smaller amount of absolute co-financing compared to IAEs and they have a lower projected co-financing ratio as described in Table 8-1. As outlined in Chapter 6, DAEs are projected to mobilize more domestic co-financing (35 per cent) compared to international co-financing (14 per cent). National DAEs are expected to mobilize a higher share of their co-financing (67 per cent) domestically. Foreseen private sector co-financing accounts for 32 per cent of the total co-financing mobilized by nDAEs, 49 per cent for rDAEs and 23 per cent for IAEs. Similarly, nDAEs (36 per cent) and rDAEs (18 per cent) have a much larger share of their co-financing coming from government compared to IAEs (15 per cent). Thus, despite quantitatively mobilizing less co-financing, qualitatively nDAEs are projected to mobilize a higher share of co-financing and interest from the local private sector and national government.
- Size of population covered. According to the transformational change data set, DAE projects cover, on average, approximately seven per cent of a country's population through each project, while coverage was about eight per cent of a country's population for IAE projects. However, there is wide variability in the coverage with very high standard deviations of the coverage ratios of DAE and IAE portfolios.
- Replicability. The transformational change data set classifies the replicability of project approaches into three categories, based on the level of detail provided on potential replication. It appears that the replication outlooks of DAE and IAE projects are somewhat different but not vastly so. IAEs tend to elaborate replication a bit more comprehensively than DAEs do and are better at elaborating the means and pathways for elaborating the same.

Table 8-1. Co-financing ratio of AEs

AE TYPE	IAEs	rDAEs	nDAEs
Co-financing ratio	2.99	2.29	0.79

Source: IEU Transformational Change data set.

Table 8-2. Intracountry replication mentioned in FPs

	DAEs	IAEs
No plans for replication mentioned	15 (32%)	29 (21%)
Replication mentioned with no details or minimal details	17 (36%)	49 (35%)
Extensive references to replication and means of achieving the same	15 (32%)	63 (44%)
Total	47 (100%)	141 (100%)

Source: IEU Transformational Change data set.

232. In the sphere of replicability, the ability to replicate best practices across countries separates IAEs from DAEs. Thus, in the case of IAEs, the dimension of intercountry replicability will also be looked at. As of B.32, of the 141 FPs analysed, 42 (30 per cent) did not have any plans for replication in the future, 43 (30 per cent) had replication mentioned with no details or minimal details, 56 (40 per cent) made extensive references to replication and means of achieving the same.

233. In addition, regarding scale and scalability, it can be noted that out of the 19 Adaptation Fund NIEs that are also GCF DAEs, 10 are accredited for small projects (up to USD 50 million) – in other words, projects that are five times larger than what they could submit to the Adaptation Fund – and one (NABARD) is accredited for large projects (over USD 250 million).

c. Paradigm shift potential of direct access pathways

234. Based on the two direct access pathways outlined in Chapter 3, direct access can potentially support a sustained paradigm shift according to the mandate of the GCF, with tensions appearing depending on the time-horizon considered:

- In the capacity-building pathway, the focus is on increasing and diversifying the cohort of DAEs, especially national ones, independently from the entities' pre-existing capacities to comply with GCF requirements and the size of the projects they can carry out. In this pathway, the ability to reach local level, more vulnerable or remote communities and to build capacities from national actors that are well anchored in the national political and social fabric can credibly allow for more effective, country-owned and sustainable results. Assuming that becoming a GCF DAE increases an entity's ability to programme with other funders beyond the GCF, the impact scale is also increased. However, while the long-term impact seems credible, the fact that these entities would require more capacity-building at the onset means that in the short term, there is a trade-off between this pathway and maximum impact on the ground. For the three key parameters of paradigm shift mentioned above, this pathway would score higher on sustainability but lower on replicability and scale.
- In the programming pathway, the focus is on increasing programming through DAEs. Given the DAE portfolio described in Chapter 4Chapter 6, the most efficient way to achieve this objective is to partner with DAEs that are large and experienced financial institutions, such as national development banks and regional institutions. Assuming that these institutions are able to implement their projects smoothly, this pathway is likely to produce maximum impact in the short term, with bigger projects using a wider range of financial instruments in a wide range of sectors. This is likely to imply more multi-country projects as these projects are more cost-efficient, especially given the resources required to develop a GCF FP. However, in the long term, these projects may bear less sustainable results, as solutions are applied to a wide range of countries but may lack the depth to keep delivering after the project's end. This is also likely to result in fewer country-owned projects, as rDAEs are less close to NDAs and government than nDAEs and multi-country projects have been associated with lower country ownership in previous evaluations (IEU, 2019b; Reyes and Schalatek, 2022). However, it was also proven that countries favour accessing finance over requiring the funds to flow through nDAEs. For the three key parameters of paradigm shift mentioned above, this pathway would score higher on replicability and scale but lower on sustainability.

235. While in the longer term, the capacity-building pathway seems to be the one able to bring the highest contribution to paradigm shift as its contribution to scale is likely to increase with time, in correlation with the increase in capacity, the short- to medium-term trade-off with maximum impact on the ground is not to be minimized given the context of urgency of the climate crisis. Intergovernmental Panel on Climate Change reports make it clear that time is short if the world is to keep the 1.5°C goal of the Paris Agreement within reach.

236. Currently the DAE modality in the GCF has followed the programming pathway because there has been limited success in capacity-building, either directly from the GCF, through its numerous instruments, processes and modalities or from the IAEs that should provide this capacity. On the

other hand, the few DAEs that have been successful in getting a project are those that have stronger capacity.

2. Impacts and implications of expanding the cohort of DAEs

237. One clear way in which the role of DAEs could become more predominant in the GCF is by increasing the number of DAEs eligible for programming GCF resources. The increase of DAEs would support the achievement of the programming targets in the USP, for example. An increase of DAEs will imply several changes in the GCF to be able to absorb both the processing of entities seeking accreditation and then proposing and processing projects for GCF funding.

238. At the start of this exercise, the IEU recognizes that an implicit forward-looking scenario analysis of accreditation needs of AEs was also conducted in the accreditation strategy, which was presented and approved at B.34 (decision B.34/19). This simulation exercise makes the numbers more explicit and highlights the trade-offs between different aspects more categorically.

239. In this context, this section analyses the current coverage of presence of DAEs (see Table 8-3) and explores the implications of accommodating the hypothetical goal of having DAEs serving in all eligible countries and programming with the GCF within the context of current GCF policies and capacities.

240. For the purpose of such analysis, this synthesis will make the following assumptions:

- One of the most fundamental indicators of country ownership of a DAE and its operation would be the nomination letter provided by countries for the DAE to become accredited to the GCF. Thus, the provision of a nomination letter is a proxy for intention to programme with the GCF in the future.
- Countries that host a DAE but have not provided a nomination letter can also be said to be interested in programming with the GCF through DAEs.
- All non-Annex I countries that have not provided a nomination letter for an existing DAE or do not host the headquarters of a DAE will get at least one accredited DAE in the near future.
- The GCF is able to add additional capacity to its accreditation team as per demand.
- The GCF will maintain the same rate of annual approval of projects of IAEs as in the preceding six full years of operations (2015–2021), and the remaining capacity will be used to programme with DAEs.
- As a default scenario, the GCF will approve 40 FPs per year. In the updated accreditation strategy presented at B.33 but not yet approved, the Secretariat mentions that it has the capacity to process 30 to 50 FPs per year, and this report has taken the mid figure of 40 FPs. This variable will be controlled for, in some scenarios.
- Every DAE will get at least one FP in its accreditation period.
- All projects, irrespective of sector or size will require similar efforts on the part of the Secretariat.
- The GCF’s commitment authority is not a constraint, and it is able to meet the requisite project financing demands emanating from all the scenarios.

Table 8-3. Coverage of countries covered through nDAEs

DAE PRESENCE TYPE	COUNT		PERCENTAGE	
	No	Yes	No	Yes
Headquarters of at least one accredited DAE	116	38	75%	25%
Headquarters of a DAE or nomination given for a DAE	93	61	60.39%	39.61%

Source: IEU evaluation team as of B.33.

Ability of the GCF to programme with its future DAE cohort

241. In simulating future scenarios for direct access, three fundamental elements pertaining to the GCF have to be considered and accounted for. These are (1) accreditation time frame, (2) ability to accredit and reaccredit, and (3) capacity to process FPs (Table 8-4).

Table 8-4. Different scenarios for accommodating DAEs into GCF programming

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Accreditation time frame	10 years	5 years	10 years
DAE projects approved	16 projects	30 projects	23 projects
Capacity needed to process FPs	40 projects	54 projects	47 projects

Source: IEU evaluation team simulation

Scenario 1: The GCF increases the duration of validity of accreditation with its current capacity

242. The GCF's accreditation remains a key barrier in ensuring access to resources for entities. As identified in all DAE interviews, the GCF's accreditation process is very heavy, and some DAEs have also questioned the need for reaccreditation within five years, given the time necessary to get an FP approved after accreditation and have an FAA operationalized. Thus, most DAEs are up for reaccreditation before they have even started to implement GCF-funded projects. This, combined with the fact that there are fundamental tensions between the expectations of countries towards the GCF and the capacities of the GCF, means one of the scenarios for modelling that is considered by this synthesis is the possibility of extending the accreditation cycle to 10 years from the current 5 years. In this scenario, all the parameters and assumptions mentioned above are held constant except the accreditation period.

243. An extended accreditation cycle would mean that, with an average of 16 DAE projects approved every year, the portfolio would be able to cover all entities in a potential future cohort of DAEs where every country currently not housing a DAE or nominating an accredited DAE would have one nDAE. Over a 10-year period, the GCF would be able to approve at least one FP for every DAE. Thus, if the GCF's institutional capacity remains the same, an increase of accreditation period for DAEs may help in ensuring coherent DAE programming and reduce the compliance burden of DAEs and the capacity constraints for the GCF Secretariat's accreditation team in reaccrediting institutions.

Scenario 2: The GCF increases its institutional capacity to process FPs while retaining the current accreditation cycle length

244. Covering over 150 DAEs during a five-year accreditation period would require the GCF to substantially increase its capacity for FP approval. The current assumed capacity would result in the possibility of having up to 16 DAE FPs being approved per year. To cover the potential 153 DAEs through one FP each over a five-year accreditation period, the GCF would have to approve DAE FPs at an average rate of over 30 FPs per year. This would mean that the GCF would have to increase its capacity to approve FPs from the current assumed average of 40 FPs per year to 54 FPs per year. Thus, as per this scenario, the GCF will have to expand its capacities significantly if it wants to retain its current accreditation period of five years. This scenario will also mean that the compliance burden of reaccreditation for DAEs and for the GCF's accreditation team in undertaking reaccreditation exercises (at an estimated rate of 30 reaccreditations per year for 153 DAEs) will remain and potentially increase exponentially for the Secretariat.

Scenario 3: The GCF increases its institutional capacity to process FPs with an extended accreditation cycle length to meet increased programming demand from the potential future DAE cohort

245. It is likely that many DAEs would wish to have more than one FP approved in a single accreditation cycle. Thus, we assume that half of the potential cohort of 153 DAEs would have two projects. We also retain the previous assumption of an extended accreditation time period of 10 years with an increased capacity to approve 55 FPs per year. Thus, with a total of 229 DAE FPs over a 10-year period, the GCF Secretariat would have to approve 23 DAE projects on an average per year to meet the demand. When this is combined with the average of 24 IAE projects approved every year, the GCF will have to approve 47 projects on average per year in such a scenario. Thus, the GCF will still have spare capacity to process more DAE/IAE FPs, if the need arises or to account for any slippages. Thus, an increase in the GCF Secretariat's capacity to process projects combined with an increased timeline will potentially ease some of the compliance burden at entity level and the capacity challenges at the GCF Secretariat level.

246. The GCF faces two broad implications and trade-offs in the above scenario modelling:

- Increasing the DAE cohort size has significant implications for GCF Secretariat capacity. While there is ample merit and mandate for the GCF to work predominantly with DAEs, any move towards significantly expanding the accreditation of DAEs will come with significant capacity pressures on the GCF Secretariat. A larger cohort size will mean a higher level of work for the Secretariat's accreditation team. More importantly, as per current guidance, all AEs will have to undergo reaccreditation every five years. This will further increase the scope of work for the accreditation team and the rest of the GCF Secretariat.
- An expanded pool of DAEs will face the accreditation and reaccreditation compliance pressures that the current cohort of AEs have. Given the importance of programming with accredited DAEs, the GCF Secretariat would need to significantly enhance its capacity and put in place relevant guidance to increase the number of FPs it approves for DAEs and support them during implementation. As of B.33, only 27 out of 71 accredited DAEs have had at least one approved FP. As mentioned in Chapter 4, there are serious hindering factors in play that stall FPs submitted to the GCF. These factors would likely hinder programming with DAEs in an expanded DAE pool as well, unless root causes are addressed. So far, the DAE projects have been restricted to some of the better resourced DAEs, resulting in a concentration of the

portfolio, as covered in Chapter 4. An endeavour to diversify the pool of AEs and bring in more DAEs will mean entities with presumably less familiarity with the GCF, and lesser capacity, may also be able to programme with the GCF.

247. In addition, this expanded programming with DAEs would also need to account for increased implementation challenges as the portfolio matures and more DAE projects, with variable capacities, come to the implementation stage. As Chapter 7 states, all kinds of AEs face similar problems in terms of design challenges, procurement-related challenges and capacity challenges. However, DAEs seem to face larger impacts on the performance of their projects due to their internal capacity challenges. This finding is triangulated through numerous interviews with DAEs and the Secretariat, as reported throughout the different chapters of this synthesis. Thus, any substantial increase in GCF programming with DAEs will have to be considered against the backdrop of these capacity challenges and their implications for the GCF portfolio's performance.

Chapter 9. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

248. **Conclusion 1. 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 difÞcult to reconcile** (Chapter 2 and Chapter 3**).**

249. The Transitional Committee's deliberations for the design of the GCF mentioned direct access extensively. The Transitional Committee members considered direct access to be of high importance, both to achieve climate impact in the short and medium term and as an end unto itself in terms of the capacity-building and financing it would bring to national entities, with various orders of priority, depending on the Party. The GCF's GI reflects this importance by providing for both direct access through accreditation and modalities that enhance direct access, without providing further operational details. This ambiguity regarding the envisioned purpose of the direct access modality is reflected in the GCF's operationalization, as an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC).

250. There is no explicit ToC for direct access in the GCF. There is also no explicit framework that spells out what type of institutions or projects should be brought to the GCF through direct access or that clearly defines how the direct access modality contributes to the GCF's mandate. There is also no institutional home for direct access within the GCF Secretariat.

251. The reconstructed ToC (designed by the IEU) of direct access in the GCF reveals trade-offs in the short term. In the short term, to meet its programming targets, the GCF may work with well-resourced DAEs (i.e. following a programming pathway). In the longer term, working with a wider range of direct access institutions requires the GCF to build capacity and undertake programming with them, irrespective of their existing capacity (i.e. following a capacity-building pathway). Each of these pathways entail the GCF realigning its processes, tools, procedures and business model to address the needs of different kinds of DAEs.

252. **Conclusion 2. Country ownership is essential for the Fund and is based on three attributes. First, a country takes leadership in the strategic processes for identifying projects and programmes that align with their national policies, strategies and targets. Second, a country has institutional capacity to plan, manage and implement activities. And third, countries, entities and the GCF share responsibility and accountability, and develop and act on best practices in planning and delivering climate action. Given the importance of country drivenness, a comprehensive approach to direct access to meet country climate priorities is missing** (Chapter 4 and Chapter 6).

253. A comprehensive approach at the country level involves analysis of country priorities, the entities required to meet such priorities, their respective capacities and mandates to fulfil the priorities, and the different pathways to access GCF funding. Direct access is ultimately expected to meet the **priorities** of countries. However, national-level priorities require an analysis of the relative strengths of the **entities** that can fulfil such priorities. Different kinds of institutions serve different roles in addressing the programming priorities of the GCF and countries. In the GCF portfolio, institutions have sorted themselves quite clearly to undertake projects and programmes pertaining to

different sectors and themes, presumably in terms of their comparative advantages. This implies that meeting GCF and country programming priorities – for example, community-led adaptation – merits partnerships with country-level institutions that may have the mandate to do so. Depending on the entities' **mandate** and **capacities,** they may require **pathways** for access to the GCF that are simplified and go beyond institutional accreditation. Such an approach is currently missing in the GCF's approach to direct access.

254. **Conclusion 3. 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** (Chapter 4 and Chapter 6).

255. So far, the GCF's efforts in enabling "access" to resources have been heavily skewed towards accreditation, but the assumption that accreditation would translate into programming did not materialize. Hindering factors also lie at the national and entity levels – for example, unrealistic expectations at accreditation and low capacities to answer numerous countries' demands that are sometimes not well tailored to the GCF. Institutional accreditation has not been an appropriate filter in measuring an entity's ability to undertake climate programming. For this reason, most of the entities have not been able to graduate from accreditation to programming in a reasonable time frame. The reactive nature of institutional accreditation does not enable the GCF to form in-country partnerships that are able to meet country priorities. Instead, a direct access model anchored in institutional accreditation only enables access based on an entity's ability to meet the transaction costs of the accreditation process. The GCF also lacks the mandate and mechanisms to actively source institutions for partnerships.

256. **Conclusion 4. Undertaking programming with the GCF entails high transaction costs for most DAEs. The GCF has a range of support programmes, the SAP and the Request for Proposals (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** (Chapter 5).

257. The GCF's current set of support elements in place before, during and after accreditation are insufficient in ensuring that most DAEs can navigate the GCF's programming cycle, including FP appraisal processes and funded activity agreement negotiations. The Readiness and Preparatory Support Programme (RPSP), SAP and PPF do not particularly consider direct access and DAEs and may not be easy to access for DAEs. The RPSP's objectives have so far supported accreditation for direct access, but its role in supporting programming for direct access is unclear. The roles and differentiation between the RPSP and the PPF are unclear with regard to support for direct access. The SAP, as a process for small- to medium-sized projects, does not provide an agile and simplified process for potential DAE projects. The GCF's existing concept note and FP processes do not treat DAEs differently than IAEs in supporting them through the development, approval and implementation of project proposals, despite the GCF's prioritization of direct access. The RfPs, in particular EDA, have been limited in their uptake and generally do not help to overcome the limitations of the GCF business model in programming. The project-specific assessment approach (PSAA) has not been tested, and its value-added over and above institutional accreditation and its relative value to direct access remain to be seen.

258. **Conclusion 5. 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** (Chapter 7).

259. The current cohort of DAEs with projects is heavily biased in favour of high-capacity institutions. Even then, DAEs face certain challenges to a higher degree than their IAE counterparts. These implementation challenges are expected to get more severe and wide-ranging as a more diverse range of direct access partners programme with the GCF. Current implementation support is not tailored to the specific needs and capacities of a wide pool of regional and national entities. With the continued expansion and diversification of the direct access portfolio and partners, the need for implementation support and simple, agile adaptive management becomes more crucial for proactively addressing design, capacity gap and project management challenges.

260. **Conclusion 6. Expansion of the AE pool while maintaining existing partnerships will strain the GCF's accreditation system, as it exists currently** (Chapter 8).

261. Trade-offs and challenges exist at accreditation, the design stage and the implementation stage when accommodating the ambition to incorporate more DAEs into programming. An expansion in the number of AEs will likely put pressure on the accreditation system of the GCF, with its limited capacity. The Board has not put in place additional modalities that further enhance direct access despite relevant provisions in the GI.

B. Recommendations

262. **Recommendation 1. Clarify the vision and purpose of direct access**.

The Board and the Secretariat should link this vision with the GCF's next strategy and implementation plan. This should include a clarification of the purpose of direct access and whether the GCF should concentrate on programming with direct access partners who have the capacity to transact with the GCF (i.e. following a programming pathway) or on building the capacity of a wider, more diverse or more specified range of direct access partners (i.e. following a capacity-building pathway), or a combination of both. A clear ToC for such a vision needs to be laid out to ensure accountability for its operationalization.

263. **Recommendation 2. 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 robust pathways to direct access.**

This report has established that (a) accreditation is not a uniformly suitable indicator for entities' ability to programme with the GCF; (b) a direct access model anchored in accreditation is not uniformly useful for meeting country priorities; (c) the GCF's own institutional limitations prevent a dependence on accreditation for wide-ranging direct access collaboration; and (d) the GCF does not provide differentiated access to resources for DAEs. Thus, the evaluation makes the recommendations below.

As an overarching recommendation, the GCF should actively consult with national designated authorities (NDAs) to jointly develop different options for collaborating with national and regional entities and partners and financing thematic priorities. **If the GCF finds country programmes suitable for programming, then country programmes could be the entry point for providing different options for access.** Thus, there are three sub-recommendations here:

1) **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**. The entities should be identified based on their ability and comparative advantage to undertake programming relevant to the country's priorities as set out in its nationally determined contribution. The GCF may consider setting up mechanisms for joint responsibility between NDAs and the GCF for country programming.
2) **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.** Pathways for access other than institutional accreditation should be explored by the GCF and NDAs (as identified in paragraph 47 of the GI). The ability to access GCF resources without requiring institutional accreditation may also incentivize NDAs to collaborate with the GCF in preparing country programmes, identify the relevant institutions to programme with over a programming cycle and take a more strategic approach to programming.
3) **The GCF should actively consider financing new and ongoing sectoral projects in the area of climate change to further direct access.** Sector support or basket funding opportunities should be explored so that the GCF can finance new or ongoing national and subnational programmes in the area of climate change. This can become a suitable conduit for ensuring that access to GCF resources can be achieved without needing accreditation at the subnational and local levels. Such initiatives could follow a "proposal first–implementer second" model, as in the case of the Global Fund or Gavi, where country-level coordination mechanisms lead to proposals that are channelled through relevant implementing partners.

264. **Recommendation 3. Ease direct access through different project approval channels, including simplified approval process, to approach a wider range of institutions**.

1) 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. The following sub-recommendations from that evaluation would be particularly important:
    a) Referring to the SAP evaluation's recommendation 1 (a), the GCF should develop a strategy for the SAP while focusing on processes that accelerate and simplify the project cycle, and so respond (also) to guidelines from the UNFCCC and the GI.
    b) Referring to the SAP evaluation's recommendation 2 (a), the GCF should simplify the review criteria for the SAP and develop different and tailored investment criteria.
    c) Referring to the SAP evaluation's recommendation 3 (b), the GCF should include a capacity-development programme (small and fast approval) to support DAEs on how to apply the simplified and accelerated procedures, and the GCF key concepts, within the RPSP or other instruments.
2) 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.

265. **Recommendation 4. Include a lens that focuses on the effect and implications on direct access in all the tools, modalities and instruments supporting accreditation and operations.**

The GCF should ensure that the PSAA includes a direct access focus. Based on recommendation 2, the Fund should consider having an RfP for direct access using the PSAA modality. Furthermore, the GCF should elaborate and crystallize the role of the RPSP for support towards enabling direct access. The differentiation of RPSP support for direct access at large vis-à-vis the PPF for project development needs to be clearly established, and both of them need to be offered in an integrated manner to facilitate direct access. Lastly, the GCF should reconsider operationalizing the RfP EDA, taking into account the lessons and recommendations of the RfP evaluation carried out by the IEU.

266. **Recommendation 5. Enhance support to DAEs during implementation stage**.

This should start at accreditation, making sure that entities have project management systems that enable them to identify and deal with problems during implementation (e.g. having monitoring systems for projects at risk or problem projects, to encourage transparency and the identification of problems and find solutions before it is too late and to identify lessons and experiences to be transferred to other projects and entities). The GCF should consider introducing modalities and tools at the implementation stage to better identify and address emerging risks in an expedited manner.

ANNEXES

Annex 1. METHODOLOGICAL NOTES

A. MAPPING OF THE EVALUATIVE QUESTIONS AGAINST THE REPORT STRUCTURE

This report is built on the initial matrix and approach paper, but the evaluation questions have been reshuffled quite significantly as a result of the data collection and analysis findings and in order to ensure better coherence and readability of the report.

Table A - 1 below tracks the initial matrix's questions and data-collection and analysis methods to the synthesis report's chapters.

Table A - 1. Approach paper evaluation matrix and corresponding chapters in this report

APPROACH PAPER EVALUATION MATRIX	FINAL REPORT CHAPTER	MAIN METHODS USED
1. Does direct access fit with the GCF's mandate and business model and respond to the needs of its partner countries?		
1.1. For what reason(s) was direct access included as one of the modalities of the GCF business model?	Chapter 2.B.1	Literature review (exhaustive review of Transitional Committee members' submissions especially), interviews
1.2. Is the direct access ToC clear, focused and fit for purpose relative to the GCF mandate?	Chapter 3	Literature review (especially of relevant Secretariat documents), ToC reconstruction workshop with GCF Secretariat staff, interviews
1.3. Is the direct access ToC clear, focused and fit for purpose relative to partner countries' priorities?	Chapter 3	
1.4. How relevant is the guidance given by the COP, the Board and the Secretariat on direct access regarding its operationalization?	Chapter 2.B.2	Literature review (exhaustive review of COP and Board guidance especially), interviews
1.5. To what extent have the GCF's business model and processes (e.g. fast-tracked accreditation, readiness support, PPF) been relevant to the specific needs of the direct access modality and DAEs?	Chapter 5	Literature review (especially of previous IEU evaluations and Secretariat relevant documents), interviews (especially with Secretariat staff and DAEs)
1.6. Are projects implemented by IAEs contributing to building national capacity and facilitating direct access?	Chapter 6.B.2	Interviews, deep dives, bespoke extraction from all FPs and FAAs in order to identify EEs of GCF projects
1.7. Has the GCF learned from the experiences of other entities regarding direct access, and applied lessons learned?	Chapter 2.B.3	Landscape analysis, interviews (especially with Adaptation Fund and DAEs)
2. What are the results of direct access?		

APPROACH PAPER EVALUATION MATRIX	FINAL REPORT CHAPTER	MAIN METHODS USED
2.1. Has the GCF effectively met its mandate on delivering financing through DAEs to countries? More specifically, has GCF been able to provide sufficient guidance and support for the efficient approval and effective implementation of DAE FPs?	Chapter 4	Portfolio analysis, interviews, deep dives
	Chapter 7	Bespoke extraction from all 2018, 2019 and 2020 APRs to identify root causes of implementation challenges for DAEs and IAEs
2.2. How efficient is direct access within the GCF, and has this evolved over time? How effective have the GCF's DAEs been in submitting FPs? What factors can explain the variations and differences in its performance? Have new and/or enhanced modalities (e.g. fast-tracked accreditation, PSAA, readiness and PPF) had an impact on efficiency?	Chapter 4.B.3	Portfolio analysis, literature review, interviews
	Chapter 4.B.2	
	Chapter 5	Literature review (especially of previous IEU evaluations and Secretariat relevant documents), interviews (especially with Secretariat staff and DAEs)
2.3. What is the effect of becoming a GCF DAE for the AE in the organization regarding capacity, portfolio, strategy, operations?	Chapter 6.B.2	Literature review, interviews (especially with Secretariat and DAEs), deep dives
2.4. Are DAEs addressing the needs of vulnerable and indigenous groups, and gender aspects?	Chapter 6.B.1	Portfolio review, interviews, deep dives
2.5. Are the project objectives and results of IAE and DAE projects qualitatively or quantitively different?	Chapter 6.B.1 for project portfolio and Chapter 7 for its implementation	Portfolio review, bespoke extraction from all 2018, 2019 and 2020 APRs to identify root causes of implementation challenges for DAEs and IAEs
2.6. Has the implementation of direct access within the GCF led to unexpected results and/or lessons learned?	Data collection did not find any evidence, therefore, it was removed as an evaluation question, but the synthesis conclusions will elaborate on this topic	N/A
3. How does direct access contribute to the paradigm shift necessary to deal with the climate emergency?		
3.1. Does direct access help national strategic long-term climate thinking and action, contributing to a sustained paradigm shift at the country level?	Chapter 8	Literature review, interviews
3.2. How does direct access contribute to the GCF's targets at portfolio level and its objective to promote a paradigm shift towards low-emission and climate-resilient development pathways in countries?		
3.3. What are the scenarios that can lead to	Chapter 8	Literature review, modelling

APPROACH PAPER EVALUATION MATRIX	FINAL REPORT CHAPTER	MAIN METHODS USED
increased direct access in the GCF portfolio? What benefits, downsides and tensions do these scenarios imply? What other aspects of direct access could be enhanced to increase DAEs' effectiveness and impact?		exercise

B. Methods

As reported in the table above, the evaluation team used a mixed-methods approach, employing both qualitative and quantitative data and methods to inform the evidence-based findings, conclusions and recommendations that are presented in this report.

Given the central role of direct access in the GCF's operations, almost all the 11 completed evaluations and assessments of the IEU to date have directly or indirectly assessed various aspects of the GCF's direct access modality, thereby generating an extensive evidence base on the topic. This synthesis builds extensively on this body of evidence, as well as on the evidence produced by the two evaluations carried out concomitantly by the IEU – namely, the SPR and the evaluation of the GCF's investments in African States.

Other data-collection and analysis methods included the following:

- An extensive document and literature review, including GCF documents and key peer-reviewed and grey literature on direct access
- A landscape analysis reviewing the implementation of direct access in four organizations within and outside the realm of climate finance (Adaptation Fund, Gavi, the Global Fund, the GPE)
- A workshop with selected Secretariat staff to reconstruct the ToC of direct access in the GCF
- Key informant interviews with more than 87 people from the GCF Secretariat and Board, AEs, civil society, the private sector and observers, including the following:
  - A focus group discussion with DAEs carried out on the margins of the LORTA training session
  - Extensive interviews with DAEs, including four DAE-focused deep dives consisting of in-depth interviews with each of the four DAEs studied (*Centre de Suivi Ecologique* (CSE), XacBank, CABEI and Micronesia Conservation Trust (MCT)) and interviews with relevant stakeholders involved with these four entities (NDAs, GCF Secretariat regional managers, EEs)
  - Interviews with relevant stakeholders attending the Africa Climate Week 2022 in Libreville
- Analysis of data collected, analysed and quality assured by the IEU DataLab, considering data that were available up to and including B.33, held in Incheon, Republic of Korea, 17–20 July 2022. This included a bespoke extraction from all FPs and FAAs in order to identify EEs of GCF projects and a bespoke extraction from all 2018, 2019 and 2020 APRs to identify root causes of implementation challenges for DAEs and IAEs.
- A forward-looking scenario analysis that models for different scenarios of accreditation and programming and the existing capacity for the GCF to implement these scenarios

More details are provided below regarding the ToC reconstruction workshop, the focus group discussion with DAEs, the databases used and specific extractions made for this synthesis as well as the four deep dives.

1. ToC reconstruction workshop

The evaluation team organized a ToC reconstruction workshop on 15 June 2022 with selected staff from relevant GCF divisions (Division of Portfolio Management (DPM), Division of Mitigation and Adaptation (DMA), PSF and Office of the Executive Director (OED) (see Annex 2 for list of interviewees).

The workshop had the following objectives:

- Identify the objectives of direct access from the Secretariat's point of view, the assumptions underlying these objectives and the evolutions in modalities related to direct access.
- Reconstruct the ToC of direct access in the GCF: confirm identified activities, identify expected outputs and outcomes and how these relate to the GCF's overarching objectives as set in its GI and USP.
- Support this synthesis exercise by identifying the expectations towards it and potentially identifying knowledge gaps.

The key takeaways from this workshop are as follows:

- Direct access and DAEs are a priority of the GCF, with modalities and programmes aimed to provide support to the DAEs.
- There are different visions within the GCF Secretariat regarding the aims of direct access and the order of priority of these aims. A main tension exists between capacity-building and programming. It is acknowledged that DAEs are smaller and less capacitated than IAEs, on average, and therefore require more "hand-holding". There is a trade-off between direct access and the maximum impact of GCF funds in the short and medium term, which is not clearly identified by all stakeholders. This can be influenced by the fact that the DAE category is very heterogenous, with some DAEs being more akin to IAEs (e.g. national development banks and some rDAEs) and thereby more likely to be capable of programming with the GCF. It was also mentioned that some IAEs, typically private sector entities, also faced difficulties when programming with the GCF.
- The strength of the link between direct access and country ownership was also perceived differently depending on the interview participant. Some participants stated that regional DAE/IAE projects constitute a big chunk of country ownership given the programming they allow, whereas other participants argued that the flow of finance channelled directly through the countries' entities was the key for country ownership and a paradigm shift in the long run because the better capacitation of national structures was a requirement.
- It was acknowledged that these existing tensions were implicit in the current business model and procedures of the GCF because the capacity-building of entities is not reflected in the performance indicators, which fully focus on quantitative programming targets.
- Other assumptions highlighted were that the bottom-up approach to accreditation at the GCF – where countries/NDAs are only provided with guidance (e.g. through the elaboration of country programmes) on which entities are relevant to nominate – could lead to a DAE pool that would be able to implement countries' priorities and the GCF's programming targets. Also, the fact that there is no defined process for countries to nominate their DAEs, nor any maximum limit

set for how many DAEs should be nominated from the country (the Adaptation Fund has guidance on both), assumes that countries are being strategic in their DAE choices and that relevant DAEs exist in all countries.

These results are mainstreamed into this report, especially in Chapter 3.

2. Data sets, extractions and work carried out by the DataLab

This method entailed the analysis of data acquired from GCF systems directly and data developed by the IEU's DataLab based on inputs provided by Secretariat divisions and AEs. The quantitative data were analysed and quality assured by the IEU DataLab. Data cut-off for financial and portfolio data is 20 July 2022 (B.33); only a part of Chapter 8 uses data up to B.32 for the factual draft. Data sources acquired from the information and communications technology systems and Secretariat teams include project accreditation data, portfolio data, financial data, PPF data and timestamps. Data sets developed by the IEU DataLab include investment criteria data, and co-financier, RPSP and EE data. Geospatial representation of the DAE portfolio was produced based on portfolio and accreditation data.

3. Focus group with DAEs

A focus group was organized on the margins of a virtual LORTA workshop on 4 July 2022. The three organizations that participated (DBSA, Profonanpe and the National Committee for Sub-National Democratic Development, see Annex 2 for list of interviewees) fulfilled the following criteria:

- Three different regions and two of the three GCF priority categories (LDCs and Africa)
- One rDAE and two nDAEs falling under two broad categories of institutions (development banks and public entities), allowing some comparisons of similar entities from different backgrounds
- Experienced entities, with accreditation time from 3 to 7 years (average 5.25 years) and diverse portfolios and pipelines

The focus group got concrete feedback from the participants on the following evaluative sub-questions:

- 1.4. How relevant is the guidance given by the COP, the Board and the Secretariat on direct access regarding its operationalization?
- 2.3. What is the effect of becoming a GCF DAE for the AE in the organization regarding capacity, portfolio, strategy, operations?
- 2.4. Are DAEs addressing the needs of vulnerable and indigenous groups, and gender aspects?
- 1.6. Are projects implemented by IAEs contributing to building national capacity and facilitating direct access?
- 3.1. Does direct access help national strategic long-term climate thinking and action, contributing to a sustained paradigm shift at the country level?
- 2.6. Has the implementation of direct access within the GCF led to unexpected results and/or lessons learned?

Its results are mainstreamed into this report.

4. Deep dives

The evaluation team selected a purposive sample of four DAEs that have been accredited for more than four years, in order to gain in-depth knowledge on their experience of engaging with the GCF. Not only could these entities share details of their extensive experience with the GCF, but the fact that they had been accredited for several years before the COVID-19 crisis is also helpful in studying the trajectory of their experience until the crisis and identifying its impacts.

While the sample is not representative of the full GCF DAE portfolio, the following criteria were considered:

- Geographical balance
- Coverage of one LDCs and one SIDS
- Coverage of nDAEs and rDAEs
- Coverage of different sizes, risk categories and fiduciary standards
- Portfolio of at least one project under implementation
- For nDAEs, whether the entity is also accredited as a NIE under the Adaptation Fund

The four entities selected (CABEI, CSE, MCT and XacBank) are described in Table A - 2, below. For each deep dive, a preliminary desk review analysing the entity's portfolio and national or regional circumstances was followed by interviews with the DAEs themselves, relevant NDAs and staff from the Division of Country Programming (DCP) of the GCF.

These deep dives were complemented by, among other things, interviews with DAEs that had been accredited for several years but that did not have an approved project (see the list of interviewees in Annex 2). The intent behind these interviews was to better understand the obstacles faced by the DAEs. The focus group discussions with DAEs participating in the LORTA programme also contributed towards the data-collection process.

Each deep dive focused on selected specific aspects of the DAE, such as being an rDAE versus a nDAE, the country or region of action, the accreditation size, previous experience as a NIE of the Adaptation Fund or the use of GCF support processes such as the SAP or the PPF. The results of the deep dives are mainstreamed in this report.

Table A - 2. Comparison of characteristics of DAEs covered through deep dives

ITEM	CSE (*CENTRE DE SUIVI ECOLOGIQUE*)	CABEI (CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION)	MCT (MICRONESIA CONSERVATION TRUST)	XACBANK
Headquarters' country and region	Senegal, Africa, LDCs	Honduras, Central America	Federated States of Micronesia, Asia-Pacific, SIDS	Mongolia, Central Asia
Type of DAE	National public sector entity	Regional entity	Regional entity	National private sector entity
Date of GCF accreditation	March 2015 Reaccredited in 2021	December 2016	July 2017	October 2016
Size	Micro	Large	Micro	Small
E&S risk category	Category C	Category A	Category C, Intermediation C	Category B, Intermediation B
Fiduciary standards	Basic project management	Basic project management, grant award, loan, equity, guarantee	Basic project management, grant award	Basic project management, loan, equity, guarantee
Number of GCF projects under implementation	1 adaptation project: • Increasing the resilience of ecosystems and communities through the restoration of the productive bases of salinized lands (FP003) (approved in November 2015)	2 adaptation and 2 mitigation projects: • Productive Investment Initiative for Adaptation to Climate Change (CAMBio II) (FP097) (approved in October 2018, multi-country project) • Bio-CLIMA: Integrated climate action to reduce deforestation and strengthen resilience in BOSAWÁS and Rio San Juan Biospheres (FP146) (approved in November 2020, Nicaragua) • Light Rail Transit for the Greater Metropolitan Area (FP166) (approved in July 2021, Costa Rica) • Ecosystem-based Adaptation to increase climate resilience in the Central American Dry Corridor and the Arid Zones of the Dominican	1 adaptation project: • Climate resilient food security for farming households across the Federated States of Micronesia (FSM) (SAP020) (approved in March 2021)	4 mitigation projects: • MSME Business Loan Program for GHGas Emission Reduction (FP028) (approved in December 2016) • Renewable Energy Program #1- Solar (FP046) (approved in October 2017) • Energy Efficient Consumption Loan Program (SAP004) (approved in October 2018) • Mongolia Green Finance Corporation (approved in

ITEM	CSE (*CENTRE DE SUIVI ECOLOGIQUE*)	CABEI (CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION)	MCT (MICRONESIA CONSERVATION TRUST)	XACBANK
		Republic (FP174) (approved in October 2021, multi-country project)		November 2020)
Accredited to the Adaptation Fund	Yes	No	Yes	No
Date of Adaptation Fund accreditation	First Accreditation: 25 March 2010 First Reaccreditation: 31 March 2015 Second Reaccreditation: 26 January 2022 Accreditation Expiration Date: 25 January 2027	Non applicable	First Accreditation: 10 April 2015 First Reaccreditation: 21 June 2021 Accreditation Expiration Date: 20 June 2026 Streamlined Accreditation Modality	Non applicable
Adaptation Fund project under implementation	2 projects: Adaptation to Coastal Erosion in Vulnerable Areas (September 2010) Reducing vulnerability and increasing resilience of coastal communities in the Saloum Islands (Dionewar and Fadial) (May 2017)	Non applicable	1 project: Practical Solutions for Reducing Community Vulnerability to Climate Change in the Federated States of Micronesia (March 2018)	Non-applicable
Readiness delivery partner?	Carries out readiness support for African countries	Carries out readiness support for the countries it covers	Not applicable	Not applicable
Adaptation Fund readiness support?	Yes 2 readiness grants: Technical Assistance for Gender (December 2016) and Technical Assistance for Environmental and Social Policy (February 2016)	Non applicable	Yes: 2 readiness grants: Technical Assistance for Gender (December 2016) and Technical Assistance for Environmental and Social Policy (February 2016))	Non-applicable

Annex 2. LIST OF INTERVIEWEEES

Name	Position	Affiliation
DAEs		
Youssef Boumaiz	Project Finance Relationship Manager	Attijariwafa Bank
Miguel Mendez	Head of Partnerships and International Cooperation Department	CABEI
Ruben Avila	Green Finance Project Analyst and Adaptation Fund focal point	CABEI
Derek Gibbs	Climate Change Specialist	Caribbean Development Bank (CDB)
Nicholas Ross	Climate Change Officer	CDB
Valerie Isaac	Environmental Sustainability Unit Coordinator	CDB
Amedeus Roman	Senior Manager, Strategy	CRDB Bank
Hailo Kibiki	Specialist Environment, Gender and Social Safeguards, Sustainable Finance Unit	CRDB Bank
Aïssatou B. Sall Sylla	Head of Climate Finance Unit	CSE
Muhammed Sayed	Specialist, Climate Finance Unit	DBSA
Joana Mensah	Country Chief Risk Officer Risk Management Department	Ecobank Ghana (EGH)
Adofo-Addo Kingsle	Head SME Banking	EGH
Frank Osei-Nkruma	Senior Legal Officer	EGH
Gifty Owusu-Nhyira	Environmental and Sustainability Risk Analyst	EGH
Ashish Chandra	Head of Financial Institutions Group	IDFC Bank
Gagan Nigam	Senior Economist	IL&FS
Song Joo Kim	Climate Crisis & Pandemic Response Team	KOICA
Jihi Kim	Manager, Climate Crisis & Pandemic Response Team	Korea International Cooperation Agency (KOICA)
Eugenia Kim	Climate Business Team	Korean Development Bank
Alefaio Greenstone	Conservation Project Manager	MCT
JoLynee Mori	Task Manager for SAP020	MCT
Lisa Andon	Deputy Director	MCT
Mark Kostka	Project Manager	MCT
William Kostka	Executive Director	MCT
Neang Vannav	Vice Chief of Program Management Office	National Committee for Sub-National Democratic Development
Claudia Godfrey	Director of Innovation & Strategic Management	Profonanpe
Juana Kuramoto	Head of Research and Development	Profonanpe

Name	Position	Affiliation
Komlanvi Moglo	Environment Specialist	West African Development Bank (BOAD)
Kriti Kuksal	Vice-President and Deputy Environmental Management Representative	YES Bank
Nitesh Chandra	Executive Vice-President	YES Bank
IAEs		
Christian Ellerman	Senior Climate Finance Specialist	Asian Development Bank
Michaela Conine	Digital Media Consultant	Asian Development Bank
Gareth Phillips	Manager, Climate and Environment Finance Division, Adaptation Benefits Mechanism	African Development Bank
Ilona Porsche	GCF Focal Point	GIZ
Katja Kammerer	Head of division, Commissioning Parties	GIZ
Nana Kuenkel	GCF Oversight Team	GIZ
Paula Rolffs	Head of Readiness	GIZ
GCF Secretariat		
Anupa Lamichhane	Regional Manager, Asia-Pacific	DCP
Cayetano Casado Gomez Guillamon	Regional Manager	DCP
Diane McFadzien	Regional Manager, Asia-Pacific	DCP
Kabishi Tshilumba	Regional Manager, Africa	DCP
Olena Borysova	Accredited Entities Specialist	DCP
Stephanie Kwan	Head of the Accreditation and Entity Relations Unit	DCP
Svetlana Frenova	Consultant	DCP
Adria Llach	Project Officer	DMA
Ayaka Fujiwara	Climate Investment Specialist	DMA
Carol Litwin	Renewable Energy Specialist	DMA
Demetrio Innocenti	SAP, PPF & EDA Manager	DMA
German Velasquez	Director	DMA
Joseph Intsiful	Senior Climate Information and Early Warning Systems Specialist	DMA
Hakim Hadjel	Portfolio Management Specialist (Readiness)	DPM
Katarzyna Lesiuk	Restructuring and Cancellation Specialist (Funded Activities)	DPM
Rahul Teku Vaswani	Portfolio Management Specialist (Readiness)	DPM
Zalina Mulikova	Project Management Assistant Consultant	DPM
Kevin Horsburgh	Climate Science Lead	OED
Selina Wrighter	Head of Policy and Strategy	OED
Juan Hoffmaister	Multilateral Governance Manager	Office of Governance Affairs (OGA)

NAME	POSITION	AFFILIATION
Emersen Resende	Climate Policy Specialist	OGA
Andrey Checherin	Innovation, Technology and Co-Funding Manager	PSF
Thomas Bishop	Climate Investment Officer	PSF
Government officers		
Anna Tjarvar	Programme Manager, Environment and Climate	Embassy of Sweden in Ethiopia
Michael Okumu	Deputy Director, Climate Change Directorate	Ministry of Environment and Forestry, Kenya
Pacifica Ogola	GCF Board Member for Kenya	Ministry of Environment and Forestry, Kenya
Choikhand Janchivlamdan	National Designated Authority	Ministry of Environment and Tourism, Mongolia
Noemia Utxavo	Planning and Budgeting Officer	Ministry of Finance, Government of Mozambique
Eduardo Da Silva	Director, Climate Change	Ministry of Land and Environment, Government of Mozambique
Bernard Kimoro	Head, Climate Change and Livestock Sustainability Section	State Department of Livestock, Kenya
CSO/PSO		
Mao Amis	Director	Africa Centre for Green Economy
Bertha Tejeda	Policy Advisor, Climate Finance and Development	Germanwatch
Daniel Desiree Ouedraogo	Head of Programme Design and Advocacy	TreeAid, Burkina Faso
William Mshery	Executive Director	Vijana Think Tank
iTAP		
Ahsan Uddin Ahme	iTAP member	
Caroline Petersen	iTAP member	
Claudia Martinez	iTAP member	
Daniel Nolasco	iTAP member	
Felix Dayo	iTAP member	
Marina Shvangiradze	iTAP member	
Rey Guarin	iTAP member	
Ricardo Nogueira	iTAP member	
Others		
Farayi Onias Madziwa	Readiness Programme Office	Adaptation Fund
Silvia Mancini	Operations Officer for Accreditation	Adaptation Fund
Ignacia Holmes	Principal Consultant	Echo Consulting

NAME	POSITION	AFFILIATION
Patrick Blank	Technical Grant Writer	Echo Consulting
Sandra Freitas	Former DCP Africa Manager and Advisor to Board Members	Independent Consultant
Yolando Velasco	Manager, Climate Finance, Technology and Capacity-building, UNFCCC negotiation expert, part of GCF Transitional Committee	UNFCCC
Patterson K. Shed	Regional Coordinator	USAID Pacific Climate Facility
Stephen Boland	Senior Policy and Finance Advisor (FSM)	USAID Pacific Climate Facility

Note: Due to legal and ethical considerations, we are not permitted to identify or list any agencies that have applied for but not yet received accreditation. Moreover, some entities have wished to remain anonymous. These agencies are therefore not listed.

Annex 3. SUMMARY OF THE DAE ACTION PLAN

Situation Factors	Recommendations	Proposed Actions	Expected Results
1.) Limited Diversity of Accredited DAEs • The vast majority of DAEs are from the public sector (79%). • The accreditation scope of most DAEs limits project (re)design options. • Most DAEs are accredited for grants.	Provide Support for Strategic Nomination and Accreditation of DAEs to the GCF	• Support countries to identify their climate change priorities and selecting DAEs that can delivery on those priorities. • Make countries and entities more aware of the business standards needed in order to deliver GCF finance. • Consider reinstating a Board-level accreditation prioritization decision. • Continue using Readiness resources to identify accreditation gaps of nominated entities. • Continue using Readiness resources to address the identified gaps. • Continue using Readiness resources to support nominated entities in submitting accreditation documentation.	• Increased programming from DAEs due to a larger and strategically aligned portfolio. • A more diversified portfolio of DAEs that can operate at scale and support achieving GCF's USP goals.
2.) Project Development Challenges • Lack of concept notes being translated into investable funding proposals. • Lack of capacity to articulate the climate science basis of proposed projects. • Lack of capacity to develop an appropriate theory of change and log frame. • Lack of understanding of GCF's Investment Criteria; ESS, gender, and other policies. • DAEs do not have enough experienced technical staff/experts to support project (re)design and development.	Provide Support for DAE Project Development	• Request Delivery Partners which are supporting DAEs in developing concept notes to continue retaining their services through the full project development cycle, from concept note development, to funding proposal development, to Secretariat feedback, to ITAP review, through Board approval to provide an end-to-end solution. • Develop online training modules for DAEs on GCF project development. • Deploying targeted Readiness resources to support DAEs in provisioning climate data and information to build-out the climate science basis of projects. • Continue deploying Readiness resources (and PPF, when requested) for project preparation technical assistance through individual consultants and firms. • Allow DAEs which are in the final stage of accreditation to access project preparation technical assistance and PPF support. • Promote peer-to-peer learning. • The Board to consider a decision on Project Specific Accreditation Approach (PSAA). • The Board to further simplify the Simplified Approval Process (SAP).	• Increase in the DAE share of high-quality funding proposals developed, submitted, and approved by the GCF Board. • Increased share of DAE programming likely to be achieved during GCF1.
3.) Weak Coordination at the National Level • Lack of planning, sequencing, and prioritization of investments at the country level. • Weak coordination between NDAs and DAEs during the Readiness planning cycle. • Lack of clear climate change strategy.	Provide Support for Capacity Building and Institutional Strengthening	• Revise the Readiness proposal template to include a section that requires DPs and NDAs to articulate on coordination between NDAs and DAEs to ensure any DAE support requests are considered in the Readiness cycle. • Revise the Concept Note and Funding Proposal templates to include a section that specifically requires IAEs to articulate their consultations with DAEs in project development. • Develop dedicated capacity building service offerings as standard packages that can be plugged into Readiness proposals upon country requests. • The Secretariat launch targeted programming and capacity building types of events.	• More effective coordination between NDAs and DAEs at the national level to promote country-aligned channeling of climate finance. • Greater alignment in ensuring DAEs are strengthened and better capacitated to deliver on country priorities.

Source: GCF/B.29/Inf.07, annex 1, p.71

Annex 4. LANDSCAPE REVIEW: COMPARATIVE TABLE OF DIRECT ACCESS IN FOUR INSTITUTIONS

ADAPTATION FUND	THE GAVI ALLIANCE	THE GLOBAL FUND	GLOBAL PARTNERSHIP FOR EDUCATION
Founded in 2001	Founded in 2000	Founded in 2002	Founded in 2002
What access modalities exist within the organization?			
The Adaptation Fund provides access for countries through accredited implementing entities. It has international access through multilateral or regional implementing entities and direct access through NIEs. It also provides access through EDA, which is operationalized through a funding window for NIEs. The Adaptation Fund operationalized direct access by providing access to international climate finance through domestic institutions with project management and oversight functions, while the EDA, in addition, also transfers a part of the funding decision-making to these domestic institutions (Schäfer and others, 2014). Direct access is referred to in the Adaptation Fund's current strategy as a means of ensuring country ownership and building national capacity, while EDA is intended to drive ownership and capacity down to the grass roots (Adaptation Fund, 2018).	Gavi states that its "business model is built on the principle of empowering developing countries to take the lead in applying for support, managing development grants and, ultimately, financing their own immunisation programmes (Gavi, 2022b)." Grant applications are prepared by countries' health authorities, and reviewed and approved by the national Coordination Forums, consisting of required and recommended members, who also ensure application alignment with national priorities (Gavi, 2016). Among the required members are the health ministry, and decision makers from the ministry of finance or planning, other ministries with high relevance to the programme implementation, CSOs, key donors active in immunization in country, as well as key implementing partners, such as WHO and UNICEF (Gavi, 2016). The applications are signed off by ministries of health, finance and sometimes education, in addition to the national Coordination Forum, previously known as Inter-agency Coordination Committee, or Health Sector Coordinating	Grant proposals are country proposals submitted by each country's CCM, which "includes broad representation from government agencies, nongovernmental organization, community-based organizations, commercial-sector organizations (where these exist) and bilateral and multilateral agencies" (Global Fund, 2001), and country- based academia. Country Coordinated Proposals outline how funds are to be distributed. Grant agreements are signed with principal recipients (PRs) selected by the CCM. PRs are often ministries of health, or other government entities or NGOs. Individual organizations, such as NGOs, would be eligible to submit proposals directly. However, the proposal must clearly demonstrate why it could not be considered under the CCM process at the country level, and the Board should require validation of these reasons (Global Fund, 2001). The Global Fund's latest strategy states that "the funding model is based on a core principle of country ownership, meaning	The GPE supports governments to align and coordinate national and international efforts behind government priorities, including by using direct funds to leverage additional domestic and international financing (GPE, 2022c). Partnership Compacts define how GPE's engagement will align with countries' systems transformation priorities and the roles, responsibilities and actions are agreed within this Compact (GPE, 2022b). LEGs are the primary collaborative forums for education sector dialogue among government and partners. LEGs review and discuss sector diagnostics and analysis, they serve as the forum for the endorsement of the education sectoral plans, they are also responsible for developing the application to GPE and select the grant agents (MDF Training & Consultancy, 2019). The GPE's grant agents are accredited by the GPE, these can be multilateral or bilateral organizations and international NGOs. National CSOs and networks are able to access funds directly through advocacy

Adaptation Fund	The Gavi Alliance	The Global Fund	Global Partnership for Education
	Committee (Gavi, 2022a). The applications then go to the Independent Review Committee, which either recommends the applications for approval, or for re-review by the CEO of Gavi, who makes the funding decisions. Partnership Framework Agreements between Gavi and the country, and annexed Grant Management Requirements provide the legal framework for the funding (Gavi, 2022a). Funds are then transferred to countries and/or for vaccine purchase with the UNICEF Supply Division (Gavi, 2022a).	that countries determine how to use these funds and take responsibility for fighting the three diseases through responses that are country led and tailored to their unique context" (Global Fund, 2021b). The Global Fund's new strategy places emphasis on incentivizing grant financing for community-based, community-led and indigenous CSOs. "To promote the contracting of smaller organizations, a shared risk approach will be introduced to alleviate the full burden of risk from Principal Recipients" (Global Fund, 2021b).	and social accountability grants. In addition, GPE also provides knowledge and innovation grants, which are available to a variety of recipients, including academia, research organizations, NGOs and international organizations (GPE, 2020a).
How are the "direct access entities" identified?			
NIEs of the direct access modality are nominated by their respective governments prior to submitting an application for accreditation, which then assesses their fiduciary and environmental and social standards (Adaptation Fund, 2022b).	Eligibility for support is based on national income. Countries become eligible for Gavi support if their average gross national income per capita has been less than or equal to USD 1,630 for the past three years according to World Bank data (Gavi, 2022a). The national Coordination Forums decide which implementation partners are chosen.	Eligibility for support is based on the countries' disease burden and income and is determined annually (Global Fund, 2021a). PRs within the country are determined by the CCM.	Countries are eligible for system transformation grants based on their gross national income per capita classifications, as well as fragility factors. LEGs choose the grant agents to implement the projects.
Mechanisms available to support those that are "directly" accessing funds			
The Readiness Programme is designed to strengthen the capacities of national and regional entities to receive and manage climate financing. It offers a number of different grants: • Readiness Package grants provide support to NIEs to get accredited.	In 2016, Gavi adopted the strategy of providing technical assistance under the Partners' Engagement Framework. Partners' Engagement Framework funding falls into three categories (Deloitte, 2017): • Foundational Support constitutes long-term funding to maintain core	The CCM coordinates "country dialogues" where anyone can participate, share experiences and help define programmes. The Community, Rights and Gender Strategic Initiative's objective is to strengthen the engagement of civil society	GPE provides support to countries through a number of grants. System capacity grants are up to USD 5 million and can be used to prepare for the overall system transformation grants. Program Development grants are also available to countries for the design of an

<table>
<tr><th>Adaptation Fund</th><th>The Gavi Alliance</th><th>The Global Fund</th><th>Global Partnership for Education</th></tr>
<tr><td>Project Formulation Grants are available to NIEs after the concept note development stage to carry out feasibility studies and other project formulation activities.
Technical Assistance grants are available to NIEs to tap into external (short-term) expertise for environmental and social and gender-related issues.
Project scale-up grants are available for NIEs to develop scaling pathways for project scale-up.
The Adaptation Fund also partnered with the Climate Technology Centre and Network, which provides complementary technical assistance during project development.</td><td>partner activities at global/regional levels.
TCA through its core partners (WHO, UNICEF, Centers for Disease Control and Prevention and the World Bank) and its expanded partners (local institutions). Through TCA, Gavi provides non-financial technical assistance based on country’s identified needs (Gavi, 2022a).
Special Investments in Strategic Focus Areas, where partners jointly develop medium- to long-term approaches in programmatic areas (Deloitte, 2017).
Gavi’s TCA is embedded during its full portfolio planning process into a country’s ToC and forms an integral part of the funding request (Gavi, 2022a).</td><td>and communities in the Global Fund related processes, and is achieved through the following:
Short-term technical assistance to civil society or community organizations
Long-term capacity strengthening to support meaningful engagement through 12 organizations/networks.
Regional platforms (6)
Countries can request technical cooperation throughout the funding process. The potential recipient of the cooperation includes the CCM, implementers and CSOs. The potential purpose of the technical cooperation can be national strategic planning, country dialogue, funding request development, grant-making or implementation support.</td><td>education programme that will help implement the country’s priority reforms (GPE, 2022d).</td></tr>
<tr><td colspan="4">Scale of funds accessible to countries</td></tr>
<tr><td>Each country can access funds up to USD 20 million through AE via the regular single-country project window. Within this window a single national concrete adaptation project can be worth up to USD 10 million (Adaptation Fund, 2021). In addition, countries can be funded though regional projects, as well as other smaller funding windows outside of the USD 20 million country cap, such as the EDA funding window for projects up to USD 5 million (Adaptation Fund, 2022a), and other smaller grants.</td><td>Funding to countries is allocated for each funding cycle based on criteria.
In Gavi 5.0, the 2021–2025 funding cycle, the following range of funding ceilings were allocated based on a formula.
The maximum amount a country can access in approvals for disbursement during Gavi 5.0 (2021–2025):
Minimum: (disregarding countries that are at zero, or not included) is USD 762,000 (Sao Tome and Principe)</td><td>Country allocations are made based on a formula. In the 2020–2022 funding cycle the range was as follows (Global Fund, 2020):
Minimum: USD 562,000 (Montenegro)
Maximum: USD 891,000,000 (Nigeria)
Public data are not readily available on amounts allocated to various types of PRs within the country proposals.</td><td>System transformation grants are available up to USD 162.5 million per country (GPE, 2022d).
The Knowledge and Innovation Exchange has an overall USD 75 million budget allocated to the International Development Research Center as a grant agent and is accessible by academia, NGOs and other regional, national or subnational organizations through global and regional calls for proposals. Individual grants range between USD 0.5 million and USD 2 million (GPE, 2022e).</td></tr>
</table>

Adaptation Fund	The Gavi Alliance	The Global Fund	Global Partnership for Education
	• Maximum: USD 126,000,000 (Nigeria) Partners' Engagement Framework TCA ceiling 2021–2025 range: • Minimum: USD 3,078,773 (Gambia) • Maximum: USD 26,208,676 (Nigeria) The Gavi Alliance disbursed over USD 13 billion between its inception in 2000 and 30 November 2018 (Gavi, 2019).		Advocacy and social accountability grants to national and international CSOs and networks are implemented by Oxfam through its Education Out Loud fund. Grants are available between USD 100,000 and USD 1.2 million over 2–3 years through open calls for proposals (GPE, 2022a).
Bottlenecks according to evaluations			
The Adaptation Fund's first overall evaluation found that the direct access modality was appropriate to achieve the goal of supporting implementation capacity and ensuring alignment with national priorities (TANGO International and Overseas Development Institute, 2015). It also found that direct access was relatively slow in reaching the most vulnerable. The second phase of its overall evaluation found that NIEs improved their fiduciary, project management, financial and accounting, monitoring and knowledge management capacities as a result of the accreditation process (TANGO International, 2018). It also found that there was need for improved results frameworks at project levels to measure impact. The Mid-Term Review of its Medium-	Gavi's Second Evaluation found that its business model, which finances governments directly, is unique and contributes to the organization's efficiency. Thereby, Gavi's administrative overheads as a proportion of financing are comparable to those of the Global Fund, despite that being a significantly smaller organization (CEPA, 2010). The evaluation also found that the Inter-agency Coordination Committee mechanism is indicative of effective partnering among stakeholders, and a considerable value addition of Gavi is the level of country ownership it provides compared to other donors. However, the evaluation also finds that occasionally CSOs and the private sector need to be engaged more meaningfully, and overall monitoring and communication at country level is to be strengthened further (CEPA, 2010). In addition, a 2018 update to its meta-	The Global Fund's strategic review found evidence that that Global Fund mechanisms can struggle to generate political commitment to meet all of the Fund's strategic priorities; this is also particularly difficult for CSO programming. It also found that the political nature of prioritization decision-making can often override value-for-money considerations (Global Fund, Itad and the University of San Francisco, 2020). The strategic-level evaluation found that "significant steps have been taken to promote a more balanced approach to managing the trade-offs between programmatic and fiduciary risk. While external stakeholders continue to view the Global Fund as risk averse, the steps taken are generally perceived as positive within the Secretariat. However, changing the organizational culture from one that has been focused more often on fiduciary	An independent summative evaluation of the GPE found that "requiring a sector-wide focus for planning and monitoring in a multi-stakeholder partnership is a unique feature of GPE's model" and this model is the most difficult to implement effectively (MDF Training & Consultancy, 2020). The summative evaluation also found that LEGs' effectiveness is uneven across countries. Technical capacity gaps within the complex government systems are an issue for LEGs, as is data collection in order to close the loop between action and learning from results. A synthesis of country-level evaluations of country dialogues found that subnational actors are often absent from the central mechanisms despite their key roles in sector plan implementation (GPE, 2020b). The same synthesis also found that country ownership of the sector dialogue

ADAPTATION FUND	THE GAVI ALLIANCE	THE GLOBAL FUND	GLOBAL PARTNERSHIP FOR EDUCATION
Term Strategy found that the operationalization of the EDA window is not progressing according to the envisioned pace in the Fund's implementation plan (Adaptation Fund Technical Evaluation Reference Group, 2021).	review of Gavi's Health System Strengthening country evaluations found that channelling funds via partners, such as UNICEF, may have allowed for more effective implementation in some countries; however, it caused delays in other countries where the partner's and the country's systems were not aligned. It also found that channelling funds via partners raised concerns about the lack of strengthening of national systems and undermining national oversight and ownership (Gavi, 2018).	controls takes time and will require specific attention." (Global Fund, Itad and the University of San Francisco, 2020). The evaluation also found that there are a number of concerns around the support provided by partners to countries to design and implement grants. "Despite some examples where arrangements work well and a number of steps have been taken to strengthen partner engagement, there are still issues with coordination, accountability, and transparency of how technical assistance is delivered at the country level. Levels of technical capacity are widely acknowledged as patchy in some WHO and Joint United Nations Programme on HIV/AIDS offices and this affects engagement" (Global Fund, Itad and the University of San Francisco, 2020).	is weakened by the lack of clarity over roles and responsibilities when several ministries share responsibilities for the sector. It also found that where the sector dialogue is becoming more evidence driven, the quality of the sector dialogue is improving. In addition, it found limited evidence that sector dialogue fostered greater collaboration among stakeholders. The synthesis also noted that by using a project-based approach, the projects do not often map onto the sector plan and it is difficult to understand sectoral results.

Annex 5. METADATA

Implementation challenges reported in 2020 APRs - Data dictionary

Variable number	Variable name	Variable explanation	Fill instructions
1.1	ID	Unique number generated for each observation (each challenge)	Number
1.2	FP number	Identifier code of project	FPXXX
1.3	AE acronym	Name of the executing entity	Text
1.4	AE modality	Type of access modality of the entity	• National • Regional • International
2.1	Challenge encountered	Qualitative description provided by the reporting AE of what implementation challenge the project encountered in the reporting year	Text copied from APR Section 2.6 corresponding field If field is empty, then 'Not available'
2.2	Measures adopted	Qualitative description provided by the reporting AE on how identified challenges were addressed	Text copied from APR Section 2.6 corresponding field If field is empty, then 'Not available'
2.3	Lessons learned and other remarks	Qualitative description provided by the reporting AE with further details on reported implementation challenge	Text copied from APR Section 2.6 corresponding field If field is empty, then 'Not available'

Variable number	Variable name	Variable explanation	Fill instructions
2.4	Challenge type	Challenge type identified by the reporting AE from a pre-set list of the APR template	Text copied from APR Section 2.6 corresponding field There are 9 standard implementation challenges that the AE are supposed to report according to the APR template: • Implementation • Legal • Political • Procurement • Sanctions • Prohibited practices • AML/CFT • Financial • Environmental and social • Operational If field is empty, then 'Not available'
2.5	Impact on project implementation	Challenge impact level identified by the reporting AE from a pre-set scale of the APR template	Text copied from APR Section 2.6 corresponding field There are 3 standard levels provided by the template: • High • Medium • Minor/Solved If field is empty, then 'Not available'
3.1	Descriptive cause of challenge	IEU analyst's short descriptive summary of what the root cause of the reported challenge is	Text If Variable 2.1, 2.2, 2.3, 2.4, 2.5 not available, then 'Not available'

Variable number	Variable name	Variable explanation	Fill instructions	
3.2	Challenge cause category	IEU analyst's categorisation of the root causes from a pre-set list	Text If Variable 2.1, 2.2, 2.3, 2.4, 2.5 not available, then 'Not available'	
			Variable list:	Interpretation examples, explanation:
			Covid	Covid causing implementation delay Covid causing co-financing reallocation, or financial challenge Covid causing changes to implementation arrangements Covid leading to market changes Covid related supply-chain issues delaying procurement
			Capacity (of AE, EE, or implementing partners in country)	EE financial resources insufficient EE skills insufficient AE human resources insufficient Public sector not sufficiently clear Implementing partner drop-out Institutional knowledge discontinuity at AE/EE/Ministry
			Safeguard & gender	Safeguards Resettlement Gender Indigenous peoples
			Design flaw	Project element not well designed leading to challenges
			Extreme weather	Extreme weather event causing halting of or disruption to activities
			Technical	Beneficiary/intervention area identification causing delay Maladaptation Inappropriate hardware choice leading to disruption

Variable number	Variable name	Variable explanation	Fill instructions	
			GCF	GCF response causing delay FAA rigidity in the way of adaptive management
			Financial	Financial challenge AE fees insufficient to cover costs
			Politics/ policy	Political conflict leading to implementation delay Change in relevant regulation, policy
			Procurement	Non-covid related procurement challenges
			Project management	Implementation challenge that does not fit other categories

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