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Management response to Independent Synthesis of Direct Access in The Green Climate Fund

Summary

This document presents the Secretariat management response to the *Independent Synthesis of Direct Access in The Green Climate Fund* undertaken by the Independent Evaluation Unit (IEU). The report reviews the direct access concept and approach mandated by the GCF's Governing Instrument (GI) and provides a learning opportunity for improving the overall performance of direct access in the GCF. Many of the findings resonate with the Secretariat's experience and lessons learned, and the Secretariat is taking steps within its authority to address the recommendations.

I. Introduction

1. The Secretariat welcomes the *Independent Synthesis of Direct Access in The Green Climate Fund*. Since the GCF's inception, direct access has been a crucial component of its mandate and identity. The synthesis report covers relevant aspects of direct access across the accreditation and project life cycles. It discusses how direct access has been integrated into the GCF's operational processes across the accreditation and project cycles, including access, portfolio positioning, implementation, and other operational processes that support direct access.
2. The Secretariat commends the Independent Evaluation Unit (IEU) on this evaluation and thanks them for their professionalism in producing this timely report. The IEU encouraged feedback and dialogue from the Secretariat throughout the process, presenting webinars on methods, findings and recommendations. The Secretariat provided comments at key points in the evaluation process, and many Secretariat staff provided interviews that contributed to the findings and recommendations of this report. In accordance with the Evaluation Policy for the GCF, the Secretariat will incorporate these evaluation findings and recommendations into its decision-making, management, operations, strategies, budgets and practices.
3. The findings and recommendations of this evaluation broadly resonate with the Secretariat's experience and lessons learned from partnering with direct access entities (DAEs). This management response is divided into three parts, including this Introduction. The second section will provide general responses to the findings of the direct access synthesis report. The third section will provide some general responses to the IEU recommendations before elaborating the response to each specific recommendation.

II. Response to findings

4. Direct access is one of the distinctive features of GCF, designed to support developing countries in integrating climate change funding with national climate action plans. Navigating climate finance channels and processes can be challenging, particularly for organisations with limited experience in international funding models. Therefore, GCF has various forms of assistance to encourage direct access to GCF resources. The Secretariat provides technical assistance through the Readiness and Preparatory Support Programme (RPSP), which includes country programming frameworks, capacity building, and institutional strengthening. project development. The Project Preparation Facility (PPF) supports DAEs in moving innovative project ideas from concept notes to formal proposals for submissions. The Simplified Approval Process (SAP) streamlines approval of certain small-scale projects, particularly from DAEs, and the Enhancing Direct Access (EDA) pilot programme enables funding decisions and project oversight to take place at the national or regional level. The IEU synthesis report highlights several conclusions related to direct access that resonate with the Secretariat's experience in these areas.
5. **Direct access beyond accreditation (Conclusion 1).** The Secretariat acknowledges the necessity of enhancing the direct access modality beyond accreditation and has been working within its mandate to maximize its institutional resources to provide technical assistance to countries through other relevant processes, (e.g., the RPSP and PPF). The Secretariat is also operationalizing the three-year project-specific assessment approach (PSAA) pilot, which aims to broaden access to GCF resources and expand the Fund's potential to fulfil strategic objectives by working with countries, technologies and partners (including subnational, national and regional entities based in developing countries) that have been underserved by the institutional accreditation framework and the existing AE network. In addition, the accreditation strategy adopted through decision B.34/19 included actions to optimize incentives for partners to invest in a dedicated capacity to programme for GCF, and strategically using the accreditation of

partners to advance the goals of GCF by filling gaps in capabilities and coverage to deliver on high quality, transformational and paradigm-shifting programming.

6. **Adaptive management in implementation and real-time implementation support and capacity-building to ensure the effectiveness of results (Conclusion 5).** The Secretariat has taken steps to enhance support for DAEs through the Portfolio Performance Management System (PPMS) that enables thorough monitoring of reporting and progress tracking during the implementation stage to ensure successful project outcomes. To this end, webinars and capacity building exercises are conducted for AEs, with a particular focus on DAEs, to enhance their understanding of results management requirements and development of theory of change. Furthermore, the Secretariat has been consistently organizing consultations and engagements with DAEs to review project progress and implement proactive adaptive management measures.

III. Response to recommendations

7. Key recommendations from the evaluation include establishing a well-defined purpose and explicit operational framework for direct access, as well as providing clarification on how it contributes to the GCF's mandate. The Board has adopted an accreditation strategy that outlines the actions GCF will undertake to support DAEs in meeting and upholding GCF accreditation standards, developing projects and programs aligned with country programming priorities and GCF strategic goals, and implementing, monitoring, and reporting on results achieved. The Board is also considering updating programming goals and objectives for DAEs as a part of the update of the GCF Strategic Plan for 2024-2027 (USP-2). In addition, the Secretariat presented its DAE Action Plan to the Board in 2021, and its actions and priorities have been integrated into the Secretariat's annual work programmes.

8. As mentioned above, support to DAEs is available to countries through the RPSP, PSAA, SAP and EDA. These programs are designed to support DAEs on project idea generation and proposal development that would lead to an increase in the number of direct access proposals in the pipeline. Proposals submitted by countries are subject to review by the Secretariat, which evaluates the project's technical, financial, and institutional capabilities, as well as any associated social and environmental risks, to ensure their alignment with relevant GCF policies and procedures.

9. Following Board approval of funding proposals submitted by DAEs, the Secretariat continues to support DAEs during the implementation stage through the PPMS, which enables the preparation and submission of Annual Performance Reports (APRs), provides an overview of the Funded Activity's Output Implementation Status and progress on the logical framework indicators, and serves as a platform for interactive communication and exchanges between DAEs and the Secretariat.

10. Some of the recommendations are already being implemented within the Secretariat, and others will be addressed in the forthcoming USP-2, updated strategies for RPSP, PPF, PSAA, and DAE Action Plan. Specific responses to each of the recommendations in the evaluation report are detailed further below.

Recom- mendation #	Recommendation	Response
RECOMMENDATION 1. Clarify the vision and purpose of direct access.		
1	<p>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.</p>	<p>Agree.</p> <p>The Board is considering, as part of the update of the USP-2, which top-level programming goals and objectives to set for the GCF second replenishment period on Direct Access. The Board has adopted an accreditation strategy (decision B.34/19), which includes actions GCF will undertake to support DAEs to strengthen their capacities to meet and continue upholding the GCF accreditation standards; develop projects and programmes aligned with country programming priorities on climate change and GCF strategic and programming goals; and implement, monitoring and report on results achieved. The accreditation strategy outlines the support envisioned to be provided to DAEs, including through the GCF RPSP and the PPF, as well as to be delivered by the Secretariat directly.</p> <p>The Secretariat is continuing its efforts to implement the DAE Action Plan, as originally reported to the Board at B.29, and reflected as a key performance indicator for the Secretariat's work plans since 2022. The Secretariat is supporting with analysis of how different framing of goals may incentivize different outcomes related to Direct Access. The DAE Action Plan will be periodically updated to ensure alignment with GCF strategic and programming goals, thematic strategies, and relevant GCF policies and Board decisions.</p>
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.		
2	<p>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.</p>	<p>Agree.</p> <p>Since 2021, the Secretariat has supported countries by deploying over 50 technical assistance consultants and/or firms via RPSP to assist NDAs/DAEs/DPs for project idea generation and RPSP proposal development, adaptation planning and country programme development or strengthening. The Secretariat also plans to outline enhanced support for GCF recipient countries in the revised Readiness Strategy to be presented for Board consideration at a future meeting. In addition, and following Decision B.31/06, the Secretariat is operationalizing the three-year PSAA pilot to broaden access to GCF resources and expand the Fund's potential to fulfil strategic objectives, including by working with subnational, national and regional entities based in developing countries, particularly those from developing countries that have yet to have an approved GCF-funded activity.</p>

2.1	<p>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.</p>	<p>Agree.</p> <p>In line with decision B.17/04, the Secretariat provides NDAs with support for the development of country programmes via the RPSP and with tailored feedback to enhance complementarity and coherence elements throughout the development of the country programmes via the interdivisional review and recommendations from the Climate Investment Committee (CIC). In addition, the GCF Programming Manual includes a chapter dedicated to Country and Entity Work Programmes reviews, which makes an explicit emphasis on consideration of the complementarity and coherence with other climate funds. The latest year saw progress made toward promoting the development of climate investment plans for GCF recipient countries to guide country investments for NDC, NAP and adaptation communication implementation to obtain funding from a variety of public, private and innovative sources of finance, including GCF. In this context, for instance, the GCF is piloting a new collaboration with the GEF, and the Taskforce on Access to Climate Finance, under the Long-term Vision, to support five countries in mapping the needs and resources coming from various funding sources, including GCF, GEF and the Taskforce anchor donors to promote and implement an approach based on robust complementarity and coherence principles.</p> <p>To this end, Country Programmes will remain an important tool to inform GCF pipeline development and will be strengthened and reshaped as an integral part of the wider climate investment plans, enhancing collaboration with partners.</p>
2.2	<p>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.</p>	<p>Agree.</p> <p>The accreditation strategy adopted in decision B.34/19 included actions on optimize incentives for partners to invest in a dedicated capacity to programme for GCF, and strategically using the accreditation of partners to advance the goals of GCF by filling gaps in capabilities and coverage to deliver on high quality, transformational and paradigm-shifting programming while increasing the share of DAEs. Specifically, the accreditation strategy requests for improved guidance on the role of AEs and the accreditation process by developing clear guidance on the various types of partnerships that can be built with GCF; clarifying the obligations and responsibilities of AEs; and encouraging entities and NDAs to choose the right approach to accreditation depending on the project/programme pipeline size, including the introduction of the PSAA; and updating re-accreditation and accreditation guidance to NDAs and entities.</p>
2.3	<p>The GCF should actively consider financing new and ongoing sectoral projects in the area of climate change to further direct access.</p>	<p>Agree.</p> <p>The Secretariat agrees with the need to expand its portfolio to cover new sectoral projects to enhance its direct access in countries. Part of the effort is made through the update on programming guidance and sectoral guides available on the GCF website, that outline paradigm shifting pathways per sector, information on how these pathways can be financed, and provide relevant examples of cases that illustrate the potential in the sector. The sector guides are intended to facilitate the development of sectoral interventions, including by DAEs. DAEs can access GCF support tools, including RPSP and PPF, to take forward projects and programmes with a sectoral scope.</p>

RECOMMENDATION 3. Ease direct access through different project approval channels, including simplified approval process, to approach a wider range of institutions.		
3.1	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.	<p>Partially Agree.</p> <p>The Secretariat is continually seeking to enhance access by improving the transparency, predictability and speed of processes within its mandate.</p> <p>The Secretariat considered all the IEU recommendations for the Secretariat from the 2020 IEU independent SAP assessment and included most of them in the update of the SAP policy presented to the Board at B.32.</p> <p>The SAP intends to target DAEs and aims to reach, overtime, a portfolio where 50 per cent of the approved SAP proposals are from DAEs. In addition, the Secretariat is currently implementing the simplification, acceleration and facilitation measures envisaged by decision B.32/05 (Update of the SAP) which are expected to support DAEs in particular.</p> <p>The recommendation of introducing a differentiated approach for SAP in relation to the different capacities of DAEs is noted. However, differentiated approaches for reviewing funding proposals may be more appropriately based on project characteristics or risk, rather than AE capacity, and this may require a mandate from the Board.</p>
3.2	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.	<p>Partially Agree.</p> <p>As shown via the SAP, the Secretariat supports efforts to increase the speed of project review and approval processes. The accreditation process tailors its approach to risks related to the capabilities of the implementing entities and intermediaries to GCF, by fitting an AE's accreditation scope (e.g. financing size category, fiduciary functions and E&S risk category) to its capacity. In contrast, the Secretariat's review and appraisal of funding proposals seeks to identify a project's technical, financial, environmental, and social risks, and to ensure consistency with the relevant GCF policies and procedures. Differentiation in the proposal review process should be tailored to the risks of the project or programme, as is done for SAP, rather than the capacity of the entity.</p>
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.		
4	The GCF should ensure that PSAA includes a direct access focus. Based on recommendation 2, the Fund should consider having an RFP for direct access using PSAA modality. Furthermore, the GCF should elaborate and crystallize the role of RPSP for support towards enabling direct access. The differentiation of RPSP support for direct access at large vis-à-vis PPF for project development needs to be clearly established and	<p>Agree.</p> <p>Through the proposed USP-2 and policy proposals to be presented to the Board for consideration in 2023, the Secretariat aims for an integrated approach to direct access that touches all phases of the project cycle.</p> <p>For PSAA, the Secretariat will prioritise, in accordance with B.31/06, PSAA proposals from 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 PSAA. Given the level of interest in PSAA, the Secretariat would prefer to see how many PSAA direct access proposals are received initially before considering an RFP to generate additional direct access proposals.</p>

	<p>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.</p>	<p>For capacity and project development support, the forthcoming proposed strategies for RPSP and PPF will elaborate their roles in supporting direct access and delineate the responsibilities of each within a broader integrated approach to direct access. The revised Readiness Strategy to be presented for Board consideration at a future meeting will consider the creation of a dedicated DAE operational modality that could expand the support provided to DAEs at the institutional and at the transactional levels.</p> <p>For projects and programmes, the Secretariat continues to seek increased funding channelled through DAEs in line with the Strategic Plan 2020-2023. The EDA RFP remains active, and the Secretariat proposes to expand EDA and other devolved financing approaches during GCF-2 to enable more rapid access to finance for locally-led adaptation action, engaging affected communities, civil society and indigenous peoples in delivering to meet the needs of last mile beneficiaries.</p> <p>To support implementation, the RPSP provides tailored support to DAEs through for the implementation of the Integrated Results Management Framework (IRMF), which can be accessed directly by DAEs. The Secretariat also has developed various tools and guidance to support AEs in strengthening their result management capacity. Examples of that include IRMF Result Handbook, Theory of Change video training, Logframe video training, evaluation policy guidelines and training, and topical guidance notes for the IRMF. Support from RPSP for institutional capacity strengthening and for the development of quality concept notes is currently provided to DAEs at the request of NDAs.</p>
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RECOMMENDATION 5. Enhance support for DAEs during the implementation stage.

<p>5</p>	<p>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.</p>	<p>Agree.</p> <p>As part of the accreditation process, AEs need to provide evidence of institutional systems, policies, procedures and track record, as appropriate, of implementation and oversight of climate change projects and programmes in line with the GCF fiduciary principles and standards. For the PSAA pilot, the Secretariat will review whether applicant entities have risk management and risk identification systems and procedures to be applied in the planning and implementation process of the proposed project/programme.</p> <p>The revised Readiness Strategy to be presented for Board consideration at a future meeting will contribute to the minimisation of risks by creating a dedicated DAE window to enhance the quality of CNs and support FPs, including post approval. Webinars and capacity building exercises are conducted for all AEs but with particular focus on DAEs to enhance the understanding of the results management requirements and development of theory of change.</p> <p>During proposal review and appraisal, the Secretariat conducts a risk-based review both from a sectoral and result risk perspective for CNs and FPs. This is accompanied by discussions with AEs, including DAEs, where project design and implementation risks are also covered and explained to AEs, while searching for appropriate mitigants and improvements in the project design.</p> <p>For projects under implementation, the Secretariat has taken steps to enhance existing support for DAEs through the PPMS, which aims to support AEs to implement more effectively the respective Funded Activity. To this extent, PPMS</p>
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		<p>has now facilitated the preparation/submission of Annual Performance Reports (APRs) through PPMS with a view to allow for a more rigorous follow up on aspects such as the financial reporting, activities' outputs implementation status, and progress on the logic framework indicators during the implementation period. PPMS has provided DAEs with an easier interface for tracking communications and exchanges with the Secretariat. In addition, by using the project performance internal assessment module on the PPMS, the Secretariat conducts assessments of project implementation challenges and risks based on AE's inputs in APRs, which are also analysed on the portfolio level, thereby feeding into preventive/mitigation measure formulation to support the implementation of all the AEs including DAEs. Additional engagements and consultations are being organized with DAEs for reviews of projects/programmes' progress and the application of proactive adaptive management measures.</p>
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