



Knowledge for Climate Finance Mobilisation

Routes to Accessing GCF Resources

*Taking lessons from the experiences of entities in
Southern Africa*



The Southern Africa
Climate Finance Partnership

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Climate Finance and the role of the GCF in southern Africa

Africa remains one of the regions most impacted by climate change, despite its proportionately small contribution to the climate crisis. These impacts are expected to increase with severe subsequent economic and socio-economic costs. In South Africa, for example, it is estimated that climate change could cost up to 20% of GDP. At the same time, the costs of adapting to these impacts far outweigh available finance. The adaptation costs alone for sub-Saharan Africa are estimated at US\$30-50 billion each year, which represents 2-3% of regional GDP. More than ever, the need to access the finance required to meet the needs of African countries, and to meet the goals of the Paris Agreement is a critical necessity. The focus on the Green Climate Fund (GCF), as one of the main operating entities of the financial mechanism of the Paris Agreement is increasingly necessary, as developing countries require financial support to implement their NDCs, most of which are conditional on access to finance and means of implementation. Taking into consideration the multiple development challenges facing countries in the region, including unemployment, poverty, food security, all of which are exacerbated by climate change, and more recently the COVID-19 pandemic, access to catalytic multilateral finance like the GCF is of paramount importance. Africa's special needs and circumstances means that not only is access to climate finance a necessity, equally important is the application and alignment of these funds with meeting these multiple challenges.

In pursuing access to climate finance from the GCF, entities seek to become accredited as Direct Access Entities (DAEs) to channel the flow of catalytic climate finance to begin addressing national climate change priorities. The GCF's accreditation process for DAEs is based on the 'fit for purpose' approach. This approach promotes the identification and matching of appropriate entity capacity with the relevant GCF requirements at several categories of accreditation. Becoming accredited as a DAE is often seen as the only gateway to accessing the GCF, one that takes significant time and resources to pass through; for example, establishing the various institutional policies and procedures to meet GCF requirements.

As at November 2020, there were 19 DAEs in total, including only 3 DAEs institutions in southern Africa. Of the USD3.1bn Africa portfolio (68 projects), eight of these have been submitted by national DAEs and eight by regional DAEs, with the remainder (52 projects) being submitted by international access entities. This is in line with the recent report of the GCF, which states that international accredited entities account for 86% of the GCF's committed USD portfolio, reiterating the need for enhanced direct access by national institutions. Insufficient numbers of national DAEs presents a significant obstacle towards ensuring national ownership of, and the enhancement of local institutional capacity to contribute to, the implementation of low emissions, climate resilient development. At the same time however, entities recognise that achieving GCF accreditation is an arduous process. It is therefore necessary that entities give strategic consideration to alternative approaches for more readily accessing GCF resources. In addition, the Independent synthesis of the GCF's Accreditation Function make a recommendation to the GCF Board to "re-examine the role of accreditation within the GCF" provides further impetus for institutions to critically consider the role of accreditation in achieving the strategic goals of the institution and unlocking GCF finance. Furthermore, 52% of DAEs do not yet have a GCF project proposal in the pipeline. This outlines an important point, namely, that accreditation is but one obstacle. Having the requisite institutional and individual capacity for project development and implementation are critical for efficient and swift access to the GCF. It further speaks to the need for entities to give meaningful strategic consideration to their approach to GCF access.

Accreditation is the primary but not the sole route for accessing GCF resources. Informed by the experiences of DAEs in the region, this Knowledge Brief seeks to highlight some of the approaches and key considerations, as well as lessons learned from entities in southern Africa, with a view to elucidating strategic considerations to inform proactive approaches to GCF access. The Brief explores both the accreditation-route, as well as alternative or interim routes to GCF access in detail.



Southern African climate finance practitioners drumming together at the SACFP Learning Journey 2020

Route A: Becoming Accredited as a GCF Direct Access Entity

Managing Expectations

In line with the GCF's vision to "provide simplified and improved access to funding, including direct access", the GCF has instituted various initiatives including the Simplified Approvals Process (SAP), Enhanced direct access (EDA) pilot, and the project preparation facility, however, these initiatives have yet to deliver outcomes that sufficiently address the need. The experience of entities in southern Africa makes it clear that, whilst ultimately rewarding, the road to GCF accreditation remains a lengthy, time-consuming and resource demanding one. The process includes entities needing to augment existing, as well as develop a suite of new, internal policies and processes. Successfully accredited entities in the region have indicated that these shifts need to be supported by institutional capacity building through both technical training on climate investments, as well as establishing and staffing new business units. Ultimately, DAEs in the region agree that the pursuit of GCF accreditation is best driven as part of the broader institutional strategy agenda. Recent engagements amongst DAEs in Southern Africa as part of the Southern Africa Climate Finance Partnership (SACFP) have surfaced several key challenges institutions seeking accreditation can expect to face along their journey of GCF access and implementation:

The direct, indirect, and opportunity costs of GCF accreditation are substantial, hard to quantify at the outset, and take time to be off-set by additional revenue: It takes time and resources to be accredited, and DAEs in the region agree that without dedicated staffing resources and without sufficient time and capacity, it is going to be a challenge. Once accredited, associated costs can be recovered from the accredited entities fees that DAEs are able to draw on at project implementation. However, there is a significant delay between embarking on the accreditation journey and ultimately accessing such resources. This not least because achieving accreditation is only half the challenge, with project development and approval requiring significant further effort and resources. DAEs in the region have indicated that the returns are minimal at first, but once institutional capacity is in place and multiple projects begin rolling out, the relevant fees begin to stack up. On top of which, lending institutions are able to earn additional returns from co-investing in projects, utilising the concessional nature of GCF finance to blend and create attractive investment vehicles. This eventually leads to multiple sustainable revenue streams for the institution which, if viewed strategically, can be utilised to access new market segments and grow the green investment portfolio of the institution.

Demonstrating the relevant track record to support accreditation can be a challenge for institutions new to the green investment space: The GCF encourages entities to demonstrate a track record of climate related projects to support their accreditation application. This can be a challenge particularly in the case of institutions whose mandate is not specifically to address climate change. Whilst this is not an absolute prerequisite for passing accreditation, it is recognised by entities in the region as being greatly advantageous, and so entities contemplating accreditation would do well to begin to be involved in climate related projects.

To this end, as discussed in detail in the section that follows, becoming an Executing Entity or delivery partner to an already accredited entity has multiple benefits. This challenge extends to include demonstrating that an institution has the policies and procedures in place aligned to the GCF's policies and requirements related to Gender, Environmental and Social Safeguards (GESS). As well as demonstrating the ability to manage third party entities (i.e. Executing Entities); to ensure the necessary oversight in implementation, and ensuring Executing Entities have the checks and balances to meet GCF standards (e.g. GESS).

Inevitable teething issues related to project development and execution are to be expected: Post-accreditation will see organisations face several teething challenges. For most institutions, mobilising GCF resources requires several shifts in investment approaches. Whilst institutions traditionally may have played the role of passive investor, as a GCF DAE they are required to play a much more active role in the identification and scoping of investible projects at the outset, and will need to manage the process from feasibility through to proposal development and submission, and post-GCF approval: project implementation, monitoring and reporting. Understanding the kinds of investments that are both in-line with the institution's mandate and the GCF Investment Criteria, and which are also aligned with the country's climate priorities is critical. Although institutions complete a market analysis as part of the project proposal development process, DAEs in the region have run into obstacles where investments scoped in more detail post-approval reveal necessary changes not in-line with those specified in the GCF Funded Activity Agreement (FAA) completed at approval. Projects can be delayed where amendments to the FAA are required to meet market needs, which leads to the inability to finalise the contracting (downstream) until the FAA has been amended. It is therefore critical to understand market needs, opportunities and risks ahead of completing the project proposal process. This speaks further to the need for GCF accreditation to be driven as part of the broader institutional strategy agenda which may be best supported by establishing a specific green or climate investment strategy targeting needs identified through detailed market analysis.

Why pursue accreditation?

Given the extensive challenges explored above, institutions may rightly be asking themselves the question: why pursue accreditation? Or perhaps more specifically: is the effort ultimately worth it? The experiences of accredited DAEs in the region indicate that along with unlocking new investment opportunities, several additional benefits accrue, which are worth contemplating:

Evolving governance / policy framework enhances organisational efficiency and efficacy, and opens the door further investment opportunities: DAEs in the region noted the broader benefits of enhancing institutional policy frameworks to comply with GCF requirements. In many regards, particularly on issues relating to GESS, the GCF's policy requirements are seen to be best practice. Trends indicate that this level of best practice is fast becoming the norm in the sustainable investment space whilst also crossing over more broadly into all areas of investment where co-financing from development finance institutions (DFIs) is involved. One DAE remarked that as soon as it was known that their institution had evolved their policy frameworks in-line with GCF standards, several other DFIs came knocking to request their involvement in projects. Accreditation can therefore be seen as an opportunity to integrate and/or strengthen business practices in-line with evolving best practice for a new era of investment opportunities.

New partnerships forged off the back of seeking GCF accreditation help to capacitate institutions to respond to a changing investment landscape: These include (but are not limited to) areas that are rich for new learning like gender mainstreaming in programming. Indeed, DAEs highlighted the practical benefit of striking up a partnership developing a GCF concept note with an international organisation already accredited, whilst simultaneously pursuing accreditation helped to gain much needed programming experience in new investment spaces. Such partnerships are seen to be critical and greatly beneficial to institutions seeking to remain nimble in a rapidly changing investment landscape. This least of all because the risks and opportunities presented by the growing climate crisis require deep consideration in almost all types of future investments (much of which is fast becoming an issue of regulatory compliance).

GCF resources can be leveraged to “grow your own” capacity where specific skills are scarce in the market: DAEs note the ability to strategically use the GCF’s Project Preparation Facility and/or the Accredited Entity Fees to allow the institution to fund training; to build institutional capacity and capability in niche areas like environmental economics, and gender mainstreaming where such skills are scarce in the local context. This aligns with the growing recognition of climate change adaptation / mitigation as being a viable career pathway for graduates entering the workforce.

Mainstreaming climate change into institutional strategy enables the ability to be responsive to risks and opportunities in a rapidly changing world: Generally, an organisation’s willingness to become accredited requires high-level buy in at the executive level. As such, there is an implied logic that the pursuit of GCF resources aligns well with the institution’s strategy and thereby the need to integrate climate change considerations into core strategic priorities / goals. Indeed, DAEs noted that the GCF’s approach to programme design had highlighted additional climate change considerations that the institutions needed to be considering from a risk management perspective.

Tips for pursuing GCF accreditation

Attaining executive-level buy-in for the process and establishing dedicated resources are critical success factors: Attaining buy-in from the executive, and having their understanding of the overall process and immediate priorities helps to ensure that swift action can be taken; engendering responsiveness from other parts of the organisation, and supporting the approval of updates to policies and/or institutional restructuring necessary to meet accreditation requirements. Establishing a dedicated unit that deals with GCF accreditation and mainstreaming of climate and sustainability issues in the organisation was seen as a great way to prioritise GCF accreditation and access. For entities in the region who have been pursuing accreditation, taking such measures was seen to be a game changer in terms of speeding up the process and simultaneously unlocked additional unintended benefits as the dedicated unit could begin to factor GCF track-record requirements into non-GCF projects, and could also begin to respond to and drive other emerging sustainability issues. Creating regular progress reporting and updating between this unit and the executive was seen to further help drive action. In addition, implementing capacity building initiatives for staff members across all institutional divisions, to understand the accreditation process and the route the institution is taking makes it much easier for the whole organisation to respond timeously to requests and/or work related to the GCF. This is especially important in the post-accreditation period where all divisions will be required to make contributions to the development of project pipelines and concepts. Programmes from the non-profit sector, such as the SACFP offer guidance, capacity building, and technical assistance to support such processes.

Establishing a collaborative relationship with the NDA as early in the journey as possible helps to assure alignment later down the road: The primary GCF focal points in government are known as the National Designated Authority (NDA). The NDA coordinates the national agenda for GCF financing in the country, primarily through establishing a GCF Country Programme. Soon after being accredited DAEs are required to establish an Entity Work Programme in line with national climate change priorities (essentially an investment plan or strategy for how the institution intends to direct GCF resources). This can be difficult to achieve in instances where the NDA has not finalised a Country Programme. In such instances, Entity Work Programmes will include projects which should be aligned to country or sector priorities. Careful consideration of the alignment of sectoral priorities and subsequent alignment to GCF objectives and results areas is also important. Moreover, the entity work programme must be aligned with the institutional strategy and mandate - i.e. being an accredited entity does not enable the institution to implement all projects that align with the GCF results areas, and the entity is still limited to projects that align with the institutional strategy and mandate. For this reason it is important to establish a productive relationship with the NDA so that the intended programme of work can be developed collaboratively, with the NDA facilitating sectoral engagement to help tease out project concepts in line with sector priorities. DAEs reiterated that submitting programmes rather than individual projects to the GCF is helpful and can alleviate some of the delays experienced in implementation.

Start small and grow fast, using the evolving track-record to support upgrades to accreditation status later, but do start now: DAE in the region who successfully traversed accreditation often took a strategic decision to implement/finance the types of projects that fell broadly in alignment with the GCF's target investment areas over a period of 3 years, prior to seeking GCF accreditation. There is no reason to wait for accreditation to begin this investment journey. Seeking partnerships that enable an institution to have a small stake in or play a small part in such projects will help expedite accreditation down the line. One recommendation for track records that are lackluster is to consider being accredited for a lower GCF funding volume and/or GCF risk category, with the intention of upgrading at a later stage (i.e. at re-accreditation). For example, in the case of one DAE in the region, the GCF Board gave conditional approval for their accreditation but gave them up to 24 months to address the conditions. This time gave the entity the opportunity to get to work delivering GCF resources whilst simultaneously addressing / documenting track record.

Route B: Being an Executing Entity or delivery partner to an already accredited entity

Becoming accredited to access the GCF directly is one approach for mobilising GCF resources in-country but it is not the only approach. Whilst a single accredited entity will submit the project proposal to the GCF for approval and ultimately financing, several other project partners are generally required in the process of scoping and designing projects, through to implementation and monitoring. In many instances the actual implementation of a GCF funded project is primarily driven by an Executing Entity in partnership with an accredited DAE. Furthermore, concessional finance provided by the GCF is usually blended with finance from several other investors to raise enough funds to make the project feasible. There are several other ways in which an institution could seek to partner with a DAE on the delivery of a GCF funded project such that they play a role in the mobilisation of GCF resources to address national climate change priorities. Namely, either as an Executing Entity that drives the implementation of a project, or as a delivery partner in some other capacity, such as a co-financier. In this section we explore the practicalities and opportunities presented by pursuing GCF resources through the Executing Entity / delivery partner route as an alternative or interim step to GCF accreditation.

Managing Expectations

Whilst ultimate responsibility for the management of GCF resources vests with the DAE that successfully applied for the funding, Executing Entities also have a large role to play. They are required to have the institutional capacity to implement, monitor and report on projects in line with GCF standards and procedures (such as the GCF GESS standards). As stipulated by the GCF, the Executing Entity also has the responsibility to exercise discretion and make decisions with respect to the implementation of all or part of the GCF Funded activity and the use of GCF proceeds, as well as carry out reporting, monitoring and supervision of funds. To this end, institutional arrangements, policy frameworks and capacity will need to be developed in due course. Being a co-financier (investor) or playing some other role as a delivery partner to a DAE can be less burdensome in this sense, depending on the role and function of the delivery partner in project implementation.

Implementing GCF projects requires investing in the development of specific skill sets: Although there is a lower barrier to entry for accessing the GCF via the Executing Entity / delivery partner route, institutions will still need to develop new/additional capacity to play such a role. Given the cross-cutting nature of climate change impacts, many climate related projects are cross-sectorial in nature. These projects attempt to deliver a range of positive outcomes across the environmental, economic and social spectrums; and in the case of loan-based projects, also need to deliver a return on investment. In addition, GCF projects contain certain key elements that may not be commonly applied by institutions, such as GESS mainstreaming as well as the capacity to understand and quantify project outcomes. To this end, project implementation requires a diverse set of skills and experiences. The experience of DAEs in the region indicates that in most instances potential executing entities would require training and capacity building. This extends to include assistance to best document their activities so as to support their ability to demonstrate a track record of implementation further down the road.

Partnerships with accredited entities will need to be established: Relationships between accredited entities and entities seeking to explore an Executing Entity or delivery partner role will need to be established in advance of the design of a project so that these specific roles can be factored in early. In some instances, as is the case in much of southern Africa, countries often do not yet have a domestic DAE accredited in the country and therefore partnerships will need to be formed with regional or international accredited entities active in the region.

Collaborating with government institutions is necessary: As an Executing Entity or delivery partner, institutions will need to work alongside government counterparts within partnership arrangements for the design and delivery of projects that address national climate change priorities. This is particularly important in the context of attaining buy-in from a range of public, private and civil society stakeholders. This may be a new area of practice for some entities.

Why pursue the Executing Entity / delivery partner route?

The partnership approach is an important opportunity to work towards building the track record necessary for accreditation: Entities that have a project concept are able to partner with an accredited entity to develop the proposal and implement the project as the executing entity. This presents a good opportunity to gain exposure to and learn from the various aspects of GCF project design and implementation. This approach also enables participation at the early stages of project identification and pre-feasibility, to gain an understanding of how to identify climate related project opportunities, in particular issues such as climate rationale, co-benefits, and blended finance to attract co-investment.

Institutions with project ideas can have swift access to GCF resources: An Executing Entity with a project idea that can be implemented in the short term can access GCF resources and does not have to be delayed by first undergoing accreditation.

Institutions can access project management resources and guidance provided by accredited entities: For a relatively small investment, acting as an Executing Entity or delivery partner provides the opportunity to upskill through direct experience, particularly for issues such as project design (logframes, alignment with GCF result areas, demonstrating climate rationale), as well as processes and procedures for project implementation and monitoring, reporting and evaluation.

Tips and tricks for pursuing the partnership approach

Partnerships open the door to learning through doing and help to unlock accreditation down the line: In the case where an institution wishes to implement a project, but is not accredited to the GCF, partnering with an accredited entity is the best way to access GCF resources. Harnessing the expertise of the accredited entity to start to institute and develop internal policies and procedures, and attaining a track-record of implementation that can support the institution's future accreditation journey is greatly beneficial. Documenting such developments is thus critical.

Leapfrogging through learning: Working closely in partnership with already accredited entities provides a way to learn from their experiences of where key challenges and opportunities are along the journey. DAEs in the region note that whilst there are bound to be challenges in implementation, over time, learning about what works and what doesn't from the experience of accredited entities is greatly advantageous. DAEs highlight the value in evaluating and understanding aspects of other GCF projects that have already been approved and implemented. Therefore, structuring new projects with these lessons in mind can contribute to successfully unlocking GCF resources.

Working with a range of partners now will unlock the ability to more rapidly develop and implement projects in the future: DAEs in the region note that achieving accreditation is only part of the challenge to mobilise GCF resources. Another key challenge once the accreditation hurdle has been overcome, is the development of feasible, bankable project concepts for which strong partnerships with a range of actors is required. They therefore identify the benefit of collaborating on projects in partnership with accredited entities, NGOs, civil society organisations (CSOs) and private sector players as an executing entity or delivery partner; such that new relationships can be forged to support future project development, as well as ensuring the effective delivery of projects at the grassroots level. Therefore, local institutions that have the fiduciary and project implementation capacity to handle GCF projects in accordance with GCF policies and requirements, would do well to engage with the NDA, and local DAEs in order to increase their visibility as a potential Executing Entity for national GCF projects in the future.



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