GCF insight: key findings

There is significant demand to understand what's working – *and not working* – in Green Climate Fund (GCF) project development. In response, during February 2016, Eco Ltd launched a regular survey – called 'GCF insight' – to shed critical light on experiences, challenges and trends in developing GCF projects. GCF stakeholders – including National Designated Authorities (NDAs), Accredited Entities, Implementing Entities, Project Developers and other key stakeholders – were asked to give their views on the top issues facing GCF project development.

GCF project development

GCF project development involves three key stages: (i) GCF project identification, (ii) Concept Note development and (iii) Funding Proposal elaboration. One of the survey's objectives was to understand the development of the GCF project pipeline better.

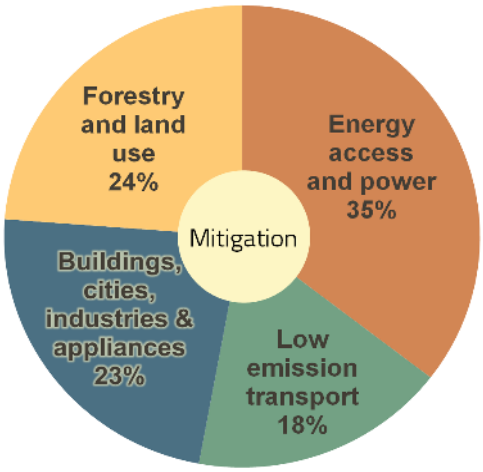
According to survey respondents, approximately 52% of all projects under development are reported to be under the adaptation results areas, with the balance of 48% of projects focused on mitigation. This balance exists even at the identification stage, which is before any 'outside' influence (e.g. any type of prioritization that could happen at the Concept Note of Funding Proposal stages). Survey results are consistent with the 3 March 2016 report by the GCF Secretariat.[1]

Regarding mitigation result areas, 'energy access and power' was reported to be the most active (35% of all mitigation projects under development) and 'low emission transport' the least active (18%).

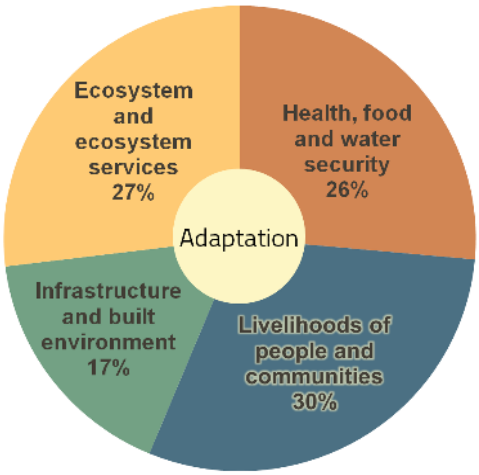
The 'GCF insight' survey explored

- GCF pipeline efficiency, momentum and results areas
- GCF project identification, including who identifies GCF projects and how it occurs, and the perceived effectiveness of these project identification approaches
- GCF Concept Note development, including who is driving good GCF Concepts and what needs the most improvement
- GCF Funding Proposal development, including effort, costs and needs for external support, and timing of NDA no-objection letters.

[1] GCF Board document GCF/B.12/Inf.08 "Status of the Fund's portfolio: pipeline and approved projects" 3 March 2016. Assuming that crosscutting projects are 50/50 mitigation and adaptation, then the portfolio is 52% mitigation and 48% adaptation.



Mitigation results areas under development



Adaptation results areas under development

The most active of the adaptation results areas was reported to be 'livelihoods of people and communities' (30% of projects under development) and the least active was 'infrastructure and the built environment' (17%).

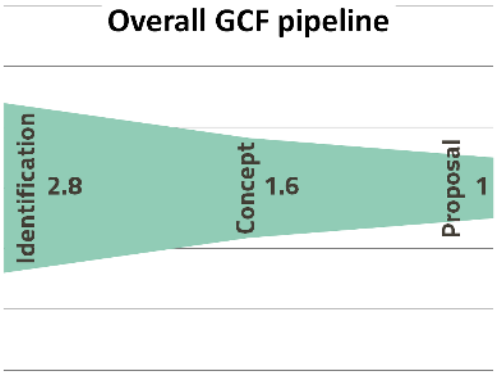
Project identification

When asked *who* typically identifies GCF projects in their country (or in the country where they worked the most), those most often identified were: government ministries and departments, and development agencies.

Project identification most commonly takes place through government planning meetings, followed by project identification workshops. The results reflect that project identification is primarily government-led as expected for a mainly country driven process.

The most effective project identification approach was considered to be 'open call for project ideas', which was noted by 33% of respondents as 'very effective'. Despite the finding that project identification is primarily taking place through government planning meetings, this approach to project identification was considered to be one of the least effective (by 22% of respondents).

Attrition is expected throughout a project develop cycle. According to survey respondents, the ratio of GCF projects at the identification : concept : proposal stages is approximately 2.8 : 1.6: 1 for all GCF results areas. Variation seen between results areas suggests that different numbers of ideas, and therefore effort, is needed to yield a Full Proposal. For example, 'infrastructure and built environment' for adaptation and 'low emission transport' for mitigation required the most project ideas to yield a Funding Proposal.



Snapshot of the GCF project development 'funnel' in February 2016

Since the last GCF Board Meeting, most respondents reported that the number of projects under development has stayed the same, indicating that the pipeline does not seem to be gaining momentum.

About 'GCF insight' survey respondents

- 282 respondents
- working in all regions, with the majority working in Africa, and Asia and the Pacific
- 37 NDAs and Focal Points participated, which is over 25% of all NDAs
- representing NGOs / CSOs (31%), multilateral organizations (21%), private sector (20%) and government (13%)
- 24% of respondents were female and 72% male, with the remainder not specifying
- nearly half of respondents indicated that they had experience working on a GCF Concept Note and/or Funding Proposal.

Concept Note development

Availability of resources (funding) for GCF project preparation was rated by 38% of respondents as the top 'driver' for accelerating good GCF concepts. Reasons given were that funds can be used to hire expert support, enable consultations and awareness activities, and can be used to develop guidelines.

'Capacity to prepare GCF projects' (37% of respondents) was identified as important primarily to deal with the financing complexity of the GCF.

'Political commitment' (35% of respondents) was considered to be a key driver because it allows for good coordination across different ministries and government departments, and also because it ensures that GCF Concept Notes are country driven.

In addition to being cited by respondents as a driver of good GCF Concept development, 'capacity to prepare GCF projects' was also noted to be the top area requiring improvement. The main reasons provided by respondents were that only a few actors are able to generate or prepare GCF Concept Notes, and that there is too little understanding of GCF's objectives and processes.

Funding Proposal development

GCF Funding Proposal development was determined to take approximately 21 person months (median of 1.5 person years) over a 5 month period (until first submission to the GCF). Teams of 3 full-time people and 3 part-time people were most often used. More than 82% of respondents noted that they used external consultants to develop their Funding Proposal(s). It cost the majority of respondents less than US$ 150,000 to develop a GCF Funding Proposal.

At least 65% of respondents reported that it took less than 2 months to receive a signed no-objection letter from the NDA, and 24% noted that this step took 2 weeks or less. However, more than 17% noted that it took more than 5 months to receive the signed no-objection letter.

A wide range of practices and tools were required for GCF Funding Proposal preparation including most commonly: stakeholder analysis, technical studies, workshops, social impact studies and problem tree / root cause analysis, surveys, value chain analysis and training needs assessments.

The Funding Proposal requirements considered most challenging were financing / cost information, supporting documents, detailed project / programme description, and expected performance against investment criteria.

Summary of key findings

1. A 50:50 balance between mitigation and adaptation is already emerging.
2. GCF project identification is most commonly being done by government ministries and departments, and by development agencies. Project identification is primarily taking place through government planning meetings and project identification workshops.
3. The most effective project identification approaches are considered to be open calls for project ideas, and project identification workshops or events. The least effective approaches for project identification were considered to be identification by the NDA's office and through government planning meetings.
4. The GCF project development process has characteristics of being efficient although, since the last GCF Board Meeting, it does not seem to be gaining momentum.
5. The top drivers of good GCF Concepts are availability of resources (funding) for GCF project preparation, capacity to prepare projects, and political commitment.
6. The greatest challenges to good GCF Concept Note development are capacity to prepare projects, awareness and communication, and information on the GCF.
7. An average GCF Funding Proposal was determined to take approximately 5 months and 1.5 person years (level of effort) to develop, costing up to US$ 150,000, usually requiring consultants and a team of 3 full-time and 3 part-time people, and needing less than 2 months to receive a signed no-objection letter from the NDA.
8. GCF Funding Proposal development requires the use of a wide range of practices and tools, and the greatest perceived complexity relates to preparing financing / cost information.

About this survey and report

The survey is an initiative of Eco Ltd and comes out of work we are doing to develop low carbon, climate resilient projects. Eco's team of consultants designed and administered the survey, and prepared the 'Full Report' and 'Key Findings'. Eco has conducted this research independently, and is not affiliated with the GCF, the GCF Secretariat or donors. The views expressed in this report are those of the authors and do not represent those of the GCF.

This 'Key Findings' report is being circulated widely. Survey respondents received the detailed 35-page 'Full Report'.

About Eco

We are a UK-based consulting company with a long track record in low carbon, climate resilient project formulation. We believe that the GCF can make a substantial and lasting change in the world, and we're doing all we can to help it do that. As a consulting company we are leading the way, and we are happy to share the lessons with the GCF community to make all GCF projects better. We would love to hear your thoughts on this edition of 'GCF insight.' Please get in touch by email or phone.

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