

GCF insight: Stakeholder Engagement - GCF Board to on-the-ground realities

GCF insight seeks to understand what's working - and what's not working - in Green Climate Fund (GCF) project development. The surveys and reports spotlight the most topical GCF issues. This tenth edition explores to what extent stakeholder engagement can be improved in project development to support country ownership.

Spotlight on stakeholder engagement

At the GCF's July B.20 Board Meeting significant issues were raised about Board governance and consultation by members and alternate Board members¹. The Co-Chair for developed countries constituency was challenged on levels of stakeholder engagement, transparency and representation, particularly by members of developing countries constituencies, in light of their Co-Chair being absent. Rules, procedures and protocols were being tested leaving the Secretariat somewhat exposed.

In acknowledging recent events, the importance of stakeholder engagement at the GCF Board level is clear. When asked if the Board would be positioned to sufficiently address these stakeholder engagement issues within the next 6-months, surprisingly 50% of survey respondents felt this was an unlikely scenario. This 50:50 split was evenly spread across all groups of respondents (NDAs, Entities, and Consultants) - i.e. no one group was more optimistic than others. While the GCF Board appears to be struggling to win confidence on effective stakeholder engagement, we turn our attention to the project level, to query if we are seeing similar patterns on the ground.

Survey responses were collected from National Designated Authorities (NDAs) - 39% of respondents, Accredited Entities - 27% including financial institutions - 8% and organisations hoping to be accredited - 11%, as well as individual and company consultants - 14%. Survey responses show 79% have direct experience with GCF projects.

Key findings

- 50:50 split response on the likelihood of the GCF Board resolving governance / stakeholder consultation challenges of July's B.20 Board meeting within the next 6 months.
- 67% of NDAs see improvements in stakeholder engagement based on staff capacity, 80% of Accredited Entities see the same gap being addressed by more funding.
- Twice as many NDAs rate 'Identifying barriers and opportunities' as a key stakeholder engagement challenge, while twice as many Accredited Entities believe 'Accessing stakeholders' as the key challenge.
- 25% of respondents do not design-in beneficiary engagement from the start of project preparation, but rather allow this to evolve or be driven by the host country.

Survey overview

- 72 respondents
- 25 from National Designated Authorities (NDAs); 24 Accredited entities (including international financial institutions and aspiring accredited organisations)
- Conducted 27 September to 5 October 2018

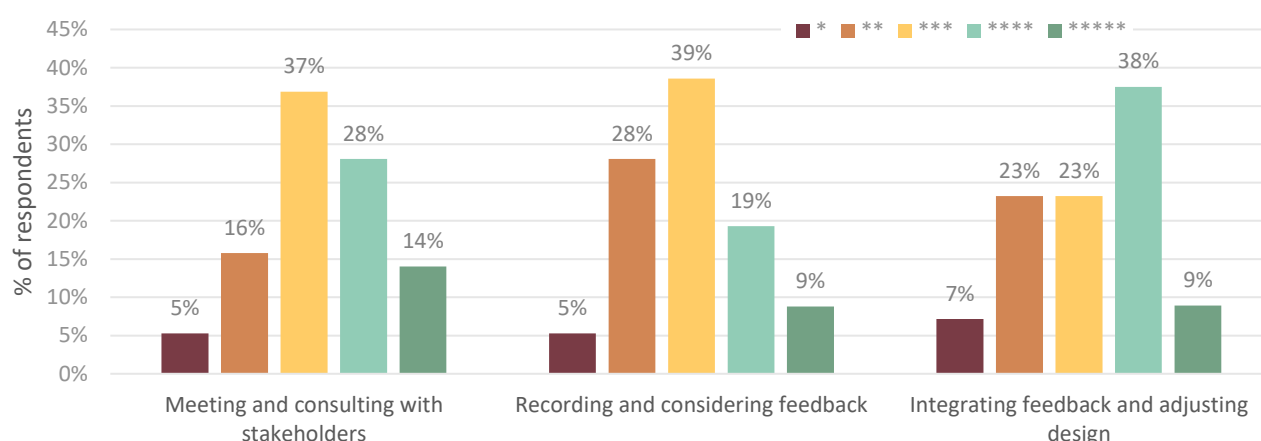
¹ GCF/B.20/26 Report of the twentieth meeting of the Board, 1 - 4 July 2018

Deepening stakeholder engagement

Stakeholder engagement is a catch-all term that is open to interpretation. Therefore, the survey took for granted the GCF guiding principles of stakeholder engagement being applied such as: a multi-stakeholder and pragmatic approach, gender and social inclusion and no conflict of interest. Instead respondents were asked to focus on the extent to which they engaged their stakeholders.

Respondents were asked to rate the quality of stakeholder consultations at the project design stage of projects with which they were familiar. Over all three categories of engagement practice the average is 3 stars leaving significant room for improvement.

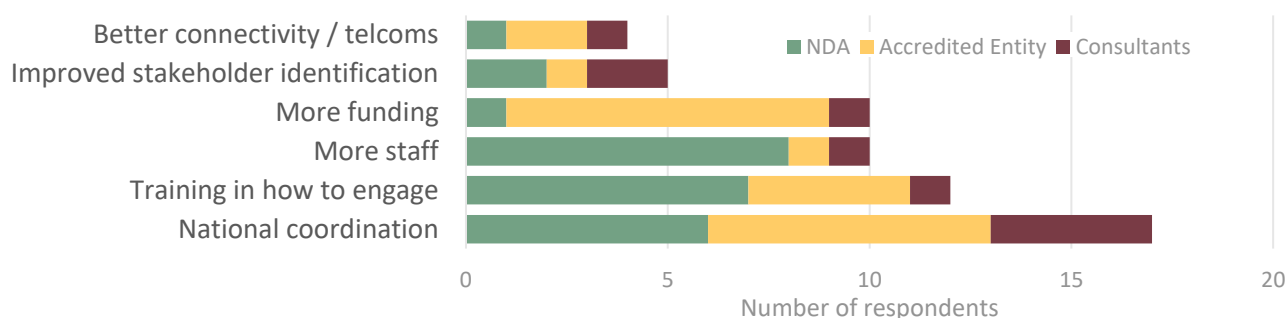
As might be expected ‘meeting and consulting’ is more commonly done well, and ‘integrating feedback and adjusting the design’ is less well done, although the differences are not great. The only anomaly is the 38% four-star ratings given to integrating feedback and adjusting the design. Overall this indicates that project development has a gap to close in the quality of engaging stakeholders, across the areas of: meeting and consulting, recording and considering feedback, and integrating feedback through design adjustment. This gap likely manifests on the ground during project development and can be categorised as lost value along the whole GCF lifecycle.



Star ratings for engagement practices in project development

In bridging this gap, it's interesting to observe where improvements can be made in project development and what is considered most helpful. Unique responses from free text included commentary around political will and differentiating Focal Points from NDAs for fuller stakeholder representation (much like for the Global Environment Facility). Most respondents (24%), suggest better national

level coordination is key for deepening stakeholder engagement. This is closely followed by training on how to engage stakeholders at 21%. A link between these two responses may be plausible and nuanced by a clear split by group on priorities around capacity. 67% of NDAs see ‘staff and knowledge’ capacity as essential, while 80% of Accredited Entities see ‘more funding’ as key to deepening stakeholder engagement.



Most helpful factors in engaging with stakeholders according to respondent type

Country ownership

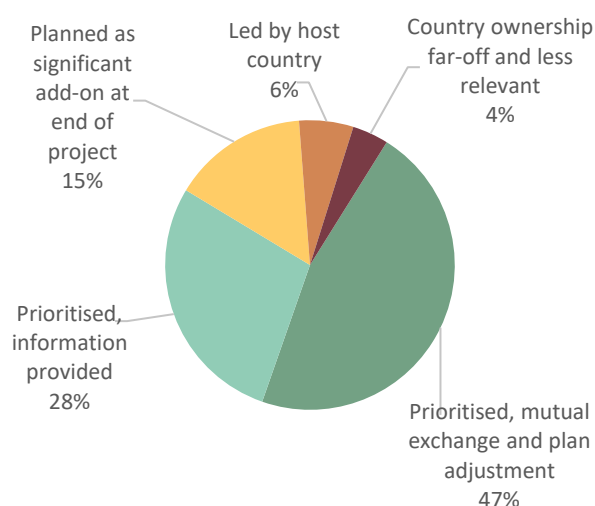
The GCF is explicit about the importance of country ownership which falls in the top 3 distinct features² of the Fund, along with a balanced portfolio and unlocking private finance. A country-driven approach ensures GCF activities are in harmony with national priorities, so how well do project developers currently engage with beneficiaries on country ownership? 74% of respondents both prioritise and schedule consultations with beneficiaries, of this, 48% go further by ensuring a mutual exchange with beneficiary needs informing the project. Responses across the 5 results were evenly spread without polarisation by any one group.

Interestingly 25% of respondents signalled they did not build-in beneficiary engagement on country ownership, with 15% of those indicating country ownership consultations formed a significant piece at the end of the project. This is at odds with GCF best practices in multi-stakeholder consultations³, that state consultative processes reflect an ongoing rather than discrete activity, with the possibility to follow-up, continuously update and regularly assess progress. While the vast majority of project developers are engaging adequately with beneficiaries on country engagement from the outset, there is a need to identify the reality behind why this 'best practice' process is ignored by a quarter of project developers.

Anecdotally from discussions with Accredited Entities and our own experience, project developers are wary about engaging

beneficiaries early in the proposal development process out of fear of raising expectations that might not be met. This appears to be a reasonable reaction to the high level of risk associated with GCF proposal development. It is unknown whether this ultimately disadvantages or enhances project proposals.

When addressing country ownership and trust issues, a candid look into why such limited number of projects has been approved from direct access entities is necessary. More should be done to support Direct Access to the Fund. Would this reshape country ownership opportunities and embedded traction?



Experience in country ownership and planned stakeholder engagement (% of respondents selecting each option)

Challenges

The top 3 challenges to stakeholder engagement selected by respondents were: 'Identifying correct barriers and opportunities' - 22%, 'Gaining trust or buy-in' - 18%, and 'Accessing representative stakeholders' - 17%. Within these results, the selections were consistent across respondents for 'Gaining trust or buy-in', with a fairly even spread between NDAs, Accredited Entities and Consultants. However, a significant group difference was evidenced when disaggregating

'Identifying barriers and opportunities', here twice as many NDAs selected this challenge to stakeholder engagement compared to Accredited Entities. Similarly, on disaggregating 'Accessing stakeholders' by respondent group, twice as many Accredited Entities selected this as a key challenge compared to NDAs. Presumably NDAs have easier access to stakeholders than do Accredited Entities.

² www.greenclimate.fund/who-we-are/about-the-fund

³ GCF/B.08/45 Annex XIV: Initial best practice options for coordination and multi-stakeholder engagement

Concerning how to address these challenges respondents suggested: greater use of the Readiness Programme, establishment of country hubs to progress country ownership, agreeing a common definition of Country Ownership across the GCF, Conference of the Parties (COP) and UNFCCC, assisting

institutional capacities to develop regulations, increasing private sector engagement to drive projects, and addressing power concentration of NDAs in terms of delivering good governance and stakeholder engagement protocols.

Conclusion

A mixed pattern of results of what it means to engage stakeholders has been provided by practitioners in GCF project development. Respondents reiterated in free text, the need for many features of what the survey identified: capacity building, technical knowledge transfer, funding and clear guidelines on country ownership provisions. It may be that specific methodologies and processes are needed to support project development which may, for example, include training on how to engage stakeholders better.

The GCF currently has a portfolio of: 73 active projects, US \$3.5 billion committed funds, 1.3 billion tonnes avoided CO₂e and 217 million anticipated beneficiaries estimated to increase their future resilience, the reach of the GCF to make progress on climate solutions is already significant.

Given a large piece of this delivery relies on excellent communications and stakeholder engagement, further investigation into stakeholder engagement barriers and barrier removal would add value to project development and the GCF lifecycle.

We are encouraged to see preparations for October's Board meeting, B.21⁴, make a distinct shift from the outcome of B.20, by including modality changes to stakeholder engagement and consultation, guided by three principles of:

- 1) equality;
- 2) transparency; and
- 3) the empowerment of the Secretariat.

Perhaps if swift progress can be made at the Board level, closing the gap of stakeholder engagement on-the-ground is equally achievable.

About this survey and report

This survey is an initiative of E Co., emerging from work we are doing to develop low-carbon, climate resilient projects. E Co.'s team of consultants designed and administered the survey and prepared this report. E Co. 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.

About E Co.

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 are 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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⁴ <http://links.ecoltdgroup.com/GCFco-chairMessageB21>

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