

GCF insight: Enhancing Country Ownership

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 twelfth edition explores Country Ownership and discusses ways in which the GCF could enhance it.

Spotlight on Country Ownership

Country Ownership - the political support, active engagement and 'owning' of climate change-related initiatives, plays a central role in achieving long-term transformational results. It is a core principle for the GCF, as explained in Board document 10: *"The Fund will pursue a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders"* (GCF/B.10/Inf.07).

It is therefore critical to better understand the barriers and motivations to achieving Country Ownership. At the 21st GCF Meeting of the Board (B.21), the GCF approved the Independent Evaluation Unit's (IEU) 2019 work plan and budget which included evaluating progress on Country Ownership. This was framed by two key questions on how well the GCF has conceptualised and operationalised Country Ownership and how Country Ownership can be integrated into projects from design to implementation. The IEU will be presenting their findings to the Board at B.24 in October 2019.

The GCF has multiple processes in place to enhance Country Ownership. Currently, it supports National Designated Authorities (NDAs) through country readiness programmes. The Project Preparation Facility (PPF) supports Accredited Entities in project development. It is especially targeted to support Direct Access Entities (DAEs), and micro-to-small size category projects with low in-house capacity for ambitious project development. The PPF supports many activities throughout the project cycle starting from feasibility studies and risk assessments to financing structures and other activities.

Key findings

- Respondents were generally optimistic about the extent to which Country Ownership is being addressed by the GCF. 44% said the GCF is doing reasonably well but with some shortcomings whereas 20% said the GCF efforts to address issues of Country Ownership were comprehensive. Only 16% said there were major shortcomings;
- The most significant barrier to Country Ownership was identified as low institutional capacity to develop good projects;
- On accountability for Accredited Entities to contribute to Country Ownership, 63% of respondents believe that the GCF should assess stakeholder engagement throughout the project cycle, starting with project conceptualisation

Survey overview

- 83 respondents;
- 27% National Designated Authorities (NDAs); 28% Accredited Entities; 28 % entities wishing to become accredited; and the remainder (24%) were consultants
- 70% felt "well informed" about the GCF, of which 30% had "significant experience"
- Conducted between 10 and 20 June 2019

Enhancing Country Ownership

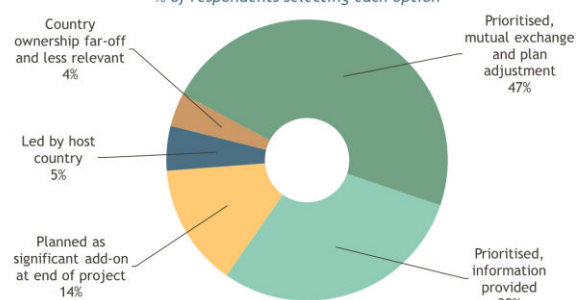
As there is no universally accepted definition of Country Ownership, respondents provided their own perception of it. It was described through four key attributes:

1. Alignment with national priorities
2. NDAs taking ownership of the project
3. Local stakeholder engagement
4. Knowledge sharing

According to one respondent, Country Ownership demands that “projects are in line with the countries’ main adaptation and mitigation priorities and specific strategic approaches; that a solid project pipeline is developed to address a number of critical climate change issues, in an innovative way; that projects cover institutional, policy and governance constraints; and that Country Ownership is broadly understood, involving multiple stakeholders (mainstreaming across government, Civil Society Organisations (CSO) and private sector), sub-national authorities and communities”.

The survey included a question from *GCF insight #10* from October 2018 regarding the respondents’ experience in engaging with beneficiaries to enhance Country Ownership during the project design stage. It was found that responses were remarkably similar. Interestingly still, in the present survey, 25% of respondents signalled they did not build in beneficiary engagement on Country Ownership, with 15% indicating Country Ownership consultations formed a significant piece at the end of the project

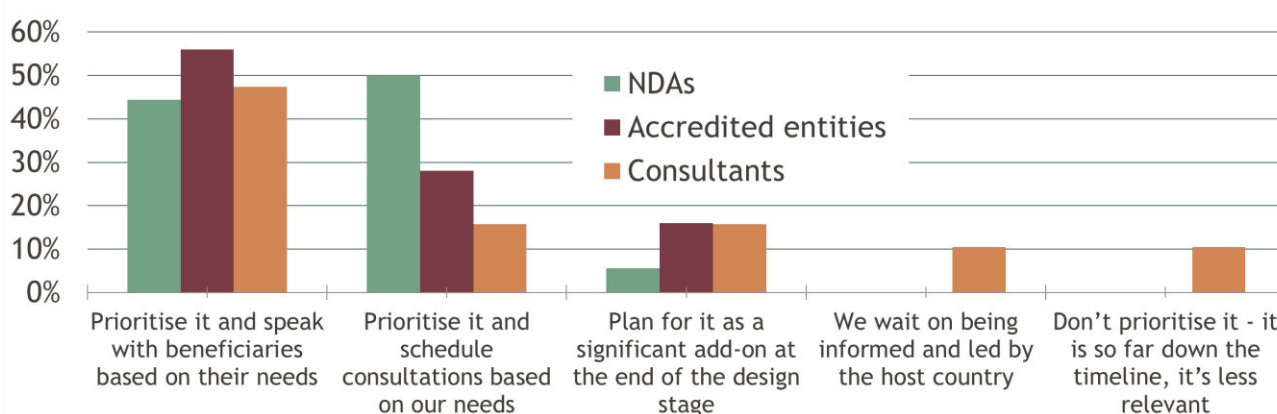
Stakeholder engagement in Country Ownership
% of respondents selecting each option



which is at odds with the ‘best practice’ process supported by GCF. The results indicate that there is a need for improved processes and mechanisms that encourage Accredited Entities to better engage with stakeholders and adopt a consultative approach in project development. Meaningful engagement of stakeholders should be properly integrated in the project design, otherwise there could be a risk of raising the expectations of potential beneficiaries, without the certainty of funding approval.

Furthermore, an analysis by entity type found that some consultants do not prioritise Country Ownership and instead rely on the host country to engage with stakeholders. The large variation in responses from consultants shows some disagreement on whether stakeholder engagement on Country Ownership is, in fact, useful. It appears that a noteworthy majority of NDAs understand the need to adopt a consultative approach in project development but the same cannot be applied to Accredited Entities and consultants.

Points of view engaging with beneficiaries by entity type



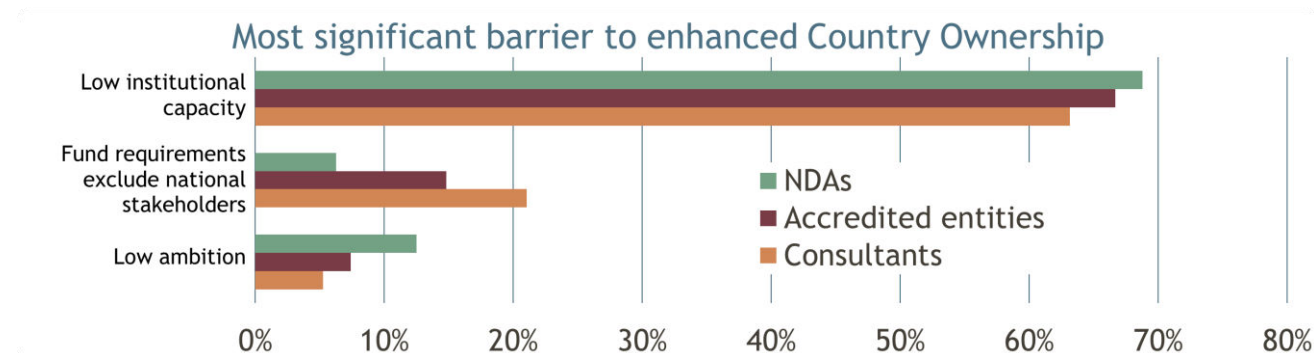
Barriers and Challenges

Survey respondents were asked what they felt was the most significant barrier to Country Ownership. The majority of respondents (64%) cited low institutional capacity as the greatest barrier, followed by 15% who believe requirements of the GCF exclude national stakeholders, and 8% who cited a low project ambition. Several respondents mentioned barriers related to: (i) the lengthy time required for resource mobilisation, (ii) donors not sharing the same commitment, and (iii) the possibility of corruption. Analysing the same question by entity type, there was near universal agreement that low institutional capacity is the greatest barrier.

The small number of projects approved by the GCF that were submitted by Direct Access Entities (DAEs) is a testament to low institutional capacity. There are significant complexities around developing quality projects, including the high level of due diligence associated with them. The finding serves as a call to action for the GCF to ramp up its efforts to support DAEs and NDAs that do not have the

capacity as yet to develop and support quality projects in-house. It is reasonable to assume that NDAs that have a stronger capacity to develop ambitious projects will engage much more effectively with the GCF in terms of driving their agenda. This ties into the issue of low ambition, which can also be addressed by increasing capacity of DAEs and NDAs, since it is plausible that this would lead to more ambitious country ownership approaches.

The second significant barrier cited was that fund requirements exclude national stakeholders. Fund requirements may be further complicated due to the myriad of stakeholders involved, along with their unique priorities and diverging mandates. There was a lot of variation from country to country, region to region, and entity to entity. Asking whether a differentiated approach for how the GCF approaches Country Ownership could be a useful dialogue. Indeed, this also raises the issue of accountability of Accredited Entities in engaging beneficiaries as well as national stakeholders.



Accountability

Survey respondents were asked how the GCF should hold Accredited Entities accountable to enhance Country Ownership. Respondents could choose more than one response. Overall, 63% of respondents indicated that national stakeholders should be engaged from the very beginning of the project. 37% indicated the need for mandatory reporting from all entities on results of efforts to strengthen institutional and regulatory systems. 14% indicated that the GCF should assess the quality and effectiveness of capacity building support provided by Accredited Entities.

A way to incentivise better stakeholder engagement, as indicated by one of the respondents, would be to reject proposals unless

the recipient country has established an effective NDA structure. The structure would adopt inter-ministerial representation and decision making and operate beyond the project design stage. However, in terms of the post-project design stage, our interview with the Independent Evaluation Unit (IEU), revealed a lack of reporting / consulting mechanism during the implementation stage. It is clear that 'accountability' in delivering Country Ownership post-project approval requires more support, effective mechanisms, and / or tools from the GCF. For example, a planning report could be requested by the GCF to include activities that enhance Country Ownership as a means to safeguard it, post-project approval.

Conclusions

The GCF wants to see a high level of Country Ownership, but at the same time, ambitious projects are financed to shift the paradigm. The identified barriers - low institutional capacity of national / regional stakeholders, and low ambition of projects - demonstrate the need to strengthen the processes that encourage stronger Country Ownership.

Overall, respondents reported that there is more to Country Ownership than simply government ownership: government ownership forms part of overall Country Ownership. Fragmented governance and competition between government authorities for GCF resources is considered to influence Country Ownership. Implementation through lower capacity national systems requires more flexibility from the GCF Board and Secretariat. An adaptive or flexible approach to Country Ownership may be better suited to some projects. Private sector projects may be less favoured (since NDAs may prefer public sector projects where the government is more likely to be involved and to benefit). More guidance from the GCF Secretariat on how these interactions could be enhanced is of critical importance in delivering on Country Ownership going forward.

In our view, following project approval, there appears to be a lack of accountability for different entities on how they engage national stakeholders. Again, GCF support and tools that support effective Country Ownership in project design and post-project approval may overcome such shortfalls by explicitly stating what Country Ownership activities are expected. Although the survey indicated that in the view of the respondents the investment criteria on Country Ownership is comprehensive, concerns were expressed regarding the effective monitoring and evaluation of these criteria and the need for incentive structures. Further investigation into these incentive structures are likely to add value to project development and the GCF lifecycle.

Some Accredited Entities explained their hesitation in engaging NDAs: “In order for a country to own the project, there need to be multiple decision-makers so as to avoid instances of corruption and mismanagement.” Moreover, some responses noted that in their view, some NDAs use Country Ownership as a means to refuse to engage with Accredited Entities. Perhaps equal emphasis needs to be placed on NDAs to ensure local governance is conducive to principles of Country Ownership and does not take advantage of them.

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. Nothing in the interviews or any information or material relating thereto shall be construed as implying any official endorsement of or responsibility on the part of the Green Climate Fund.

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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