

GCF insight: no-objection procedures

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 sixth edition explores the status of no-objection procedures and how they are being interpreted and implemented by Accredited Entities & National Designated Authorities (NDAs).

Spotlight on no-objection procedures

The GCF no-objection procedure aims to ensure that projects are consistent with national climate strategies and developed using country-driven approaches¹. The initial purposes and basic principles were adopted in 2014² and later linked explicitly with country ownership requirements³. The GCF allows for flexibility by recognising that 'countries may establish their own nationally appropriate process for ascertaining no-objection to funding proposals according to the country's capacities and existing processes and institutions'⁴.

NDAs have a key role in driving the no-objection procedure and overseeing compliance of project proposals with country ownership requirements to ensure that funding proposals are consistent with a country's climate strategies and are based on the engagement and consent of local stakeholders. According to the GCF, 'successful collaboration between NDAs and Accredited Entities in developing funding proposals is key to embedding country ownership' within GCF projects. Accredited Entities are also encouraged to engage with NDAs for the development of the entity annual work programme (GCF/ B.16/06:6). The GCF has expressed concerns that communication between Accredited Entities and NDAs during the concept note stage needs to be strengthened (GCF/B.15/10).

Key findings

- The majority of the surveyed NDAs have some elements of the no-objection procedure in place but a formal process has not been adopted yet (57%), 29% have adopted a full procedure, and 14% have not yet considered any procedure.
- In spite of this, 35% of surveyed Accredited Entities cite 'clarity of procedures' as the key challenge in interaction with NDAs. Another 35% find 'accessibility and openness of NDAs' the key challenge.
- Although 76% of responding NDAs do not have time standards and guidelines for responding to requests and submissions, estimated time by Entities for receiving no-objection letters varies from under a month to 1-3 months. This is consistent with estimates by NDAs.
- Alignment with national development strategies and priorities, and country ownership were cited by those working for NDAs and Accredited Entities as the most important issues to be addressed to secure no-objection letters.

Survey overview

- 84 respondents
- Conducted 13-21 June 2017

¹ Decision GCF/B.08/10 Annex XIII

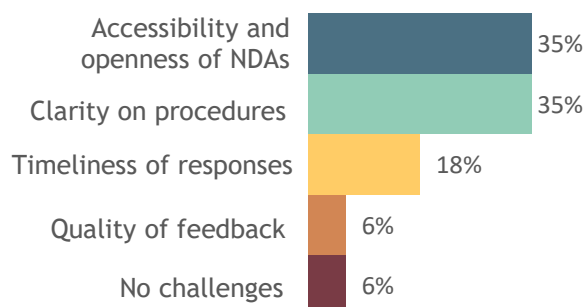
² Annex VII (GCF/B.07/03) Annex XII (GCF/B.08/10), Annex XVII (GCF/B.08/10).

³ GCF/B.15/06

⁴ (Annex XIII, GCF/B.08/10: 87)

No-objection procedures: long road ahead

The development of NDA no-objection procedures appears to be at an early stage. The majority of the surveyed NDAs have some elements of the procedure in place but a formal process has not been adopted yet (57%). 29% consider that they have a full working procedure and 14% don't have any procedure in place. According to some consultants and Accredited Entities, the no-objection procedure is described as 'extremely slow and complex'. A risk, especially in the absence of guidelines, that the 'no-objection procedure may become a political exercise' was expressed. 'Clarity of procedures' and 'Openness of NDAs for interaction' have both been mentioned by 35% of Accredited Entities as the key challenges related to interaction with NDAs.



The key challenges in interaction with NDAs as identified by Accredited Entities

Current practices

According to the surveyed Accredited Entities, two-thirds of projects submitted to NDAs have received letters of no-objection since the beginning of GCF operations. Interestingly, International Entities appear to have a higher *rate* of securing no-objection letters compared to Direct Access Entities, that is, the former received letters of no-objection letters to 69% of their requests, while the latter received no-objection letters to only 31% of their requests.

Refusing to issue a no-objection letter does not appear to be a common practice: about a third of NDAs have refused to issue a no-objection letter at some stage. Accredited Entities responding to the survey were asked to think of a recent request to an NDA for a letter of no-objection: none of these resulted in a refusal. As mentioned by one respondent, in some cases NDAs "do not own the right to withhold the letter of no-objection" as they are frequently based within the Ministry of Environment, which are often not the most politically empowered institutions.

The practice of requesting "significant adjustments" in the project design is fairly common: 60% of NDAs reported that they have made such a request at some stage. From recent Accredited Entity submissions, 62% of entities received a no-objection letter without

additional comments. 15% are still waiting to hear from NDAs.

The majority of NDAs reported that reviewing concept note submissions and re-submissions normally takes between 1 to 4 weeks. Only about 60% of surveyed NDAs have experience with reviewing full proposals to date and they estimate that such a review takes up to a month.

Despite the fact that almost three quarters of the surveyed NDAs do not have time standards and guidelines for responding to Accredited Entities' requests and submissions, the timing for receiving a no-objection letter appeared to be reasonably consistent among Accredited Entities working across 6 GCF regions and varies from under a month (for about half of respondents) to 1-3 months (for the other half of respondents).

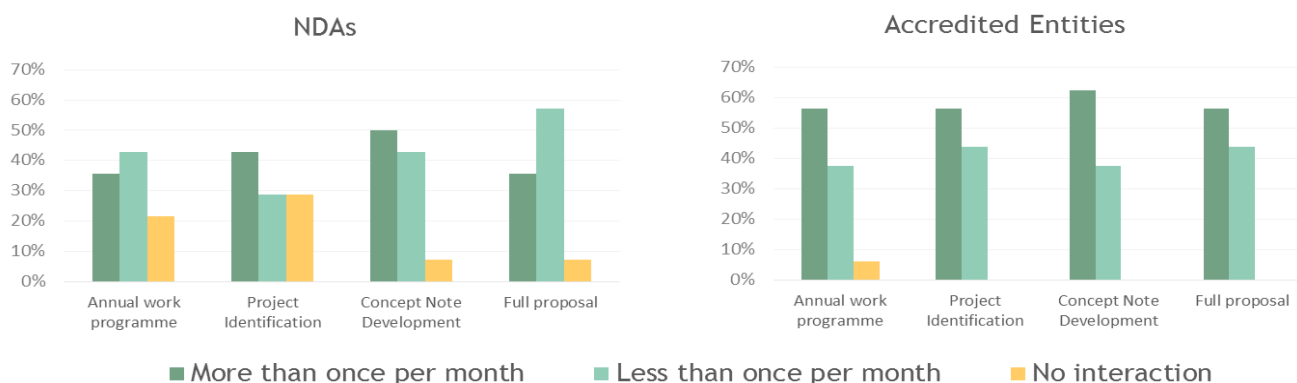
Considering only those with experience of full proposals the intensity of interactions between NDAs and Entities was assessed for development of the annual entity programme, project identification, concept note development and full proposal development.

According to responses from NDAs, the interaction is more intensive at the earlier stages (like project identification and concept note development) and slows down to less

than once a month for the development of full proposals.

The majority of Accredited Entities reported frequent interaction with NDAs across all areas (with only one Accredited Entity reporting no interaction in the development of their annual work programme). This contrasts

with responses from NDAs where no interaction was reported by a number of NDAs. The most striking difference was found for project identification - about 25% of NDAs reported no interactions in this area, while 100% of surveyed Accredited Entities (within the above-mentioned sample) reported interacting with NDAs in this area.



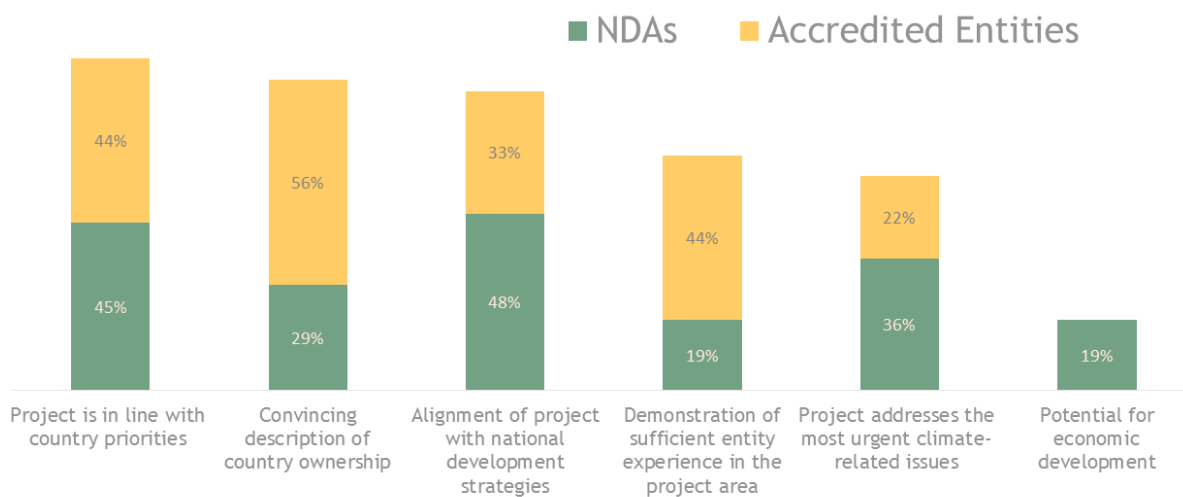
Intensity of interactions between NDAs and Accredited Entities for various proposal development stages according to NDAs (left), and Entities (right)

Expectations

A key issue explored in this survey relates to perceptions of the most significant issues that need addressing to avoid refusal of a letter of no-objection letter. The responses come from consultants and NDAs and are indicative in terms of expectations.

According to NDAs, the alignment of projects with national development strategies and country priorities / country work programme, and focus on the most urgent climate-related issues are the most important. From the perspective of Accredited Entities (as

identified by consultants working for accredited entities), a convincing description of country ownership and ability to demonstrate sufficient experience in the project area are crucial for securing a no-objection letter along with the project being in line with country priorities. 19% of NDA respondents highlighted 'potential for economic development' as an important issue, while it does not appear an important issue according to those working for accredited entities.

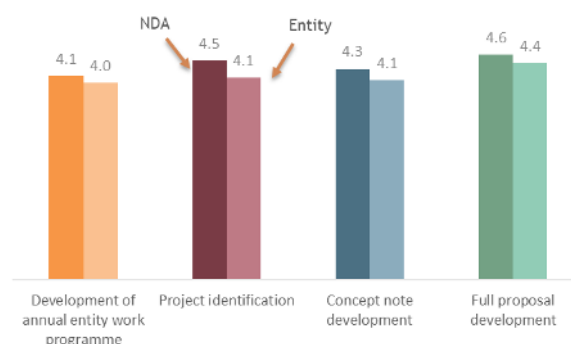


Perceptions of the most important issues for NDAs to be addressed to avoid refusal of a letter of no objection

Accredited Entities and NDAs were asked to rate the importance of interaction in various areas using a scale of 1 (low importance) to 5 (high importance). Compared to responses from Accredited Entities, on average, NDAs have slightly stronger views on the importance of interaction across all areas including the development of the annual entity programme, project identification, development of the concept note and full proposals. Both Entities and NDAs however rated the importance of interaction highly and there were only small differences. NDAs and Accredited Entities have compatible perceptions of the importance of interaction for the development of full proposals (rating of 4.6 given by NDAs compared to 4.4 by Accredited Entities), while the importance of interaction for project identification by Accredited Entities scored slightly lower (4.5 compared to 4.1). This is in line with comments made by some NDAs, which state that an Accredited Entity should consult NDAs before any proposal initiation. In the words of one respondent: “Accredited entities are generally designing their own projects and then presenting them for the non-objection of the NDA, when they should

be working with the NDA and national institutions from the start (beginning with the project idea). Many of the projects designed by accredited entities do not respond to country priorities.”

The respondents from NDAs also noted that adequate communication is very important and allows for fast tracking project approval.



NDA and Accredited Entity ratings of the importance of interaction for various areas on a scale of 1 to 5

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'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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