

GCF insight: key findings

‘*GCF insight*’ surveys seek to understand what’s working - *and not working* - in Green Climate Fund (GCF) project development. Conducted by Eco Ltd in May to June 2016, this second *GCF insight* survey continues to explore the 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.

In addition to our regular questions, this edition of *GCF insight* includes ‘spotlights’ on: the usefulness of Concept Notes from a project development perspective; and how Readiness Funding will be used for pipeline development support.

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 is to understand and monitor the development of the GCF project pipeline.

According to survey respondents, there is a balance of mitigation and adaptation projects under development, with approximately 51% of all projects reported under the adaptation results areas and the balance focused on mitigation. *GCF insight* survey results are consistent with those reported by the GCF Secretariat in June 2016.¹

‘Energy access and power’ was reported to be the most active of all mitigation results areas under development (37% of projects under

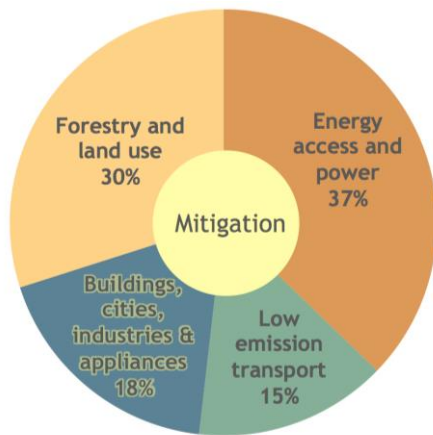
development) and ‘low emission transport’ to be the least active.

The most active of the adaptation results areas was reported to be ‘livelihoods of people and communities’ and the least active was ‘infrastructure and the built environment’.

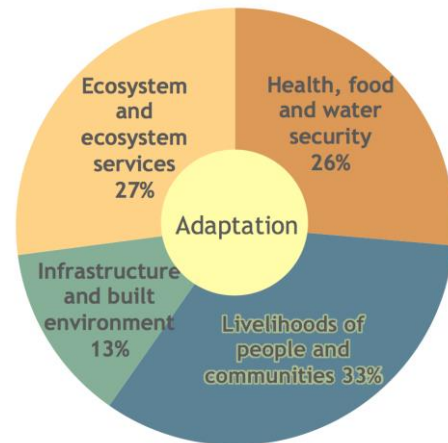
About ‘GCF insight’ survey respondents

- 173 respondents
- working in all regions, with the majority working in Africa (49%), and Asia and the Pacific (43%)
- 28 NDAs and Focal Points
- private sector (23%), government (22%), NGOs / CSOs (19%) and multilaterals (18%)
- 65% of respondents have experience working with a GCF Concept Note and/or Funding Proposal, with 24% noting ‘a lot’ of experience

¹ GCF Board document GCF/B.13/Inf.10 "Status of the Fund’s portfolio: pipeline and approved projects" 15 June 2016.



Mitigation results areas under development



Adaptation results areas under development

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.

Project identification most commonly takes place through government planning meetings. The results reflect that project identification is primarily government-led as anticipated for a country-driven process.

In this reporting period of the *GCF insight* survey, the most effective project identification approach was identified as ‘project identification workshops or events’, which was noted by 43% of respondents as ‘very effective’.

Despite that survey respondents indicated that project identification by a single organization (i.e. self-initiated) was the second most common source of GCF projects, this approach was considered to be one of the least effective (by 35% of respondents).

Attrition is expected throughout a project develop cycle. According to survey respondents, the ratio of GCF

projects at the *idea : concept : proposal* stages is approximately 2.5 : 2.4 : 1 for all GCF results areas. This project development ‘funnel’ is ‘narrowing’ since the last Board meeting, i.e. there are fewer ideas required to produce viable concepts.

Variation seen between results areas suggests that different numbers of ideas, and therefore effort, is needed to yield a Full Proposal.

Overall GCF pipeline



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

The majority of respondents reported that the number of projects under development has stayed the same since the last GCF Board Meeting. However, a greater percentage of respondents noted an **increase** in the number of Concept Notes and Funding Proposals under development.

Concept Note development

Political commitment for GCF project preparation was rated by more than 20% of respondents as the top ‘driver’ for accelerating good GCF concepts. Reasons given were that it helps ensure country-drivenness and facilitates coordination across different ministries and governmental departments.

Regarded as nearly equally important was ‘capacity to prepare GCF projects’, which was described by respondents as having a clear understanding of the GCF’s objectives and processes, and the capacity required to deal with financing complexity.

The greatest challenge to good GCF Concept development continues to be sufficient capacity to prepare GCF projects. Survey respondents noted that there are too few actors capable of generating or preparing GCF Concept Notes.

Spotlight 1: Concept Notes

- Overall, most respondents agreed that, while a voluntary step, Concept Notes help them design a better GCF Project
- Concept Notes are seen as an opportunity to get technical inputs, as a tool to communicate more easily with other stakeholders and help ensure a project’s alignment with ongoing country processes
- Some respondents noted that this voluntary step would *not* save them time over the longer term.

Funding Proposal development

GCF Funding Proposal development was determined to take approximately 34 person months (median of 2.5 person years) over a 6.5 month period (until first submission to the GCF). Teams of 3 full-time people and 4 part-time people were most often used.

Spotlight 2: Readiness Funding ‘Area 4’

- Respondents noted that Readiness Funding is most needed for financial modeling and technical / engineering assessments, multi-stakeholder engagement, and support to translate plans into tangible agreements
- The most challenging and complex activities eligible for Readiness Funding are:
 - financial modeling
 - economic and social impact assessments
 - PPP assessment
 - financial structure, technical / engineering assessments
 - translating plans into tangible agreements.

It cost the majority of respondents less than US\$ 150,000 to develop a GCF Funding Proposal. However many respondents are noting higher costs, particularly in the US\$ 150,001 to US\$ 200,000 category. The majority of respondents reported it taking over 3 months to receive the NDA’s signed no-objection letter.

A wide range of practices and tools were required for GCF Funding Proposal preparation. Similar to what was reported to us in the last survey, the Funding Proposal requirements considered most challenging were financing / cost information, expected performance against investment criteria, and supporting documents.

Summary of key findings

1. The 50:50 balance between mitigation and adaptation continues.
2. Since the last GCF Board Meeting, Concept Note and Funding Proposal development are gaining some momentum.
3. There are at least twice as many Concept Notes as Funding Proposals under development for most results areas.
4. Government ministries and departments are primarily leading GCF project identification, with project identification largely taking place at government planning meetings.
5. The most effective project identification approaches are considered to be project identification workshops or events, and government planning meetings.
6. Top drivers of good GCF Concepts continue to be political commitment and capacity to prepare projects.
7. The greatest challenge to good GCF Concept development continues to be capacity to prepare GCF projects.
8. Most respondents agree that, while a voluntary step, Concept Notes help them design a better GCF Project.
9. An average GCF Funding Proposal is now taking over 6 months to develop, requires 2.5 person years in terms of level of effort, costs US\$ 150,000, and requires a team of 3 full-time and 4 part-time people, and needs more than 3 months to receive a signed no-objection letter from the NDA.
10. 'Area 4' Readiness Funding is most needed for financial modeling and technical / engineering assessments, multi-stakeholder engagement, and support to translate plans into tangible agreements.

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 37-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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