

GCF insight: Proposal development

GCF insight seeks to understand what's working - and what's not working - in the Green Climate Fund (GCF). The surveys, interviews and reports spotlight the most topical GCF issues. This ninth edition explores the experiences of stakeholders with GCF proposal development.

Spotlight on proposal development

During the board meeting in February 2018 (B.19), the GCF Board discussed a number of policies related to the approval of funding proposals and decided, among other matters, to instruct the Secretariat to develop steps to enhance the climate rationale of GCF-supported activities and policies. Key issue areas included concessionality, incremental costs, full costs and co-financing, which will all be further discussed at the July 2018 board meeting (B.20). The Board further instructed the Secretariat to develop a capacity-building strategy to support National Designated Authorities / Focal Points (hereinafter NDAs), and accredited entities. During B.19, the board approved 22 Funding Proposals and one proposal under the Simplified Approval Process (SAP) pilot scheme. In the up-coming board meeting in July 2018, 9 Funding Proposals are going to be discussed, in addition to 2 proposals following the SAP pilot scheme.

This *GCF Insight* draws conclusions from a survey carried out in June 2018 with 46 respondents. Respondents included 22 Accredited Entities (5 of them being financial institutions); 11 NDAs / Focal Points; 9 consultancies providing advisory services to NDAs / FPs (both individuals and companies); and 5 entities that are wishing to become accredited. 50% of respondents work with the GCF, amongst other things, and 17% work mostly with GCF projects. Respondents without GCF experience were removed from the dataset. Respondents were asked about their level of experience with GCF projects. 52% of respondents have been involved in both Concept Note and Proposal Development. 32% of them have only worked on the submission of Concept Notes.

Key findings

- The majority of respondents (52%) have been involved in developing both Concept Notes and Funding Proposals, and an additional 32% have only developed Concept Notes.
- Among those who engaged with the development of Concept Notes, 37% found that the submission of a Concept Note was useful and instructive and that the feedback received helped in submitting a more effective full proposal. 25% of respondents felt the submission of a Concept Note was somewhat useful but comments provided by the GCF were not fully understandable. 13% felt that the feedback received showed a lack of the GCF's understanding of their project idea.
- Regarding the preparation of Funding Proposals, some parts are considered more challenging and complex than others - in particular the expected performance against investment criteria; financing / cost information; results monitoring and reporting; and the feasibility study. All these components were cited as complex or challenging by over 50% of respondents.
- The understanding of GCF investment criteria is not always straightforward. Those criteria that are hardest to understand / demonstrate according to survey respondents, are the paradigm shift potential, followed by the efficiency and effectiveness and needs of the recipient.

Survey overview

- 46 total respondents (22 from accredited entities including international financial institutions, 11 NDAs) participated in the online survey.

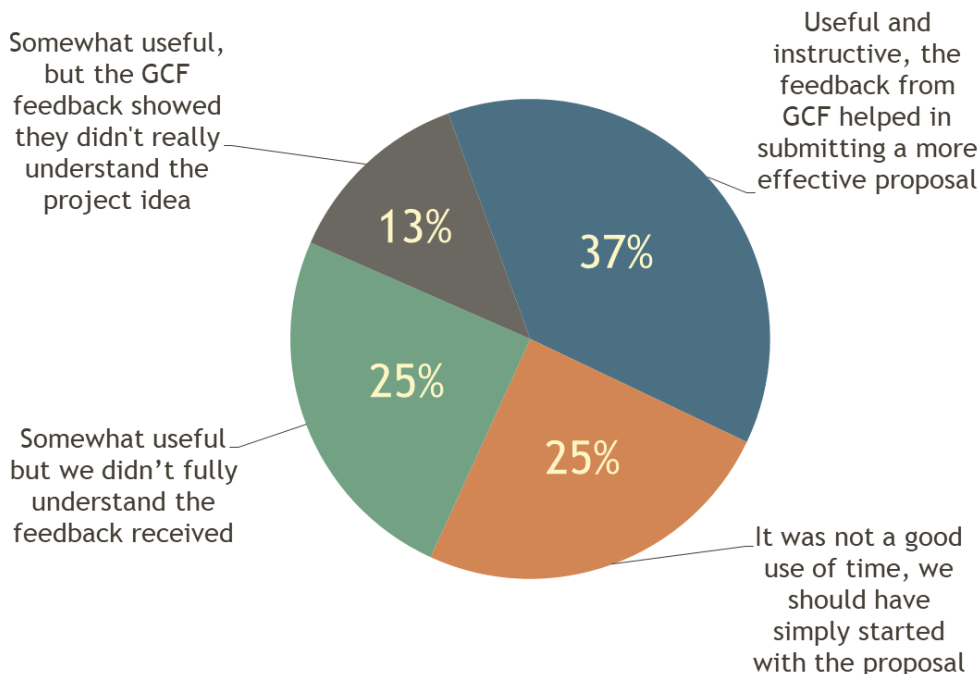
The complexity of preparing Concept Notes

The GCF Concept Note stage is currently voluntary, although a proposal to make it mandatory for medium and large-sized funding proposals is to be discussed at the GCF board meeting in July 2018¹.

The Concept Notes stage can provide an opportunity to obtain technical inputs from the Secretariat, to align the project design with ongoing country processes and to communicate the project idea better with stakeholders. Survey respondents that had experience with Concept Notes were asked further questions about that experience. Findings showed mixed feelings regarding the benefits of preparing Concept Notes. 35% of respondents found submitting a Concept Note useful and instructive, and the comments received to be helpful in submitting a more effective proposal. 25% of respondents thought that submitting the Concept Note was somewhat useful, but they didn't fully understand the comments received from the GCF. Another 13% of respondents claimed that

the GCF's feedback showed a lack of understanding of the project idea. Overall, 75% of respondents were somewhat or fully positive about the value of Concept Notes. This is broadly in line with earlier findings from our *GCF Insight #2* survey from 2016, where 60% of respondents agreed or strongly agreed that Concept Notes helped them design a better Funding Proposal².

The submission of Concept Notes is also a time-consuming activity and 25% of respondents said that preparing the Concept Note was not a useful investment of time over the long term, and they wish they had started directly preparing the full proposal. In the words of one respondent, "The concept note template is too extensive and detailed. It requires almost as much effort as the proposal." One respondent noted that, despite receiving positive feedback on the concept note it was proving almost impossible to move forward with the funding proposal since "the goals keep moving".



Respondent view on the value of Concept Notes

¹ GCF/B.20/21

² Available from www.ecoltdgroup.com/all-insights

Funding Proposals

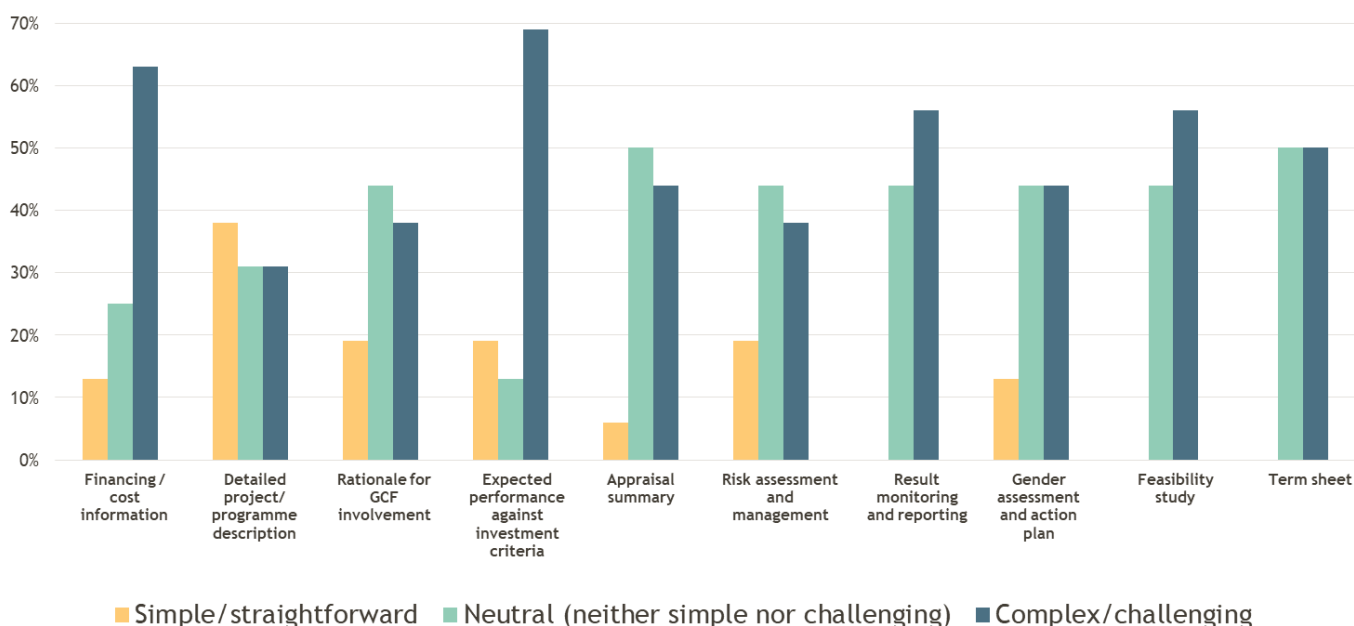
To understand the efforts, needs and capabilities necessary for preparing Funding Proposals better, we asked respondents with relevant experience what requirements they consider to be more challenging or difficult to demonstrate³. Survey respondents were asked to recall their experiences of the preparation of the GCF Funding Proposal. The Funding Proposal requirements considered most complex or challenging (listed in order of complexity):

1. Expected performance against investment criteria (69% of respondents)
2. Financing / cost information (63%)
3. Results monitoring and reporting (56%) and the
4. Feasibility study (56%)

These results are similar to the findings from our *GCF Insight #2* survey from 2016. In order of complexity, the requirements that were, at that time, considered most complex or challenging were 1) the financing/cost information, 2) the expected performance against investment criteria, and 3) the

preparation of supporting documents (such as the feasibility study). Other areas that are found to be problematic in the present study are: the term sheet (50%), the appraisal summary (44%), gender assessment (44%), the rationale for GCF involvement (38%) and the risk assessment and management (38%). No respondents rated the results monitoring and reporting, feasibility study or term sheet as simple / straightforward. In contrast, the project / programme description was considered simple or straightforward by many respondents (almost 40%).

In April and May 2018, the GCF Secretariat surveyed NDAs and direct access entities and asked respondents to rate documents related to the submission of funding proposals including the template, feasibility study, environmental and social safeguards / gender documentation, and the financial and economic analysis⁴. This survey showed the feasibility study and financial / economic analysis to be the most difficult of the 4 options given (almost 40% of respondents rating them as ‘difficult’).



Opinions on the complexity of Funding Proposal requirements (% of respondents)

³ Response options were presented to respondents in a random order.

⁴ See GCF/B.20/04

The GCF investment criteria

In order to qualify for GCF support, a project must demonstrate that they meet six investment criteria. Participants were asked to rate the criteria on a scale of 1 to 6 based on their clarity, from the most straightforward to demonstrate (score of 1) to the hardest to understand / demonstrate (score of 6).

The criteria that was considered the most difficult to demonstrate was the paradigm shift potential (average score of 3.2 and median score of 3), followed by the efficiency and effectiveness (average of 3.0 and median of 3) and needs of the recipient (average and median score of 3). Other criteria such as country ownership received an average score of 2.7 out of 6, but a moderate number of

respondents rated this criteria to be quite hard to demonstrate (21% gave a rating of 5).

In contrast, most respondents characterise the impact / result potential as the most straightforward criteria, with 32% of people rating 2 and 29% rating 1 (average score of 2.4 and median of 2).

The complexity of demonstrating the ‘paradigm shift’ investment criteria has been raised before (see *GCF insight #3* from October 2016). In that study 17% of respondents were unclear on the meaning of the word, and 11% were unclear on what would be considered as ‘sufficient’ for the GCF.

Need for further support

This *GCF insight* provided interesting results about the challenges and issues that practitioners face when preparing Funding Proposals, largely supporting findings from previous surveys. The Concept Note submission process is considered by some to be time-consuming and not always useful, in particular respondents noted that the comments received by the GCF were often unclear and there is a sense by some that projects were not understood.

The preparation of Funding Proposals has to meet several requirements which are considered to be very challenging, such as the expected performance against investment

criteria, the financing / cost info and the feasibility study. These results match previous findings from our 2016 survey. Greater clarity on GCF expectations and improved consistency of feedback seem to be needed. With the Concept Note potentially becoming mandatory for medium and large funding proposals, improved guidance on aspects such as the climate rationale, the paradigm shift potential and effectiveness and efficiency, would be highly valuable. This is consistent with the stated intentions of the GCF Secretariat and the Board (see GCF/B.20/21, and for instance Decision B.19/6 (f)).

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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