

*GCF insight #16*

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THINKING

# How are Green Climate Fund project pipelines developed and prioritised?

November 2020

Insights from project developers & other stakeholders

*An independent E Co. study*



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## GCF insight #16

GCF insight seeks to understand what's working - and what's not working - in Green Climate Fund (GCF) project development. These surveys and reports spotlight the most topical GCF issues. This sixteenth edition explores stakeholder approaches for developing and prioritising climate finance/GCF project pipelines.



# Spotlight: climate finance pipeline development

The process for identifying, selecting, developing, and submitting climate projects to climate funds, including the GCF, is often long and challenging. In this process, a cross-sectoral collaboration between national stakeholders, GCF Readiness partners, National Designated Authorities (NDAs), Accredited Entities, and project developers is often required to build nationally-owned project pipelines.

With countries being at different levels of readiness with regard to GCF project pipelines and their prioritisation, stakeholders have been applying a range of tailored approaches that leverage stakeholder engagement, ensure country ownership, build consensus among stakeholders and include beneficiaries and their needs. In this latest *GCF insight* report we have explored what approaches are currently adopted by stakeholders worldwide, and their key features to ensure that national pipelines reflect country priorities and beneficiary needs while aligning with the GCF investment criteria.

Before the COVID-19 pandemic spread across the globe, actors involved with project pipeline development were able to connect face-to-face for stakeholder engagement through national workshops and dialogue. With the pandemic continuing to disrupt consultations and field work, countries are adapting by developing project pipelines through virtual formats and online tools. The report concludes with a discussion on COVID-19 implications for project pipeline development and measures needed.

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## In brief, here's what we found:

- Three main approaches for project pipeline development were identified: a stakeholder-led approach, a country priority-driven approach, and a climate-data driven approach.
- Regardless of the approach employed, 88% of respondents identified the alignment with country priorities to be a key feature of successful pipeline development. Strong stakeholder engagement and inclusion of beneficiaries were other strengths mentioned by stakeholders.
- Poor institutional capacity and the lack of private sector engagement were the two biggest challenges for a large majority of those surveyed.

## Survey overview & methodology

*We surveyed 49 respondents:*

- 6% were National Designated Authorities (NDAs)/ Focal Points; 37% were consultants advising Accredited Entities/NDAs; 12% were an Accredited Entity; 4% were Readiness Partners; 4% were Entities wishing to become accredited, and the remainder (37%) were civil society organisations/ NGOs and other actors.
- Respondents also represented various global regions: Asia and the Pacific (32%), Africa (30%), Eastern Europe (19%), Latin America and the Caribbean (15%), Central Asia (4%).

# 1

## Stakeholder approaches for developing project pipelines

*We asked stakeholders what key approaches they have used to develop national climate finance and GCF project pipelines.*

Respondents identified a variety of approaches, steps and methods to develop climate project pipelines. We aggregated responses based on the key characteristics and starting points of the stated approach and identified that three main pathways have been used: 1) a stakeholder-led approach which is based on the bottom-up development of climate project pipelines; 2) a country priority-driven approach, based on national strategic documents and government priorities; 3) a climate data-driven approach based on technical analyses and assessments that identify country needs.

### 1. Stakeholder-led approach

This approach focuses on the bottom-up development of project pipelines and includes strong stakeholder engagement as a key strategy to identify climate projects. Respondents indicate the use of workshops and consultations to identify sectoral needs and potential project ideas. Those surveyed stated that one of the key strengths of this approach is linked to the promotion of country ownership and the inclusion of beneficiaries and their needs. Respondents, in fact, reported using focus group discussions, sectoral dialogues, workshops, surveys and calls for project proposals to identify project ideas. Inviting both public and private sectors to participate in sectoral dialogues and workshops was highlighted as a useful method to identify “projects ideas or proposals in very different stages of development and maturity”. Another method involves “building a coalition for project concepts” by assessing existing project ideas and collaboratively developing them into potential GCF investments.

Some of the challenges linked to this approach are related to the need for building institutional capacity. Another challenge identified by respondents is that different stakeholders may have priorities that do not necessarily align with national priorities, for example, project ideas promoted by the private sector may not reflect the country’s NDC or other strategic documents.



# CASE STUDY 1

## Driving country ownership through stakeholder engagement and capacity building

### Stakeholder-led and bottom-up call for proposals and climate finance capacity building

In this case study, consultants were engaged by a country development partner to enhance the capacity of national stakeholders to identify and develop Green Climate Fund project concepts. With a desire to drive national ownership of projects and ensure greater stakeholder buy-in, the technical consultants, lead government entity and development partner agreed that a demand-led approach would best be served through a call for Project ideas.

The foundation of this demand-driven approach is for national stakeholders to identify definitive mitigation or adaptation problems from the field that are in need of funding and development assistance. Not only must the need for assistance be clear, but project concepts must also demonstrate how the project fits in with the country's national priorities and contributes to the country's Nationally Determined Contributions (NDC's) or national climate strategies or other plans such as Nationally Appropriate Mitigation Actions (NAMAs) or National Adaptation Plans (NAPs).

Participants whose projects were shortlisted were invited to participate in capacity development training and supported to develop GCF Concept Notes for their project ideas. This request for project ideas approach allowed local stakeholders, in both the public and private sector, to identify and propose projects which they were passionate about realising. For those who were shortlisted, this approach proved an excellent vehicle for participants to receive support to develop the proposed ideas into project concepts. This approach helped to identify a pipeline of projects that were sufficiently aligned with widely identified needs and was found to lead to greater stakeholder ownership of projects. With country ownership being a critical priority/criterion for climate funds, such as the GCF, demand-led approaches such as this one ensures needs are addressed through bottom-up, stakeholder-led development.

In terms of GCF pipeline development, the demand-based approach itself has a very positive impact on the effectiveness of the technical assistance delivered by the consultants and the client, as training was provided to project proponents who will be responsible in developing the Proposal further.

## 2. Country priority-driven approach

This type of approach builds on existing Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), SDGs, and other key national strategic documents ensuring that national project pipelines are aligned with country priorities. For example, one respondent mentioned that using existing Action Plans from national strategies promotes country ownership. Three respondents affirmed that the formulation of a GCF Country Programme is the starting point for having a project pipeline, however one person noted that a “climate finance plan should come before the GCF project pipeline.” One of the practical applications of this approach involves creating “a long and short list of potential projects based on the climate action plans of the specific country, and cross reference them with existing sources of finance.” While this approach clearly reflects a country’s priorities, respondents highlighted that engagement with the private sector and other stakeholders, as well as building consensus between them can be particularly challenging.

## 3. Climate data-driven approach

Another starting point for building climate project pipelines, mentioned by respondents, was based on the “analysis of science, needs and demand”, in addition to climate data gathering. Some respondents suggested climate vulnerability assessments, risks assessments, climate change hazards mapping, GIS and other analyses to find potential sites and interventions. Online surveys were also highlighted as a tool used to enhance analysis or extend the reach of assessments into rural areas, presumably through mobile phone technologies. One respondent mentioned that climate data should be used to select which projects are ready to be developed into bankable proposals, suggesting that “prioritisation [can be made] against defined climate objectives”.

This approach can be particularly useful as a starting point in contexts where climate information is limited or outdated, since it can be used to help clarify country priorities or challenges, whilst providing a foundation based on climate science in project pipeline development. This approach may not necessarily promote country ownership or stakeholder engagement due to the basis in research and data analysis. In fact, some respondents mentioned that data analysis is just one of the steps which should be followed by policy analysis and consultations with national stakeholders.

Where data for prioritisation is sparse, for climate change mitigation in particular, one particularly useful place to start is the ‘National Communications and Biennial Update’ reports on climate change, prepared by countries and submitted to the UNFCCC. These reports contain summaries of sectoral greenhouse gas (GHG) inventories, often alongside useful information on emitting sectors and barriers to mitigation. In addition, these reports present an assessment of potential mitigation measures and sectoral action plans. Analyses also identify constraints and gaps, and related financial, technical and capacity needs that could be addressed through GCF funding.





## CASE STUDY 2

### Data/research technical services to support GCF country programmes

In this assignment, a consortium of consultants was tasked by a development partner to identify climate change investment priorities, including prospective sources of public and private funding, through the provision of a set of research and analysis support services in several countries. The assignment aimed to promote the identification of climate finance needs based on data that would assist national decision-makers, support project prioritisation and achieve country ownership to enhance the quality of GCF Country Programmes and feed into other climate planning processes underway, such as updating NDCs.

In order to achieve the assignment objective, the development partner and consultants developed a list of technical analysis and other support services that could be provided to governments in a manner which strengthens local capacity and could help prioritise climate finance projects. The technical advisory services included: climate change data management; development of climate change risk and macro-economic risk profiles resulting from climate change; GHG emissions scenario analyses; vulnerability assessments; policy assessments; prioritisation of issues and projects or programmes; multi-stakeholder facilitation. The approach was not limited to the indicative list of services and allowed for the flexibility of countries to request specific services. For instance, one country government wanted to look at their institutional capacities.

The preliminary results of this assignment demonstrated the importance of data-driven analysis to prioritise climate change projects and enhance GCF country programmes. As the scope of this assignment mainly focused on the ability of countries to identify needs and prioritise projects, it demonstrated that there is a limit to how far the identified pipeline of projects is able to be developed. It highlights the imperative need to build the capacity of national stakeholders to develop concepts, in line with the needs identified, through the services provided to these countries. As such, it is expected that GCF Readiness support will need to be requested to assist in the development of project concepts.

## Best practices identified by stakeholders

Regardless of the selected approach, the two biggest challenges for developing climate project pipelines, as identified by respondents, were: **poor institutional capacity and lack of private sector engagement**. Several respondents highlighted the importance of building institutional capacity of country stakeholders through the establishment of “expert taskforces” and the provision of technical assistance.

In parallel to capacity development, awareness raising and “sharing climate finance announcements” with relevant stakeholders were identified as best practices by three respondents. Others mentioned the need to build on previous programmes, bilateral projects implemented by Accredited Entities, other donor initiatives and learning from regional experiences. Lastly, the importance of “matching projects with funding windows” and fund investment criteria was mentioned as key success factors in building a pipeline of bankable projects.

Notably, respondents highlighted that engagement with the private sector and other stakeholders, as well as building consensus between them can be challenging, despite this approach clearly reflecting a country’s priorities.



## CASE STUDY 3

### Pipeline development through sector prioritisation and in-country project development training

The purpose of this assignment was to support the country in identifying, accessing, and managing sources of climate finance, notably the GCF, as well as preparing for the implementation of mitigation and adaptation activities. To prioritise a pipeline of projects, the development partner and government decided on a two-step, top-down (sectoral prioritisation) and bottom-up (in-country capacity development) approach. In consultation with the government, the consultant and development partner identified key sectors and themes for potential projects. Sectors were aligned with priorities identified in national development plans and the country's NDCs; this included agriculture, infrastructure, health and other climate change-impacted sectors. The second step involved stakeholder capacity development training by technical consultant. This top-down approach had the effect of steering the direction of project identification to adhere to country priorities in particular sectors.

One challenge of this approach was then ensuring that the relevant participants (from both public and private sector) were selected from the targeted sectors to participate in the capacity development training. During in-country training, a bottom-up process led by participants, and facilitated by the technical consultants, was used to identify project concepts in the selected sectors. As a result, several project concepts were identified and developed during the training; however, not all priority sectors received project concepts as participants from these sectors were not in attendance or participants did not prioritise concepts in these sectors. The in-country-training was followed by remote advisory support by the consultants to assist participants in further developing their concepts. This culminated in a final training for further feedback and capacity strengthening. While some of these concepts are now submitted to various funders, meeting the needs of a top-down, sectoral prioritisation of sectors, whilst concurrently engaging local interests proved an interesting challenge.

## 2 COVID-19 and its implications on pipeline development

GCF insight #15 discussed how COVID-19 was impacting GCF project development processes. Those surveyed had already begun to see delays in project preparation, and some found that obtaining co-financing was increasingly challenging due to governments changing their priorities. Building on these findings, we asked stakeholders in what way their pipeline development approaches changed as a result of the current COVID-19 pandemic.

Respondents noted that the biggest change relates to stakeholder engagement processes. With the transition to a virtual format and with teams located in different time zones, many have struggled with implementing meaningful stakeholder engagement. Respondents mentioned delays, the need for more meetings and challenges related to the adaptation of content to digital means, resulting in consultations processes that are time consuming and less effective. Travel restrictions have inhibited field work and onsite engagement, with limitations in conducting data collection. One respondent noted that virtual communications also affect accountability and monitoring processes leading to “limited ability to assess the ground situation and [having] difficult conversations or debates, unable to reach conclusions or solutions”.

Nevertheless, practitioners have adapted to mitigate these limitations and have focused on a range of virtual engagements, including virtual focus groups and online questionnaires. Some mentioned that the shift to virtual approaches meant that these have been “more focused on objectives”. Another respondent emphasised the enhanced focus on engaging with local stakeholders and beneficiaries with current travel restrictions. Another stated that the technical team and national stakeholders have found ways to successfully collaborate with “coaching through online platforms that complement face-to-face interactions amongst stakeholders”. A few respondents also mentioned that their approaches haven’t been impacted significantly despite the transition to a virtual format.

“The pandemic has highlighted the importance of online access, and the disabling impact that a lack of communications facilities has on rural communities.”

“Due to the COVID-19 pandemic, new innovative tools and approaches have been developed and implemented, such as virtual workshops, online questionnaires, virtual meetings and interviews with the stakeholders. It is not easy, but we are thinking about how to continue with stakeholder engagement, [and ensure] active participation.”

“COVID-19 has changed how we engage with stakeholders. Virtual consultations limit our ability to assess the situation on the ground.”

“COVID-19 continues to highlight current vulnerabilities and emphasise the need to promote sustainable development and resilient communities that can withstand future crises.”

Other respondents have acknowledged that national priorities have shifted to reflect the global public health emergency. National budgets have been reallocated to provide support for healthcare and private sectors in response. Impacts on resources and funds need to be accounted for throughout the rest of the pandemic as climate-related activities have, in some locations, fallen down the list of priorities in national budget allocations. Technical assistance and project development resources for country readiness programmes have also been impacted.

### 3 Looking ahead

This report has identified how different stakeholders approach project pipeline development and the strengths and weaknesses of such approaches. It appears that a bottom-up and stakeholder-led approach proves the most common way to develop project pipelines. Ensuring stakeholders can develop their own projects, thus promoting country ownership and stakeholder engagement, has been highlighted as possibly the most significant characteristic. However, challenges faced by demand-led approaches, involving calls for project proposals, require public and private sector awareness of climate finance, as well as an understanding of how to access funding and a strong capacity of Accredited Entities and NDAs to engage with the private sector. On the other hand, whilst climate data-driven approaches may match GCF and other climate fund priorities, they often may not achieve national buy-in. This approach works well where capacity building and technical assistance have been provided to climate focal points, based on their stage of preparation of project pipeline.

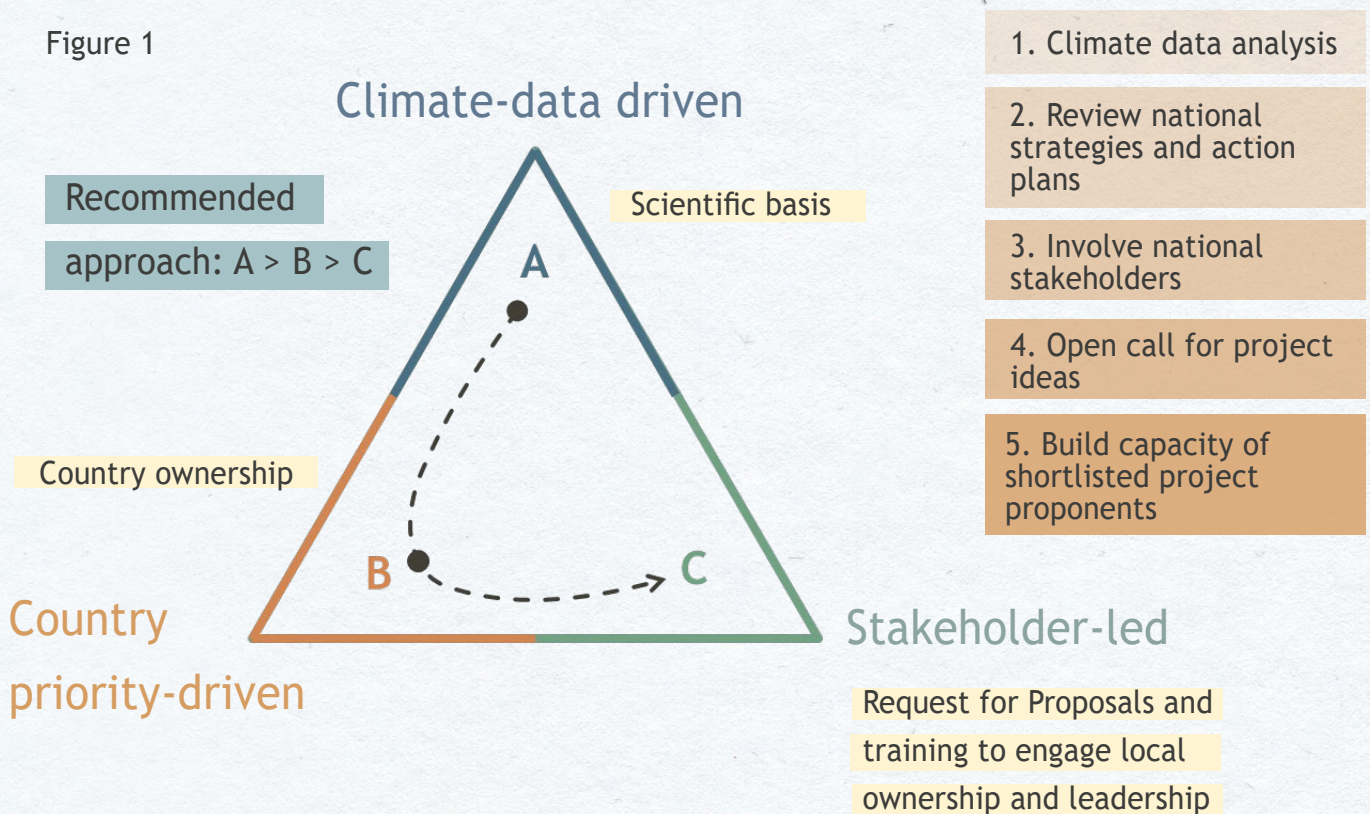
Approach	Pros	Cons
1. Stakeholder-led approach	<ul style="list-style-type: none"> <li>• Reflects market demand</li> <li>• Potentially strong engagement of private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Often projects lack a strong climate rationale</li> <li>• May not align with country's priorities</li> </ul>
2. Country priority-driven approach	<ul style="list-style-type: none"> <li>• Aligns with country priorities</li> <li>• Ensure national buy-in</li> <li>• Promotes country ownership</li> </ul>	<ul style="list-style-type: none"> <li>• Limited private sector engagement</li> <li>• Risk of producing development-oriented projects</li> </ul>
3. Climate data-driven approach	<ul style="list-style-type: none"> <li>• Matches GCF and other funds priorities for investment</li> </ul>	<ul style="list-style-type: none"> <li>• Limited stakeholder buy-in</li> <li>• Project sustainability may be limited due to reduced country ownership</li> </ul>

Whilst it remains the case that different countries are naturally at different stages of their readiness for the GCF and other climate funds, it is clear that that no individual approach explored in this report can offer a single recipe for successful development of national project pipelines. In fact, blending such approaches may be the most appropriate way to ensure that pipelines are founded on scientific data, that they reflect country priorities and demonstrate buy-in of national stakeholders, including the private sector.

One potential strategy (Figure 1) could begin with climate data analysis, followed by a review of national strategies and priorities, succeeded by a stakeholder engagement process. This process could be where calls for project proposals are implemented, and where shortlisted project proponents receive capacity building to transform project ideas into successful GCF Concept Notes and Funding Proposals.

The shift towards demand-driven climate finance and increased country ownership requires rethinking the way technical assistance, and in particular, climate finance readiness is delivered. This, in addition to developing the nuanced and crucial relationship between donors, consultants and recipient countries. Country representatives, Accredited Entities, readiness partners and other stakeholders alike should formulate an approach towards project pipeline identification, prioritisation and development by producing one that is not only firmly rooted in science but also highly reflective of the specific local context and takes climate fund priorities into careful consideration.

Figure 1



## Country Ownership within Climate Finance

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Join our Latest Thinking community [here](#) to receive your 2021 invitation





## E Co. institute

E Co. institute is the training division of E Co. and is run by our project formulation experts. In addition to our public learning resources, such as this *GCF insight* series, we also offer bespoke remote coaching and tailored workshops to individuals and teams across the globe.

We aim to support individuals and organisations in deepening their knowledge of climate funds and provide practical tools to precisely address what the funds are looking for.

Our trainings are targeted towards mid-level professionals from NGOs, UN agencies, bilateral organisations, development banks, and local or country government officials, but should your background not meet the above, please feel free to contact us as well.

To discuss your training needs further, please follow the link below and complete the short form:

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## About E Co.

We specialise in designing low-carbon, climate-resilient projects and programmes. For over 20 years, we've been providing technical expertise to help our clients solve climate adaptation and mitigation challenges and access project funding. We assess markets, develop strategies and formulate projects to provide long-lasting solutions for vulnerable populations worldwide.

### Climate finance expertise

Our **99% success rate** in unlocking climate finance has led to the mobilisation of over USD \$1 billion of climate finance from global climate funds, including: GCF, GEF, Adaptation Fund and NAMA Facility. We are proud members of the [GCF Communities of Practice network](#).

Funders, project developers and local beneficiaries alike trust us to work on their projects and programmes. This spans public and private sector organisations, from National Designated Authorities (NDAs), multilateral development banks, Accredited Entities, to NGOs.

Clients include: AfDB, BOAD, Carbon Trust, EBRD, FAO, GCF, GEF, GIZ, NAMA Facility, UNDP, UNHCR, UNIDO, World Bank, WRI and WWF.

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For more information, or to speak to our consultants, contact us at:  
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*“The E Co. team are smart thinkers.” - UNDP*

*“We have 100% funding success with E Co.” - EBRD*

*“We have lots of consultants working for [us] but E Co. stood out.” - World Bank*

This report was independently developed by E Co. consultants

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#### About *GCF insight*

This survey and report 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.

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