

DEVELOPING GCF CONCEPT NOTES



Capacity Building Workshop for AU Member States
on Accessing Climate financing

By Ruchathi Mwaniki, Ph.D
Director, NETFUND

WHAT OTHERS ARE SAYING

- GCF projects need to be designed with best-practice, high quality methodology to stand the best chance of succeeding
- Developing a project proposal is challenging
 - Unclear requirements
 - New approaches - blend of bank + donor
 - GCF still developing its funding criteria, procedures, guidance and templates

What others are saying

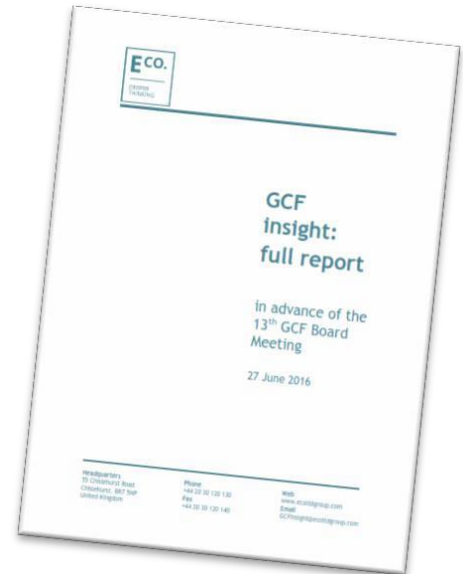
1. Developing a good GCF project requires expertise from a **broad range of experts** in investment, development, climate change mitigation/adaptation, project finance and market creation.
2. The upfront investment required to prepare a GCF proposal is **significant**.
3. GCF projects are **different** from those in the development banking sector *and* those funded by development aid funds.
4. GCF documentation requirements are **demanding** and **often confusing**.

What others are saying

5. GCF project cycle is defined but largely untested - currently a lot of flexibility seems to exist - approved projects do not consistently address the requirements, but were all approved. It is likely that this will be addressed in the coming years
6. Extensive documentation is available (in the “Fine Print” on the GCF website) but **key information is lacking**

E CO.'S GCF INSIGHT SURVEY

- Significant demand to understand what's working - and not working - with GCF project development.
- Surveys to explore the experiences, challenges and trends in developing GCF projects.
- GCF stakeholders:
 - NDA
 - Accredited Entities
 - Consultants, NGOs



GCF INSIGHT SURVEY: KEY FINDINGS (1)

Project identification

- GCF project identification primarily done by Government ministries and departments, through planning meetings and workshops.
- Most effective approaches: workshops or events, and government planning meetings.
- Least effective approaches : identification by the NDA's office.

GCF INSIGHT SURVEY: KEY FINDINGS (2)

Project development process

- Top drivers of good GCF Concepts are
 1. capacity to prepare projects
 2. political commitment
 3. availability of resources (funding) for GCF project preparation
- Greatest challenges to good GCF Concept Note development:
 1. capacity to prepare projects
 2. awareness and communication
 3. and information on the GCF
- Concept Notes help stakeholders design a better GCF Project.

GCF INSIGHT SURVEY: KEY FINDINGS (3)

Project development process

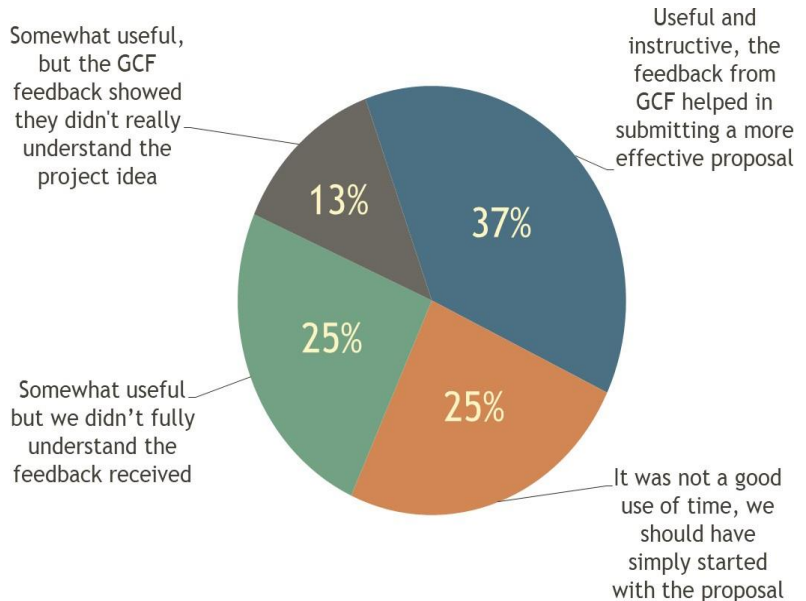
- Average GCF Funding Proposal :
 - over 6 months to develop
 - requires 2.5 person years in terms of level of effort
 - costing ~US\$ 150,000
 - requires a team of 3 full-time and 4 part-time people
 - needs more than 3 months to receive a signed no-objection letter from the NDA
- GCF Funding Proposal development requires the use of a wide range of practices and tools, and the greatest perceived complexity relates to preparing financing / cost information.

E CO. STUDY ON PROPOSAL DEVELOPMENT

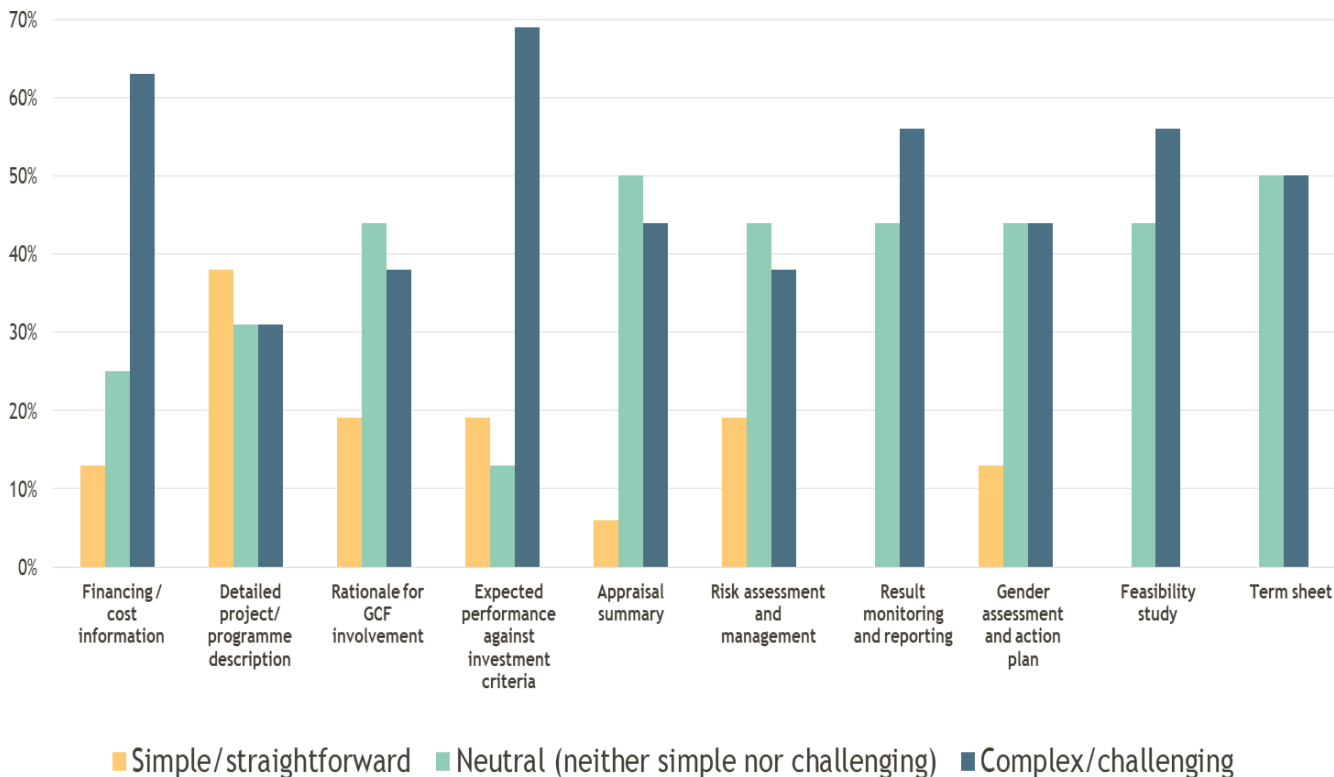
- Aims at exploring the experiences of stakeholders with GCF proposal development.
 - Methodology: Online survey with 46 respondents
 - Conducted in June 2018
 - Builds on our *GCF Insight #2* survey from 2016

THE COMPLEXITY OF PREPARING CONCEPT NOTES

- Overall, 75% of respondents were somewhat or fully positive about the value of Concept Notes.
- The submission of Concept Notes is also a time-consuming activity: 25% do not consider the submission process a useful investment of time over the long term

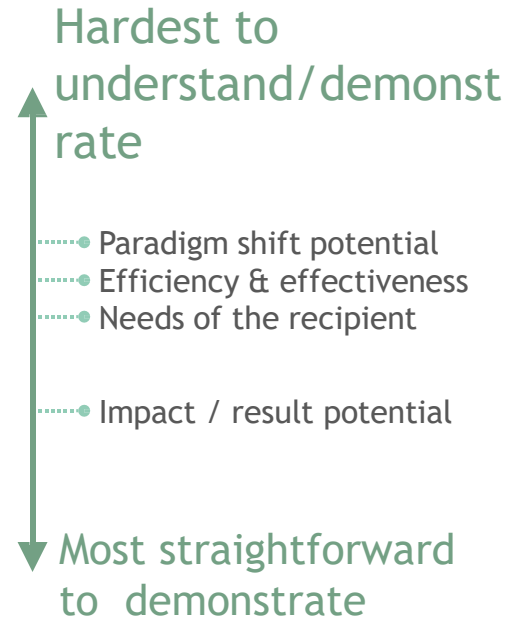


EXPERIENCE IN PREPARING FUNDING PROPOSALS



THE GCF INVESTMENT CRITERIA

- The criteria that was considered the most difficult to demonstrate was the **paradigm shift potential**, followed by the **efficiency and effectiveness** and **needs of the recipient**
- Most respondents characterise the impact / result potential as the most straightforward criteria



CONCLUSIONS: NEED FOR FURTHER SUPPORT

- The Concept Note submission process is considered by some to be time-consuming and not always useful.
- The preparation of Funding Proposals has to meet several requirements which are considered to be very challenging.
- Greater clarity on GCF expectations and improved consistency of feedback seem to be needed.

GCF – DOS AND DON'TS

DOS AND DON'TS: FORMAT

- Use the newest templates from the GCF website for the Concept Note and Funding Proposal. The GCF regularly updates the formats, and is clarifying and improving them.
- Read the guidelines provided by the GCF carefully - ensure that you adhere to the requirements specified in them.
- However, everyone interprets many parts in their own ways (e.g. different meanings of “logframe” and “term sheet”) and the GCF, so far, has not been concerned.

DOS AND DON'TS: PROCESS

- Consult the NDA early:
 - GCF wants to ensure country ownership, and is trying to enhance NDA involvement.
 - It helps to address and avoid overlap with others developing similar projects.
- Prepare and submit a concept note:
 - While initial feedback on concept notes can be somewhat superficial, this will get more attention in the future, including attention from the Technical Advisory Panel.
 - The Concept Note may be used to request and secure project preparation funds.

DOS AND DON'TS: DESIGN

- Follow good practice in project formulation - this will improve chances of funding *and* make the project easier to implement:
 - Carry out a baseline study - GCF expects technical, financial, and economic studies, and environmental and social screening / impact assessment.
 - Use a consultative approach - GCF expects evidence of consultation and buy-in - especially when there are vulnerable groups involved.

DOS AND DON'TS: DESIGN

- Identify local barriers, needs **and opportunities**.
- Ensure strategy addresses barriers and needs:
 - GCF Board comments show concern over strategy, outcomes, timeline, etc.
- Ensure project design matches institutional capacity - GCF accreditation requirements define what the entity can do.

DOS AND DON'TS: DESIGN

- Gender **and sex** disaggregate all indicators.
- Ensure co-financing is fully confirmed in writing - GCF checks and asks for adjustments in claimed co-financing.
- Pay special attention to who is doing what, and how services will be procured - GCF asks many questions about exactly who is responsible for what, and where the money goes.

LESSONS FROM GCF FEEDBACK ON SUBMITTED PROPOSAL

1. GCF insists on **ALL required annexes** to the project proposal as listed in the checklist provided by GCF to accredited entities
2. GCF is extremely concerned about the **rationale for requesting grant funding** (especially when co-finance includes a loan), and asks why there are no other co-finance sources of grant funding. GCF ask for a strong, convincing justification of the rationale for GCF involvement and the concessionality requested.
3. GCF are concerned about the **details** of how the interventions will work, asking for instance about quality assurance, warranties on promoted technology, maintenance etc.

LESSONS FROM GCF FEEDBACK ON SUBMITTED PROPOSAL

4. GCF are generally very concerned that funds be used as **efficiently** as possible, asking for instance about verification that supported businesses are using project funds as planned
5. The **exit strategy** is another issue that receives close scrutiny, for example the plan for phasing out of subsidies and sustainability of any market created
6. **Country ownership** - refer to NDC
7. Detailed reports of **stakeholder consultations** are requested

LESSONS FROM GCF FEEDBACK ON SUBMITTED PROPOSAL

8. **Risks** are reviewed carefully, with GCF asking for instance about risks related to labor and working conditions (including child labor) in supported enterprises.
9. Detailed questions about **procurement** are asked - the procurement plan annex is more than just a formality.
10. A complete **logical framework** and description of monitoring and evaluation arrangements is required, including reporting to GCF
11. Questions show that GCF genuinely reviews the excel spreadsheet with the **financial model**. It should be developed with this in mind.

GCF concept notes

Simplified approval
process
Sample

Project concept note
Sample



Thank you for your attention

Further reading

https://www.greenclimate.fund/documents/20182/239759/Initial_investment_framework_activity-specific_sub-criteria_and_indicative_assessment_factors.pdf/771ca88e-6cf2-469d-98e8-78be2b980940

https://www.greenclimate.fund/documents/20182/239759/5.3_-_PerformanMeasurement_Frameworks_PMF_.pdf/60941cef-7c87-475f-809e-4ebf1acbb3f4ce

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