

GCF insight: The Private Sector Facility

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 seventh edition explores the GCF's Private Sector Facility and the most recent "*Mobilising Funds at Scale*" Request for Proposals and how this is perceived.

Spotlight on the Private Sector Facility

The Green Climate Fund (GCF) aims to fund projects that promote a paradigm shift in mitigation and adaptation to climate change. The GCF's Private Sector Facility (PSF) aims to catalyse private investment in low-emission climate-resilient projects.

In May 2017, the GCF's PSF launched a Request for Proposals (RfP), called "*Mobilising Funds at Scale*", offering a total of USD 500 million to private companies with "bold business solutions" to leverage climate capital and mobilise private sector funding. Barriers to private sector funding are generally centered around political and financial risks, and these are particularly high in countries most vulnerable to climate change and in countries where the private sector is not yet well established. Hence the global importance of the Fund's RfP which aims to de-risk climate change investment by leveraging GCF resources within the private sector. The GCF aims to "evaluate proposals for their ability to crowd in the private sector as well as on their ability to *create a lasting impact on national / regional climate change and development objectives.*"

Drawing on a survey of GCF stakeholders conducted for this report, this edition of *GCF insight* examines perceptions of the "*Mobilising Funds at Scale*" RfP, examining the factors influencing decisions to make an application, or not, and what stakeholders believe GCF are seeking to achieve from this call.

Key findings

- Most respondents believe that the GCF set up the PSF to attract the largest possible mobilisation of private capital (55%). These responses show that the key motivations of the GCF appear to be understood by most respondents.
- Applicants' motivations for applying to the RfP varied significantly. The main reasons for applying were based on the ability of the call to a) provide secure up-front co-financing for long-term investments (selected by 62% of those that applied), b) make lasting impacts, c) allow applicants to gain accreditation and d) assist applicants to draw on on-going programmes and expand existing activities (46% each).
- Of those that *considered* submitting a proposal but did not, the three main reasons for non-submission were: limited financial/human resources, cumbersome requirements and the proximity of the deadline (each selected by one third of respondents).
- The majority (around 60%) of those that responded experienced challenges in responding to the call for proposal.
- More than half of survey participants stated that in order to develop a proposal for the GCF they require better (55%) and more (51%) information on the process and requirements and would like training in how to develop concept notes and proposals (54%).

Findings

Seventy-two percent of respondents had heard about the PSF before completing the survey and 56% had heard about the “Mobilising Funds at Scale” RfP. Of those who knew of the RfP, 40% of respondents applied, whereas 20% considered it but did not apply. The remainder did not consider applying.

Reasons for applying

The respondents who did apply gave varied reasons for submitting applications. The leading motivations for application were based on the ability of the call to:

- Provide secure up-front co-financing for long-term investments (62%)
- Make a lasting impact (46%)
- Allow applicants to gain accreditation (46%)
- Assist applicants to draw on on-going programmes and expand existing activities (46%)

One applicant stated that for him the call was *“an opportunity to remove existing market barriers, uncertainties and risks hindering private investments in new climate actions in my country.”*

Another respondent said the GCF provides a *“very important mechanism for taking on early stage risk and is an unparalleled institution that provides guarantees and partial guarantees that have a big focus on adaptation.”*

The third most popular reason for applying was based on the fact that this call for proposals allowed non-accredited entities to apply for funding and become an accredited entity in the process. This reflects the PSF’s statements that, *“If the non-accredited entity’s project is selected, they will either work in partnership with an accredited entity or become accredited alongside the funding proposal.”* Some entities appear to have seen the RfP as a means to fast-track their accreditation.

Survey overview

- 100 total respondents (19 from NDAs and 81 from developers). Developers included 54% consultants, 16% accredited entities, and 13% aspirational accredited entities)
- Telephone interviews were carried out with 5 selected respondents
- Conducted September 2017

Reasons for not applying

Of the respondents that considered submitting a proposal but did not, three primary reasons for non-submission stood out, each being selected by at least one third of respondents: limited financial and human resources, cumbersome requirements and the proximity of the deadline.

The main reasons for not submitting a proposal are linked, since developing a concept note requires upfront investment of time and money. More than a third of respondents stated that the proximity of the deadline deterred them from submitting a proposal. One said, *“in reality the first challenge was the deadline - if we had more time we would have been able to put something together.”* Another respondent mentioned that their proposal was trans-boundary and they therefore had to discuss the projects with NDAs in 5 countries, stating that the deadline restricted their negotiating timeframe. Another participant suggested, *“if the RfP was an open call whereby an application could be submitted at any time, we would have been able to put more energy and quality into a proposal.”*

Another respondent raised concerns about timing, since if they used the GCF as an anchor funder, any delays might cost the private sector money.

The GCF provided information stating that the RfP was seeking “USD 500 million to leverage private investments” for at least three projects. Given this small number of projects around 20% of respondents stated that they did not believe that their application would be accepted.

Another issue, confirmed through interviews, was that, in the view of some, the call was insufficiently transformational. One participant stated this could be addressed through the GCF *“developing a template that captures formative global programmes of activities.”*

Application process and development of proposals

Around 60% of those questioned reported difficulties in responding to the RfP. More than half of survey participants stated that for them to develop a proposal for the GCF they would require further detailed information on the application process and requirements. Many cited training in how to develop concept notes and proposals as a specific need.

Project developers were asked what would help them most to develop proposals, and NDAs were asked what would help most to encourage the private sector from their country to prepare and submit proposals. The responses were similar: the majority say that they require better information on the GCF requirements and process and training in how to develop concept notes and proposals. One respondent specifically mentioned they would like *“more clarity on the type of projects that can be funded”*.

In terms of the application process, when asked how easy the call was to respond to and how satisfied they were with the process, most respondents said they were neither satisfied nor dissatisfied.

A significant theme emerging from the survey comments and interviews was that there is a lack of information and communication from the GCF on the PSF and the RfP. Some quotes from the participants linked to communication issues include:

- *“It was not clear enough what the difference was between this process and the classic one (was this a fast track to becoming accredited?)”*

- *“More material on guidance would be useful”*
- *“We didn’t know if the call was only for private enterprises or if accredited entities could also apply.”*

One participant suggested that the problem linked to communication issues could be addressed by setting up a “real-time or email helpline to clear up or discuss specific questions, not covered by the FAQs.”

Another theme raised by several survey participants was their dissatisfaction/ struggle with the structure of the concept note. One participant stated that they would like a *“broader distribution of the RfP with clear specs and a high bar of eligibility of projects to broaden applicant pool, raise the quality and fit of applications, and limit the overall number received to review.”* Another noted that they had a problem in *“relation to the rigid standardised concept note they [the GCF] use for submissions - especially for the most recent one that is not fit for purpose”* and continued by stating that they had to *“work outside of concept note to build a narrative then sliced and diced it up to fit into the concept requirements.”* A relevant comment made by another respondent was *“by definition the USD 500m fund is a very different mechanism than the GCF standard concept notes. The GCF shouldn’t throw away the core concept note template but when they send out a non-standard RfP they need to make sure it is more relevant to the points in the request.”*



What would help most for the development of private sector proposals according to Developers (left), and NDAs (right)

Views of what the GCF wants

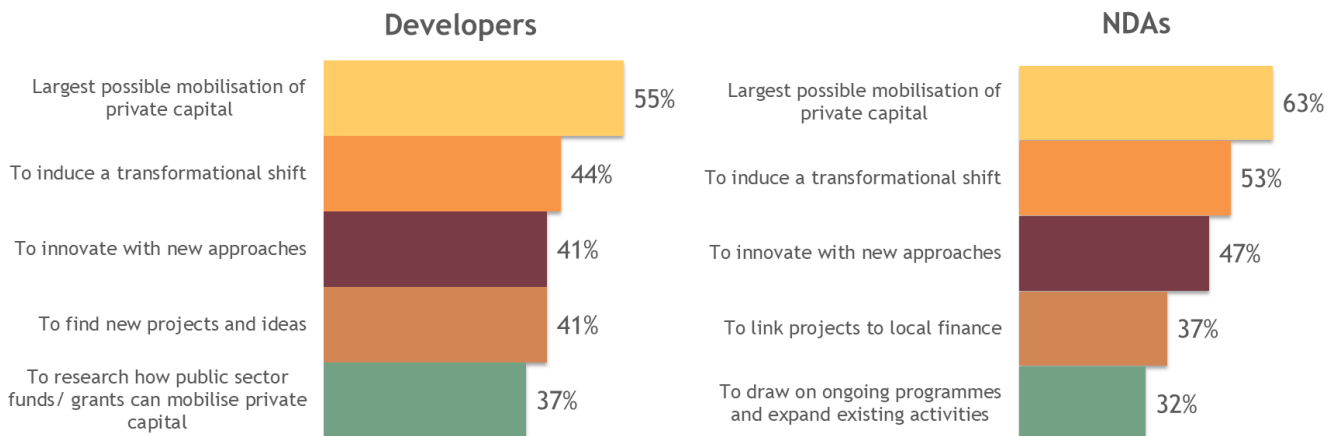
Most participants suppose that the GCF set up the PSF in an attempt to attract the largest possible mobilisation of private capital (55 %), confirming the GCF intention for this call, additionally they think that the PSF was established to:

- induce a transformational shift (43%)
- find new projects and ideas (41%)
- innovate with new approaches (41%)
- research how public-sector funds/ grants can mobilise private capital (36%)

36% of respondents believe the GCF are looking to research how public-sector funds/grants can mobilise private capital. This is not one of the goals of the PSF.

The responses from NDAs were similar to the developer survey (63% of the NDAs also believe that the GCF set up the PSF in an attempt to attract the largest possible mobilisation of private capital), however, the NDAs believe the PSF should link projects to local finance (37%) and draw on ongoing programmes and existing activities (32%). What can be drawn from the NDA responses is that they focus more on building upon what already exists. At the same time, however, they also score “innovate with new approaches” highly (47%).

These responses show that the key motivations of the GCF appear to be understood by most stakeholders.



Perceptions of what the GCF is looking for from the Private Sector Facility from developers (left), and NDAs (right)

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.