GCF Insight #25

Project development: overcoming operational risk

ECO.
DEEPER THINKING

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About *GCF insight*

This survey and report is an initiative of E Co., and emerges from work we are doing to accelerate low-carbon climate-resilient development. E Co's team of consultants designed and administered the survey which was used to inform and prepare this report. E Co. has conducted this research independently and is not affiliated with the Green Climate Fund (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 GCF.

About E Co.

For over 24 years, we've been supporting and guiding our clients to achieve low-carbon climate-resilient development. We do this by catalysing systemic transformation, helping our clients establish strong foundations for impact. We add value through our expertise in technical, financial, cultural, and local contexts. This allows us to tailor services to our clients' specific needs and ensure successful projects within complex local environments and financial systems. Our services include: assessment of contexts and baselines, design of strategies and frameworks, fund support, and development of policies, programmes and projects. We empower our public and private sector clients to secure financing for low-carbon, climate-resilient, and sustainable growth initiatives. We lower risk, increase predictability, and we design for impact

Abbreviations

Accredited Entity	AE
Direct Access Entity	DAE
Green Climate Fund	GCF
Implementing Entity	IE
Independent Evaluation Unit	IEU
Independent Technical Advisory Panel - iTAP	iTAP
Least Developed Country	LDC
Non-governmental organisation	NGO
National Designated Authority	NDA
Office of risk manamgement and compliance	ORMC
Proposal Approval Process	PAP
Private Sector Facility	PSF
Project Preparation Facility	PPF
Simplified Approval Process	SAP
Small Island Developing States	SIDS

Project development: overcoming operational risks

Climate change mitigation and adaptation projects require an estimated USD 8.1 to 9 trillion in annual funding through to 2030 (CPI, 2023). Operational risks during GCF project development and design can significantly threaten a project's likelihood of funding, and the quality of the funded project, hindering the flow of this vital capital.

This report delves into the critical issue of operational risks in the development and design phase of climate projects. By understanding and mitigating risks such as the identification of co-financing, stakeholder engagement and misalignment, and political positioning, we can improve project success rates and bolster investor confidence.

Profiling the risks

Project development for the Green Climate Fund (GCF) can be fraught with operational risks for stakeholders. These risks include financial uncertainties like budget and schedule overruns. Difficulties aligning project goals with stakeholder priorities and navigating evolving GCF requirements can also present challenges. Additionally, political and organisational changes in project locations can threaten project continuity.

Our first survey question asked; 'Based on your experience, what top three activities within the process do you feel are most prone to risk?'. We structured this question with a list of twenty options, of which respondents could choose the three they felt were the most risk-prone, or suggest their own options.

'To better understand the context of this question, we need to understand the stages of project development. The GCF project preparation process consists of five major stages (GCF, 2022).

Stage One "Country and entity work programmes", focuses on the development of country programmes and entity work programmes, plus structured dialogues organ-

View from a project developer:

At E Co. we have worked on hundreds of projects throughout the world. Here are some of the key risks and challenges we face:

Stage one: securing buy-in from Accredited Entities and/or Government stakeholders is often the most challenging part of the early stages of project development. In addition, because of the consultative nature of planning early project ideas through workshops ("everyone working on transport projects sit on table A"), we often find that ideas are grouped together in a way that undermines ownership and weakens the coherence of project ideas.

ised by the Secretariat. It is a stage of initial project ideation aligned with the GCF's investment criteria.

Stage Two "Targeted project generation" refers to the GCF's intention to generate project proposals through requests for proposals and platforms and partnerships. To date, these mechanisms have seen limited use. This may be due partly to ineffective early calls for proposals (Independent Evaluation Unit, 2021) and the fact that the volume of project submissions currently significantly exceeds the GCF's capacity to process and fund them. However, initiatives like the Great Green Wall (GCF 2023) could exemplify successful stage 2 activities in the GCF's project cycle. GCF has also supported pilot programmes focused on themes which are part of stage two: The Enhancing Direct Access allocation (a dedicated access window for Direct Access Entities (DAE), and REDD+ pilot programme.

Stage Three "Concept note submission", is the stage where concept notes are developed and submitted, and the GCF provides feedback. Concept notes are developed by Accredited Entities (or potentially by others and submitted by the NDA) and eventually cleared at the Climate Investment Committee CIC2 meeting, which focuses on a) strategic fit with the GCF portfolio-level goals, b) evaluation against investment criteria, c) alignment with country and entity work programmes, and d) complementarity and coherence (GCF 2020). The Secretariat's requests and requirements, however, appear to be of increasing complexity and detail, and appear to extend far beyond usual definitions of a "concept". Alongside Concept note submission, a request for project preparation funds can be made to cover the studies and proposal development costs under stage four.

View from a project developer:

Stage three: in this stage the initial broad project idea is turned into a concrete concept note. For us, the formalisation of concept note approval has resulted in far more lengthy processes, more, and more detailed requests from the secretariat and uncertainty as to the scope of work that will be required. In 2020 development of a concept note typically required approximately 30 days of technical support. These days, taking a concept note through approval typically takes 60 to 90 days of consulting work over a 1 to 1.5 year period. Other challenges include responsiveness of stakeholders and data availability: data requirements - continuous requests for more information.

View from a project developer:

Stage four: in this stage the main challenges we experience are a) uncertain scope - when we bid for projects in response to a Request for Proposals we generally have very little insight into what exactly will be required, and what challenges may exist; b) Stop and go - during this stage of development, commonly a result of government decision making processes, the project work has a tendency to stop or slow down, often for extended periods, and then urgent work will be required to meet deadlines; c) Unresponsive stakeholders - in some cases project stakeholders that are acting as executing entities do not respond to requests from our consultants, or respond very slowly. These inputs hold back the whole process and sometimes require reworking of documents. In many cases there are differences between expectations of what we as consultants can do versus what clients, government or executing entities think that we should do.

Stage Four “Funding proposal development”, focuses on the development and submission of the funding proposal. This is the most critical stage for securing project funding from the GCF. It necessitates a development team with cross-sectoral expertise in finance, economics, climate change, technical knowledge, and social impact, amongst others. This longer phase of proposal development - usually taking between one and two years to complete, includes feasibility studies of various types (technical / engineering, market, economic and financial, climate change modelling and analysis, vulnerability analysis, legal and regulatory, environmental, social), data gathering and modelling, consultation and stakeholder engagement, financial structuring, and work on development of environmental and social management frameworks, indigenous people’s plans, and gender action plans. With all these inputs the Funding Proposal is developed. Critical elements in the funding proposal include developing the Climate Impact Potential (formerly known as the Climate Rationale), the Theory of Change, and the logical framework under the Integrated Results Management Framework. Upon submission, the Secretariat will initially carry out a completion check.

Stage Five “Funding Proposal Review” includes rounds of review and feedback from the GCF secretariat, and eventually from the independent Technical Advisory Panel (iTAP). Stages of review include technical reviews made by many divisions of the GCF.[1] Reviews cover the entire funding proposal package and an advanced draft of the term sheet. Technical review is followed by a second-level due diligence by the office of risk management and compliance (ORMC). While GCF accepts proposals on a rolling basis, in practice proposals are earmarked for presentation at particular board meetings which have milestones. In most cases there are multiple iterations so the indicative 48 calendar days allocated to technical reviews is often compressed. Assuming a smooth minimal process, the period from technical review to board meeting takes around 156 days, with submission to iTAP around 80 days before the board meeting, and board review starting three weeks before the board.

The E Co. institute can provide training for NDAs, Accredited Entities, consultants and other stakeholders on all these subjects.

Introductory training on the theory of change, is available here: https://youtu.be/7217cKTt4i4

Please contact us to find out more.

View from a project developer:

Stage five: in this stage the biggest challenge for us is the very tight turnaround timelines to address comments from the Secretariat. This puts extreme pressure on the Accredited Entity and consulting team, and this is especially challenging if we are working on multiple projects that are targeting the same board meeting. Compounded by the tight timelines, the availability of data to respond to questions becomes challenging. Finally, from submission to ultimate approval is a long period (at least 156 days) with moments of extreme pressure. With most clients structuring contracts with a relatively large final payment this can cause challenges with cash flow management.

In our survey, respondents’ top three risk-prone activities aligned broadly with the five stages of GCF project development. Several activities, however, recur across multiple stages. For instance, “identifica-

1 Led by the DMA (public sector projects) or the PSF (private sector projects), reviews come from staff within the DMA / PSF, OPM, DCP, ORMC, OGC, ESS, Gender, Finance and procurement divisions. DCP = Division of Country Programming, DMA = Division of Mitigation and Adaptation, ESS = environmental and social safeguards, OGC = Office of the General Counsel, OPM = Office of Portfolio Management, ORMC = Office of Risk Management and Compliance, PSF = Private Sector Facility.

tion of co-financing" (selected by 32% of respondents, see Figure 1) primarily impacts funding proposal development (stage 4), where co-financing confirmation is crucial. Meanwhile, "stakeholder engagement" (selected by 31%) is vital throughout country and entity work programme development (stage 1), concept note development (stage 3), and especially during funding proposal development (stage 4).

Excluding the categories "Development of a Concept Note" (31% of votes) and "Development of the full Funding Proposal" (26% of votes) which naturally received high scores because of their broad scope, the top most risk-prone activities identified in the survey are: Identification of co-financing (32%), Stakeholder engagement (31%), Identification and commitment of AEs / DAEs (21%), Data capture, collation and analysis (19%), Receiving feedback from the GCF secretariat (18%), Political positioning (16%), Initial ideation process (15%) and Procurement of external support / assistance (15%).

For a company specialised in proposal development like E Co. scope shift is often a challenge despite receiving only 3% of survey responses. We aim to be extremely responsive to client needs, but our contracts are often fixed with an imprecisely defined scope, which only becomes clear during implementation. Added to this changes in scope from GCF secretariat feedback, can easily result in scope creep and challenges to manage costs.

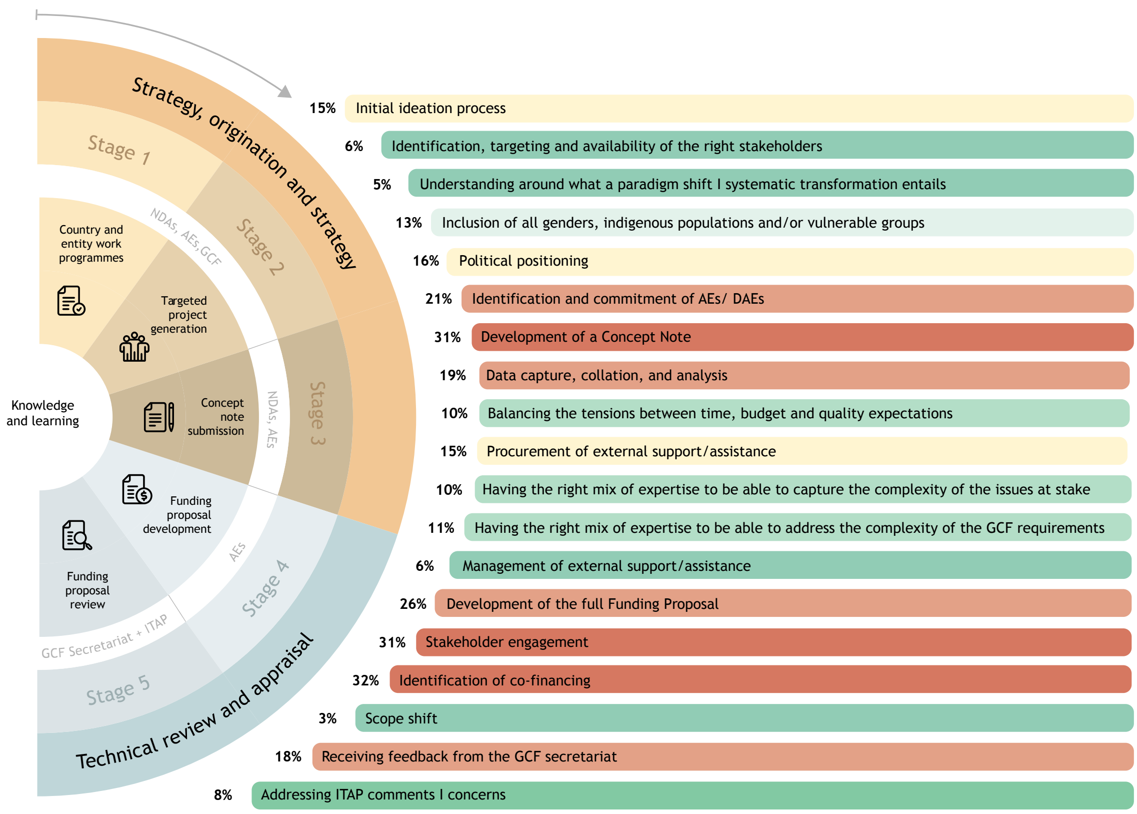


Figure 1 - Percentage shares in response to the question 'Based on your experience, what top three activities within the process do you feel are most prone to risk?'

Operational risk: identifying sources of co-financing

Co-financing in GCF projects leverages diverse resources, enhances sustainability, shares risks, aligns with national priorities, and scales impact. By bringing together contributions from governments, the private sector, and other stakeholders, co-financing amplifies climate finance initiatives, ensuring greater reach, effectiveness, and lasting resilience.

The GCF defines co-financing as the 'financial resources required, whether Public Finance or Private Finance, in addition to the GCF Proceeds, to implement the Funded Activity for which a Funding Proposal has been submitted.' (GCF 2019). The key work in this definition is "required" since GCF also identifies another source of finance called "parallel finance", which applies to funds that flow alongside the project contributing to the outcomes, but that are not required for implementation of the project. The Fund requires that Accredited Entities secure up-front co-financing that is defined in the proposal, although for private sector projects the GCF has approved projects where co-financing is secured during implementation. In these cases, which entail commitment of funds from sources other than the GCF, the disbursal of GCF funds is tied to milestones marking the confirmed flow of private sector capital.

Overall there are two common but important questions related to co-financing which, in our experience, project developers find challenging:

1. What sources count towards co-financing?
2. What level of co-financing is adequate?

In answer to these two questions, the GCF emphasises "There is no minimum amount of Co-financing required for a Funded Activity, and no specific sources of Co-financing that must be complied with." (GCF, 2019). GCF has consistently implemented this policy, in our experience, by avoiding making general statements about minimum levels of co-financing for projects, although GCF secretariat staff give views on a project by project basis. While this means a lot of flexibility it tends to leave project developers confused.

The GCF programming manual (GCF 2020: 107-110) provides additional principles for co-financing, emphasising that:

- Wherever possible, funded activities should seek to incorporate appropriate levels of co-financing to maximise the impact of GCF proceeds, to be determined on case-by-case basis taking into account country ownership and the needs of developing countries;
- Maximising co-financing is desirable, but is not a stand-alone target;
- Co-financing should be assessed in a comprehensive manner in conjunction with other indicators included in the investment framework;
- Where GCF funding covers all or part of the incremental costs of a funded activity, other costs should be co-financed by other sources;
- While GCF does not have any specific co-financing targets, the requested funding amount should be commensurate with the mitigation and adaptation benefits provided by the project/programme and the barriers to financing that exist in the context of the project's activities. Furthermore, since project activities often target multiple areas and provide multiple benefits (e.g. co-benefits from improved agricultural productivity, biodiversity conservation benefiting from improved ecosystems management), additional financial contributions from other donors should be sought, where possible.

Note, that unlike other funds like the GEF there is no explicit requirement for co-financing to be "new and additional", the GCF does not provide explicit guidance on the timing of co-financing, and GCF does not use an incremental cost reasoning approach, although in our experience the latter reasoning has been requested by the Secretariat for private sector power projects we have developed. Concerning timing, the main factor to consider appears to be that the co-financing is required to implement the GCF project.

E Co's general recommendations for the amount of co-financing, based on our experience and analysis (see figure 2 on the next page), are as follows:

- Smaller projects have lower levels of co-financing than larger projects. In GCF's portfolio, micro and small projects have a co-financing ratio[2] of 33 and 34% respectively, medium of 59% and large projects of 82%. In line with this in GCF's portfolio, Simplified Approval Process (SAP) projects have lower co-financing ratios of 43% compared to 74% for full proposals (PAP).
- Adaptation projects have lower levels of co-financing than mitigation projects. The GCF secretariat recognises that mitigation projects are usually revenue generating (reflows), and in this case they expect higher levels of co-financing. In the GCF portfolio, adaptation projects have co-financing ratios of 62% and mitigation projects of 78%. For further insights into these factors see GCF 2020: 109.
- Projects from direct access entities have lower co-financing ratios than international entities. In the GCF portfolio direct access entity projects have an average co-financing ratio of 65% and international entities of 75%.
- Private sector projects have higher co-financing ratios than public sector projects, as one might expect, but the difference over the GCF portfolio is not as great as one might expect. In the GCF portfolio, private sector projects have an average ratio of 78% vs 71% for public sector projects.
- Considering projects that include SIDS or LDCs, we would advise that projects in these locations would have lower expectations for co-financing. GCF data spotlights that projects in SIDS have a co-financing ratio of 64% and those in LDCs 68% and the rest of the portfolio have a co-financing ratio of 79%. Aligned with these results, the GCF secretariat expects higher levels of co-financing for projects from middle-income countries or emerging markets.
- Considering sectors, GCF provides data by themes defined for their sector guides, not according to the results areas, so we have calculated co-financing ratios for those sectors. Over the GCF portfolio low emission transport, energy efficiency and energy access & power projects have high co-financing ratios (83%, 78% and 80% respectively). Water security and agriculture and food security have medium levels of co-financing (72% and 67%), and ecosystem and ecosystem services, forest and land use, climate information and early warning systems, and cities, buildings and urban systems have lower co-financing ratios (62%, 58%, 62% and 55% respectively). There are currently no approved health-related projects in the GCF's portfolio. It should be noted that a) there are very few energy access projects, so the energy access and power sector is dominated by power sector projects, b) mitigation sectors have higher co-financing levels as already noted, and this is generally reflected in the sector analysis, but the sector cities, buildings and urban systems is an anomaly in GCF's portfolio.

2 GCF defines the co-financing ratio as the percentage of co-financing to the total project, so, for example a total project size of USD 39 million consisting of USD 26 million of GCF funding and USD 14 million of co-financing ratio of 36% (14/39 = 0.358).

3 Figures from the Funded Activities section of GCF's open data library give different results, which might be distorted by large regional projects that includes a minor contribution of SIDS or LDCs.

Combining these factors, for example, a small, non-revenue generating, adaptation, public sector project in an LDC or SIDS could potentially have very low levels of co-financing!

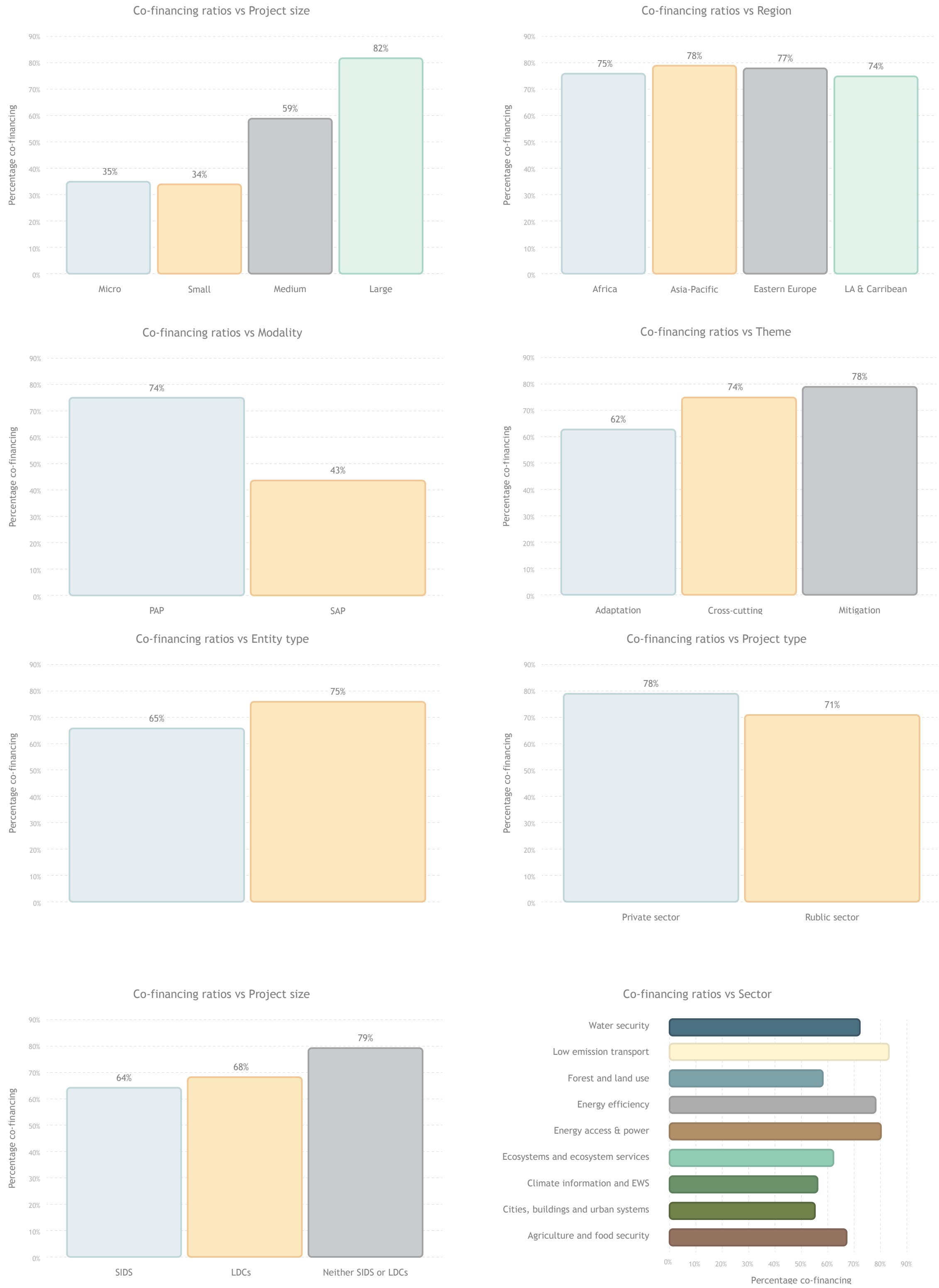


Figure 2 - Analysis of the GCF portfolio (data from GCF's open data library, accessed 10 April 2024)

This is not the first time issues regarding co-finance have been raised in an issue of *GCF insight*. In [GCF insight #14](), published in 2020, it states:

> *Obtaining co-financing was another challenging aspect of project financing, flagged by various stakeholders. The limited capacity of NDAs and environmental ministries was mentioned as a barrier to the identification and structuring of appropriate project co-financing. Experiences from the Caribbean and Southern Africa highlighted that seeking government co-finance has been challenging due to the lack of awareness of GCF opportunities and requirements.*

Other recommendations related to co-financing include:

- Use modest and “highly probable” co-financing estimates in Concept Notes, not optimistic estimates. This allows you to test GCF’s reaction to proposed levels and minimises the chance of big reductions once the full proposal is submitted. Note that when submitting the full proposal, GCF expects letters of commitment from source of co-finance, so co-financing will need to be ‘committed and earmarked’ for the activities described in the proposal.

- Since co-financing must be required for the GCF project the funds should generally be fully integrated into the project and directly contribute to achieving the project outcomes. It does not need to flow through the project accounts or Accredited Entity.

- Sources of co-financing should be identified early - don’t leave this proposal element to the last minute!

- We would recommend preparing a two-page project summary for co-financiers, who cannot be expected to understand either a GCF Concept Note or Funding Proposal. This is a useful tool to discussing potential co-financing with potential funders.

Explore co-financing in more detail with E Co. institute

E Co. institute is the training arm of E Co. and is run by our project formulation experts. E Co. institute builds on our experience developing low-carbon, climate-resilient projects & programmes and the specialist training workshops we've conducted across the globe.

We offer training on several topics, including co-financing, blended co-financing, co-financing requirements, and the best practices to employ when approaching co-financing.

Operational risk: stakeholder engagement

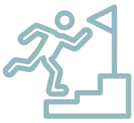
Stakeholder engagement is a consultative process involving direct beneficiaries and other relevant players such as local government, civil society, the private sector, and academia to engage in the project design. It encompasses a range of activities and interactions with stakeholders throughout the project cycle, but starts with stakeholder analysis, disclosure and dissemination of information and consultation with meaningful participation.

To ensure meaningful, effective, and informed stakeholder participation in project design, early engagement is crucial. As emphasised in the GCF Programming Manual, "A detailed consultation process should be well thought out and established at the early stages of the appraisal process" (GCF 2020: 25). At E Co. we recommend starting during the initial planning phase, including problem identification and design. Involving stakeholders in planning fosters local ownership, enhances project integrity, and lays the groundwork for strong relationships that can facilitate constructive problem-solving. Early and iterative engagement builds trust and contributes to sustainable outcomes that deliver long-term community benefits.

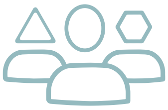
Effective project planning relies on the participation of key stakeholders.
Early and ongoing engagement can help to:

- Identify core issues and problem areas that the project needs to address.
- Uncover potential risks and constraints that could impact project activities.
- Gauge the level of local support, concern, or opposition to proposed interventions.
- Recognise opportunities for relationship-building and partnerships.
- Ensure the inclusion of marginalised groups often overlooked in planning processes.
- Meaningful, effective, and informed participation depends on a robust stakeholder analysis and engagement plan.

Stakeholder consultation and engagement are crucial for successful GCF projects, but they also introduce some key operational risks. These include:

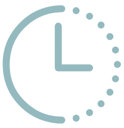


Unrealistic expectations: Communities might have unrealistic expectations of the project's benefits or timeline. Consultations may also raise expectations that cannot eventually be met by the project since many inputs are usually received, but not all can be included. If the technical experts, accredited entity, or GCF (secretariat or eventually the ITAP) require that the project does something different from what the community proposed, it can look like the stakeholder inputs are being ignored. In addition the project team might overestimate the level of community buy-in or underestimate the time needed for consultation. This is particularly true for projects that have targeted a particular board meeting, since processes may be rushed (see below). Failure to deliver on promises made during consultation can erode trust and damage future project implementation.



Lack of inclusivity: The consultation process might fail to reach or adequately consider the needs of marginalised groups who are often disproportionately impacted by climate change. In some cases, in an admirable desire to safeguard country ownership, explicit or implicit political influence means marginalised groups are overlooked. This is exacerbated by existing power structures within the country or community that can lead to certain voices being amplified while others are ignored.

Miscommunication and conflict: Communication difficulties can arise due to language barriers or, commonly, differing levels of technical understanding. In our experience, for instance, there is often a different understanding on what constitutes a climate action vs. a development action. Stakeholders might also have diverse and sometimes conflicting interests regarding the project's goals or implementation methods. This can lead to tension and disagreements.



Time and resource constraints: Meaningful stakeholder consultation is time-intensive, yet rushed processes lead to superficial participation and resentment. Unfortunately, tight timelines for funding proposals and addressing feedback often constrain the time available for thorough consultations, as previously mentioned. Communities and project teams might lack the resources or expertise to conduct effective consultations. As consultants, we often receive requests for proposals that severely underestimate the level of effort required to consult meaningfully.

To mitigate these operational risks, we recommend:

- **Early and ongoing engagement**: Begin consultations early and maintain them throughout the project's lifespan.
- **Inclusive strategies:** Employ diverse methods to reach all stakeholders, especially marginalised groups. Collaborate with local experts to help understand their unique perspectives.
- **Clear communication:** Communicate goals, expectations, and timelines with transparency. Explain upfront that the GCF project cannot address every suggestion or fund every initiative.
- **Active listening:** Prioritise stakeholder concerns and demonstrate how their input has been considered. At E Co. we use stakeholder engagement tools to encourage our experts to "view the world" through the eyes of others.
- **Capacity building:** Consider combining consultation with initiatives to empower stakeholders, ensuring their effective participation in the process.

By proactively addressing these areas, project teams will foster a more inclusive and successful consultation process, ultimately leading to stronger project outcomes.

Top aspects of risk in GCF proposal development

After selecting their top three risky activities in proposal development, we asked survey respondents to answer the question: "What aspects of these risks do you find to be most critical to success?". Out of twelve options, respondents were asked to select three, or provide their own response. The results are shown in Figure 3 on the next page.

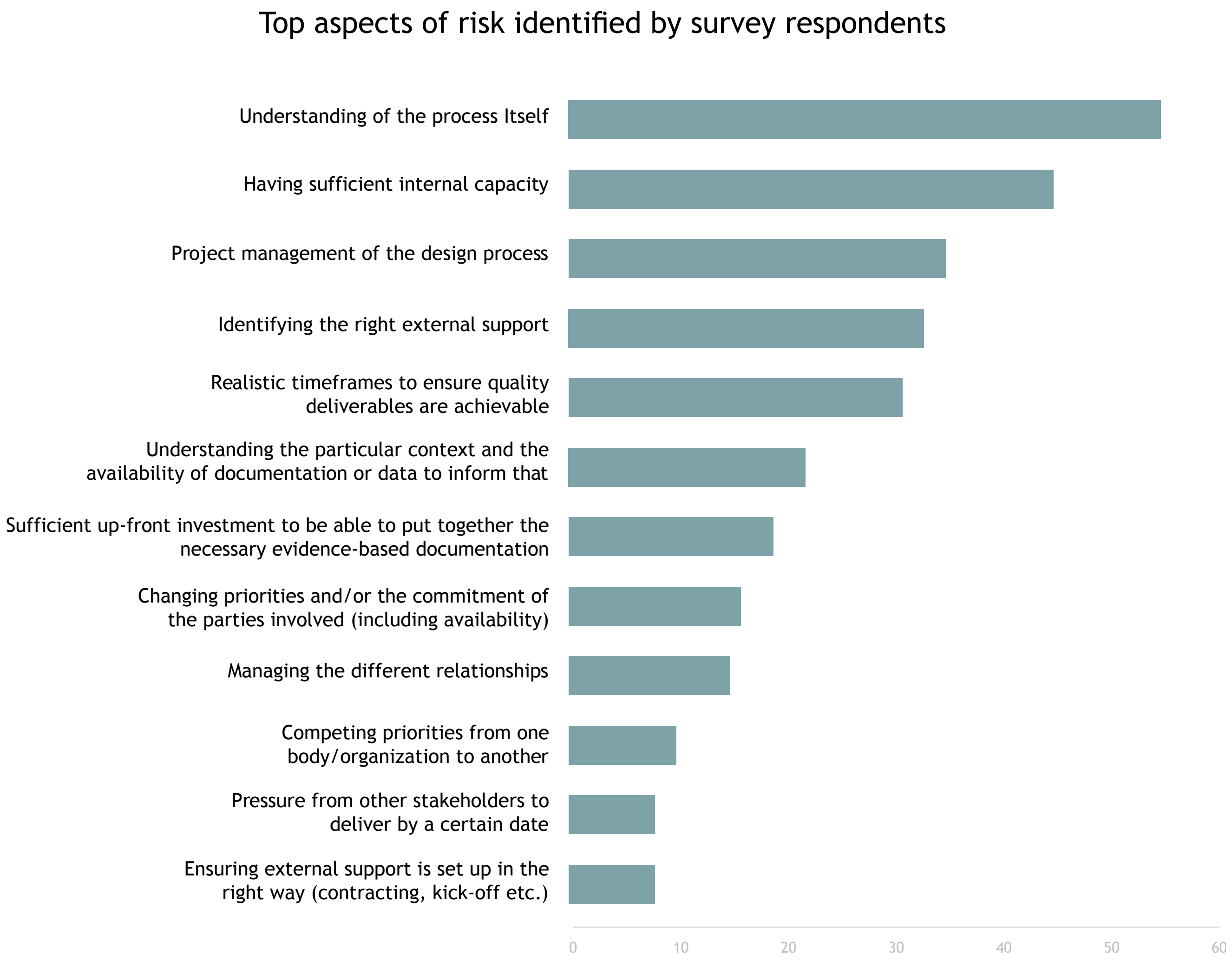


Figure 3 - Analysis of the GCF portfolio (data from GCF's open data library, accessed 10 April 2024)

Fifty-five percent of respondents selected "understanding the process itself" in their top three aspects, 45% selected "having sufficient internal capacity" and 35% selected "project management of the design process". "Identifying the right external support" and "Realistic timeframes to ensure quality deliverables are achieved" were selected by 34 and 31% of respondents respectively.

Understanding the process Itself (selected by 55% of respondents): Securing funding from the GCF requires navigating a complex application process. Proposals that fail to align with GCF priorities, lack a compelling climate impact narrative, or neglect to demonstrate financial viability or country ownership, to name just of the critical few elements, are less likely to succeed. Understanding these requirements and the overall process represents a major hurdle for many organisations.

Addressing this risk could involve a number of elements including:

1. **Training and capacity buildings:** making use of training resources including free resources on the GCF iLearn website (https://ilearn.greenclimate.fund/), E Co's *GCF insights* and webinar series, and paid services like training from E Co. institute can help to navigate the complexities of GCF proposal development.

2. **Outsourcing proposal development to specialists:** By making use of internal resources, readiness funds and Project Preparation Funds it is possible to hire proposal development specialists that can help to navigate the GCF application process. It is noteworthy that "Sufficient up-front investment to be able to put together the necessary evidence-based documentation" received 19% of responses, and clearly this is a limiting factor. With a growing focus from the GCF secretariat on the Concept Note, and demanding requirements from Secretariat staff prior to CIC2 review, the availability of Project Preparation Facility (PPF) funding only after Concept Note approval is a challenge for some.

3. **Simplification of GCF processes:** A number of GCF board members have identified simplification of GCF processes as their top priority for the coming 4 year period will include simplification. We eagerly await insight into what form this might take!

Project management of the design process: Developing a robust GCF proposal involves rigorous planning and coordination. Ineffective project management can derail even promising proposals. Failure to establish clear roles, responsibilities, and deadlines can lead to missed targets, incomplete sections, or a disjointed final product. While some accredited entities hire individuals that need to be managed separately, companies can provide their project management expertise along with specialist skills to reduce the burden on Accredited Entities.

Identifying the right external support: The specialised nature of GCF proposals often necessitates external support. Finding consultants or partners with the right mix of technical expertise, climate finance experience, and financial knowledge and understanding of GCF requirements can be challenging. Partnering with unsuitable consultants can waste precious time and resources, undermining proposal quality.

Realistic timeframes to ensure quality deliverables are achieved: GCF proposal development demands ample lead time to avoid rushed or incomplete work. Failure to realistically assess the time commitment can lead to hasty submissions with errors and inconsistencies and reduced ability to communicate the project's merits effectively. While Concept Note development and submission is on a rolling basis and usually not time-bound, for Funding Proposals the Accredited Entities, usually in discussion with the GCF secretariat usually identifies a target board meeting at which the project will be presented. From that moment there are strict deadlines to be met (GCF 2020: 37). This pressure sometimes starts right near the start of proposal development, and the rush to prepare the draft proposal can mean shortcuts are taken, especially with stakeholder consultations.

Navigating GCF proposal feedback

The design of GCF projects and the submission of proposals can come with several rounds of comments and increasingly detailed scrutiny. This can lead to a lot of confusion and back and forth between project developers and GCF stakeholders.

In a previous edition of *GCF insight*, *GCF insight #18*, we shone a spotlight on GCF proposal feedback, identifying common types of comments received and the major challenges when addressing comments. Head to the *GCF insight* section of our website to download your copy.

Reducing operational risks

The survey for this issue of *GCF insight* focused on operational risks experienced by stakeholders during project development and design. The survey showed that respondents identified co-financing and stakeholder engagement as the two most important risks. The report has discussed each of these operational risks, and provided recommendations for project developers to help to mitigate these risks. The survey also asked respondents to identify which aspects of the risks are most important. The understanding of the process itself and having sufficient internal capacity were identified by a significant number of respondents. Understanding the GCF's complex processes, securing adequate internal resources, and fostering effective stakeholder engagement are crucial for navigating potential obstacles and maximising a project's chance of success.

It's clear that GCF project development presents a complex array of operational risks. To successfully navigate these challenges, project developers often require specialised support and guidance to ensure compliance, build capacity, and maintain strong stakeholder relationships.

This analysis highlights the need for the GCF to consider providing greater support to project developers, particularly for smaller organisations or those new to the GCF process. This support could include enhanced capacity building, simplified application guidelines, and the provision of more easily accessible technical assistance throughout the project development cycle.

Report methodology

Methodology: This report is based on a survey with 62 respondents that was conducted in January 2024 and desk-based research. We used a mixed-method approach to gather and analyse data. Our research draws from a survey questionnaire, semi-structured interviews, and thorough literature reviews.

Scope: The purpose of this 25th *GCF insight* survey was to assess stakeholders' perceptions of the operational and logistical aspects of the GCF project development pipeline, spanning from project inception to execution. This report aggregates feedback and distils insights regarding critical points of friction experienced by stakeholders. Subsequently, we propose solutions based on these findings.

Limitations: The analysis is constrained by the relatively small sample size. We have supplemented this with external data from the latest available sources.

Our respondent demographics

Many of the respondents represented more than one operational background, which is reflected in the demographic mix of the respondents below.

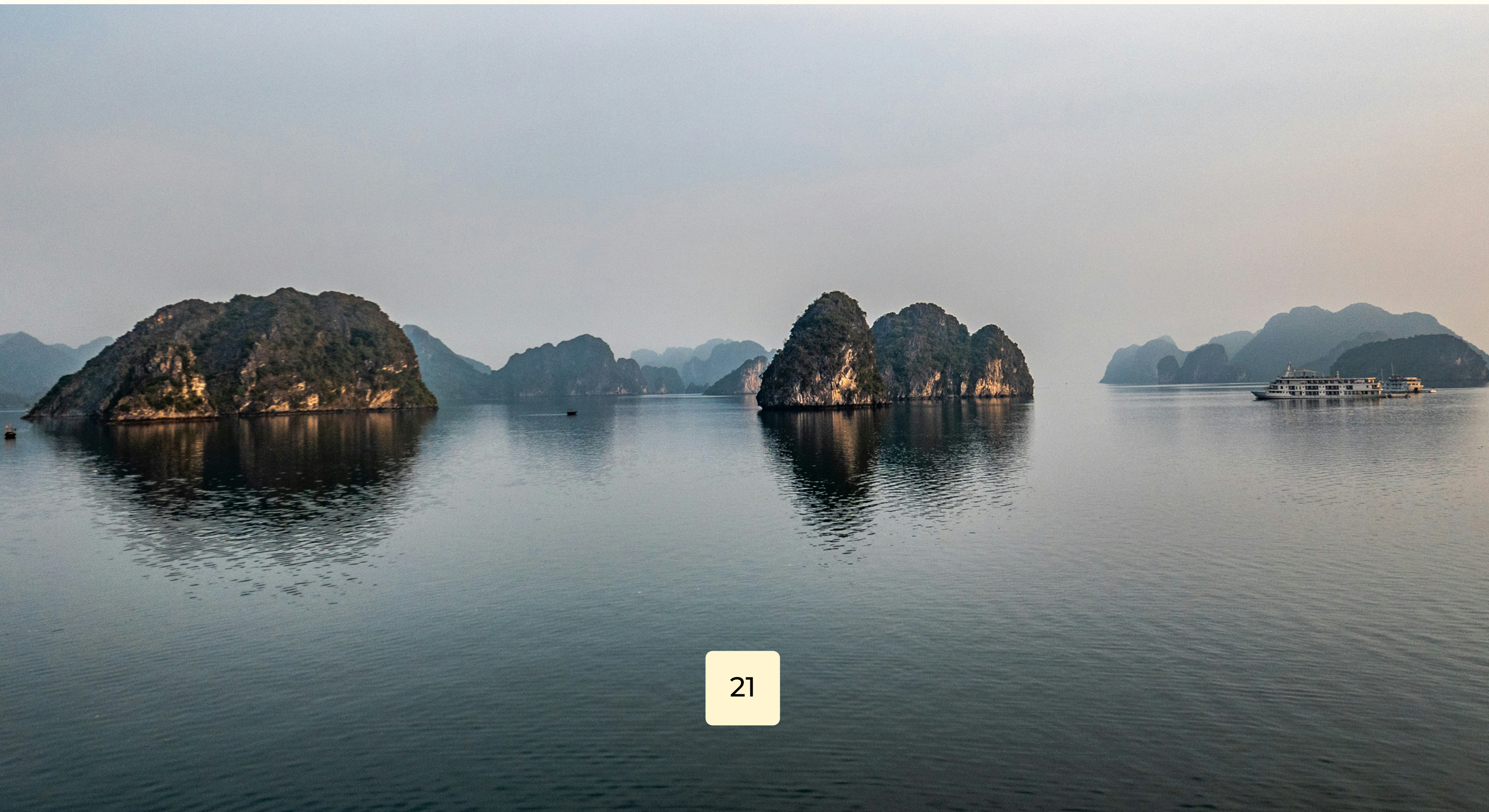
We asked what factors attracted respondents to engage with the GCF in the first instance. Their responses are as follows.

A reliable source of additional funding	53%
Scale of investments	45%
Opportunity to replicate beyond a single country	45%
Range of financing options available	42%
Reassurance they could provide to other co-funders in the mitigation of financial risks	23%
Higher risk appetite	11%

Those first four motivating reasons; the GCF's capacity to provide a reliable source of additional funding, the scale of their investments, the opportunity to replicate beyond a single country, and the range of financing options available, were given 40-50% of the votes. This suggests that the GCF's current offering, in terms of scale and service, was popular with a wide range of stakeholders.

The majority of stakeholder respondents began to work with the GCF recently, within the last five years, with the largest percentage (18%) beginning to work with the GCF in 2019. 11.2% of respondents had not yet worked directly with the GCF.

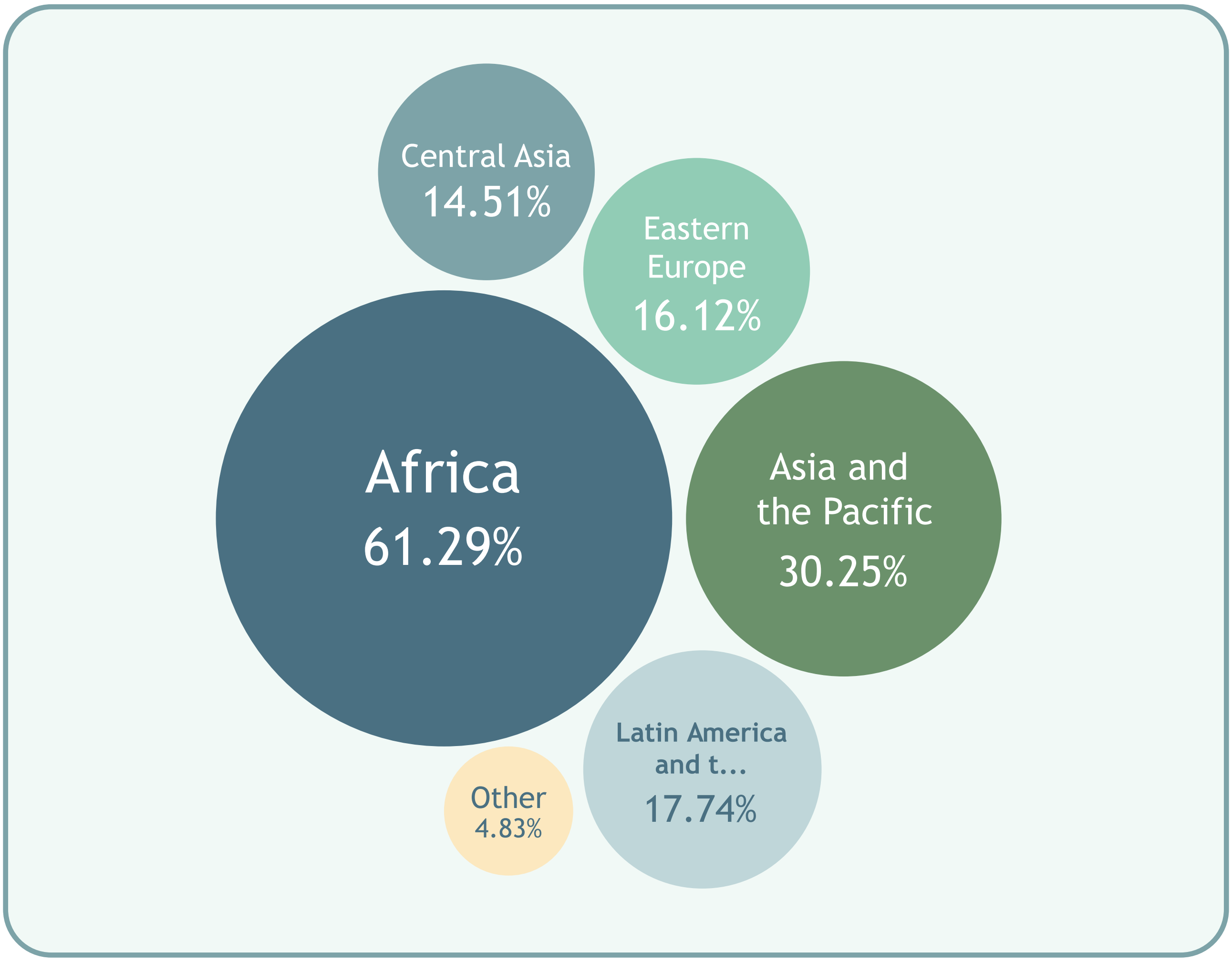
In terms of the capacity in which our stakeholders worked with the GCF, this can be divided as follows.



Potential applicant looking to access financing	39%
Government body looking for additional investment	16%
Interested in looking for a regular source of financing that we could manage ourselves	16%
Hired to work for GCF directly	13%
Other	11%

What areas do our respondents focus on in their work?

The geographical locations of our respondents can be divided as follows:



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About E Co.

This report was independently developed by our amazing team at E Co.

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For over 24 years, we've been supporting and guiding our clients to achieve low-carbon climate-resilient development. We do this through catalysing systemic transformation, by helping them establish strong foundations for impact. We add value by speaking the language of many (through our technical, financial, cultural and local understanding), working with agility to align with our clients, and at the interplay of finance and the wider context. We assess contexts and baselines, design strategies and frameworks, develop policies, programmes and projects and unlock finance for public and private sector clients, seeking to deliver low-carbon climate-resilient and sustainable growth. We lower risk, increase predictability and design for impact.

How do we support you as a client?

- **Market studies** such as industry outlooks, stakeholder analysis, and market gap analysis;
- **Strategy formulation** including business case development, internal and external analysis, and strategy development;
- **Design of projects** and programmes for internal investment such as developing priority investment plans or external blended finance such as applications for GCF, GEF, and Adaptation Fund projects;
- **Policy and legislation** development to support sustainable transition with research, analysis, training, promotion, and impact assessment services;
- **Fund support** including fund strategy and formation, raising capital, portfolio management services such as screening and eligibility criteria, proposal evaluation and investment appraisal;
- **Training** including virtual and face-to-face training on climate finance supporting local ownership and skills building;
- **Evaluation** including impact analysis, mid-term and final evaluations, outcome and process evaluations for projects, programmes and funds.

How do we turn your climate ambitions into robust foundations for meaningful and sustainable impact?

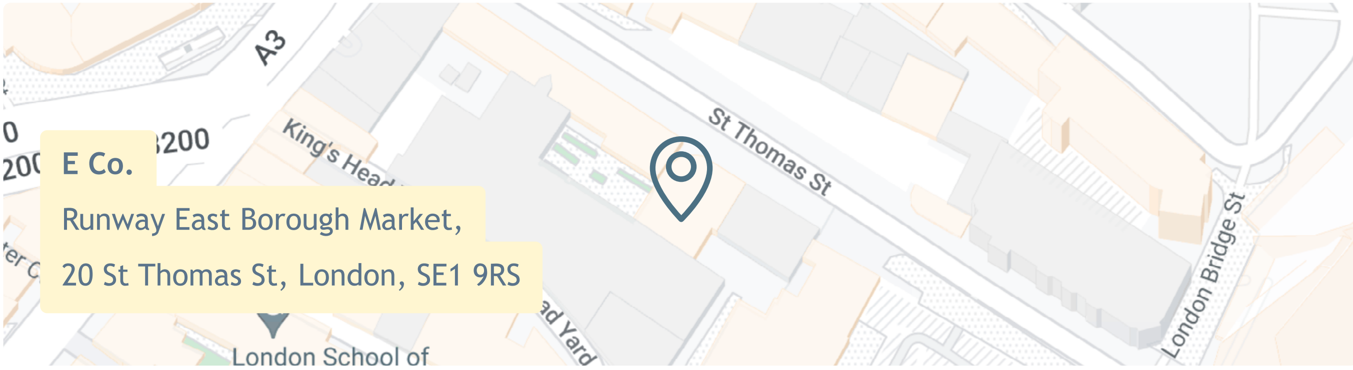
We assess contexts and baselines, design strategies and frameworks, develop policies, programmes and projects and unlock finance for public and private sector clients, seeking to deliver low-carbon climate-resilient and sustainable growth. We lower risk, increase predictability and design for impact. We provide:

- Insightful understanding of a complex sector;
- Deep knowledge of, and experience with fund processes and client needs;
- Broad in-house experience and technical expertise covering systemic transformation tools and techniques.

Contact us

Let's accelerate progress together. *You can always reach out to our global expert team to discuss your needs. Send us an email us at: amy@ecoltdgroup.com or connect with us at the following:*

Address:



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