SKD LEARNING NOTE | #1

How should we design for GCF?

Lessons learned from IFAD's experience in designing and implementing Green Climate Fund (GCF) projects

August 2022

SKD Learning Notes bring lessons learned through the interaction of data, operations and evidence and benefit from advice from the Knowledge Unit

What is the objective of this SKD learning note?

Since the approval of the first GCF project in IFAD, back in 2019, IFAD has learned a lot in terms of design and supervision of GCF projects. This learning note captures lessons and lays out some possible recommendations, in order to build in-house capacity and continue strengthening the partnership with the GCF. We also expect to inform other Accredited Entities (AEs), Direct Access Entities (DAEs), and National Designated Authorities (NDA) of IFAD's advancements in this collaboration and provide useful guidance based on IFAD's experience.

Why is this learning note important?

In 2016, IFAD became an AE of the world's largest source of climate finance, the Green Climate Fund (GCF). The GCF aims to build the climate resilience of the rural poor, and focuses on both climate adaptation and mitigation, in addition to bringing green innovation into the IFAD portfolio. In early 2022, six GCF-funded projects had been approved, of which four single-country projects in Belize, Burundi, Brazil and Niger, and two multi-country projects covering nine West and Central Africa countries (see Table 1). The latest project was approved at the March 2022 GCF Board. Currently (as of August 2022), IFAD has mobilized a total of US$335.6 million from GCF resources with cofinancing of US$297.1 million. This includes an IFAD investment of US$139.1 million in grant and loan resources.

Green financing is expected to grow under IFAD12 and beyond, contributing to strengthening IFAD as a key development partner in the sustainable rural transformation agenda. Moving forward, IFAD will continue consolidating the partnership with the GCF and pursue opportunities to collaborate more closely with AEs, DAEs, and NDAs. Finding ways to work together more effectively and efficiently is crucial. This means bridging differences in institutional mandates and strategic objectives, design timelines and templates, requirements, and IT systems for M&E and reporting.

[1] IFAD became a GCF Accredited Entity (AE) in 2016 and its accreditation was subsequently upgraded to: (i) large-sized projects (i.e. over US$250 million, including cofinancing); (i) Environmental and Social Safeguard (ESS) risk Category A projects; and (iii) and for both loans and grants financing from GCF.

Table 1: GCF projects approved with IFAD as Accredited Entity

Region	Project title	Countries	GCF financing (US$ million)	Cofinancing (US$ million)	Approved (GCF Board)
West and Central Africa	Inclusive Green Financing for Climate Resilient and low Emission Smallholder Agriculture Phase 1 (IGREENFIN-Phase 1)	Multi-country (Burkina Faso, Côte d'Ivoire, Ghana, Mali, Senegal)	126.9	90	March 2022
West and Central Africa	The Africa Integrated Climate Risk Management Programme	Multi-country (Burkina Faso, Chad, Gambia, Mali, Mauritania, Niger, Senegal)	82.8	60.4	March 2021
East and Southern Africa	Climate proofing food production investments in Imbo and Moso basins in the Republic of Burundi	Burundi	9.9	21.7	November 2020
Latin America and the Caribbean	Planting Climate Resilience in Rural Communities of the Northeast (PCRP)	Brazil	99.5	103	November 2020
West and Central Africa	Inclusive Green Financing for Climate Resilient and Low Emission Smallholder Agriculture Phase 0 (IGREENFIN-Phase 0)	Niger	8.5	2.9	November 2019
Latin America and the Caribbean	Resilient Rural Belize (Be-Resilient)	Belize	8	12	February 2019
TOTAL			335.6	290	

Key learning areas

a. GCF design costs are high and need to be factored in because the GCF Project Preparation Facility (PPF) rarely applies for international AEs, such as IFAD, and GCF fees[2] do not fund design costs. In April 2022, IFAD undertook an *ex-post* costing exercise of the three GCF project designs (Tajikistan CASP+, Madagascar DEFIS+, Multi-country IGREENFIN-1), which showed that:

- **In terms of total design costs, single-country projects are less costly to develop than large multi-country projects** (see Table 2), because there are fewer missions, and consultants' expertise and IFAD staff time cover only one country, etc.
- **In terms of design cost per country, it is less costly to design multi-country projects compared to single-country projects.** Economies of scale are applied by using the same experts to perform a similar task in several countries; only one Funded Activity Agreement (FAA) needs to be negotiated, etc. However, the design, implementation, post-approval processes, as well as M&E, are more challenging for multi-country projects and require more effort and time spent in coordinating among country teams.
- **Single-country projects with well aligned GCF and IFAD project design timelines are less costly than those are not designed at the same time** (see Table 2). This is attributable to more streamlined missions, and the same Project Delivery Team (PDT) elaborating the IFAD and GCF investments. They also ensure financially well-blended projects, as well as more time- and cost-efficient use of consultant expertise.

[2] GCF fees are received by AEs to administer and oversee approved GCF projects

Table 2: Results of ex-post costing exercise of thee GCF projects

Project/Country	Tajikistan (CASP+)* (US$ million)	Madagascar (DEFIS+)** (US$ million)	IGREENFIN-1 (5 countries) (US$ million)
GCF project financing	39	51.1	126.9
IFAD project financing	37.8	127.5	47
GCF project design type	Single country; IFAD and GCF project designs aligned	Single country; IFAD and GCF projects designs not aligned	Multi country (5 countries)
Incremental costs for GCF design (US$)			
Consultants and mission	115,000	104,000	358,000
IFAD staff	78,000	127,000	207,000
TOTAL	**193,000**	**231,000**	**565,000**

*Community-based Agriculture Support Programme 'plus' (CASP+); **Increase Resilience to Climate Change of Smallholders Receiving the Services of the Inclusive Agricultural Value Chains Programme (DEFIS+)

b. There is a need to systematize design procedures to incorporate GCF projects. The approved projects took IFAD on average 24 months to be elaborated. To streamline the internal review for GCF projects, it has to be in line with other IFAD internal review processes, while also incorporating GCF requirements and milestones. As a first step, initial project ideas should be screened for entry into the pipeline, ensuring corporate buy-in, and an informal GCF green light. Also, to ensure a financially well-blended project design, only one PDT (covering the GCF and IFAD financing) should be formed, and one set of templates should be compiled. In June 2022, IFAD updated its Project Design Guidelines, which now include procedures for the design, review, as well as the main steps for submitting the GCF-IFAD project proposals for GCF review to ensure a greater quality of designs submitted.

c. In-house capacity needs to be strengthened and the IFAD Climate Facility (ICF) is an important contribution towards that. IFAD is building its capacity in-house for the design, review and implementation of GCF projects. A US$10 million ICF was approved at the December 2021 IFAD Executive Board meeting to support the design of GCF projects and build the capacity of IFAD staff, plus, training modules, guidance notes[3] and a dedicated resource page are being developed for PDTs and all staff working on GCF projects. Regular inter-divisional PDT meetings can also be used as a vehicle for sharing experience and good practices across the house. To facilitate the learning process, it would be useful to build a community of practice among AEs.

[3] These cover a range of topics: fund flow and project management structure, M&E requirements, FAA development, procurement, safeguards, GCF loan conditions and repayment schedule, and strengthening partnerships with DAEs and other AEs.

d. Regular communication with GCF strengthens the collaboration and smooths the design and review processes: IFAD maintains regular communication on two different levels: high corporate level and project-specific or operational level. While the first is to align on institutional priorities and strategies, the latter allows for real co-creation of projects between IFAD and GCF. Project-specific meetings between GCF task managers and design teams provide a space to discuss project design progress and agree on the next steps of the design.

e. IFAD investments can be used to cofinance GCF projects from other AEs. IFAD is currently providing cofinancing to four approved/pipeline projects elaborated by other AEs (FAO and GIZ). This is an alternative approach to building partnerships with the GCF and other partners. For a smooth collaboration, IFAD should be kept informed on the design status and the cofinancing requirements need to be made clear.

f. Post-approval processes should be expedited to ensure timely project start-up. IFAD is identifying ways to speed up the post-approval processes to avoid bottlenecks in the early implementation stages. As a starting point, it is recommended that, at least 2 months before GCF Board approval, a workshop is held to clarify post-approval related aspects with government and Executing Entities to smoothen the process and timelines. During such workshop, country-specific project documents should be developed for multi-country projects where post-approval processes have been found to be more challenging (difficulty in alignment of many national institutions).

g. M&E, repository and reporting ICT systems should be updated to accommodate GCF information. IFAD is developing an updated interoperable system to store, manage, track and analyse information pertaining to GCF-financed projects. The goal is to have a system that facilitates the process of M&E and improves the quality and consistency of reporting.

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