
The GCF Workshop for Latin American and Caribbean Direct Access Entities (DAEs)

Montevideo, Uruguay | 27-28 July 2023



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INTRODUCTION

The GCF Workshop for Latin American and Caribbean Direct Access Entities (DAEs) was held from 27-28 July 2023 in Montevideo, Uruguay. It brought together DAEs from Latin American and Caribbean regions with the aim of enhancing DAE access to GCF funding.

OPENING REMARKS

GCF's Executive Director ad interim welcomed participants to the DAE Workshop and expressed gratitude to the host country of Uruguay for its hospitality. It was noted that the world had faced a series of interrelated crises that had a major impact in the Latin American and Caribbean regions. GCF had allocated USD 4.3 billion in GCF financing to the regions, and it was important to recognize that USD 1 billion of the USD 4.3 billion was for projects being implemented by DAEs.

The Executive Director a.i. explained that the workshop aimed to support DAEs in designing projects that were relevant and responsive to the climate challenges of the regions, as well as to help improve the quality of project concept notes. Participants were invited to actively share the experiences and challenges that they had experienced working with the GCF so that the GCF delegation could listen and support them.

Some of the recent achievements of the region were highlighted, including the approval of the Barbados Blue Green Bank project and two entities that were newly accredited – the Development Bank of Jamaica and Corporación Nacional para el Desarrollo.

DAY 1 SESSIONS

SESSION 1 REGIONAL STATE OF PLAY SUMMARY

Day 1 provided an overview of the Latin American and Caribbean regions' engagement with the GCF on funded activities following which the role of accreditation as a capacity development tool was highlighted. Participants examined best practices in developing quality concept notes and funding proposals including under the Simplified Approval Process (SAP) as well as support available from GCF. Finally, there was a focus on project development and a series of project clinics.

In this session, Regional Managers for Latin America and the Caribbean presented the status of GCF's activities in the regions. The session highlighted that, as GCF's portfolio grew in the regions, it was establishing more detailed results indicators for GCF-2, targeting a total of 11 result areas. These covered DAEs, public and private sectors, micro, small and medium-sized enterprises and local financial institutions. Under GCF-2 Priority 1, GCF hoped all countries could access Readiness, and as a result that this would increase DAE access. The window was estimated to be around USD 600 million. For Priority 2 Mitigation and Adaptation, the focus would be on transitions in the energy, building, industry and transport systems, harnessing the potential of nature-based solutions and ecosystem-based approaches. It was estimated that a majority, or 80 funding proposals, would be under this priority. For Priority 3 Adaptation, the CREWS¹ SAP window was highlighted, and for Priority 4, the focus would be on the private sector to promote innovation, and to access GCF and other green finance.

The presentation noted that in the Latin American region, all countries were accessing readiness, and that GCF hoped countries would continue to fully utilize the programme. There were 15 DAEs, but the majority of funding activities were by IAEs, and the Secretariat would focus on ensuring all countries had single-country funding proposals rather than multi-country proposals. As for the Caribbean region, country programmes were actively being developed; all 14 countries were accessing readiness and there were funding activities in all countries, and each of them had pipeline projects. Overall, the pipeline was well aligned with GCF-2, and the Secretariat would assess case by case the directions and best options for each proposal.

SESSION 2 ACCREDITATION AS A TOOL FOR CAPACITY DEVELOPMENT SUMMARY

The session on accreditation featured insights from DAE panelists, including the Development Bank of Jamaica and Nacional Financiera from Mexico. The session highlighted that accreditation and re-accreditation conditions, more than being obstacles, served as essential tools for strengthening an institution's policies and standards. Notably, the Development Bank of Jamaica shared its experience, highlighting that it took them 5 years to achieve accreditation, with challenges primarily stemming from delays in responses from the Accreditation Panel. Despite the challenges faced during the accreditation process, the Bank viewed it as a capacity-building opportunity, resulting in significant improvements in the entity's policies and standards.

Some noteworthy enhancements stemming from accreditation systems included a transition from the Online Accreditation System to the Digital Accreditation Platform, which offered greater clarity and ease of use. Additionally, institutions reported notable improvements in addressing gender and environmental issues. However, there was room for improvement in early-stage communication with entities, with suggestions for more interactive meetings or discussions rather than relying solely on emails. Entities recommended establishing dedicated teams focused on accreditation.

SESSION 3 DEVELOPING GCF CONCEPT NOTES AND FUNDING PROPOSALS SUMMARY

The session provided insights into the funding proposal timelines and processes with a strong emphasis on quality and efficiency. On funding proposal development, the lessons learned, and good practices offered a unique perspective through quiz-format case studies, helping attendees understand the characteristics of a "well-structured" project description. Document requirements in the GCF project cycle examined the key steps in the programming cycle, minimum requirements for the initial funding proposal package, mandatory annexes, and information disclosure requirements. Simplified Approval Process covered the SAP eligibility criteria, examples of SAP-able activities, the general SAP review cycle, and provided an overview of SAP funding proposal preparation, along with available guidelines to assist NDAs and DAEs when preparing SAPs for the Fund.

The panel discussion featured the experiences of the Caribbean Development Bank, which highlighted challenges and proposed solutions such as capacity constraints requiring early-stage project idea support, the high cost of proposal preparation irrespective of size, and the lessons in developing multi-country programmes to achieve economies of scale. Key lessons learned included the importance of getting things right from the start, being pragmatic, managing expectations about timelines, and ensuring that all necessary elements

were cleared beforehand. Profonanpe, reaccredited in 2022 and a delivery partner of four readiness grants, discussed challenges during development phases, including constraints due to COVID-19. Their lessons learned emphasized early engagement with the NDAs, thorough review of terms of reference when sharing with consultants, continuous communication with key partners, and adherence to the latest templates and requirements approved by the Board.

Key recommendations from the session were to make use of the SAP Review Toolkit and SAP Technical Compendium, essential references to streamline the funding proposal process and ensure alignment with GCF guidelines.

SESSION 4 MAKING USE OF THE GCF SUPPORT FOR PROPOSAL DEVELOPMENT – PROJECT PREPARATION FACILITY (PPF), TECHNICAL ASSISTANCE SUMMARY

This session focused on the support offered by Project Preparation Facility, which had resulted in the approval of 48 AEs and 24 FPs in the Latin American and Caribbean regions. PPF support could be requested after the concept note (CN) was endorsed by the second stage of the GCF Secretariat's Climate Investment Committee (CIC2), taking note of the eligible activities that PPF could support. There were three modalities: grants, where the AE did their own procurement; service, where the AE could select and use a roster of firms already procured by GCF; or technical assistance (TA), usually for short term deployment for the last mile.

There were several implementation lessons, especially early engagement with GCF and close collaboration with the task team. It underscored the significance of methodologies defined during the proposal phase, which also applied to monitoring implementation and would assist in addressing implementation challenges. Non-compliance with the funded activity agreement (FAA) conditions was highlighted as a serious issue, potentially leading to complex and time-consuming problem-solving processes. Maintaining institutional knowledge within the project team was deemed crucial. Furthermore, GCF had developed various guidance, tools, and manuals to support the drafting and implementation of funded activities, with a strong recommendation to utilize these resources.

Interventions by two panelists, namely the Fondo Mexicano para la Conservación de la Naturaleza (FMCN) and Caribbean Community Climate Change Centre, provided further insights. They suggested that while the PPF process was not complicated, it may take up to a year due to the cumulative processes involved. The concept note approval process was noted as essential for identifying gaps that the PPF could help address. Utilizing a local consultant for technical assistance could be beneficial in navigating the processes. The importance of adhering to template requirements and providing only necessary information, which reduced inquiries, was stressed. Moreover, both panelists recommended that terms of reference for consultants should extend beyond the submission period, allowing them to respond to future comments from GCF after funding proposal submission. Structuring contracts in accordance with funding proposal annexes was also emphasized.

SESSION 5 PROJECT DEVELOPMENT PARALLEL SESSIONS SUMMARY

The purpose of this session was to explore in depth specific aspects of funding proposal development, namely: (a) Climate Rationale; (b) Financial Structuring (including EFA); (c) Theory of Change and Logical Framework; and (d) Environmental and Social Safeguards (ESS). The session was divided into two parts, each part with two parallel sessions, allowing

participants to focus on the issues that were more challenging for them when developing projects to bring forward to the GCF. Thus, participants were able to examine Climate Rationale, Financial Structuring (including Economic and Financial Analysis -EFA), Theory of Change and Logical Framework and Environmental and Social Safeguards. The chosen topics were the result of a pre-event survey where participants were able to flag the most challenging items when developing funding proposals.

In the Climate Rationale session, the presenters requested that participants form two sub-groups which were tasked with presenting a project and identifying and describing the climate rationale. The first group, named "Latinlandia", presented a project related to water security for food production, including drought resistant crops, while the second group "Jamaica" presented a project focused on the agriculture and tourism sectors on rural transformation through climate change resilience. The presenters heard the project ideas and the climate rationale for these and noted that there was sufficient climate data available and had been taken into account in the preparation of the project ideas.

In the Financial Structuring (including EFA) session, the presentation noted that most LAC DAEs were able to utilize grant awards, as well as non-grant instruments, which allowed for innovative financial instruments in the region. DAEs raised challenges related to not being able to receive funding in the local currency, noting the specific difficulty for national development banks with no operations overseas. The presenters also strongly recommended early discussions on the drafting of concept notes, to ensure an alignment with GCF's policies and the viability of the project. Challenges mentioned related to the lengthy process of accreditation that impacted entities' capacity to programme with the GCF. Entities were usually nominated by NDAs with a project in mind, but by the time the entity achieved its accreditation, the priorities of the country may have changed, and there could be lack of high-level support within the country due to changes in government.

The Theory of Change and Logical Framework session differentiated between the Theory of Change and Logical Framework. Given that most of the participants attending this session were similar participants from the earlier parallel session on climate rationale, the presenters requested that the same small groups remain, and prepare a logical framework on the projects that they had developed during the climate rationale session. It was highlighted that activities in the logical framework should be sufficient and necessary.

The session on Environmental and Social Safeguards (ESS) informed participants about the revisions made to the ESS in 2021, as well as noting that the new ESS was currently being developed and would soon be presented to the Board. The presenter also highlighted that SEAH safeguarding policy was introduced in 2019 and incorporated into the revised Environmental and Social Policy (ESP) in 2021 to make sure that Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH) was addressed in GCF funded activities. It was also noted that the SEAH policy covered all individuals involved in GCF funded activities, including GCF staff and the Board. The presenter highlighted the importance of having gender policy and experts in the organization and suggested that the gender aspect should be carefully looked at during the stakeholder engagement phase by a local gender specialist and conduct necessary vulnerability assessments. Another comment to note was on the inclusion of youth and people with different abilities and orientation. The presenter explained that if the country addressed the issues of social inclusion and gender equality, GCF welcomed the reference to this in the proposal, noting that there were cases where accredited entities included social inclusion and gender equality policies which already existed in their organization or country.

SESSION 6 PROJECT CLINICS

The summary of session 6 can be found towards the end of this report, titled 'Project Clinics'.

DAY 2 SESSIONS

SESSION 7 MAKING USE OF GCF RESOURCES FOR PROPOSAL DEVELOPMENT SUMMARY

Day 2 provided an opportunity for participants to consider in depth what GCF resources were available to support DAEs in the development of quality proposals, as well as to discuss experiences in project implementation including adaptive management.

Session 7 focused on providing various resources for proposal development. The presentation by the GCF Division of Mitigation and Adaptation noted 3 major tools for guidance/reference for accredited entities to use while developing funding proposals – the Programming Manual, Appraisal Guidance and Sector Guides. The Programming Manual could be used to guide what information should be provided in each section. The presentation highlighted that the Appraisal Guidance was used by the GCF Secretariat internally and was published for transparency of the review and assessment process. The main parts of the document to take note of were the following: Investment Criteria Scorecard Tool, which provided quantitative assessment for the Climate Investment Committee's consideration and was a checklist that the AE could check against to see whether a sufficient level of information had been provided; Innovation and Additionality Tool was a similar checklist for assessing paradigm shift potential; Economic and Financial Analysis Guidance could be used, for example, for AEs to oversee the modelling by consultants to see if it met GCF standards, if all factors needed were costed.

The presentation also explained that the Sector Guides for 10 sectors had been published and made available and they would provide pathways to achieve paradigm shift and how to finance them. AEs could consult the recommendations to determine the best intervention for the project. The presenter encouraged participants to learn from other approved projects and explained that the GCF website published approved funding proposal packages, including annexes, which were not confidential. It was noted that these resources should be fully utilized when AEs were developing their funding proposals.

SESSION 8 SECTORS PARALLEL SESSIONS SUMMARY

Session 8 was divided into two themes, one of which focused on Adaptation. In this session, staff from the Division of Mitigation and Adaptation talked about climate rationale, noting that it was important to show evidence that activities were responding to identified risks, and that climate rationale looked different from sector to sector and from project to project. USP-2 was also highlighted, including that concept notes needed to be developed which were aligned with the new strategic plan. Sector guides could be a source of many ideas, and GCF was developing more guides based on the initial ones.

The main exercise during this session involved dividing the audience into groups and tasking them with developing an adaptation planning project. Four groups were formed, and Group 1 presented a project in "Latinlandia" where the challenges were reduced precipitation and drought which damaged the rice crop of coastal communities. The focus of this project was on climate resilient crops, ecosystem-based ecosystem solutions, enhanced food production and security in agriculture sector. Group 2 presented a project in Barbados where the

challenges were rural communities being impacted by extreme rain events and on the other side impacted by increased droughts which led to lack of irrigation for crops, erosion of soil and lack of water storage. The focus of this project was water storage on site, use of greenhouse technology support to reduce soil erosion, deepening knowledge and awareness and use of climate smart crop growing. Group 3 presented a project in “Mexperu” on resilient cities from a watershed perspective, where for the past three years, the challenges were droughts on the one hand and greater precipitation during the rainy season. The focus of the project was to enhance ecosystem-based adaptation, where the financial support needed would be in form of credits and guarantees for water treatment and guarantees for new technologies for households. Group 4 presented a project in Jamaica, where the challenges were droughts, low crops, crop mortality, pesticide diseases that led to market instability. The focus of this project was to encourage small farmers for corporate work, to build knowledge, enhance technology by implementing drip irrigation and energy efficient technologies, and to enhance crop diversification and product development.

SESSION 9 PROJECT IMPLEMENTATION SUMMARY

This session highlighted the experiences of participants in project implementation, along with the challenges and GCF’s adaptive management options/requirements with a focus on restructuring and cancellation. The Division of Portfolio Management presented its role in GCF’s project cycle and explained what was involved in restructuring requests in restructuring proposals. The session covered discussions on what constituted a change, what was considered a major and minor change and what steps were taken to process restructuring. It was explained that the GCF Secretariat decided the nature of the change and then presented this to the GCF Board. The session also explained that the Division of Portfolio Management was largely involved in stages 8, 9 and 10 of the GCF programming cycle, and touched on the main lessons and trends observed to date from restructuring proposals, noting additionally that restructuring conditions were available on the GCF website and DAEs were encouraged to make use of this document.

The Policy on Restructuring and Cancellation was highlighted as the key document to consider if faced with a change in a funded activity agreement under implementation. DPM noted that they were always available to support DAEs in their respective restructuring requests and restructuring proposals.

SIDE EVENTS

Two side events were held during the Workshop, one on Thursday 27 July 2023 and the second on Friday 28 July 2023. These were titled ‘Climate Risks and Early Warning Systems – GCF Scaling-up Framework for projects under the Simplified Approval’ and ‘GCF Evaluation Policy – Independent Evaluation Unit (IEU) and Division of Portfolio Management (DPM)’.

CREWS

The Secretariat of the Climate Risk and Early Warning Systems (CREWS) Initiative provided an update on the progress of developing multi-hazard early warning systems for the least developed countries (LDCs) and small island developing States (SIDS). The projects primarily focused on capacity building and facilitating coordination among institutions. Each country-specific project received approximately USD 1-3 million, while regional projects could go up to USD 7 million. With the initial investments from CREWS, some countries had

achieved significant milestones in the development of climate risk and early warning systems, generating sufficient data and reports to support further applications for the Simplified Approval Process (SAP).

The SAP was designed for projects that (1) had a relatively small total budget, below USD 25 million, and (2) entailed lower environmental social risks. Such projects required fewer documentation submissions and involved fewer reviewing divisions. Through collaboration with the CREWS Secretariat, GCF had identified around a dozen promising projects, with the Caribbean region being one of the more advanced ones.

The Caribbean region had a regional meteorological organization, the Caribbean Meteorological Organization (CMO), consisting of 16 English-speaking member countries. With the support of the World Meteorological Organization (WMO), the United Nations Office for Disaster Risk Reduction (UNDRR), and the World Bank, they had utilized CREWS funds to develop roadmaps, strategic outlines, and regulatory documents for establishing early warning system in 10 countries. The World Bank had also supported the development of a multi-sensor precipitation grid system.

Further needs included strengthening observation networks, upgrading all radar systems to dual-polarization radars, enhancing data exchange mechanisms, and collaborating with relevant partners on improving public information dissemination methods. These would be focus of the SAP proposals.

INDEPENDENT EVALUATION UNIT

The Independent Evaluation Unit side event was on GCF evaluation policy which was supported by the Division of Portfolio Management (DPM). There was a brief introduction to GCF's evaluation functions of the Independent Evaluation Unit, the Secretariat and AEs and the operationalization of these functions. It outlined the key elements of GCF's evaluation policy, the roles and responsibilities of different stakeholders in conducting evaluations, the evaluation requirements on GCF-funded projects and programmes and the evaluation procedures and operational guidelines for evaluation of GCF projects.

SESSIONS FOR PROJECT CLINICS 6 AND 10

During the Workshop, project clinics in the form of bilateral meetings were organized as part of the agenda. These meetings between the DAEs and the GCF divisions were coordinated through a survey that was organized before the event. DAEs, and nominated entities seeking accreditation, which were interested in holding a bilateral meeting were able to choose and prioritize the GCF divisions they wished to meet, as well as the projects or project ideas, or other topics, that they wished to discuss with these divisions.

In both sessions 6 and 10, a total of 42 project clinics took place. Out of these meetings, 14 were led by the Division of Mitigation and Adaptation; 4 were led by the Accreditation Team; 5 were led by the Latin America Regional Desk; 2 were led by the Caribbean Regional Desk; 8 were led by the Division of Private Sector Facility; 2 were led by the Division of Portfolio Management; 4 were led by the Office of Sustainability and Inclusion; 4 were led by the Independent Evaluation Unit; and 1 was led by UNOPS. Throughout these meetings, several discussions were held on Readiness grants and projects, both in the pipeline and in implementation, as well as understanding GCF programming and other GCF processes.

CLOSING REMARKS

The Regional Manager for the Caribbean closed the workshop by thanking participants for their active participation, especially the impressive performance in group exercises, and emphasized the Secretariat's commitment to working with countries and entities to advance countries climate goals through GCF-2.

CONCLUSION

In conclusion, the DAEs affirmed a shared inter-regional vision for deeper and more constructive partnerships on climate action, and in particular with the GCF. This could be achieved through innovative climate financing and new forms of institutional structures to address the environmental, social, and economic challenges associated with climate change.