

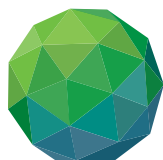


# FORWARD-LOOKING PERFORMANCE REVIEW OF THE GREEN CLIMATE FUND

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Final Report

June 2019



GREEN  
CLIMATE  
FUND

Independent  
Evaluation  
Unit



TRUSTED EVIDENCE.  
INFORMED POLICIES.  
HIGH IMPACT.



GREEN CLIMATE FUND  
INDEPENDENT EVALUATION UNIT

# Forward-Looking Performance Review of the Green Climate Fund (FPR)

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FINAL REPORT

June 2019

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## FOREWORD

Even as I write this, temperatures in Europe are uncharacteristically at an all-time high. In India, water is transported by train from around the country in response to an unexpected, critical water shortage. Unpredicted food shortages and floods in Africa, Asia and Latin America are causing climate migrants to abandon lands they have called home for centuries.

Today we are in the midst of a climate emergency that calls for concerted and urgent action. In this context, the Green Climate Fund (GCF) was established by the United Nations Framework Convention on Climate Change (UNFCCC) as a promise to our generation and all generations to come, for a healthier, more resilient and greener world. It was created after a long process of negotiation and represents a confluence of visions and a combined spirit for realising a better Earth now and in the future.

It is in this context that I introduce you to the first performance review of the GCF. This Review is an essential step for a young organisation that wants to learn, improve and become faster, better and smarter. Indeed, recognising the value of this learning, the GCF Board, at its twenty-first meeting (in Manama), requested the GCF's Independent Evaluation Unit (IEU) to conduct a Forward-looking Performance Review (FPR) of the GCF.

**The purpose of the FPR** is to encourage learning from the experience of the GCF so far, to assess the extent to which the GCF has delivered its objectives and to look forward to the future by providing recommendations for enhancing the GCF's performance. The overall objective of this Review is to understand how the GCF can better serve the needs of developing countries by fulfilling the mandate provided by the UNFCCC.

The short time given to complete this Review highlights the urgency of the problem: The Review was conducted within a very intense period of eight months. From the start, it was clear this timeline was ambitious, but warranted, given the importance of learning – and learning *quickly* – when confronted with the nature of the task.

**During its four years, the GCF has achieved a lot. In numerous areas it has fulfilled the mandate received from the UNFCCC through the GCF's Governing Instrument.** Specifically, the GCF has established a new functioning institution that has been able to commit 83 per cent of its available, pledged funding to finance 102 projects and more than 200 readiness grants, totalling USD 5.3 billion. It has an influential Board that gives equal representation and voice to recipients and contributors, a Secretariat, independent learning and accountability units, and a global network of 147 national designated authorities and 84 accredited entities.

**The Review makes four critical recommendations.** *First*, the GCF should strengthen its implementation and business processes (at headquarters and in-country) so they can better address differentiated developing country needs and capacities, with a focus on increasing the use of direct access entities. The focus of these changes should be promptness, predictability and transparency. *Second*, the GCF should institute a new strategic plan that positions it as a thought leader and policy influencer by establishing its reputation and niche in innovation and making an impact on country needs. *Third*, the GCF should re-emphasise its support for adaptation investments, while recognising the role of new actors in mitigation. Additionally, developing countries will be well served if the GCF strengthens the role and participation of the private sector, improves access through greater transparency and predictability of processes, and encourages innovative solutions to climate-related problems. *Lastly*, the Review recommends greater delegation of authority that emphasises responsibility, agency and speed in delivering country climate needs.

**It does take a village.** I owe an enormous thanks to the FPR team of experienced evaluators for sharing my belief that we, together, can contribute to helping the GCF become smarter and more

effective. The FPR makes recommendations that are pragmatic and timely and will be constructive as the Board considers a new strategy for the Fund. The Annexes of the Report provide data and information to complement the main Report and include summaries of visits to the 12 countries selected for an in-depth study of specific topics. This Review will also inform the first replenishment of the GCF.

**The IEU is very optimistic about the GCF.** The FPR team is confident the GCF has the requisite capacity, learning disposition, leadership and structures to be an agent of change. Going forward, it has the critical foundations to develop and incorporate fit-for-purpose policies, procedures and organisational ability so that it can *act speedily, deliver rapidly and address developing country climate needs more innovatively, transparently and significantly, with a larger, clearer impact.*

**The FPR was undertaken by a large team led by the IEU**, consisting of staff, consultants and interns, and a consortium of external firms (Le Groupe-conseil baastel and Steward Redqueen). While led by the IEU, a Review of this size would not have been possible without the collective contributions of many individuals. The FPR team interviewed more than 500 people and received responses from more than 300 participants in our online survey. The IEU also developed an extensive and in-depth data set that will be useful for future similar work.

We are grateful to GCF partners for their assistance with the FPR. Complete support and encouragement were provided by the GCF Board, the Secretariat and other independent units, GCF accredited entities, GCF national designated authorities and focal points, representatives from civil society and private sector organisations, representatives of indigenous peoples, and GCF beneficiaries.

For too long institutions in this world have wanted to take the lead, but when called to action, shied away from taking the first step. Fortunately, the GCF is exceptionally well positioned to be a leader *and* make these initial advances towards climate action. The GCF is and will remain key to fulfilling the aspirations of the Paris Agreement, and for realising a future that requires action *now*. The IEU is proud to be part of this effort by the GCF.



Dr. Jyotsna Puri  
Head of the Independent Evaluation Unit  
Green Climate Fund  
30 June 2019

## ACKNOWLEDGEMENTS

The Forward-Looking Performance Review (FPR) of the Green Climate Fund (GCF) was a global effort. Many people deserve to be acknowledged. The FPR was prepared by a team led by the GCF IEU consisting of IEU staff, consultants, interns and a consortium of two external firms: Le Groupe-counsel baastel and Steward Redqueen.

The FPR was undertaken between October 2018, when the Board requested the Review, and July 2019, when the Review was presented to the Board. Its completion would not have been possible without the full support of representatives from GCF partners, including: the GCF Board, the GCF Secretariat and Independent Units, the GCF accredited entities and other entities partnering with the GCF, GCF national designated authorities and focal points, civil society and private sector organisations, indigenous peoples and nations, and many beneficiaries of GCF investments.

The Head of the IEU, Dr. Jyotsna (Jo) Puri, led the evaluation. Dr. Claudio Volonte (Le Groupe-counsel baastel) was the team leader for the consortium of two external consultancy firms and co-managed the Review with Dr. Roberto La Rovere and Mr. Daisuke Horikoshi from the IEU. The Le Groupe-counsel baastel team was composed of Dr. Alain Lafontaine, Dr. Colleen McGinn, Ms. Margarita Gonzales, Ms. Meg Spearman, Ms. Sara Nielsen, Mr. Saïd Kolawolé Hounkponou and Dr. Aime Tsinda. The Steward Redqueen team was composed of Dr. René Kim, Mr. Matthijs deBruijn, Ms. Anne Van Drunen Little and Ms. Silvia Binet. Dr. Archi Rastogi (Universalia), was particularly instrumental in drafting the FPR's synthesis study.

All members of the IEU were involved in the Review: Ms. Liza Otlakan and Mr. Peter Mwandri provided outstanding support from the IEU DataLab, along with Mr. David Huang, Ms. Nayeon Kim, Mr. Aemal Khan, Mr. Byungsuk Lee, Ms. Pamela Urbina Juarez, Ms. Fatima Moussas, Mr. Joseph Mutunga and Ms. Viktoriya Khan. IEU's interns Ms. Elangthoko Mokgano and Mr. Manav Khanna assisted with coordination and logistics throughout the Review. AidData at College of William and Mary (United States) helped with GIS data and analyses. Dr. Solomon Asfaw and Mr. Andreas Reumann provided comments during critical phases of the Review, as well as data and support in the field during country missions. Mr. Greg Clough and Mr. Courtland Matthews edited the Report, and Ms. Giang Pham managed its design and formatting. Two external editors were also engaged: Mr. Toby Pearce (consultant) and Ms. Beverly Mitchell (consultant).

Gratitude is also expressed for the contribution made by the FPR Advisory Group, composed of Dr. Vinod Thomas (IEU adviser), Dr. Juha Uitto (Director, GEF IEO), Dr. Indran Naidoo (Director, UNDP IEO), Dr. Jos Vaessen, (World Bank, IEG), Ms. Nancy McPherson (Independent Consultant), and Ms. Ivory Protzel (Director, OEV, IDB) for their insightful and practical advice at crucial junctures during the Review.

The IEU acknowledges more than 500 people who were interviewed and more than 300 who completed the online survey. Many others took part in dozens of focus group discussions (a list of interviewees and meeting participants is in Annex 5). The IEU also extends its gratitude to representatives from government entities, organisations and projects who assisted the FPR team in the 12 countries visited during this process.

The IEU is responsible for all views expressed in this Report. Views expressed here do not reflect the official views of the Board of the GCF or its members, or of the countries they represent.

This Review was submitted to the Board of the Green Climate Fund at its twenty-third meeting in July 2019.

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## ABBREVIATIONS

<b>ADB</b>	Asian Development Bank
<b>AE</b>	accredited entity
<b>AEWP</b>	accredited entity work programme
<b>AFD</b>	Agence Française de Développement
<b>AfDB</b>	African Development Bank
<b>AMA</b>	accreditation master agreement
<b>AML/CFT</b>	Anti-Money Laundering and Countering the Financing of Terrorism Policy
<b>AP</b>	Accreditation Panel
<b>APR</b>	annual performance report
<b>AU</b>	Accreditation Unit
<b>B.[20]</b>	[Twentieth] meeting of the Board
<b>CDS</b>	country dialogue specialist
<b>CIF</b>	Climate Investment Funds
<b>CO<sub>2</sub></b>	carbon dioxide
<b>COP</b>	Conference of the Parties
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission
<b>CP</b>	country programme
<b>CPI</b>	Climate Policy Initiative
<b>CSA</b>	climate-smart agriculture
<b>CSO</b>	civil society organisation
<b>CTF</b>	Clean Technology Fund
<b>DAE</b>	direct access entity
<b>DBSA</b>	Development Bank of Southern Africa
<b>DCP</b>	Division of Country Programming
<b>DEA</b>	Division of External Affairs
<b>DFI</b>	development financing institution
<b>DMA</b>	Division of Mitigation and Adaptation
<b>DSS</b>	Division of Support Services
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EDA</b>	enhanced direct access
<b>EE</b>	executing entity
<b>EIF</b>	European Investment Fund
<b>EIB</b>	European Investment Bank
<b>ESMS</b>	environmental and social management system
<b>ESS</b>	environmental and social safeguards
<b>FAA</b>	funded activity agreement

<b>FMO</b>	Netherlands Development Finance Company
<b>FP</b>	funding proposal
<b>FPR</b>	Forward-looking Performance Review
<b>GCF / (the) Fund</b>	Green Climate Fund <sup>1</sup>
<b>GDP</b>	gross domestic product
<b>GEF</b>	Global Environment Facility
<b>GHG</b>	greenhouse gas
<b>GI</b>	Governing Instrument
<b>GIS</b>	geographic information system
<b>Gt</b>	gigatonne
<b>IAE</b>	international accredited entity
<b>ICT</b>	information and communications technology
<b>IDB</b>	Inter-American Development Bank
<b>IEA</b>	International Energy Agency
<b>IEO</b>	Independent Evaluation Office
<b>IEU</b>	Independent Evaluation Unit
<b>IFC</b>	International Finance Corporation
<b>IIED</b>	International Institute for Environment and Development
<b>IIU</b>	Independent Integrity Unit
<b>INDCs</b>	intended nationally determined contributions
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>iPMS</b>	integrated Portfolio Management System
<b>IPP</b>	Indigenous Peoples Policy
<b>IRM</b>	Initial Resource Mobilisation
<b>ISDB</b>	Islamic Development Bank
<b>ISP</b>	Initial Strategic Plan
<b>iTAP</b>	independent Technical Advisory Panel
<b>KPIs</b>	key performance indicators
<b>LAC</b>	Latin America and the Caribbean
<b>LDC</b>	least developed country
<b>LDCF</b>	Least Developed Countries Fund
<b>M&amp;E</b>	monitoring and evaluation
<b>MDB</b>	multilateral development bank
<b>MFI</b>	multilateral finance institution
<b>MIS</b>	management information system

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<sup>1</sup> ‘GCF’ and ‘the Fund’ are used interchangeably in this Review.

<b>MOU</b>	memorandum of understanding
<b>MSME</b>	micro-, small- and medium-sized enterprise
<b>MW</b>	megawatt
<b>NAMAs</b>	nationally appropriate mitigation actions
<b>NAP</b>	national adaptation plan
<b>NDA</b>	national designated authority
<b>NDCs</b>	nationally determined contributions
<b>NEFCO</b>	Nordic Environment Finance Corporation
<b>NOL</b>	no-objection letter
<b>OAS</b>	online application system
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>OGA</b>	Office of General Affairs
<b>OGC</b>	Office of the General Council
<b>OIA</b>	Office of Internal Audit
<b>OPM</b>	Office of Portfolio Management
<b>ORMC</b>	Office of Risk Management and Compliance
<b>PPCR</b>	Pilot Programme for Climate Resilience
<b>PPF</b>	Project Preparation Facility
<b>PROPARCO</b>	Groupe Agence Française de Développement
<b>PSAA</b>	project-specific accreditation approach
<b>PSAG</b>	Private Sector Advisory Group
<b>PSF</b>	Private Sector Facility, Green Climate Fund
<b>PSO</b>	private sector organisation
<b>PV</b>	photovoltaic
<b>REDD</b>	reducing emissions from deforestation and forest degradation
<b>RfP</b>	request for proposals
<b>RMF</b>	results management framework
<b>RPSP</b>	Readiness and Preparatory Support Programme
<b>SAP</b>	simplified approval process
<b>SCF</b>	Standing Committee on Finance
<b>SEAH</b>	sexual exploitation, abuse and harassment
<b>SIDS</b>	small island developing states
<b>SME</b>	small and medium-sized enterprise
<b>TC</b>	Transitional Committee
<b>tCO<sub>2</sub>eq</b>	tonnes of CO <sub>2</sub> equivalent
<b>ToC</b>	theory of change
<b>TOR</b>	terms of reference
<b>UNDP</b>	United Nations Development Programme

<b>UNEP</b>	United Nations Environment Programme
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>USD</b>	United States dollar
<b>VC</b>	venture capital
<b>WBG</b>	World Bank Group

## EXECUTIVE SUMMARY



## A. INTRODUCTION

**Context:** The global community is at a decisive moment for climate action. Financing is key to realising the potential of the Paris Agreement, and a climate-safe future for all requires catalytic investment now. As the world's largest dedicated climate fund, **the Green Climate Fund (GCF) is uniquely positioned** to help developing countries turn their climate ambitions into action. In its five years of operation, the Fund – or 'the GCF' as it is interchangeably referred to in this Review – has reached 97 countries with project funding and over 120 countries with project preparation and readiness support programmes. The GCF has committed just over USD 5.3 billion (or 75 per cent) of the USD 7.1 billion of available pledged capital to projects and programmes and is expected to leverage additional co-financing of up to USD 12.6 billion in investments in GCF supported projects. These projects are expected to reduce 1.5 billion tons of CO<sub>2</sub>-equivalent and benefit over 276 million people. With approximately USD 15 billion of funding proposals and concept notes in the pipeline, and more than USD 20 billion in project ideas emerging from developing countries' and entities' work programmes according to the GCF Secretariat, demand for financing support to meet needs is and remains strong.

The GCF's initial resource mobilisation (IRM) phase of operations has seen both successes and challenges and provides valuable opportunities for learning and identifying where the GCF can optimise efficiency, effectiveness and impact as it moves into its first replenishment process.

**The mandate for the FPR:** It was timely therefore that at its twenty-first meeting (Manama, 17–20 October 2018) the GCF Board initiated and approved a review of the GCF and asked the GCF Independent Evaluation Unit (IEU) (decision B.21/17) to finalise the process by 30 June 2019. The purpose of the FPR is to encourage the GCF

to learn from its experience so far, support accountability, assess how the GCF has performed in delivering its objectives, and look forward, by providing actionable and pragmatic recommendations for enhancing performance. **This Report contributes to the overall ambition of making the GCF faster, better and smarter, so the GCF can target the needs of developing countries.**

The FPR aims to assess (decision B.21/17):

- (i) Progress made by the Green Climate Fund so far in delivering on its mandate as set out in the Governing Instrument for the Green Climate Fund as well as in terms of its core operational priorities and actions as outlined in the initial Strategic Plan of the GCF and the GCF's business model, in particular, the extent to which the GCF has responded to the needs of developing countries and the level of country ownership;
- (ii) The performance of the GCF, including its funded activities and its likely effectiveness and efficiencies, as well as the disbursement levels to the funded activities; and
- (iii) The existing GCF portfolio and pipeline, the application of financial instruments, and the expected impacts of funding decisions and other support activities, including in terms of mitigation and adaptation, on both a forward- and backward-looking basis."

The GCF Board, in its various decisions, also requested that the FPR inform the strategic plan of the GCF and that the outcome of the Review help inform the replenishment process of the GCF.

The performance review of the GCF contributes to accountability by examining emerging evidence on the performance and the likelihood of impact of GCF investments. In doing so, the Review takes into account the current (early) stage of the GCF's evolution and its context. The FPR is evidence-based and examines the past performance of the GCF to learn and make inferences regarding



the future likelihood of impact of the Fund's investments. The FPR aims to be constructive as it seeks to inform the next phase of the GCF and its first replenishment process. In this sense, the Review is both backward-looking and forward-looking.

**Questions:** Taking into consideration the aims of the FPR set out in the Board decision, the FPR takes guidance from the Governing Instrument (GI) of the GCF. Accordingly, **the overall purpose of the FPR is primarily to assess if the GCF will be able to actively promote a paradigm shift in climate finance.** The FPR explores seven topics: (i) the context in which the GCF was established to respond to the question of if the GCF was fit for purpose, (ii) an assessment of the initial Strategic Plan (ISP) and the consequent priorities and criteria, (iii) the effectiveness and efficiency of GCF policies, including the accreditation process, (iv) the GCF business model, (v) the performance of the Fund, particularly its project cycle, (vi) the role of the private sector and the GCF Private Sector Facility (PSF), and (vii) actual and expected results. These seven topics are assessed for **four critical questions:**

- Has the GI translated into an adequate **structure for the GCF** to operationalise its mandate?
- Is the GCF **able to channel and leverage** significant and large climate finance flows?
- Is the GCF able to **deliver and prioritise climate change needs in developing countries?**
- Is the GCF **business model** efficient and ready for the future?

**Methods:** The Review uses a mixed-methods approach that combines quantitative and qualitative methods and data. The IEU

DataLab input data from various sources, internal and external to the GCF, ensured the data's consistency and analysed key statistics. The main data sources and analysis methods used in the FPR are as follows:

Semi-structured interviews, focus groups and an online survey

- An extensive review of Board decisions and other GCF documents as well as external literature on climate and climate finance
- A synthesis of existing and past reviews and GCF evaluations and their critical appraisal
- An analysis of the GCF's investment portfolio
- Geographic information systems (GIS) data and analyses
- Evaluation missions to 12 countries that represent a diversity of implementation experiences, including Small Island Developing States (SIDS), African States and Least Developed Countries (LDCs).

The FPR examined all activities supported by the GCF during the IRM phase, such as policies, strategies, the business model, systemic and emerging corporate topics, organisational structure and partnerships, processes and the performance of the GCF's programmes and initiatives. The period of analyses used in the FPR is 2015 to early 2019: data included in the FPR are for the period to 28 February 2019, including decisions at the twenty-second meeting of the Board, unless otherwise noted. Contributors to the GCF from 43 countries, including developed and developing countries, pledged USD 10.3 billion during this period.<sup>2</sup>

**Report structure:** The report is organised in 12 chapters. Chapter I introduces the scope and methodology of the FPR. Chapter II

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<sup>2</sup> 75 per cent of the pledges came from five countries: the United States (29 per cent), Japan (15 per cent), the United Kingdom (12 per cent), France (10 per cent) and Germany (10 per cent) contributing between USD 1 billion and USD 3 billion; 10 countries pledged amounts between USD 100 million and USD 500 million; six

between USD 10 million and USD 100 million, and the rest below USD 10 million each. Developing countries that have pledged funds are Chile, Colombia, Mexico, Mongolia, Panama, and the Republic of Korea (GCF, Status of Pledges and Contributions made to the Green Climate Fund, 8 May 2018).

discusses the history and the context of the GCF. Key actors in the GCF, their roles and responsibilities and interaction are discussed in Chapter III. Chapter IV reviews the ISP, including the investment framework. Chapter V reviews the set of policies that play a pivotal role in the GCF. Chapter VI analyses the GCF's accreditation process. Chapter VII builds on the previous chapters and discusses the efficiencies of the overall business model of the GCF. Chapter VIII assesses the GCF project cycle as part of the business model. Chapter IX assesses the participation of the private sector in the GCF. Chapter X looks at actual and potential results and the likelihood of impact from the current portfolio of GCF funded projects and at the performance of the GCF in responding to Guidance from the Conference of the Parties (COP). Chapter XI provides an analysis of how the GCF fits in the context of climate change financing, and Chapter XII concludes with key recommendations.

## B. THE GCF – CONTEXT AND HISTORY

At the sixteenth COP (COP 16), held in Cancun (Mexico), under Article 11 of decision 1/CP.16/Add.1 (December 2010, paragraph 102), 194 Parties to the United Nations Framework Convention on Climate Change (UNFCCC) established the GCF as an operating entity of the Financial Mechanism of the Convention. Parties to the UNFCCC decided that the GCF would be governed by a Board that would be accountable to, and function under, the guidance of the COP.

The GCF was designed by a UNFCCC-appointed Transitional Committee (TC) comprising 40 individuals (25 from developing countries and 15 from developed countries), with regional/geographic distribution. Based on the report of the TC<sup>3</sup> submitted at COP 17, held in Durban (South

Africa), Parties to the UNFCCC adopted decision 3/CP.17 and approved the GI of the GCF. The GI, in its first paragraph, underscores the urgency and seriousness of responding to and combating climate change. It mandates that the purpose of the GCF is to “make a significant and ambitious contribution to global efforts towards attaining the goals set by the international community to combat climate change.” Furthermore, the GI states that the GCF is to contribute to the achievement of the ultimate objectives of the UNFCCC. Within the context of countries' sustainable development, the objective of the GCF is to “promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.”

The GCF was set up as a new global, multilateral fund. It was established in response to identified and perceived shortcomings in the arrangements and operating procedures under the existing operating entities of the Financial Mechanism of the UNFCCC, as well as other climate financing arrangements available at the time. The historic context in which the GCF was established included the need for the following:

- New, additional, adequate and predictable financial resources
- Funding at scale to respond to the Fourth Assessment of the Intergovernmental Panel on Climate Change
- A shift of financial investment flows to climate-friendly development at scale
- Increased private sector engagement
- The promotion of country ownership

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<sup>3</sup> FCCC/CP/2011/6 and Add.1.

- Direct access to funds to undertake transformative, innovative and country-owned climate change adaptation and mitigation actions on the ground
- A governing board with equal representation from developing and developed countries
- The flexibility to use a wide variety of financial instruments, particularly non-grants
- Improvement in efficiency in accessing financial resources
- Balance in the financing of adaptation and mitigation
- Support for technology transfer
- Innovative financing and outreach initiatives aimed at the most vulnerable communities<sup>4</sup>

## KEY OUTPUTS

Some key milestones and achievements by the GCF, at the end of February 2019, include the following:

- An influential Board with equal representation and voice for recipients and contributors<sup>5</sup>
- Establishment of a new Fund that is independent of other existing climate funds, with an organisational structure, staff and an ISP<sup>6</sup>
- A Secretariat with an executive director (the first was appointed in June 2013), and three independent units
- Pledges of up to USD 10.3 billion
- Approval of key policies and frameworks that form the backbone of the Fund, including the initial investment framework<sup>7</sup> and policies related to environment and social safeguards (ESS), risk, gender, indigenous peoples,

results, performance and information disclosure

- Eighty-four accredited entities (AEs) (national, regional and international) with the potential capacity to operationalise the GCF's overall mandate in countries
- A portfolio of 102 approved funded projects (valued at above USD 5.0 billion along with USD 12.6 billion in co-financing)<sup>8</sup> as well as USD 324 million to other key programmes such as the Readiness Preparation and Support Programme and the Project Preparation Facility
- A little more than two fifths (41 per cent) of the Fund's committed capital to projects is under implementation, and 9 per cent of its project commitments are disbursed
- Continuing responsiveness to guidance from the UNFCCC/COP

## C. KEY FINDINGS AND OPPORTUNITIES

The FPR focused on **four key questions**.

### QUESTION 1: HAS THE GI TRANSLATED INTO AN ADEQUATE STRUCTURE FOR THE GCF TO OPERATIONALISE ITS MANDATE?

**Key finding 1a: The GCF has a functional structure including an influential Board with strong representation and an equal voice from recipients and contributors.** The GCF's overall structure includes a Board, a Secretariat and independent units. The GCF's staff have the necessary expertise to fulfil its current objectives. Its business model includes 84 AEs and national designated authorities (NDAs) in more than 140

<sup>4</sup> Various sources.

<sup>5</sup> The GCF Board convened for the first time: August 23-25, 2012.

<sup>6</sup> Decision B.12/20/Annex I, March 2016.

<sup>7</sup> Decision B.07/06, May 2014.

<sup>8</sup> Since the first project cohort that was approved at the eleventh meeting of the Board, in Zambia in 2015.

countries. **Its remit for working through direct access entities (DAEs) is matched by few other agencies, and the GCF’s provision for a wide variety of financial instruments, and its focus on portfolio balance,** implies that most if not all elements of the GI have translated into an operational structure with the potential to learn and grow.

**Key finding 1b: The ISP was fit for purpose while being flexible:** this has enabled the GCF to grow and emerge while exploring competing objectives. It represented the Board’s vision for the GCF and was rightly envisioned to be a “living document”, which was appropriate for the beginning phases of the Fund.

**Key finding 1c: Within the Fund, the presence of approved rights-based policies, such as the ESS, Gender Policy and Indigenous Peoples Policy (IPP), and the IRM procedures and guidelines, represent emerging best practices within climate finance.** Overall the GCF has developed, in a relatively short period, a set of more than 50 policies, frameworks and procedures based on global best practices. These policies were part of the operationalisation process of the GCF during the IRM. This suite of policies has the potential to contribute to a paradigm shift in the global context of climate change policies.

## OPPORTUNITY

**Opportunity 1a: The GCF’s processes and current strategy need to adapt quickly, going forward, and this also needs to be reflected in the new strategic plan.** The global climate finance landscape has evolved rapidly in recent years, particularly since the GCF was established. In this context, the GI provides a strong direction for the GCF, and going forward the Secretariat’s new strategy will need to reflect this. In particular, the new strategic plan needs to focus on allocating resources using a results-based approach and to respond to developing countries’ needs with speed, transparency, predictability and impact.

**Opportunity 1b: At the time of its establishment, the GCF aimed to fill gaps in global climate financing. This needs to be re-assessed in the new context of climate finance and climate emergency.**

**Specifically, the GCF should embrace the possibility of “leapfrogging” by learning from other agencies.** Two things are important to consider here. First, a paradigm shift is already occurring in the subsectors of mitigation (arguably in renewable energy in most countries). Concurrently, there is an increasing urgency for investments in adaptation. Second, other (climate and non-climate) organisations have experimented and innovated rapidly in project management processes, operational research and structures. The GCF can learn from them, avoid established pitfalls and advance more rapidly. Both these changes need to be reflected in the new strategy.

**Opportunity 1c: GCF policies need to be rationalised and made commensurate with the capacities/context of countries, AEs and the Secretariat to truly contribute to a paradigm shift** towards low-emission climate-resilient development pathways. A few things inform this. First, the existing set of GCF policies has significant overlaps, unclear definitions, unclear delegation for implementation, questionable climate value and critical gaps. Importantly, the policies do not address several parts of the GI, including evaluation; results-based allocation; termination of the Fund; financing issues such as incremental costs, co-financing and concessionality; and some areas of stakeholder engagement and the participation of civil society organisations (CSOs), private sector organisation (PSOs), indigenous peoples and vulnerable communities. Second, DAEs have particularly articulated concerns with the investments and capacities required to be compliant with GCF policies, although a few have indicated that compliance with policies such as the ESS, IPP, and gender and integrity policies, and the IRM procedures and guidelines, have improved their

safeguards. **Overall, however, the current set of policies are viewed as being burdensome for a significant subset of AEs. These policies have, firstly, contributed to the GCF gaining a reputation as non-transparent and unpredictable and, secondly, have affected the GCF's efficiency and effectiveness.** This has implications for access as some entities have been discouraged from participating in the Fund. Third, many key policies (and guidelines and standards prepared by the Secretariat) are still pending approval from the Board. Three Board meetings per year are unlikely to be sufficient to resolve this backlog. This will require careful action from the Secretariat and guidance from the GCF Board.

**Opportunity 1d: The Board may wish to consider clarifying lines of supervision and management and delegating additional authority to the Secretariat, while explicitly recognising the role of key actors in GCF policies and guidance.** Four things support this. First, over a short period of time, the Secretariat has built its structures, staffing and capacities to support the operationalisation of the GCF as prescribed by the GI. Simultaneously as the GCF's operations have grown, the Secretariat's role has expanded beyond managing processes and operationalising activities, to providing technical support for project development and developing strategies and policies for review and approval by the GCF Board. Consequently, confusion about roles and responsibilities exists among the GCF staff and external stakeholders, particularly concerning the separation of oversight and decision-making between the Board and the Secretariat. Second, the expanded volume of work and the urgency required for action suggest that a devolved decision-making process may be more suitable for meeting the GCF's objectives while also enhancing its reputation. Third, although the current structure for implementing the priorities of the GCF relies heavily on AEs and NDAs, the

structures and capacities of these AEs and NDAs vary significantly across countries. This has important consequences for operationalising the GCF mandate. To build a strong, high-quality investment portfolio GCF policies, procedures and standards need to ensure that implications for the entire GCF ecosystem are taken on board while formulating these policies, standards and guidelines. Clear terms of reference that delineate roles and responsibilities will be useful. Lastly, at present, GCF structures and processes do not leverage the capacities of CSOs and PSOs in countries and do not assure visibility for the GCF. CSO and PSO engagement at the country and global levels is limited, and there is no mechanism currently to ensure that the voices of indigenous peoples and other vulnerable communities are heard sufficiently and in ways they demand.

## QUESTION 2. IS THE GCF ABLE TO CHANNEL AND LEVERAGE SIGNIFICANT INVESTMENT FLOWS?

**Key finding 2a: The GCF is the largest international climate fund. In 2018, its USD 2.1 billion in commitments represented 73 per cent of total commitments by multilateral climate finance funds.** The GCF's annual total commitment rate of ±USD 1.5 billion (over the past two years) represents 2.7 per cent of the international climate finance flows of USD 57 billion. It has generally operated cost-efficiently, and based on current administrative cost projections, it will continue to do so. Although costs per project are high, this may be expected given the young age of the organisation and the initial set-up costs required in these contexts.

**Key finding 2b: GCF capital is new, partially additional, but inadequate given the estimated needs of developing countries. The GCF remains relatively small in terms of the total volume of climate finance beyond multilateral climate finance funds.** Climate adaptation and



mitigation needs in developing countries are estimated to be USD 220 billion and USD 1,200 billion per year, respectively. The adaptation and mitigation financing available in developing countries is estimated to be USD 22 billion and USD 249 billion per year, respectively, or 10 per cent and 21 per cent of the identified needs. Current GCF capital is inadequate to meet these needs.

**Key finding 2c: The GCF has not leveraged sufficiently for scale**, and specifically, it has not generated the significant scale needed for meeting developing country needs. The Fund's ability to create impact at scale and support innovative investments has been constrained by several management attributes (e.g. project-by-project approval/management approach) and processes attributes (e.g. those associated with accreditation, compliance with policies, and the project cycle) as well as by limited co-financing. The GCF's expected co-financing ratio is low at USD 2.5 for every USD 1 of GCF funding.<sup>9</sup>

**Key finding 2d: Disbursement has been slow and limited.** Implementation of the business model has translated into limited disbursement of funds in developing countries and does not reflect the sense of urgency that climate change requires.

**Key finding 2e: Having to respond at once to all key principles and priorities, including country ownership/needs, effectiveness, efficiency, paradigm shift and the participation of the private sector creates tensions and conflicts. This results in a process that is perceived as insufficiently predictable and inadequately transparent.**

**Key finding 2f: The Board approved 102 projects in 63 per cent of developing countries and more than 66 per cent of countries in African States, LDCs and SIDS. Eighty-eight per cent of project funding is committed as either a grant or a loan.** Additionally, about 82 per cent of the

commitments have been channelled through international accredited entities (IAEs).

**Key finding 2g: In its design, the GCF has the strongest private sector focus of the multilateral climate finance funds.** It also has the highest *potential* among these funds to scale projects through its mandated ticket size and flexible suite of financial instruments. The GCF Board has approved 23 projects financed through the PSF, representing 41 per cent of GCF funding. Of this, eight are effective, represent USD 730 million of committed funds and have disbursed USD 283 million.

**Key finding 2h: Despite the availability of financial instruments that enable high-risk investments, the GCF has only partially embraced this opportunity.** Additionally, it has been a challenge for the GCF to get the private sector involved in **adaptation projects**. Only 2 per cent of PSF funding is for adaptation projects. Currently, PSF projects are predominantly focused on mitigation; hard currency debt; are committed for larger, more developed markets; and have a high concentration on energy production and/or energy efficiency. Sectors such as transport, forestry and land use, and ecosystems and ecosystem services are underrepresented.

**Key finding 2i: There is limited engagement and cooperation between NDAs and private sector AEs at the country level.** This has led to perceptions of limited country ownership in private sector projects, since private sector projects are predominantly executed by international development banks, through global or regional projects. There is little communication and few well-defined reporting requirements between NDAs and the IAEs (particularly after the no-objection procedure).

**Key finding 2j: PSF projects have an expected co-financing ratio of 2.9 (versus 2.2 of Division of Mitigation and Adaptation projects) but with limited**

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<sup>9</sup> Compared to other multilateral climate finance funds.

### **leverage from the actual private sector.**

Almost 70 per cent of co-finance in PSF projects is leveraged from publicly owned or funded international organisations and development banks, and only 29 per cent is co-financed by private sector entities. This means there is a 0.83 expected private sector co-finance ratio for PSF projects. This is insufficient to meet the GCF's mandate of maximising private sector engagement and catalysing new and additional finance to reach the scale required to combat climate change.

**Key finding 2k: The PSF has so far primarily co-invested in climate projects of development finance institutions (in some cases on the same financial terms), rather than leverage the private sector.** The PSF's mandate and concessional financing has untapped potential to work with private sector entities and finance more innovative, riskier projects where the PSF has the prospect of becoming a market leader or shaper.

## **OPPORTUNITY**

**Opportunity 2a: The GCF has an opportunity to leverage the range of the financial instruments at its disposal, more effectively.** To date equity, guarantees and result-based payments have been utilised in only nine projects. If the GCF wants to move into more pioneering and innovative projects, increased use of equity and guarantee instruments (mixed or otherwise) should be encouraged.

**Opportunity 2b: While the Secretariat is learning and improving as time progresses, the legacy of the GCF's decisions in its early years is affecting its current effectiveness.** A new strategic plan that focuses the GCF on being a global thought leader and establishing a niche in climate finance will help it break away from its early experience of competing priorities, a culture focused excessively on compliance, unpredictable processes and a reactive, supply-driven portfolio.

**Opportunity 2c: To achieve scale, much of the financial leverage for climate change action, will have to come from the private sector.** The GI clearly underscores the crucial role of the private sector in climate and, therefore, in the GCF. The GCF's private sector engagement is currently constrained for several reasons that need to be addressed by the Secretariat through improvements in the business model:

The GCF needs to better leverage the private sector for innovative projects. So far, the PSF has only one commercial private AE with approved and effective projects. The AEs that the GCF works with are predominantly publicly owned and/or funded (international) development banks. Although there are benefits of working with development banks, the GCF is at present mostly a co-investor in these projects.

The GCF is dependent on project origination by AEs. Presently most AEs are mostly (international) development banks and the GCF seems to be dependent on responses from them even for requests for proposals (RfPs). The GCF has not yet used its mandated ability to directly fund private sector projects.

Private sector actors perceive long timelines and a lack of predictability in project appraisal and GCF decision-making. The average time of 15 months from funding proposal (FP) submission to effective funded activity agreement (FAA) (based on eight effective PSF projects) fares poorly compared with the time period the private sector requires for making investment decisions. The GCF's longer time frame discourages potential private sector actors from approaching it for their (more innovative) projects.

The GCF has a limited number of private sector AEs, and an even more limited number of private sector DAEs, and both are held back by the burdensome accreditation process.



**Opportunity 2d: The GCF has the opportunity to contribute far more significantly to the adaptation financing gap.** The financing gap in adaptation (90 per cent) is larger than in mitigation (79 per cent). The GCF's ability to bring scale in the adaptation market is larger than in mitigation. The GCF's share of developing countries' adaptation needs (at 2.2 per cent) is five times larger than its share in mitigation finance needs (0.4 per cent).

**Opportunity 2e: The GCF needs to establish its own niche that is responsive to the current climate finance landscape and developing country needs.** Development finance institutions are losing "market share" in renewable energy financing in developing countries, from 3.4 per cent in 2013 to 2.3 per cent in 2017 due to a significant increase in domestic and commercial financing in this sector. In adaptation, the GCF provides mostly grants. Although participation by the private sector in adaptation finance is below 20 per cent for all multilateral development banks, some report a higher participation of the private sector than the GCF. The GCF has the potential to be a leader in this field. A potential niche for the GCF may be to leverage the private sector far more in adaptation. Another potential niche may be to integrate and phase grants and non-grant instruments better, especially if the GCF wants to demonstrate both innovation and impact.

**Opportunity 2f: By implementing a phased strategy, the GCF can manage the potential tensions faced in addressing all its priorities.**

### QUESTION 3: IS THE GCF ABLE TO DELIVER AND PRIORITISE CLIMATE CHANGE NEEDS IN DEVELOPING COUNTRIES?

**Key finding 3a: GCF investments have targeted sectors and results areas that are consistent with priorities in nationally determined contributions, national adaptation plans, nationally appropriate mitigation actions and others.** The GCF's investments are largely aligned with the sectors identified for mitigation and adaptation among LDCs, SIDS and African States. However, there are important missed opportunities. The current GCF portfolio is delivering limited or no support to low-emission transport needs in 64 countries, which include African States, LDCs and SIDS, in which the GCF currently operates. Furthermore, GCF resources meet less than 0.6 per cent of quantified adaptation financial needs in these specific 64 countries and 0.3 per cent of their quantified mitigation financial needs.<sup>10</sup>

**Key finding 3b: In nominal terms, a balance between adaptation commitments and mitigation is still to be achieved. Currently, nominal adaptation commitments are half the nominal commitments made to mitigation.** Of the more than USD 5.0 billion of Board-approved funding, 63 per cent goes to mitigation projects and 37 per cent to adaptation projects.<sup>11</sup> Allocating the Fund's resources according to grant equivalence reveals a portfolio with 52 per cent of GCF funding committed to adaptation and 48 per cent committed to mitigation, demonstrating that most of the adaptation projects are still in the grant space, further demonstrating limited innovation.

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<sup>10</sup> In most cases the financial need is expressed in cumulative needs, and not annual needs as referred to under Opportunity 2d.

<sup>11</sup> Cross-cutting projects are distributed across adaptation/mitigation according to the funding amount per results area; with 60 per cent of GCF cross-cutting funding going to mitigation results areas.

**Key finding 3c: The GCF portfolio is not as balanced in terms of targets or access entities as anticipated in the GI, ISP and Board decisions.** 82 per cent of GCF funding (USD 4,193 million) is committed through IAEs. There was an expectation that there would be more active DAEs participating in the GCF. Additionally, resource allocation is still unbalanced within the eight results areas with a concentration on mitigation, particularly the results area of power generation and energy access.

**Key finding 3d: Although the results management framework (RMF) represents a flexible menu, the current investment portfolio of the GCF does not have sufficient ability to report credibly on its impact and effectiveness in delivering sustainable development related results, reducing greenhouse gases and assisting people in adapting to climate change-driven variability.** There are two reasons for this concern. First, the RMF at the project level is weak in a majority of the approved projects so they will not provide sufficient evidence to measure results in the future. In the current portfolio, half of the investments do not include plans for baseline data collection, two thirds do not have theories of change, and a majority of the investments (more than 90 per cent) will overstate their results because they do not have realistic assumptions or the ability to measure their results credibly. This compromises the GCF's ability to demonstrate its achievements credibly. Second, the RMF does not articulate how project outcomes contribute to the GCF's overarching aims of a paradigm shift towards low-emission and climate-resilient sustainable development pathways. There are no guidelines or protocols for how the indicators are defined and measured.

## OPPORTUNITY

**Opportunity 3a: The Secretariat needs to help entities report credibly on results areas.** Having a full set of operational guidelines, standards and procedures for

reporting credibly against the results framework should be a key focus of the Secretariat.

**Opportunity 3b: The GCF may re-consider and emphasise the extent to which adaptation opportunities are supported through its investments.**

## QUESTION 4. HAS THE GCF BUSINESS MODEL BEEN APPROPRIATE AND IS IT READY FOR THE FUTURE?

**Key finding 4a: The design and essential elements of the business model are valid and represent the GCF's mandate.** The business model has created a portfolio that, for the most part, responds to country needs. The business model potentially offers those accessing the GCF a diversity of financial and non-financial instruments.

**Key finding 4b: The GCF's portfolio is not very different from that of other multilateral funds.** The portfolio is skewed to mitigation (in nominal terms), the public sector, and grants and loans, mostly implemented by international development entities.

**Key finding 4c: The GCF business model is characterised by a compliance-driven culture with little room for risk-taking.** Both accreditation and project cycle are heavy, compliance-driven processes. This has become a bottleneck since compliance requirements accumulate and then continue into the project cycle. Currently, in practice, accreditation and project cycle processes do not differentiate significantly between experiences and capacities of entities, investment attributes and contexts of countries. They are also not sensitive to the needs of entities that have little experience with complying with rigid and numerous policies. Required policy and procedure compliance levels are the same across entities, countries and types of projects.

**Key finding 4d: Two key consequences of a compliance-driven culture have created a portfolio of effective agencies and**

**investments that make the GCF's portfolio much like those of other organisations.**

Long and costly processes to get an accreditation master agreement (AMA) and FAA negotiated and signed have discouraged a number of institutions from engaging with the GCF, including institutions that would likely add value to the achievement of the GCF. This was also one of the key causes for delays in FAA signing and thus, start-up of project implementation.

**Key finding 4e: The implementation of the business model has not delivered in a number of areas for which the GCF was set up or that were in the GI or ISP. Thus far, the GCF has disbursed 9 per cent of project commitments, and this does not reflect the urgency that characterises the climate problem today.** Some proximate causes for these are as follows:

- The clarity of roles and responsibilities of key actors with respect to the processes involved in implementing the business model still needs to be dealt with.
- The business model has been implemented mostly as one-size-fits-all, and this does not sufficiently consider the heterogeneity of country context, AEs, and types and objectives of project proposals.
- The business model has not been solutions driven, particularly with respect to how different actors work in the system.
- Presently, there are no incentives and structures to induce a one-GCF business model approach to solutions rather than each of the parts playing a disjointed role.
- The GCF business model at the country level is frequently centrally managed and operated by the national government. Some key stakeholders are not consistently participating in the GCF. There is consequently limited consistency in the quality and delivery of

implementation at the country level across countries.

**Key finding 4f: The GCF's portfolio is not as balanced as anticipated (in nominal terms between adaptation and mitigation; IAEs versus DAEs) caused primarily by employing a reactive/supply-driven approach within the current business model.** This is especially the case in the PSF portfolio, where there are only two small adaptation projects and a significant dominance of larger IAEs. It is also demonstrated by the generally unsuccessful RfPs.

**Key finding 4g: The limited set of specific targets and measurable indicators in the ISP make it difficult to assess the GCF's performance.** The associated absence of an effective and used RMF has caused insufficient direction on portfolio management.

**Key finding 4h: The investment criteria are linked to the higher-level strategic vision of the GCF, as well as to the Action Plan and operational priorities.** As a representation of the ISP, the investment criteria serve their purpose well. However, they are very broad and not well defined, and when applied across the portfolio, there is not much variation in the Secretariat and independent Technical Advisory Panel ratings. The small variations in ratings indicate that these investment criteria are not a good investment prioritisation tool. Additionally, despite being central to the mission of the GCF, the investment criteria do not give sufficient weight to the climate dimension.

**Key finding 4i: The project cycle is a central element of the GCF operational processes, set of policies and governance arrangements.** It aims to ensure that the projects that meet the Fund's investment criteria move from the initiative of individual countries, regions or entities through the Fund's assessment and approval processes towards effectiveness and implementation.

**Key finding 4j: Some of the key reasons for delays in the project cycle include policy**

gaps and overlaps; the retroactive application of policies; lack of internal coordination within the Secretariat; and the absence of a public tracking system that would enable entities to check the status of their proposals. This has led to uncertainty and a lack of transparency.

**Key finding 4k: While it is too early to tell if the simplified approval process (SAP) will improve timelines, the average approval times for the six approved SAP projects were similar to FPs going through regular channels (eight months compared to nine months).** A key reason for this is that while project preparation time has been reduced due to better guidance developed for AEs, the Review, approval and legal steps of the project cycle have not been simplified.

**Key finding 4l: Decision-making related to projects, including project approvals by the Board, is perceived as insufficiently predictable and not transparent.** Currently, entities are not informed of potential concerns beforehand, and there are policy gaps in areas such as portfolio distribution and exposure. Additionally, there is slow decision-making, project-by-project approval, and unplanned or unpredicted postponement of project approvals and/or condition-setting.

**Key finding 4m: Post-Board-approval processes especially on GCF legal requirements and policy clearance is still very long.** Due to a variety of reasons in the GCF, legal clearance is lengthy and a barrier to project implementation. On average, FAA negotiations, after the proposal is approved by the Board, have taken 12 months for the 49 projects with signed and effective FAAs; of the 53 projects still in legal negotiations, 6 have been in these negotiations for an average of 31 months.

This is very lengthy, and these delays frequently imply that the fundamentals of projects are not relevant after such delays. A variety of reasons cause these delays, not all necessarily within the sphere of influence of the Secretariat. These include an absence of an effective AMA; internal AE approval

times, particularly those of the larger IAEs that are not in sync with the GCF's timelines; commercial or technical matters, such as incomplete logical frameworks, incomplete budgets, and other commercial and technical matters that could have been addressed before Board approval; lack of understanding of policies and conditions among AEs; strict compliance with all policies irrespective of needs, objectives and contexts of countries and entities; and retroactive application of policies – that is, the introduction of new policies in FAA negotiations (even if they were not included in the signed AMA).

**Key finding 4n: Accreditation is an essential part of the GCF business model, and the GCF relies squarely on AEs for delivering its mandate and implementing on the ground.** Unfortunately, the accreditation process is mostly a uniform approach and does not sufficiently differentiate by type of country, entity or project regarding compliance with GCF policies.

**Key finding 4o: The accreditation process generated 84 AEs, more than any other climate fund, but this is not the list anticipated given the low number of DAEs that have GCF funds committed to them.** In practice, the current GCF portfolio is concentrated on 10 AEs, most of which are international development institutions. Countries are still using international entities (82 per cent of the funding goes through IAEs). Many are development organisations with a long history and with very specific procedures and policies (that are complex themselves).

## OPPORTUNITY

The GCF business model has given the GCF the instruments, policies and procedures for the Board to commit 75 per cent of the available pledges during the IRM to projects and programmes, but the GCF has only disbursed 9 per cent of these commitments in countries. It is time, therefore, to make some adjustments to the model, by building on the



opportunities listed here, so the business model can assist the GCF's mandate to provide significant and urgent support to developing countries in relation to climate change.

**Opportunity 4a: The project cycle is perceived as insufficiently predictable by AEs and other potential partners**, due to the lack of transparency on the real-time status of applications, the large numbers of comments and questions on proposals, and the perceived lack of guidance on the eligibility of projects. In some cases, this has declined. On average, time for approved projects to move from FP submission to Board approval is nine months, which is a good accomplishment for the GCF. Some of the key delays occur between Board approval and FAA execution or start-up of implementation.

**Opportunity 4b: In particular, country ownership, country needs and sustainable development are rated medium or higher for at least 90 per cent of the projects that received a rating.** This creates an opportunity, and the GCF may consider them as minimum requirements for projects and programmes, given their salience for the GCF rather than as part of the investment criteria.

**Opportunity 4c: The accreditation process was designed and implemented to mainly assess institutions on how they can manage projects, but it does not review their capacity for climate change action.** Most institutions accredited are development institutions (with a climate change strategy). It may be useful for the GCF to consider how these institutions and their (own) portfolios may leverage the GCF's influence and reach, to then promote a paradigm shift in climate change.

**Opportunity 4d: The GCF may consider a model that makes access and delivery mechanisms differentiated by capacity and purpose of investments.**

## D. KEY CONCLUSIONS AND RECOMMENDATIONS

The GCF represents a **promise** to this generation and all generations to come. Since its establishment, and while considering its relative youth, the GCF has achieved much over the last four years (2015 to early 2019). The FPR provides evidence on these achievements.

The GCF has the mandate to actively promote a paradigm shift in the response to climate change. So far in the context of climate change financing, the GCF remains small relative to developing country needs for adapting to and mitigating climate change.

The FPR recognises that the world has changed tremendously since the GCF was conceived, in terms of the needs, challenges and actors in climate finance. All these highlight the need for urgency and speed of action. **Going forward, it is imperative that the GCF develops and incorporates fit-for-purpose policies, procedures and organisational ability to act speedily, deliver rapidly and address developing country climate needs transparently, predictably, significantly and with larger impact.**

With this overall conclusion, the FPR makes **four key recommendations:**

**First, strengthen criteria, business processes and implementation structures that are likely to better address differentiated developing country needs and capacities, with a focus on DAEs.**

Within this, develop key performance indicators and targets to track transparency, speed, predictability, impact and innovation.

**Second, develop a strategic plan that focuses the GCF on being a global thought leader and a climate policy influencer, and one that establishes its niche commensurate with innovation and impact.**

**Third, re-emphasise adaptation while recognising (and leveraging) the role of new actors in mitigation (and their special**

needs), and strengthen the role of the private sector in an overall symbiotic ecosystem of financial instruments and modalities that enable better access, transparency and predictability for entities, and innovative solutions and global climate impact for countries.

**Fourth, clarify and re-examine the separation of supervision and management in the GCF and consider delegating authority to emphasise agency, responsibility and urgency in delivering on developing country climate needs** (predictably, transparently, speedily, innovatively and with impact).

## DETAILED RECOMMENDATIONS

### OVERALL RECOMMENDATION 1

**Strengthen criteria, business processes and implementation structures that are likely to better address differentiated developing country needs and capacities with a focus on disbursing through DAEs.** Develop key performance indicators and targets to track transparency, predictability, speed, impact and innovation.

**Recommendation 1a: Consider revising the accreditation framework and process.** Develop a strategy for accreditation that will bring in institutions that have capacities and strategies commensurate with those of the GCF and that will help it achieve its mandate and strategic plan. It will be important to ensure that the strategy articulates what it will help the GCF achieve, how and when. To the extent possible, it should also set yearly targets for accreditation, and specifically for DAEs, as well as to create a portfolio of entities that mirror the Fund's new strategy and priorities. To achieve greater participation and disbursement of GCF investments through DAEs, also consider integrating readiness far more closely into accreditation (to create GCF-ready entities). Also, consider announcing business standards and clear expected requirements for processes to

improve transparency, predictability, expectation and communication.

**Recommendation 1b: Consider building a solutions-driven structure in the Secretariat that encourages a one-GCF approach (rather than the current public/private sector division) and in which staff are incentivised for providing solutions and meeting needs of countries in effective ways including by using innovative financial solutions and leveraging other institutions for the greatest impact of GCF investments on country needs.** Additionally, build teams that are custodians of GCF investments from beginning to end and are incentivised for both innovation in providing advice/instruments and for realising impact and results.

**Recommendation 1c: Consider incorporating processes in the business model that are more sensitive to the different needs of countries, entities and investments.** In the business model, view accreditation and the project/investment cycle in an integrated way so that entities can expect reasonable turnaround times and clarity in expected requirements, from their first engagement with the GCF to realising disbursements. One way in which the Secretariat may consider this is to build processes that ensure high scrutiny during accreditation *or* during project appraisal but not both (a differentiated model that is sensitive to needs and objectives of entities, capacities of countries and purposes of investments). Ensure that project investment sizes are also differentiated in the overall compliance structure of the GCF (with a special focus on fast-track entities in the accreditation process, and SAP and private sector projects for types of projects).

**Recommendation 1d: Consider revising the investment framework and making it a true prioritisation tool.** In the longer run, consider moving some criteria to minimum requirements while ensuring that remaining criteria are well understood and transparent and can be used as a prioritising tool that may

be used for investment selection or timely feedback. Ensure that the investment criteria reflect the basis of what is supported by the GCF and consider mainstreaming “climate value” into the investment criteria. While doing this, it will be critical to ensure that the investment criteria and the RMF are aligned and that while the investment criteria may help provide indicators of quality, the results framework is usable without contradiction for effective management and delivery.

***Recommendation 1e: In the longer run (two years), lead a dialogue across the GCF ecosystem to underscore the “climate dimension” of GCF policies and consider articulating this in a single “climate policy” document that establishes the climate additionality of the GCF’s policies over and above AE’s own policies. Some entities may use this as a communication tool, and others as a document that may be used by their own management to gauge the merit of the GCF’s policies and create a culture of “climate value” in these institutions while disposing them towards climate-drivenness in their own portfolios.***

***Recommendation 1f: Clarify roles and responsibilities across the GCF business model, including those of AEs and NDAs and within the Secretariat to ensure management and delivery for greatest impact.***

***Recommendation 1g: Learn from the experiences of other organisations in project management and focus attention on managing the current portfolio of projects for results.*** Additionally, ensure that the RMF is operationalised and applied to the current portfolio and that projects are provided tools and guidance for credible monitoring and results reporting.

***Recommendation 1h: Support an active network of in-country and international CSOs/PSOs, and representatives of indigenous peoples and vulnerable communities, both financially and operationally, so they are able to provide much-needed support, voice and guidance for***

climate projects and investments that by themselves are likely to have repercussions for a vast cross section of people and households in countries, with disproportionate effects on the vulnerable.

## OVERALL RECOMMENDATION 2

**Develop a strategic plan that focuses the GCF on being a global thought leader and a policy influencer and establishes its niche commensurate with innovation and impact.**

***Recommendation 2a: The following is a non-exhaustive list of attributes the Board may consider for the new strategic plan.***

- The Secretariat may consider leveraging influence by building knowledge-based and policy-driven enabling environments in-country and globally. This means it will need to staff and create the capacity to be a knowledge hub, provide on-demand advisory services and play an influential role in international policy.
- To be a solutions-driven institution, that provides advice to maximise the global impact of its resources, and to secure additional finance, as recommended by the GI, the Board may consider the Secretariat taking on the role of a broker for appropriate opportunities in climate finance (and not just as a disburser of resources).
- Recognise that structure and incentives induce behaviour. Accordingly incentivise staff in the Secretariat using a variety of approaches to create a culture of risk-taking, innovation and management for impact. Incentives should be put in place especially to innovate in creating/combining/using a diversity of financial instruments, including creatively phasing grants/non-grants that are applied to create a rich, innovative and climate-driven portfolio that maximises the impact of GCF resources for countries.
- Take on board the GI’s recommendation to have a results-based approach for



allocating resources. This may take the form of emphasised impact, replication and scaling up, while still keeping some room in the portfolio for innovative, risky investments that are likely to fail but represent new thinking and the potential to learn from what may work and what may not. To accommodate this, the Board may consider including some “stretch goals” in the investments portfolio as well as in the entities profile.

- Recognise that much of the “scale and additional finance” that the GI mandates will only be possible by leveraging the private sector. Include key performance indicators (KPIs) in the strategy for private sector investments (those that use high-risk instruments and those that support high-risk opportunities); non-grant instruments for adaptation; and disbursements through DAEs. Also, consider including ambitious goals for mitigation-related investments linked to a paradigm shift in the immediate run. These KPIs should supplement the KPIs on commitment and disbursement that are reported annually to the Board.
- Consider developing a longer rolling plan (over 15 years) that indicates how the overall priorities of the GCF will be achieved in a phased manner while ensuring that the Secretariat is able to concentrate on a shorter list of priorities organised by strategy period. This will enable the Secretariat to realise its full mandate as specified in the GI over a longer but predictable period of time without sacrificing quality or predictability.

**Recommendation 2b: Consider informing the GCF niche after a review of evidence, including that from science, evaluations and market assessments.**

### OVERALL RECOMMENDATION 3

**Re-emphasise adaptation while recognising (and leveraging) the role of new actors in**

**mitigation. Strengthen the role of the private sector in an overall symbiotic ecosystem of financial instruments and modalities** that enable better access, transparency and predictability for entities, and innovative solutions and global climate impact for countries.

**Recommendation 3a: Rationalise current allocations to mitigation and adaptation to balance them in the nominal portfolio, and specifically consider goals related to the creation and use of innovative private sector financial instruments in adaptation that are able to better serve developing country needs.** Alongside, define, after careful assessments, a potential niche for investing in mitigation projects that are innovative and directed in either programmatic, results area or geographic settings that are likely to contribute to a paradigm shift in mitigation in the *nearer term* (while providing for a grace period for adaptation projects).

**Recommendation 3b: Consider reviewing the current compliance-driven culture** in the GCF and provide incentives for increased innovation.

### OVERALL RECOMMENDATION 4

**Clarify and re-examine the separation of supervision and management in the GCF and consider delegating authority to the Secretariat to highlight agency, responsibility and urgency in delivering developing country climate needs** (predictably, transparently, speedily, innovatively and with impact).

**Recommendation 4a: Consider delegating authority to the Secretariat for developing procedures, guidelines and standards for Board-approved policies** as well as for some investments while taking stock of the ability of Secretariat staff to deliver these and report these appropriately and regularly.

**Recommendation 4b: Emphasise the strong, influential and trend-setting structure of the GCF Board, but also consider current**

**dissatisfaction in some quarters with access, transparency and the predictability of GCF decision-making processes to support a review of processes** that may help to mitigate these. In such a Review, consider, in particular, the source of delays in post-approval phases of funded projects as well as causes for slow and limited disbursement, while requesting the Secretariat to clarify different staff roles to overcome redundancies and clarify responsibilities during different phases of the project cycle.

***Recommendation 4c: Build a robust and transparent tracking, monitoring and***

**information system** that is publicly accessible and enables entities, CSO/PSOs, NDAs and other stakeholders to view the status of their proposals.

***Recommendation 4d: Consider clarifying policy overlaps, filling policy gaps and the delegated authorities associated with them in the current set of GCF policies.*** Consider also including a requirement in all new policies that come for Board consideration, an analysis of repercussions on Secretariat staff, budgets, and the current set of entities and investments.





# MAIN REPORT



## Chapter I. INTRODUCTION TO THE FORWARD-LOOKING PERFORMANCE REVIEW

### A. BOARD DECISION

1. At its twenty-first meeting (B.21), the Board of the Green Climate Fund (GCF) approved the Forward-Looking Performance Review (FPR) (decision B.21/17). As outlined in the decision, the FPR aims to assess the following:
  - (i) Progress made by the Green Climate Fund so far in delivering on its mandate as set out in the Governing Instrument for the Green Climate Fund as well as in terms of its core operational priorities and actions as outlined in the initial Strategic Plan of the GCF and the GCF's business model, in particular, the extent to which the GCF has responded to the needs of developing countries and the level of country ownership;
  - (ii) The performance of the GCF, including its funded activities and its likely effectiveness and efficiencies, as well as the disbursement levels to the funded activities; and
  - (iii) The existing GCF portfolio and pipeline, the application of financial instruments, and the expected impacts of funding decisions and other support activities, including in terms of mitigation and adaptation, on both forward- and backward-looking basis.
2. The Board also decided at B.21 that the FPR and the Board's consideration of the performance review will be shared during the replenishment process.

In the same decision, the Board asked the GCF Independent Evaluation Unit (IEU) to undertake the performance review, present an initial report with emerging areas of recommendation by 28 March 2019 and submit the Review by 30 June 2019.
3. The FPR contributes to **accountability** within the GCF because it reviews emerging evidence on the performance and likelihood of impact of GCF investments. The Review takes into consideration the current (early) stage of evolution of the GCF and its unique context. It also examines the past performance of the GCF to make inferences regarding the future likelihood of impact of the Fund's investments. For the purpose of this Review the terms "the Fund" and "the GCF" are used interchangeably. In contributing to **learning**, the FPR aims to be constructive in its efforts to inform the next phase of the Fund. In this sense, the Review is both backward-looking and forward-looking.
4. The FPR reviews all activities supported by the Fund (e.g. policies, strategies, business model, systemic and emerging corporate topics, organisational structure and partnerships, processes and the performance of GCF programmes and initiatives) during the initial resource mobilisation (IRM) phase, which lasted from 2015 to 2018.<sup>12</sup> During this period, the Fund raised USD 10.3 billion in pledges from 43 countries, including developed and developing countries.<sup>13</sup> The FPR acknowledges that the GCF is at an early stage of implementation and considers how critical elements defined from inception have influenced the design, evolution and current functioning of the Fund. In summary, the FPR explores whether the GCF is doing things right and whether it is doing the right things.

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<sup>12</sup> Given that resources pledged for the IRM are still available beyond 2018 (see, for example, [B.21/33/Rev.01](#)) the FPR included decisions at B.22.

<sup>13</sup> 75 per cent of the pledges came from five countries: the United States (29 per cent), Japan (15 per cent), the United Kingdom (12 per cent), France (10 per cent) and Germany (10 per cent) are contributing between USD 1 billion and USD 3 billion. Ten countries pledged amounts between USD 100 million and USD 500 million; six countries pledged between USD 10 million and USD 100 million, and the rest pledged below USD 10 million. Developing countries having pledged funds are Chile, Colombia, Mexico, Mongolia, Panama and the Republic of Korea (GCF, Status of Pledges and Contributions made to the Green Climate Fund, 8 May 2018).



5. The review assesses the extent to which the Fund has been able to deliver against its mandate, in line with international practices. The scope of the FPR covers all activities that have been approved by the Board decisions. It includes, for example, project and administrative commitments and fees as of 28 February 2019 (B.22; Table I-1).

**Table I-1. Commitments made by Board decisions (as of B.22, 28 February 2019)**

TYPE OF COMMITMENT	COMMITTED
Project commitments	\$ 5,017,998,446
Project fees*	\$131,898,009
Readiness and Preparatory Support Programme	\$284,000,000 <sup>14</sup>
Project Preparation Facility**	\$40,000,000
GCF administration expenses***	\$410,334,775
<b>Total</b>	<b>\$5,884,231,230</b>

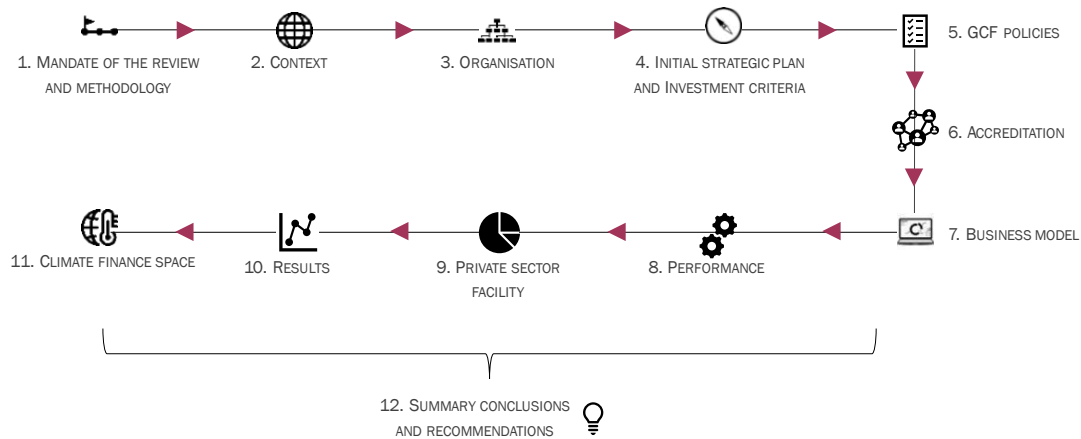
Source: IEU DataLab

Notes: \*Only for 55 funded projects with a signed funded activity agreement as of February 2019;

\*\*Allocation made by decision B.13/21 for the initial phase of the PPF; \*\*\*Budget until 2021; of which USD 158 million had been spent by end of 2018.

## B. FPR FRAMEWORK AND KEY AREAS OF ANALYSIS

6. The framework used by the FPR in responding to the three areas of inquiry requested by the Board (decision B.21/17, October 2018) is organised around seven areas of analysis that inform the final structure of the report, as illustrated in Figure I-1. Each area of analysis is examined in one or more chapters of the report.



**Figure I-1. Structure of the FPR report**

7. The report starts with the Executive Summary, followed by the present Chapter I, which presents the mandate from the Board for the IEU to conduct the review and briefly introduces the methodology. Table I-2 details the main questions that the FPR sought to address for each area of analysis, and how they relate to the three areas of inquiry determined by the Board and to the FPR chapters. Table I-2 summarises the recommendations from across the report and extracts lessons.

<sup>14</sup> This is reported by the Trustee to the GCF (February 2019). It is subject to review by the GCF Secretariat.

**Table I-2. Correspondence between the areas of focus in the Board decision, the FPR areas of analysis and the report chapters**

BOARD DECISION	AREAS OF RESEARCH AND ANALYSIS	CHAPTER
<b>PROGRESS</b> <ul style="list-style-type: none"> <li>Delivering on its mandate</li> <li>Initial Strategic Plan</li> <li>Business model</li> <li>Needs of developing countries</li> <li>Country ownership</li> </ul>	Context of the GCF. Was the GCF fit for purpose when it was established? What were the conditions, context and assumptions that led the United Nations Framework Convention on Climate Change (UNFCCC) to establish the GCF? What was the process to develop the Governing Instrument? Were there any lessons from other institutions incorporated in the establishment of the Fund?	2
	Initial Strategic Plan (ISP). How is the ISP supporting the fulfilment of the GCF mandate? What are its links (if any) to the Governing Instrument, to the business model and the results management framework (RMF)? How are the investment criteria utilised?	4
	GCF Business Model. How is the GCF Business Model (i.e. organisational structure, the Private Sector Facility, the access modalities and financial instruments) supporting (or not) the fulfilment of the GCF mandate?	3 and 7
<b>PERFORMANCE</b> <ul style="list-style-type: none"> <li>Performance</li> <li>Likely effectiveness and efficiency</li> <li>Disbursement levels</li> </ul>	Policies and processes. Are the different policies approved by the Board (particularly risk management, gender, Indigenous Peoples, Environmental and Social Safeguards, disclosure) effective/sufficient for the operations of the GCF? How is the accreditation process supporting (or not) the GCF?	5 and 6
	Performance of the GCF. What are the key strengths, weaknesses, achievements, challenges and opportunities of the GCF project cycle; the roles of the independent Technical Advisory Panel and Private Sector Advisory Group; the current GCF portfolio; the different access modalities and non-grants financial instruments; and the operation of the Private Sector Facility? Has the GCF been responsive to UNFCCC guidance?	8 and 9
<b>PORTFOLIO</b> <ul style="list-style-type: none"> <li>Portfolio and pipeline</li> <li>Application of financial instruments</li> <li>Expected impacts</li> </ul>	Likelihood of (and actual) results. What are the actual or expected results from GCF investments? How are the GCF investments contributing to the paradigm shift to low-carbon emission economies and increased resilience pathways of sustainable development?	10
	Climate finance. What is or should be the niche of the GCF in the climate change architecture of today and the future?	11

8. These seven areas of analysis encompass all elements that make the GCF a unique financial institution and provide the framework to discuss the backward- and forward-looking characteristics of the FPR. The evaluation matrix in Annex 1 elaborates these areas of analysis in detail, as well as the data, and includes the methods used. These are briefly discussed below.

### C. METHODOLOGIES, TOOLS AND TASKS

9. The FPR uses a mixed-methods approach that includes document/literature reviews, a quantitative analysis of the portfolio, an online stakeholder survey, semi-structured interviews and focus groups,

and in-depth analyses in selected countries and core topics. The IEU DataLab<sup>15</sup> collected, checked and analysed data about the GCF and the portfolio. The team developed **evidence-based conclusions** by verifying, validating and triangulating data from multiple sources, both internal and external to the GCF, from primary and secondary sources, including through field visits. All data included here, unless otherwise noted, are valid up to 28 February 2019. The FPR's conclusions support a series of recommendations for the GCF, particularly its strategic focus and business model. The FPR also employed process-tracing and developed a retrospective theory of change to compare the initial vision for the GCF and its current state. The main data sources and methods of analysis are as follows.

## 1. SEMI-STRUCTURED INTERVIEWS, FOCUS GROUPS AND SURVEY

10. The FPR adopted a participatory approach that focused initially on gathering data from multiple stakeholders through preliminary interviews and focus groups with GCF staff and Board members. Subsequently, the FPR team collected data from GCF stakeholders using semi-structured interviews, focus groups and a survey. The team used this feedback to triangulate information, validate data, and shape findings and conclusions. The team also conducted multiple interviews with a wide set of stakeholders from within the GCF (Secretariat, Board, independent units and panels, etc.) and outside of it (accredited entities, other funds, research organisations, civil society organisations, private sector organisations, etc.). Interview and survey protocols are included in Annex 2. In total, the FPR team interviewed more than 500 people and conducted a dozen workshops, webinars and side events with GCF staff, panels and external stakeholders. Annex 5 provides a full list of people consulted.

## 2. LITERATURE REVIEW

11. A literature review covered a wide set of documents produced for multiple purposes. This included not only documents produced for or by the Board, GCF policies, analysis and decisions, but also external documents such as research papers, funding proposals (FPs), annual performance reports (APRs) from projects under implementation, and country-level climate change strategies and plans (including national action plans (NAPs), nationally determined contributions (NDCs), etc.).

## 3. SYNTHESIS STUDY OF EXISTING REVIEWS AND EVALUATIONS

12. Following the Board's recommendation, the team synthesised evaluative evidence from a series of documents. For the synthesis, the team critically appraised 178 documents produced by the Secretariat for quality (including credibility, sufficiency and rigour). Additionally, it drew lessons from past and current evaluations, reviews, studies and the like conducted by the IEU. It focused on the findings, conclusions, recommendations and scenarios presented in these documents to infer overall lessons and highlight key emerging patterns.

## 4. ANALYSIS OF THE GCF PORTFOLIO

13. Based on data collected and quality assured by the IEU DataLab, the GCF investment portfolio was analysed qualitatively and quantitatively. Data sources included the grant-management software Fluxx, approved FPs, the integrated Portfolio Management System (iPMS), country and entity portals, financial and procurement records, APRs, and other information from different divisions of the GCF Secretariat. The analysis examined the effectiveness and efficiency of the project cycle and

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<sup>15</sup> The IEU DataLab consists of a team of IEU personnel dedicated to collecting and processing quantitative information about the GCF.

accreditation, the extent to which different funding modalities can deliver on the mandate of the Fund, and the extent of engagement with the private sector. The analysis is based on data that were valid as of 28 February 2019 and includes projects approved at B.22.

14. One of the key pillars of IEU evaluations is data. The IEU DataLab has built an extensive database to support all IEU evaluations, including the FPR. In order to capture all relevant aspects of GCF functions, the IEU DataLab relied on two major sources. The first includes primary document sources produced by the GCF Secretariat, particularly for the Board, and the broader GCF network, including the FPs. Many of these documents do not have machine-analysable data. These data were input manually by colleagues at the IEU DataLab. The second source is the data management system of the Secretariat, which records some of the key processes of the Fund. Many of these existing data sources, systems and platforms had consistency and management issues, as well as a lack of meta-data and time stamps. The IEU DataLab resolved these quality concerns during the evaluation.

## 5. GIS ANALYSIS

15. The IEU DataLab also created a geographic information system (GIS) to analyse the location, targeting and leverage of the GCF investment portfolio. Analyses using these data have supplemented other sources to understand and analyse the efficiency and effectiveness of projects, climate change related trends and variability, spatial and temporal distribution of investments, and the likelihood of results.

## 6. COUNTRY VISITS AND ANALYSIS AT COUNTRY LEVEL

16. The FPR team undertook 12 evaluation country visits. During these visits it met and interviewed key stakeholders, such as staff from the national designated authority (NDA), in-country representatives from accredited entities (AEs), implementing entities, and stakeholders and project beneficiaries from civil society organisations (CSOs), private sector organisations (PSOs) and academia. The FPR team used a range of criteria to select a sample of 12 countries. The criteria included the geographic representativeness of eligible regions and of the GCF investment portfolio; representation of the least developed countries (LDCs), small island developing states (SIDS) and African States; the size of the GCF portfolio in-country; and the key attributes of the portfolio (adaptation or mitigation, public or private sector, funding modalities, global or national projects, direct or international access). Figure I-2 lists the countries selected for evaluation missions by the FPR.



- |            |           |                 |
|------------|-----------|-----------------|
| Bangladesh | Grenada   | Namibia         |
| Ecuador    | Guatemala | Rwanda          |
| Egypt      | Mauritius | Senegal         |
| Georgia    | Mongolia  | Solomon Islands |

**Figure I-2. Countries visited by the FPR**

17. This sample represents 35 per cent of all GCF approved funded projects and 22 per cent of GCF committed funding. Two members of the FPR team visited each country. Visits were organised with support from the NDA and AEs and used a “country visit protocol” (see Annex 2). Country reports outlining key findings in-country were prepared and validated by NDA representatives for factual accuracy. They were a key source of information for the FPR and will be published at a later date as part of the FPR annexes.

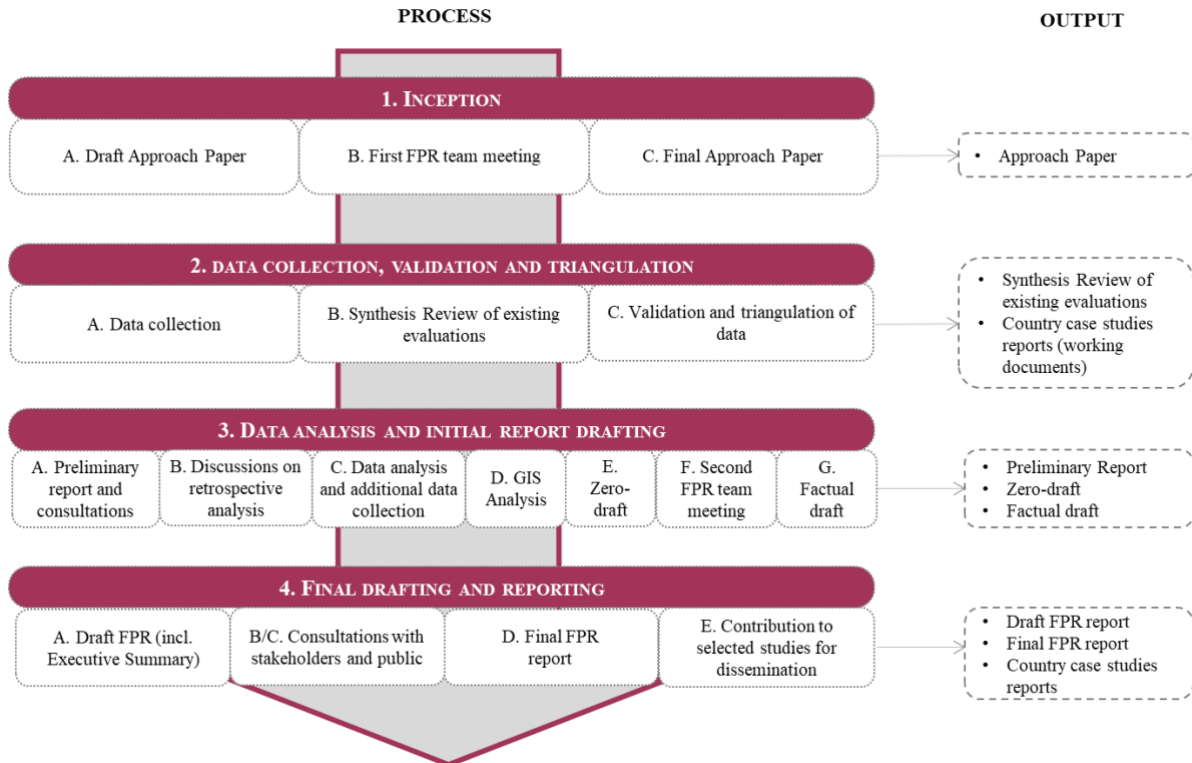
## 7. IN-DEPTH ANALYSIS OF KEY TOPICS

18. The FPR conducted in-depth analyses of the six topics outlined in Table I-3.

**Table I-3. Topics addressed in in-depth reviews**

Evolution of the GCF during the IRM	Non-grant financial instruments
Accreditation	Review of the independent units
Role of the private sector	Comparison and benchmarking performance of the GCF with other comparable climate finance agencies

19. These analyses are key building blocks for the FPR and were used in different sections of the report to help inform and complement other sources of information. Figure I-3 illustrates the FPR process, which took place in four main stages. The complete methodology is described in the Approach Paper in Annex 1. The main tools and instruments used during the FPR are provided in Annex 2, while Annex 6 presents key supporting data used during the review.



**Figure I-3. FPR process and key outputs**





## Chapter II. CONTEXT: WAS THE GCF FIT FOR THE PURPOSE IT WAS SET UP FOR?

### KEY RECOMMENDATIONS

- The GCF was fit for purpose at the time it was established. In its vision and design, the GCF built on many lessons and experiences from other climate-related funds. The FPR finds that the GCF still has much to learn from others and recommends that the GCF also be more proactive in sharing its own lessons with others.
- The GCF was born out of necessity and a gap in the international climate arena. Today the GCF is well positioned in its structure and design to foreclose deficiencies in the predictability, urgency and transparency in the flows of operating entities.
- The FPR recommends that the GCF embrace the opportunity to learn from the experiences of other climate, development and finance organisations in order to advance more quickly – especially in strategy development, ensuring stakeholder participation, risk-taking and risk management, building country ownership, developing transparent priorities and credibly reporting the impact of its investments.

### KEY FINDINGS

- Given its key documents from the UNFCCC, the Transitional Committee, the GCF Board and the Governing Instrument, the GCF is by far the largest international climate change fund. At the time of its establishment, the GCF aimed to fill gaps in the global climate finance offerings – in particular, the lack of predictable financial flows, insufficient use of non-grant instruments and the need to engage more with the private sector.
- The design of the GCF follows the mandates established in the Governing Instrument. Today the GCF functions with a Board, Secretariat, three independent units, and 84 AEs, NDAs or focal points in almost all developing countries. The Board is constituted with an equal representation between developed and developing nations. The GCF has responded to the UNFCCC/COP.
- During the IRM, the GCF achieved several milestones that were required by the Governing Instrument, in guidance from the UNFCCC and decisions by the Board. In its mandate, the GCF ambitiously focused on contributing to a paradigm shift towards low-emission and climate-resilient development pathways.

## A. INTRODUCTION

1. This chapter introduces the GCF and discusses its historical context and the development of the Governing Instrument (GI).<sup>16</sup> Three key questions are discussed and analysed in this chapter:
  - How and why was the GCF established?
  - How was the GI developed, and what was the guidance received from the UNFCCC?
  - What lessons did the GCF incorporate in its principles and design?

## B. DATA ANALYSIS

### 1. RATIONALE FOR THE GCF

2. **Mandate from the UNFCCC.** At COP 16 held in Cancun (Mexico), under Article 11 of decision 1/CP.16/Add.1 (December 2010, paragraph 102), 194 Parties to the UNFCCC established the GCF<sup>17</sup> as an operating entity of the Financial Mechanism of the Convention.<sup>18</sup> The Fund<sup>19</sup> was to be governed by a Board, accountable to, and functioning under, the guidance of the COP. **The objective of the Fund is to contribute to the achievement of the ultimate objective of the UNFCCC:** “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.”<sup>20</sup>
3. **Inception. The Fund was designed by a UNFCCC-appointed Transitional Committee (TC)** that comprised 40 individuals: 25 from developing countries and 15 from developed countries, with regional/geographic distribution<sup>21</sup> of government representatives and staff seconded from climate funds, United Nations agencies and multilateral development banks (MDBs) as per decision 1/CP.16, paragraph 109.<sup>22</sup> Based on the report of the TC<sup>23</sup> submitted at COP 17 held in Durban (South Africa), Parties adopted decision 3/CP.17 and approved the GI of the GCF.

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<sup>16</sup> This chapter refers primarily to the following decisions:

- UNFCCC COP Decision 1/CP.16/Add.1 creating the GCF
- UNFCCC COP Decision 3/CP.17 approving the GI
- UNFCCC COP Decision 2/CP.17 establishing the Standing Committee on Finance (SCF)
- Initial Investment Framework: Decision B.07/06
- Initial Strategic Plan (ISP): Decision B.12/20/Annex

<sup>17</sup> Paragraph 102. “Decides to establish the Green Climate Fund, to be designated as an operating entity of the financial mechanism of the Convention under Article 11, with arrangements to be concluded between the Conference of the Parties and the Green Climate Fund to ensure that it is accountable to and functions under the guidance of the Conference of the Parties, to support projects, programmes, policies and other activities in developing country Parties using thematic funding windows.”

<sup>18</sup> At the time, the other operating entities were the Global Environment Facility, Adaptation Fund, Special Climate Change Fund and the Least Developed Countries Fund.

<sup>19</sup> The Fund is defined as the entire structure established by the UNFCCC and the GI. If the FPR refers to a particular part of the Fund, it will be explicitly indicated in the text. This chapter, for the most part, refers to the Fund as a whole and not to any specific part. In the view of the FPR, the Fund represents the Board, the Secretariat, the independent units, NDAs, AEs, CSOs and PSOs. However, the components of the Fund have yet to be clarified and this understanding does not reflect the official opinion of the Board of the GCF and is included in this report for brevity. The Fund is an operating entity of the UNFCCC.

<sup>20</sup> GCF GI; UNFCCC (1992), Article 2.

<sup>21</sup> GCF Transitional Committee. (2011). Report of the Transitional Committee for the design of the Green Climate Fund. COP 17. FCCC/CP/2011/6. Durban, 28 November to 9 December 2011. Annex II p. 17. Available at <https://unfccc.int/sites/default/files/resource/docs/2011/cop17/eng/06.pdf>.

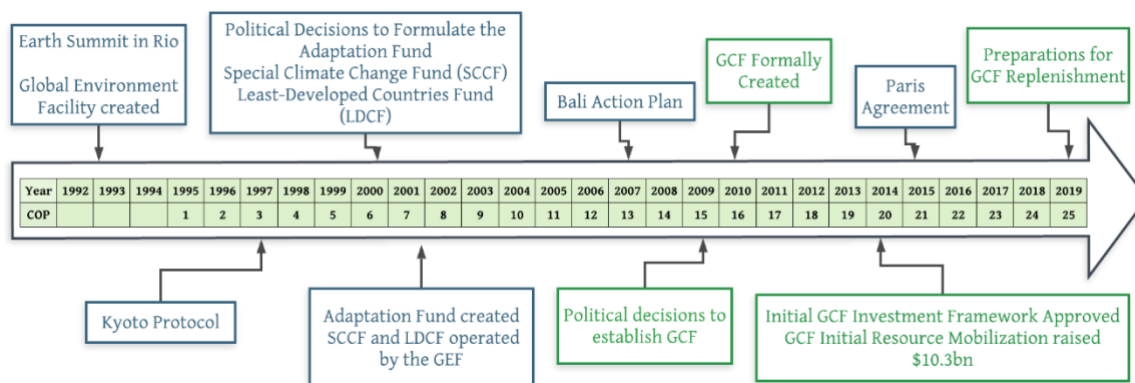
<sup>22</sup> Paragraph 109. “Also decides that the Green Climate Fund shall be designed by a Transitional Committee in accordance with the terms of reference contained in appendix III to this decision; the Transitional Committee shall have 40 members, with 15 members from developed country Parties and 25 members from developing country Parties.

<sup>23</sup> UNFCCC/CP/2011/6 and Add.1.

4. A series of events brought about the establishment of the GCF. Figure II-1 provides a timeline of key events in the history of climate change negotiations and financing to put the GCF in context. Two key UNFCCC events are closely linked to the GCF:

**Bali Action Plan (2007):** Scaling up of actions towards financing responses to climate change, in order to “enable the full, effective and sustained implementation of the Convention.”<sup>24</sup>

**Paris Agreement (2015):** “Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.”<sup>25</sup>



**Figure II-1. Key events in climate change negotiations and the UNFCCC, leading to the establishment of the GCF**

Source: various

5. **Establishing the Fund. The GCF was established as a response to identified and perceived shortcomings** in the arrangements and operating procedures in the existing operating entities of the Financial Mechanism of the UNFCCC as well as other climate financing arrangements available at the time. In addition, the GCF was a product of the negotiations within the UNFCCC that eventually led to the Paris Agreement, and of changes in circumstances, particularly the Fourth Assessment Report from the Intergovernmental Panel on Climate Change (IPCC), which concluded that higher levels of investments and funds were needed to address climate change than were available at the time.
6. **Context in which the GCF was created.** The Fund was set up as a new global, multilateral fund to support the efforts of developing countries to respond to the challenge of climate change. Source documents and discussions with many of the key contributors to the initial discussions around the conception of the GCF reveal that there were a variety of gaps in the climate change financing landscape (see Box II-1). (Also see Annex 8 for an illustration of the perceptions of what the Fund could achieve, using recall data.) These issues inform the FPR analysis.
7. The Fund was established using key concepts emanating from the Convention and subsequent agreements and protocols, such as common but differentiated responsibilities, the contributions that developed country Parties should make in addressing climate change, and commitments from all Parties established in the NDCs to maintain temperature increases at 1.5 C. The Paris Agreement is important for the GCF, as it nominated the GCF as part of the Financial Mechanism to achieve the objectives of the agreement (see Figure II-1).

<sup>24</sup> UNFCCC. (2007). *Report of the Conference of the Parties on its thirteenth session, held in Bali from 3 to 15 December 2007*. Available at <https://unfccc.int/resource/docs/2007/cop13/eng/06a01.pdf>

<sup>25</sup> UNFCCC. (2015). *Paris Agreement*. Article 2.1(c). Available at [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf).

8. **GCF as an agency to deliver on ambition and urgency.** The first paragraph of the GI proclaims the urgency and seriousness of climate change, and the Fund’s role in responding to and controlling it: “*Given the urgency and seriousness of climate change, the purpose of the Fund is to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change.*”
9. **The GCF Board.** The GCF is governed and supervised by a Board that has full responsibility for funding decisions. The Board is composed of 24 members, with an equal number of members from developing and developed countries.
10. **Representation of developing countries.** The Board also includes special chairs representing SIDS and LDCs. The GI establishes a Secretariat that is independent of all other institutions and that is accountable to the Board. The instrument also establishes three independent units, including the IEU and two accountability mechanisms: the Independent Integrity Unit (IIU) and the Independent Redress Mechanism Unit.

**Box II-1. A summary of gaps seen in the international climate finance arena to which the GCF was responding**

- New, additional, adequate and predictable financial resources
- Funding at scale to tackle the Fourth IPCC Assessment Report
- A shift of financial investment flows to climate-friendly development at scale
- Increased private sector engagement
- Promotion of country ownership
- Direct access to the funds to undertake transformative, innovative and country-owned climate change adaptation and mitigation actions on the ground
- A governing board with equal representation from developing and developed countries
- Flexibility to use a wide variety of financial instruments, particularly non-grants
- Improvement in efficiency in accessing financial resources
- Balance in the financing of adaptation and mitigation
- Support to technology transfer
- Innovative financing and outreach initiatives reaching out to the most vulnerable communities

Source: various

## 2. A POSSIBLE RETROSPECTIVE THEORY OF CHANGE – PERCEPTIONS ON WHAT THE GCF COULD ACHIEVE

11. The FPR team used recall data, key informant interviews, documents and interviews from the UNFCCC, the TC, and the GCF Board and members/staff to inform a schematic representation of how and what the Fund was expected to deliver within different “spheres” of control and influence. This was constructed while accounting for the context that existed in the climate financing architecture at the time of the Fund’s establishment (see Annex 8).

## 3. EVOLUTION OF THE GCF DURING THE INITIAL RESOURCE MOBILISATION

12. A series of key events that have informed the design and evolution of the GCF since its creation is shown in a timeline in Figure II-2. Since its establishment, and over the period 2015 to early 2019,

the GCF has delivered the following outputs that support the implementation of the GI<sup>26</sup> and follow guidance from the UNFCCC and decisions by the GCF Board:

- A new and independent organisation established
- An influential Board established, with equal representation and voice from recipients and contributors<sup>27</sup>
- A Secretariat<sup>28</sup> established, with an Executive Director appointed in 2013 and three independent units that started operating a little more than three years later and that support learning and accountability at the GCF
- Pledges received for up to USD 10.3 billion (75 per cent of the USD 7.1 billion available has been committed as of February 2019)
- The initial investment framework approved by the Board at B.07 (decision B.07/06, May 2014)
- The Initial Strategic Plan (ISP) approved by the Board at B.12 (decision B.12/20/Annex I, March 2016)
- Eighty-four AEs (national, regional and international) approved by the Board, as of February 2019)
- A total of 102 projects funded (valued at about USD 5.018 billion from the GCF and USD 12.6 billion in co-financing) since the first cohort was approved at the eleventh meeting of the Board (Zambia, November 2015), and USD 324 million committed to other key programmes such as the Readiness and Preparatory Support Programme (RPSP) and the Project Preparation Facility (PPF); Of this, by 28 February 2019, 41 per cent of committed project funding was under implementation, and 9 per cent of commitments had been disbursed
- Key policies and frameworks approved, such as Environmental and Social Safeguards (ESS), Risk, Gender, Indigenous Peoples, Disclosure, Results and Performance
- Continued responsiveness to guidance from the UNFCCC/COP, including submission of annual reports

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<sup>26</sup> Approval of the GI by the UNFCCC (COP 17, Durban, South Africa, December 2011).

<sup>27</sup> The GCF Board convened for the first time, August 23–25, 2012.

<sup>28</sup> The Secretariat appointed its first Executive Director (ED) in June 2013. There have been two other EDs since then, with the last ED appointed at B.22, February 2019).

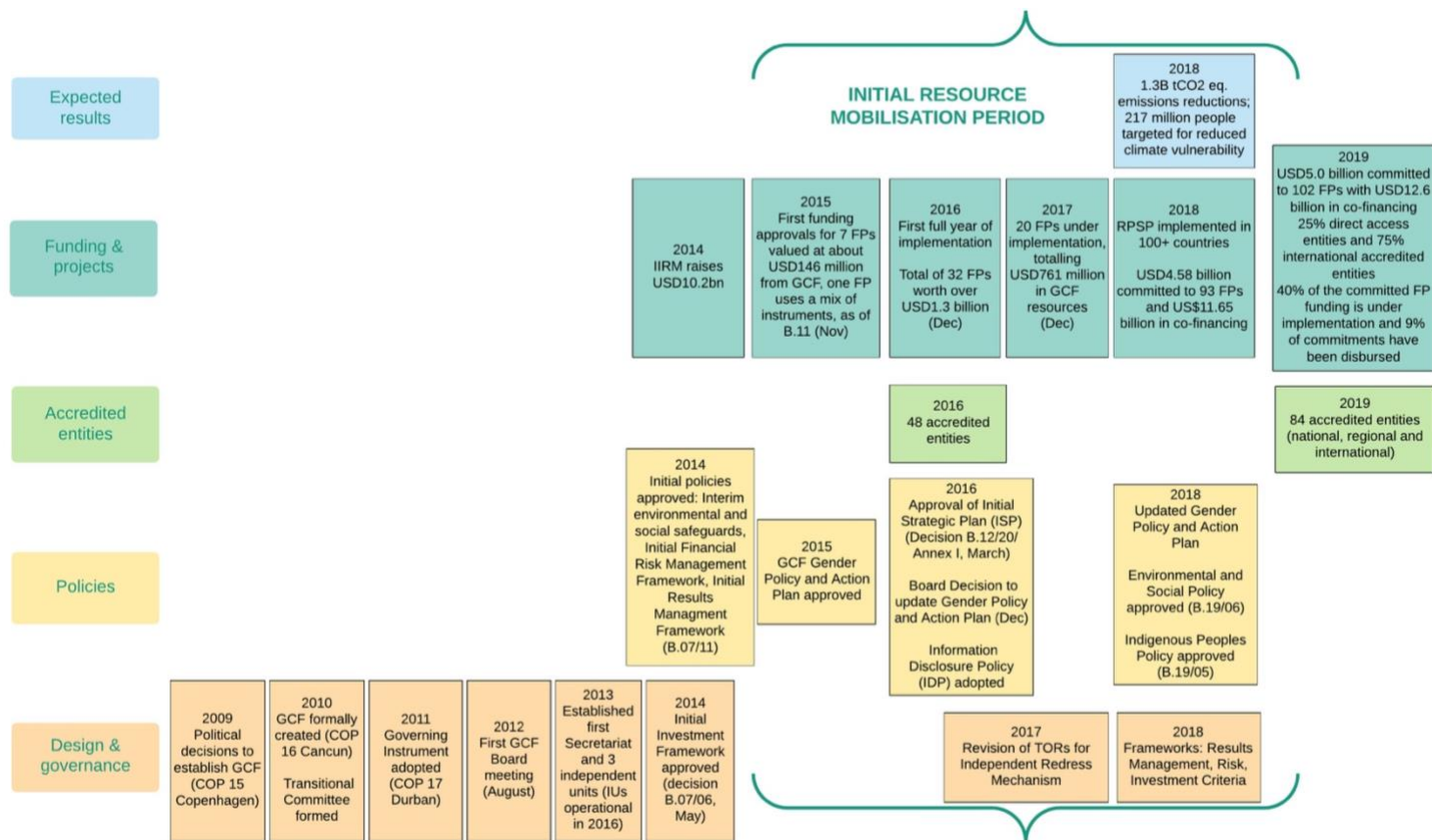


Figure II-2. Timeline of key representative GCF milestones



#### 4. GUIDANCE FROM UNFCCC

13. As a new operating entity of the Financial Mechanism (under Article 11, para. 3), the GCF Board is subject to the following requirements:
- Receive guidance from the COP, including on matters related to policies, programme priorities and eligibility criteria, and matters related to them
- Take appropriate action in response to the guidance received
  - Submit annual reports to the COP for its consideration and receive further guidance<sup>29</sup>
14. In tandem with the establishment of the GCF, the COP's Standing Committee on Finance (SCF), was also created at COP 16, to support the permanent Subsidiary Body on Implementation concerning the Financial Mechanism. Guidance to the GCF from the UNFCCC comes through the SCF. According to decision 2/CP.17, para. 121, the SCF is tasked with the following:
- Improving coherence and coordination in the delivery of climate change financing
  - Rationalisation of the Financial Mechanism
  - Mobilisation of financial resources
  - Measurement, reporting and verification of support provided to developing countries Parties<sup>30</sup>
15. The SCF drafted official arrangements between the COP and the GCF Board on receiving and responding to UNFCCC guidance. These were submitted at the fifth meeting of the Board and approved at COP 19 (decisions 4 and 5). Parties were invited to submit their views and recommendations on which elements of guidance they would like to see directed towards the operating entities, no later than 10 weeks before COP 19. The SCF also mandated that the GCF take "appropriate actions" to respond to specific guidance and submit annual reports that synthesise the year's activities,<sup>31</sup> which also account for "information on the implementation of policies, programme priorities and eligibility criteria provided by the COP, including information on the extent to which COP guidance has been adhered to by the Board of the GCF."<sup>32</sup>
16. At COP 20, the SCF was invited to compile and analyse past guidance to operating entities of the Financial Mechanism, as well as **identify a draft set of core guidance and conclusions to be provided to the operating entities of the Financial Mechanism.**<sup>33</sup> A compilation and an analysis of UNFCCC guidance to the GCF between COP 16 and COP 20 were prepared for the twelfth meeting of the SCF (SCF 12, 2016).<sup>34</sup> This compendium identifies and groups guidance into 10 high-level themes, listed here in alphabetical order:
- Adaptation
  - Capacity-building and Article 6
  - Gender
  - INDC

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<sup>29</sup> UNFCCC. (2011). Addendum: Part Two: Action taken by the Conference of the Parties at its seventeenth session. Report of the Conference of the Parties on its seventeenth session, held in Durban from 28 November to 11 December 2011. UNFCCC/CP/2011/9/Add.1. Annex I. pp. 58–59.; GCF GI, paragraph 18 (m).

<sup>30</sup> SCF. (2012). Report of the Standing Committee to the Conference of the Parties. Annex II. UNFCCC/CP/2012/4. p 8.

<sup>31</sup> By the following year (Decision 7/CP.20), the COP requested "the Board of the Green Climate Fund to make available its annual report in a timely manner and no later than 12 weeks prior to a session of the Conference of the Parties in accordance with Decision 6/CP.18, paragraph 15, for due consideration by Parties."

<sup>32</sup> UNFCCC. (2014). Decision 4/CP.19.

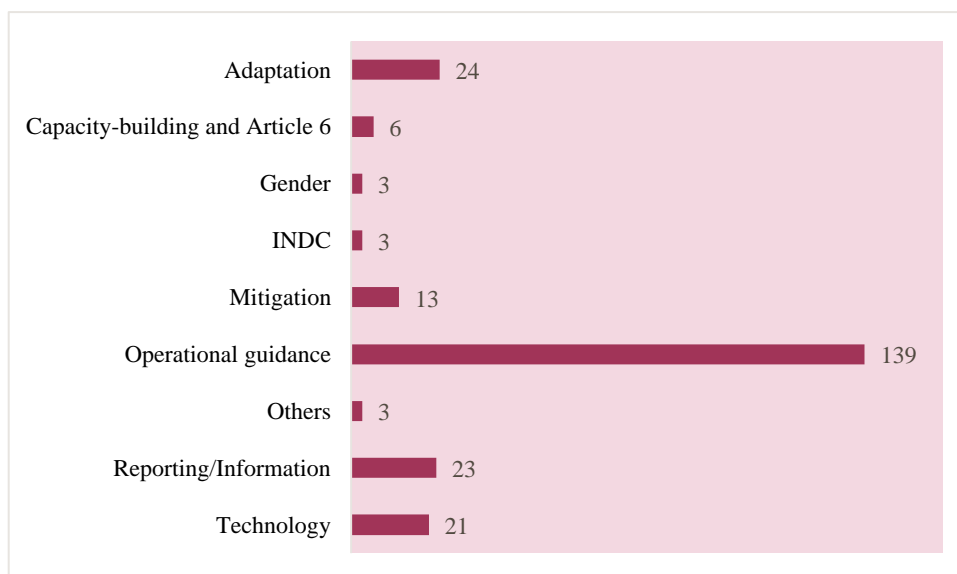
<sup>33</sup> UNFCCC SCF. (2016). Background paper on the draft guidance to the operating entities of the financial mechanism. Twelfth meeting of the Standing Committee on Finance, Bonn, Germany, 6–7 April 2016. SCF/2016/12/8.

<sup>34</sup> UNFCCC SCF. (2016). Background paper on the draft guidance to the operating entities of the financial mechanism. Twelfth meeting of the Standing Committee on Finance, Bonn, Germany, 6–7 April 2016. SCF/2016/12/8.



- Mitigation
- Operational Guidance
- Others
- Reporting/Information
- Technology
- Unclassified/Blank<sup>35</sup>

17. **Out of the 235 COP decisions and other relevant texts the SCF examined over this period (2010–2014), the most common guidance category during this period, by count or frequency, is “operational guidance,”** with a count of 139, as illustrated in Figure II-3. Most operational guidance entries relate to policies and policy development, consistent with the needs of a new organisation in the process of preparing to scale up operations and implementation. From 2010 to 2012, guidance primarily related to institutional structures and agreements: legal and administrative arrangements needed for hosting the GCF, its “juridical personality and legal capacity,”<sup>36</sup> and necessary privileges and immunities. The main concern at the time was to ensure the GCF became fully operational, by addressing the “essential requirements to receive, manage, programme and disburse financial resources in line with the approved workplan.”<sup>37</sup> By 2013/14, guidance shifted more towards policies and procedures to accept financial inputs and to find ways to enhance collaboration with existing funds. The GCF was urged to execute existing obligations, policies and procedures fully.<sup>38</sup>



**Figure II-3. Status of UNFCCC guidance to the GCF by theme prior to the IRM**

Source: SCF compilation of UNFCCC Guidance to the GCF from COP 16 to 20 (2010–2014)

18. In the subsequent period (2015 and onwards), the focus of the guidance shifted from broad operational advice to refining and improving specific areas such as safeguards, project approval processes, mobilising funds at scale and from the private sector, and ensuring the GCF appointed an Executive Director and Trustee. By 2018, the COP welcomed many points of progress by the GCF,

<sup>35</sup> See [https://unfccc.int/sites/default/files/compendium\\_gcf.pdf](https://unfccc.int/sites/default/files/compendium_gcf.pdf).

<sup>36</sup> Decision 3/CP.17.

<sup>37</sup> UNFCCC. (2014). Decision 4/CP.19.

<sup>38</sup> For example, decision 7/CP.20 covers specific institutional arrangements, and decision 4/CP.19 urges a balance between adaptation and mitigation spending and encourages a country-driven approach.

including, among others, strengthening “institutional capacity, standards and safeguards, transparency, inclusiveness, pipeline and role within the climate finance landscape.”<sup>39</sup> Some concerns that remained relate to the need to assess and close key policy gaps; expand investments into technology; speed up disbursement; encourage direct access entities (DAEs) to participate in the GCF; have complementarity and coherence with other funds and actors such as MDBs; and secure pledges for replenishment. The responsiveness by the GCF to UNFCCC guidance over the IRM will be examined in greater detail in Chapter VIII.

## 5. THE GOVERNING INSTRUMENT

19. The TC was entrusted with designing the GI following guidance from the UNFCCC, whose decision was based on the *Report of the High-level Advisory Group on Climate Change Financing*. The TC met four times between April and October 2011 to prepare a report for COP 17, including the GI.
20. According to the GI, the GCF is set to contribute to the achievements of the ultimate objective of the UNFCCC.<sup>40</sup> In the context of sustainable development, the objective of the Fund is to “*promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.*”
21. The GCF is guided by the principles and provisions of the UNFCCC. The GI states that the Fund should do the following:
  - Operate in a transparent and accountable manner guided by efficiency and effectiveness
  - Play a key role in channelling new, additional, adequate and predictable financial resources to developing countries
  - Catalyse climate finance, both public and private, and at the international and national levels
  - Pursue a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders
  - Be scalable and flexible as a continuously learning institution guided by processes for monitoring and evaluation
  - Strive to maximise the impact of funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach
22. Regarding operations, the GI instructs the Fund to provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach and encouraging the involvement of relevant stakeholders, including vulnerable groups, and addressing gender aspects. The Fund was instructed that it should provide financing in the form of grants and concessional lending, and through other modalities, instruments or facilities as may be approved by the Board. The Board was also mandated by the GI to develop methods to enhance complementarity between its activities and the activities of other relevant mechanisms and institutions. The GCF is expected to promote coherence in programming at the national level. The GI also mandated

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<sup>39</sup> UNFCCC. (2018). *Report of the Standing Committee on Finance to the Conference of the Parties*. FCCC/CP/2018/8. 23 November 2018, p. 50.

<sup>40</sup> “The ultimate objective of this Convention and any related legal instruments that the Conference of the Parties may adopt is to achieve, in accordance with relevant provisions of the Convention, stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.” (Article 2, *The United Nations Framework Convention on Climate Change, 1992*)

establishing a private sector facility that “enables it to directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international levels.”

23. The Fund received financial inputs from developed country Parties to the Convention at the beginning of the IRM.<sup>41</sup> The funding would be used to help and support developing countries to cope with climate risks through adaptation and mitigation approaches. All developing country Parties to the UNFCCC are eligible to receive resources from the Fund (there are 154 developing countries<sup>42</sup>). Access to GCF resources is provided through national, regional and international implementing entities that are accredited through a process developed by the Board. There is no prescribed limit on the total number of entities. Recipient countries determine the access modality through which they will request access to the Fund. Recipient countries can designate an agency to apply for accreditation.

## 6. TO WHAT EXTENT DID THE GCF CONSIDER LESSONS FROM OTHERS?

24. It is important to recognise that the GCF was founded at a time when climate change financing was already well established. The Global Environment Facility (GEF), for example, was established in 1992, the Least Developed Countries Fund (LDCF)/Special Climate Change Fund in 2000, the Adaptation Fund in 2001 and the Climate Investment Funds (CIF) in 2008, to name a few (see Figure II-1). The TC was mandated by the UNFCCC to review lessons from existing relevant funds<sup>43</sup> and incorporate those experiences, as applicable. Some of the most recurrent lessons taken into consideration by the TC were as follows:

- Stakeholder participation models should go deeper than previously occurred at environmental funds, following the examples of global health institutions like GAVI and the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund). They should be built at the national level, and leverage CSO involvement in supporting the cause and furthering the conversation.
- Country ownership and country coordination are important.
- Innovative financial instruments are essential.
- Direct access should be promoted, including for subnational access.
- Clear and efficient processes, ease of access and predictability should be a priority.
- Capacity-building will be required at all levels.
- Consideration must be given to gender and vulnerable groups, and the need for safeguard policies.
- Establishing mechanisms to ensure transparent decision-making and to independently ensure accountability is important.
- A Board structure should have equal representation from donors and beneficiary countries, and different levels of involvement of non-state stakeholders. Most stakeholders supported consensus-based decision-making, except for the GEF, which stated its support for a majority voting arrangement, based on its experience.

Against this background, the approved GI effectively incorporated many of the key messages and lessons from those experiences, such as the need for the following:

- Capacity-building

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<sup>41</sup> According to the GI, the GCF could also receive financial input from a variety of other sources, public and private, including alternative sources.

<sup>42</sup> [List of developing countries according to the UNFCCC.](#)

<sup>43</sup> In addition to these climate funds the TC also received information from the Montreal Protocol, the Global Fund, GAVI Alliance, and others. Potential lessons from academia and the private sector could have enriched the discussion.

- Country ownership as a key concept
  - Multiple funding windows
  - A private sector facility
  - Direct access
  - Multiple financial instruments
  - Strong ESS
  - Transparency and accountability as key principles, along with efficiency and effectiveness, including provisions for accountability units and independent evaluations
  - A Board with two co-chairs, equal representation and consensus-based decision-making
25. **The lessons that the TC used to inform the GI are still valid.** Many of these have been taken on board by the GCF. Some areas are still under development, such as stakeholder participation; risk-taking and risk management; project cycle management; building country ownership; and prioritising developing country needs. Additionally, the landscape for environment and climate funds has expanded since 2010. **New learning has emerged** for project management and country ownership from the experiences of relevant institutions such as development financing institutions (DFIs), and multilateral organisations, including the Global Fund. The FPR specifically notes the learning from the DFIs on providing advisory services and soliciting high-potential opportunities; the Global Innovation Fund for transitioning social innovations into scaled-up initiatives and building innovative and flexible financial instruments; the MacArthur Foundation for strategically visualising its approach to global hotspots; and the National Institutes of Health and the Defense Advanced Research Projects Agency for risk-taking and innovative generation of public goods.

## C. FINDINGS

26. The review and analysis of key documents from the UNFCCC, the TC, and the GCF Board and the GI provide evidence to support the following findings:
- The GCF is by far the largest international climate change fund.
  - At the time of its establishment, the GCF aimed to fill gaps in the global climate finance offerings. These included a lack of predictable financial flows; insufficient use of non-grant instruments; a need to engage more with the private sector; a need for improved efficiency in accessing financial resources; and equal representation between developed and developing nations on the Board of the GCF.
  - The design of the GCF follows the mandates established in the GI. Today the GCF functions with a Board, Secretariat, three independent units, and 84 AEs, NDAs or focal points in almost all developing countries. The GCF has responded to UNFCCC/COP.
  - During the IRM, the GCF achieved several milestones that were required by the GI, in guidance from the UNFCCC and decisions by the Board. The GI sublimated many of the discussions going on in the international arena and provided for gaps that had been identified in the international climate finance arena.
  - The GCF was fit for purpose at the time it was established, responding in its design to the GI. In its mandate, the GCF ambitiously focused on contributing to a paradigm shift towards low-emission and climate-resilient development pathways.

## D. CONCLUSIONS AND RECOMMENDATIONS

27. The key conclusions related to the establishment of the GCF as well as of its key document, the GI, are as follows:
- The GCF was fit for purpose at the time it was established, responding in its design to the GI. In its vision and design, the GCF took on board many lessons and experiences from other climate-related funds.
  - The GCF was born out of necessity and a gap in the international climate arena. There was a lack of predictability, urgency and transparency in the flows of operating entities at the time. Today the GCF is well positioned in its structure and design to foreclose deficiencies in climate change finance.
  - The FPR finds that the GCF has still much to learn from others participating in the climate change, development and financial domains. It recommends that the GCF be more proactive in sharing its lessons and experiences with others in these areas.
  - Specifically, the FPR recommends that the GCF should embrace the opportunity to accelerate its progress by learning from the experiences of other climate, development and finance organisations – especially in strategy development, ensuring stakeholder participation, risk-taking and risk management, building country ownership, developing transparent priorities and credibly reporting the impact of its investments.

## Chapter III. THE GCF AS AN ORGANISATION AND FUNDING PROGRAMMES AND INSTRUMENTS

### KEY RECOMMENDATIONS

- The Board may consider delegating authority to the Secretariat for developing procedures, guidelines and standards for Board-approved policies, as well as for some investments.
- The Secretariat may consider leveraging influence through building knowledge-based policy-driven enabling environments in-country and globally.
- Incentivise staff in the Secretariat using a variety of approaches to create a culture of risk-taking, innovation and management for impact.
- Clearly communicate roles, responsibilities and levels of authority to GCF partners and the general public, including terms of reference for NDAs.
- With the aim of balancing predictability, accountability and flexibility, the Secretariat should prioritise results-based planning and results-based approaches for allocation (as also requested in the GI).
- The GCF should introduce clear definitions and further guidance about the use of financial instruments.

### KEY FINDINGS

- The Fund has a strong structure with strong representation and an equal voice from recipients and contributors. Key features of the GCF organisational structure including the Secretariat, as required by the GI, have been established and are working.
- The current business model relies heavily on NDAs and AEs. Its remit for working through DAEs is matched by few other agencies. The effectiveness of NDAs in engaging with the GCF varies by country and is very much dependent on location, the mandate of the department, and their own capacities. CSO and PSO formal engagement at country and global level is limited, and there is no mechanism to formally participate for indigenous peoples and other vulnerable groups.
- Progress against the Secretariat's work programme, as presented by indicators, seems to have been generally satisfactory in many areas. However, many targets have not been achieved for reasons that are internal and external to the Secretariat.
- Some critical decision-making processes – particularly for accreditation, project cycle and strategy/policy development – are still unclear, which has caused significant inefficiencies in the Secretariat's processes and frustration among GCF external stakeholders.
- Secretariat staff members do not feel that they have the agency to make decisions or take on more responsibilities without the concern that their authority and decisions will be overturned or marginalised at Board meetings. This is one of the contributing factors for lack of initiative among Secretariat staff.
- The GCF currently offers a wide variety of funding instruments, and these are more diverse than in any other comparable fund. In their *design* at least, RfPs have the potential to help the Fund be more strategic. However, strategies and guidelines on when to use RfPs are missing, which has, in turn, caused the Fund to underutilise many of the non-grant instruments.

## A. INTRODUCTION

1. This chapter introduces key elements of the organisational structure of the GCF and their respective roles and responsibilities. It investigates the effectiveness of these roles and responsibilities in supporting the GCF mission. This chapter also discusses GCF funding programmes and the financial instruments the Fund uses.<sup>44</sup> The main questions addressed in this chapter are as follows:
  - To what extent has the GCF put an effective implementation structure in place?
  - Is the GCF Secretariat fit for purpose?
  - How effectively is the GCF collaborating with its main actors?
  - What are the funding programmes and instruments available to the GCF, and how is it fostering access?
2. This chapter focuses on the design of these elements. Their implementation, efficiency, effectiveness and results are analysed in subsequent chapters.

## B. DATA AND ANALYSIS

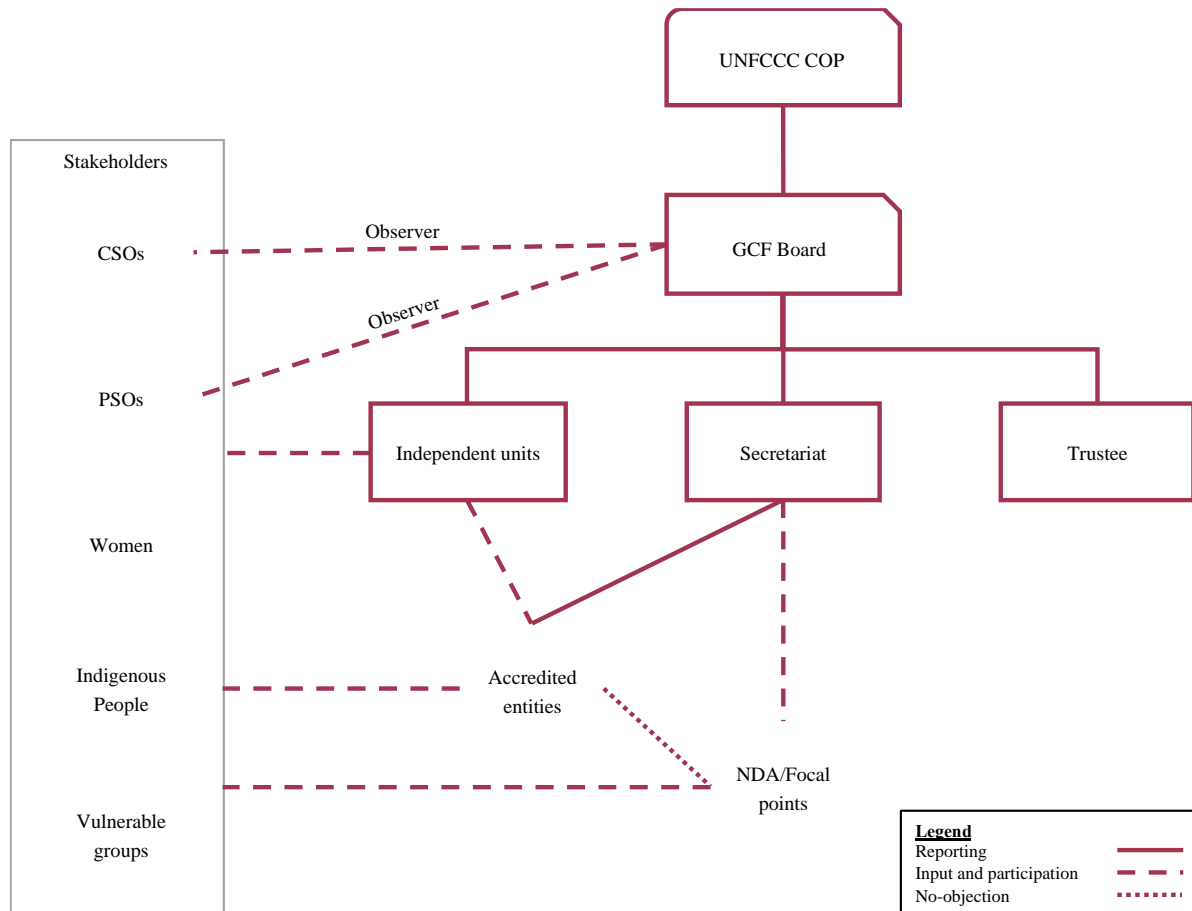
### 1. ORGANISATIONAL STRUCTURE

3. The FPR recognises the main actors in the GCF, as identified by the GI, as the Board, Secretariat, Trustee, GCF independent units, NDAs and AEs, CSOs, PSOs, vulnerable groups, indigenous peoples and women. The Board receives guidance from the UNFCCC and is accountable and reports to the Convention. All Board members are Parties to the Convention and receive guidance from the Convention on their own national responsibilities towards it.
4. According to the GCF business model, GCF funds are channelled through entities that need to be accredited by the Board (the AEs), of which DAEs are nominated by the NDAs. Figure III-1 below provides a simple diagram of the key actors in the organisational structure and key reporting relationships. AEs have a formal and legal relationship with the Board through the accreditation master agreements (AMAs), but there is no formal agreement with the NDAs (see dashed line in figure), including no reporting requirements. Four representatives from CSOs and PSOs (two each) are formal observers to the Board.

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<sup>44</sup> These two issues are further explored in Chapter VII, on the business model, and Chapter VIII, on the performance of the portfolio.





**Figure III-1. Core stakeholder input and communication lines in the GCF as envisioned by the FPR**

Note: This is an illustration and does not represent the official views of the GCF.

5. Section II of the GI presents the governance and institutional arrangements for the GCF. It formalises the relationship between the UNFCCC and the GCF, the latter being designated as an operating entity of the Financial Mechanism (Article 11, UNFCCC), accountable to and functioning under the guidance of the COP (through the SCF). The Fund was assigned a juridical personality and legal capacity to exercise its functions and the protection of its interest. Presently, the GCF is legally recognised with juridical personality by the Republic of Korea,<sup>45</sup> where it is located, and in 20 other countries that have recognised its legal status.<sup>46</sup> The rest of this section discusses the roles and responsibilities of stakeholders in the GCF.

### a. Board

6. The highest authority within the GCF is the Board, which is composed of 24 members and 24 alternates, with equal representation from developing and developed countries that are Parties to the UNFCCC. Each Board member has advisers. In the Board structure, there is specific representation from SIDS and LDCs, and each group has its own Board member. The Board has two Chairs, selected from its members, one from a developed country and the other from a developing country. The GCF Board usually meets three times a year. Decisions at the Board are taken by consensus.

<sup>45</sup> See [Agreement between the Republic of Korea and the Green Climate Fund concerning the Headquarters of the Green Climate Fund \(June 2013\)](#).

<sup>46</sup> GCF/B.22/Inf.01 (Feb 2019).

The Board has approved procedures to make decisions in-between meetings. The Board receives guidance from the UNFCCC/COP and has the responsibility to approve necessary elements for the Fund to operate and make investments. These include approving the roles and responsibilities of key actors (e.g. Secretariat, NDAs, AEs, independent units, Trustee);<sup>47</sup> creating an enabling environment (including the ISP); and the menu and terms of funding programmes and the financial instrument modalities and financial instruments that the Fund may offer. It has full responsibility for funding and for budget decisions. The Secretariat, the Trustee and the independent units report to the Board. As of February 2019, there were 13 committees, panels and groups in the Board. Since B.05, six standing committees, three ad hoc committees, three panels and one group have been created.

## **b. Secretariat**

7. The GI also established the Secretariat as an entity independent from other funds/organisations. The Secretariat is responsible for the day-to-day operations of the Fund and is headed by an Executive Director appointed by and accountable to the Board.<sup>48</sup> The main responsibilities of the Secretariat are related to operationalising the Fund, developing work programmes, preparing financial agreements, monitoring the GCF investment portfolio and reporting to the Board. Since its first work programme was approved at B.16 in April 2017,<sup>49</sup> the Secretariat has changed on several fronts – including in its size, outputs, vision and ambition – as more functions have been added and the number of partners/actors in the GCF have multiplied. The Board has sought to increase the capacity of the Secretariat in a commensurate way, to support its various areas of activities, such as managing funding programmes, risk management and accountability.<sup>50</sup> The Secretariat’s report (GCF/B.22/Inf.01) provides an update on its work programme according to eight overarching goals that the Secretariat set for itself:
  - Finalise as many AMAs, funded activity agreements (FAAs) and other required agreements as possible and maximise related disbursements
  - Continue to develop and operationalise a proactive and strategic approach to programming
  - Further strengthen the AE work programme process
  - Build and deploy a Secretariat staff of sufficient size, talent and global reach to enable it to meet both immediate needs and projected medium-term demands
  - Support the Board in implementing decisions related to the replenishment
  - Improve the quality of GCF support programmes and projects coming to the Board
  - Enhance support for the accreditation of more DAEs
  - Enhance the use of cross-Secretariat teams and results-based frameworks in planning and executing GCF programmes
8. The organigram of the Secretariat has been modified several times. An initial structure was approved in 2013,<sup>51</sup> and the revised structure approved in 2017.<sup>52</sup> The current organigram of the Secretariat includes five offices (General Counsel (OGC), Governance Affairs (OGA), Internal Audit (OIA), Portfolio Management (OPM), and Risk Management and Compliance (ORC)) and five divisions (Country Programming (DCP), External Affairs (DEA), Finance and Support Services (DSS), Mitigation and Adaptation (DMA), and the Private Sector Facility (PSF)). The Secretariat’s

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<sup>47</sup> Some Board members can also be NDAs.

<sup>48</sup> Governing Instrument for the Green Climate Fund, paragraph 23.

<sup>49</sup> GCF/B.16/212/Rev.01.

<sup>50</sup> GCF/B.12/15.

<sup>51</sup> GCF/B.05/10.

<sup>52</sup> Following a report by the firm Dalberg, GCF B.18/10.

budget for 2019, approved at B.21, was USD 67 million. At the same Board meeting, an additional USD 48.5 million was approved for new staff members joining up to 2021. The Secretariat aims to have a staff of 250 (approved at B.18). As of end of December 2018, the Secretariat had 219 staff members, almost double the number from October 2017, when there were 140. The Secretariat has contracted 11 regional advisers as consultants based around the world. Regional advisers support four country dialogue specialists (CDSs) who cover the four regions of the GCF. Three of the CDSs are based at headquarters,<sup>53</sup> and the CDS in Grenada is the only staff member based outside of the Republic of Korea.

9. The FPR notes that at B.22, the Secretariat provided a progress report on its activities<sup>54</sup> that included a table with information on indicators that track operational progress for the Secretariat, based on indicators that it formulated. However, a similar table was not included in the Secretariat's work programme and administrative budget for 2019,<sup>55</sup> which could have been useful to assess progress towards targets for 2019.

### **c. Independent units**

10. As per the GI, the Board established three independent units to support different aspects of accountability and learning: integrity, the redress mechanism and evaluation. These three units are now functional, but they are at different stages of evolution. All three units report to the Board.

#### ***i. Independent Redress Mechanism***

11. The Independent Redress Mechanism's mission is articulated in the GI as well as in the terms of reference (TOR) of the mechanism as approved by the Board.<sup>56</sup> It involves addressing and responding to complaints from project-affected people and requests from developing countries for reconsideration of funding denied by the Board – in a way that is fair, effective and transparent – and aims to enhance the performance of GCF climate finance and its overall mission. As stated in the GI, “the mechanism will receive complaints related to the operation of the Fund and will evaluate and make recommendations.” The mechanism promotes accountability through five mandates: reconsideration requests, complaints and/or grievance, advisory services, capacity-building and outreach.
12. The Independent Redress Mechanism's first TOR were adopted at B.06 (2014), but the unit did not become operational until 2016 when the Head of Unit was hired. In 2016, the new Head initiated an overhaul of the TOR, to better reflect international best practice and to strengthen the Independent Redress Mechanism's mandate to not only provide for accountability within the GCF structure but also build capacity and strengthen the redress mechanisms of other actors within the GCF<sup>57</sup> (for example, improve capacity among the DAEs). The combination of the TOR, procedures and guidelines, and supporting operating procedures form the legal mandate, policy, institutional and procedural framework of the Independent Redress Mechanism. All three documents have been prepared and adopted. The only outstanding guidance for redress services is a guideline for the Board on how to proceed with regard to Independent Redress Mechanism recommendations (expected for B.24). The Independent Redress Mechanism also has a website that enables individuals or a country to file the necessary complaint. As an independent unit of the GCF, the Independent Redress Mechanism reports to the GCF Board and actively consults with the Ethics and Audit Committee (a subcommittee of the Board).

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<sup>53</sup> The CDS responsible for the Latin America and Caribbean Region has been based in Grenada since September 2018.

<sup>54</sup> GCF/B.22/Inf.01 (Feb 2019).

<sup>55</sup> GCF/B.21/19.

<sup>56</sup> GCF B.06/06, Annex IV.

<sup>57</sup> For this report, the terms “GCF” and “the Fund” are used interchangeably.

13. To date, the Independent Redress Mechanism has considered two cases: one was a reconsideration request from Argentina, which was withdrawn when the country and the AE agreed to make the necessary changes to the project and re-submit it. The second was a grievance/complaint from Bangladesh, which was deemed ineligible as it did not satisfy the eligibility criteria for grievances and complaints. On one occasion, the Independent Redress Mechanism has also exercised its mandate to initiate proceedings when it becomes aware of information related to adverse impacts from projects that may pose a significant reputational risk to the GCF. The case in question involved mis-categorised and incomplete Free Prior and Informed Consent documentation.<sup>58</sup> As a further activity, the Independent Redress Mechanism also conducted several capacity-building workshops for DAEs in 2018 and 2019.

### *ii. Independent Integrity Unit*

14. The IIU officially commenced its operations in 2016 when its TOR were approved (decision B.06/09), but it was not considered fully operational until late 2018. During its first few years of operation, the primary focus of the IIU has been on establishing the unit. Its mandate is to perform the essential function of safeguarding the lawful and accountable utilisation of the GCF resources and to ensure its staff, in addition to external stakeholders, implementing agencies and intermediaries relating to the GCF adhere to the highest standards of integrity. The IIU fulfils its mandate through three modes of activities:
- Proactive actions (preventive strategy to build institutional resilience against fraud, corruption and abuse of resources)
  - Detection of compliance failures and potential integrity violations in GCF operations
  - Investigation of allegations of fraud, corruption, misconduct and other prohibited practices
15. The focus in the early years has been on proactive action – for example, the establishment of policies and standards that safeguard GCF resources and ensure the highest standards of integrity are adhered to. The IIU is currently developing the GCF integrity policy framework, a set of policies intended to cover prevention, detection, investigation and remediation. The unit’s work on a policy on sanctions and exclusions will be included in the integrity policy framework and will contribute to filling a gap that is often overlooked by similar institutions. It is also contributing to the development of several other policies and focuses on mainstreaming integrity aspects across relevant GCF policies and procedures, particularly in AMAs, FAAs and grant agreements for the RPSP.
16. The Unit has also developed policies and procedures for detection and is setting the procedures for how to run investigations. The IIU has launched investigations into 19 reports on allegations of integrity flaws. A majority of these reports were on misconduct (10 reports). Issues of corruption, fraud, conflict of interest and retaliation against whistle-blowers or witnesses resulted in one report each, and issues related to staff disputes and “others” resulted in two reports. To date, three investigations have been completed, and the reports submitted to the relevant GCF bodies.

### *iii. Independent Evaluation Unit*

17. The mission of the IEU is articulated in the GI and in its TOR. The GI states that “the purpose of these independent evaluations is to inform decision-making by the Board and identify and disseminate lessons learned.” Following independent evaluation standards, the IEU is operationally independent from the GCF management function and reports to the GCF Board. The Unit’s Head is appointed and reports to the Board. The IEU has the following objectives, as defined in its TOR:

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<sup>58</sup> The case is confidential until enough evidence is collected to build the case, so not to disrupt project implementation.

- “Informing the decision-making by the Board and identifying and disseminating lessons learned, contributing to guiding the Fund and stakeholders as a learning institution, providing strategic guidance;
  - Conducting periodic independent evaluations of the Fund’s performance in order to provide an objective assessment of the Fund’s results and the effectiveness and efficiency of its activities;
  - Providing evaluation reports to the COP of the UNFCCC for purposes of periodic reviews of the financial mechanism of the Convention.”
18. The IEU was established by the GCF Board on 13 February 2014 and started operations in 2017 when the new Head of Unit joined. Currently, it consists of the Head of the IEU and a 20-person staff (eight full-time staff members, seven full-time HQ-based consultants and five interns). It has the largest budget of the independent units. At the twenty-first meeting of the Board in October 2018, the GCF Board approved a budget of USD 4,502,800 to fund IEU activities in 2019. This is an increase of nearly USD 2 million from 2018; the majority of the budget is for professional services for three evaluations, advisory services, capacity development and the development of GCF data (IEU DataLab) and GIS abilities.
19. The IEU’s responsibilities go beyond the activity of conducting evaluations to be a learning leader and mechanism – not only within the GCF but also outside of it. The TOR requests the IEU to build international relationships and actively participate in international evaluation networks to “ensure that it is at the frontier of evaluation practice and that it benefits from relevant initiatives undertaken by other evaluation units.” The TOR also requests the IEU to cooperate with the relevant departments or independent evaluation units of AEs and to seek to strengthen the capacity of the appropriate departments or units of AEs where warranted. An evaluation policy for the GCF has been prepared but is not yet approved by the Board.

#### **d. Trustee**

20. The Trustee was established in paragraphs 24 and 25 of the GI to manage the financial assets of the Fund. Through an agreement signed in April 2015, the GCF invited the International Bank for Reconstruction and Development (a member institution of the World Bank) to serve as the Interim Trustee until April 2018. The Board decided (decision B.19/03) to continue the services of the World Bank, as the Interim Trustee, until a permanent Trustee was appointed through an open, transparent and competitive bidding process. This process resulted in the Board appointing the World Bank as the permanent Trustee at B.21,<sup>59</sup> with its mandate starting in May 2019 for a duration of four years. Under instruction from the GCF, the services of the Trustee include the following:
- Establishing the GCF Trust Fund to receive contributions and administer the contributed funds
  - Administering the GCF Trust Fund by performing investment management services such as asset allocation and short-term investments
  - Administering and managing contributions by entering into direct agreements with contributors, receiving contributions in different formats
  - Transferring the funds and reflows to the GCF AEs and other parties
  - Reporting to the Board and the Secretariat on the status of resources, records of payments, and financial statements of transactions
  - Providing legal services associated with the scope of services

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<sup>59</sup> Decision B.21/07.

- Applying fiduciary principles and standards
- Auditing of the Trust Fund<sup>60</sup>

## 2. ACCESSING THE GCF

21. The NDAs and the AEs are the GCF partners associated with identifying, developing and implementing investments. The role of the NDAs and the AEs is extremely important for the GCF, as the NDAs formally link it to countries and the AEs are responsible for developing and implementing GCF investments. They carry the responsibility of communicating about the GCF in-country, as well as establishing and implementing the programme for each country to address climate change. They are responsible for operationalising key GCF concepts such as country ownership/needs, sustainable development and paradigm shift.

### a. Accredited entities

22. According to the GI, “access to the Fund resources is through national, regional and international implementing entities accredited by the Board.” There are two types of AEs: direct and international. Direct AEs (DAEs) are regional, national or subnational organisations from the public or the private sector that are nominated by their NDA to access the GCF and are approved by the Board. In addition to funding for projects, they may access Readiness and Project Preparation funds (through the RPSP and PPF). International AEs (IAEs) are entities such as MDBs and United Nations organisations. While they do not require nomination by NDAs, they are approved by the Board and their FPs still need to obtain no-objection letters (NOLs) from NDAs. AEs can subcontract any organisation for the implementation of the project, whether they are accredited or not (also known as EEs or Executing Entities). Arrangements between AEs and EEs are not subject to Board approval, but these arrangements do need to consider all GCF policies and procedures.

### b. National designated authorities

23. According to the GI, each “recipient country may designate a national authority.” The role of this national authority is also defined in the GI and further stipulated in decision B.04/05 as part of the country-ownership approach of the Fund. Its role, or that of the country focal point, is as follows<sup>61</sup>:

- “recommend to the Board funding proposals in the context of national climate change strategies and plans, including through consultation processes;
- facilitate the communication of nominations of entities to the Fund;
- seek to ensure consistency of funding proposals from national, subnational, regional and international intermediaries and implementing entities with national plans and strategies;
- implement the no-objection procedure;
- act as the focal point for Fund communication.”

24. The NDA’s no-objection procedure applies to both FPs and to applications for accreditation by regional, national and subnational entities. The guidelines for selecting and establishing the NDA indicate that the selected NDA should be located within a ministry or authority that are familiar with the budget, economic policies and climate change issues, and that can influence economic policy, development planning, climate change, energy and environmental resource management. The guidelines also indicate the kind of capacities and authority that the NDA should possess.<sup>62</sup>

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<sup>60</sup> Decision B.19/03.

<sup>61</sup> GCF/B.10/Inf.07 (July 2015)

<sup>62</sup> Decision B.08/10.



25. The relationship between the GCF and the NDA is not contractual; therefore, the GCF can only issue guidelines that relate to selecting the NDA and its functioning, rather than issuing requirements. To date, 147 countries have designated their NDAs or focal points out of 154 developing countries. NDAs can also benefit from the RPSP to design their GCF coordination mechanism, their no-objection procedures, their country programmes, and their NAPs.

### 3. SPECIFIC FUNCTIONS WITHIN THE GCF

26. The GCF has several panels, committees and other structures that occupy key functions within the GCF. As per decision B.05/12, their specific functions are defined on a case-by-case basis. Some of these panels and structures are outlined below.

#### a. Independent Technical Advisory Panel

27. The independent Technical Advisory Panel (iTAP) is a panel of technical experts that are mandated to provide an “independent technical assessment of, and advice on, funding proposals for the Board”. It has the mandate to assess the performance of all FPs against the investment criteria. It is composed of six members with renewable three-year terms (endorsed by the Board) who are collectively required to cover “*a range of specialities and sub specialities related to mitigation, adaptation, the private sector and the financing of projects in developing countries*”.<sup>63</sup> iTAP reviews take place after the review of FPs by the Secretariat and before they are submitted to the Board. For each FP, their report rates each investment criterion from “Low” to “High” and is attached to the FP documentation. They provide recommendations for approval, conditional approval or rejection of FPs. Both the Secretariat’s and iTAP’s reviews are submitted to the Board. Since B.18, iTAP members may also reject low-quality projects before they are submitted to the Board. The role of iTAP in the project cycle is discussed in Chapter VIII.

#### b. Accreditation Panel

28. The Accreditation Panel was established as part of the initial guiding framework for accreditation in decision B.07/02 as an “*independent technical panel to advise the Board on matters related to the accreditation of implementing entities and intermediaries to the Fund*” that is “*in charge of conducting the accreditation process*”. Its six members (with balanced representation from developed and developing countries) are selected by the Accreditation Committee and endorsed by the Board. Their expertise is aligned with the different topics of the accreditation process (governance, project management, transparency, ESS, financial intermediation or supervision, and experience in developing countries). The Accreditation Panel reviews individual applications and provides technical advice about these to the Board. The panel was mandated to provide inputs for the design of the accreditation process, including the fiduciary standards, ESS, and the complementarity and coherence element of the guiding framework.

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<sup>63</sup> Decision B.BM2018/09.



### c. Private Sector Facility

29. Paragraph 41 of the GI established the PSF to enable the GCF “to directly and indirectly finance private sector mitigation and adaptation at the national, regional and international levels”.<sup>64</sup> The PSF is part of the Secretariat structure, as one of its eight departments. Like the rest of the Secretariat, its approaches are meant to be country-driven and focused on local actors in developing countries, in particular small and medium-sized enterprises (SMEs) and local financial intermediaries, including in SIDS and LDCs. Decision B.04/08 provided further direction for the PSF, stipulating its activities as follows:
- Operates “under guidance and authority of the Board as an integral component of the Fund”
  - Aims to “address barriers to private sector investment in adaptation and mitigation”
  - Seeks to mobilise funds at scale
  - Minimises market distortions and moral hazard
  - Focuses initially on grants and concessional lending, but also makes use of a variety of financial instruments and modalities to achieve its objectives
30. The decision also acknowledges the importance for the Fund to support readiness and an enabling environment as pre-conditions for private sector investment. The PSF has received further guidance from the Board, such as to increase the diversity of private sector AEs and to promote private sector engagement through the GCF in LDCs and SIDS, and to integrate the analysis and recommendations of the Private Sector Advisory Group (PSAG) in their activities.
31. The investment strategy and portfolio targets that are part of the initial investment framework expect the Fund to maximise fund-wide engagement with the private sector, including through significant allocation to the PSF<sup>65</sup>, but did not include a specific hard target in terms of PSF allocation or expected co-finance generated.

### d. Private Sector Advisory Group

32. The PSAG was established by decision B.04/08,<sup>66</sup> as a structure to provide advice to the Board on matters related to GCF engagement with the private sector. It is composed of four Board members (with balanced representation from developing and developed countries), up to eight PSO representatives (with balanced representation from developing and developed countries) and up to two CSO representatives. The TOR specify that all members should be selected based on their expertise in climate finance and investment, in leveraging and mobilising private finance in developing countries or in private sector activities and technologies related to low-emission and climate-resilient development. Furthermore, PSO representatives also bring their own sets of expertise and experience. PSO and CSO representatives serve in their own personal capacity.

### e. Observers to the Board

33. External stakeholders may obtain accreditation as observer organisations through a process approved by decision B.01-13/03. CSOs and PSOs nominate four organisations as active observers who are then invited to attend and intervene at Board meetings and, on a case-by-case basis, other committees and working groups. The selection of active observers must respect a balanced representation from developed and developing countries, gender, and international versus local organisations. Decision B.01-13/03 does not specify how these representatives are to be selected

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<sup>64</sup> Decision B.07/08, paragraph (c): “Recognizes that the mitigation and adaptation windows and the PSF are integral components of the Fund that will evolve over time”.

<sup>65</sup> Document GCF/B.07/06, IV Components of the Initial Investment Framework

<sup>66</sup> This decision also formalised the PSF.

(other than the above-mentioned criteria) and does not include any financial support to ensure their effective participation. Each of the groups have a list of members who are consulted about specific documents to be discussed at the Board (and not just FPs). Currently, some AEs (informally) seek comments and feedback from CSOs prior to the Board meeting in which their proposal may be discussed. CSO and PSO observers also perform an informal role in sharing information, knowledge and awareness about the GCF within their own networks.

#### **f. Civil society, vulnerable groups, women and indigenous peoples**

34. The GI states, “The Board will develop mechanisms to promote the input and participation of stakeholders, including private sector actors, CSOs, vulnerable groups, women and indigenous peoples, in the design, development and implementation of the strategies and activities to be financed by the Fund.”

### **4. FUNDING PROGRAMMES AND INSTRUMENTS**

#### **a. Funding programmes**

##### ***i. Funding proposals***

35. FPs are for investment projects that the GCF supports and that constitute its core portfolio. They are presented to the Board by AEs with a NOL from NDAs and assessed against investment criteria by both the Secretariat and iTAP before being submitted for approval by the Board. As of February 2019 (B.22), the GCF Board has approved 102 FPs, committing USD 5.018 billion.<sup>67</sup>
36. In addition to the regular process for bringing and approving FPs, the GCF has developed two other options for bringing project funding to the GCF: RfPs and the simplified approval process (SAP). The RfP modality is considered to be a key access instrument, in particular to mobilise the private sector. By decision B.10/11, the Board noted that the use of RfPs is complementary and not a substitute for spontaneous FPs. The Board has requested the Secretariat to issue four specific RfPs:
- **Pilot Programme for Mobilizing Resources at Scale.** The Board allocated up to USD 500 million to identify innovative, high-impact projects and programmes that mobilise private sector investments for climate change activities (decision B.10/11).
  - **Pilot Programme to support Micro-, Small- and Medium-Sized Enterprises (MSMEs).** This programme was established in 2016 by the Board (decision B.10/16) and allocated up to USD 200 million as part of the PSF. It aims to support MSMEs in addressing mitigation and adaptation challenges.
  - **REDD+ results-based payments.** REDD+ refers to the process moderated by the UNFCCC that supports countries’ efforts to reduce emissions from deforestation and forest degradation, and to foster conservation, sustainable management of forests and enhancement of forest carbon stocks. Decision B.18/07 approved up to USD 500 million from the GCF to support all three phases of REDD+.
  - **Enhanced Direct Access (EDA).** This was approved with an initial allocation of up to USD 200 million for at least 10 pilot FPs (at least 4 from SIDS, LDCs and African States) that adopted EDA implementation modalities (decision B.10/04). Only DAEs, public sector, private sector or non-government organisations (NGOs) are eligible for it. EDAs can use any GCF financial instrument. The objective of EDA is to devolve decision-making to the AE, while ensuring strong country ownership and multi-stakeholder engagement. To this end, the entity

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<sup>67</sup> On top of the amounts committed by the Board to the projects, there is an additional USD 131.89 million committed for project fees (AE fees) for the 55 projects with executed FAAs, as of 28 February 2019.

needs to have a decision-making body that includes civil society, the private sector, or other relevant stakeholders, and should be sensitive to gender considerations.<sup>68</sup>

### *ii. Simplified approval process*

37. Concept notes and FPs for microprojects (up to USD 10 million) may also be submitted for consideration under the SAP if the project or programme is “*ready for scaling up and having the potential for transformation, promoting a paradigm shift to low-emission and climate-resilient development*” and minimal to no environmental and social risks.<sup>69</sup> This pilot was approved with decision B.18/06 and will be reviewed once the aggregate amount of approved SAP projects total USD 80 million.

### *iii. Readiness and Preparatory Support Programme*

38. The initial guidelines for the RPSP were adopted at the first Board meeting (decision B.01/13) as per the GI. They have been revised regularly, with updates to workplans and lists of eligible activities. Based on the evaluation of the RPSP by the IEU and on the Secretariat’s review, a revised RPSP, which was presented at B.22, focused on better targeting of readiness resources to needs and results, and more efficient delivery and reduction of transaction costs. The Board approved the objectives and outcomes of the Readiness and Preparatory Support Programme Strategy 2019–2021 via decision B.22/11.

### *iv. Project Preparation Facility*

39. The PPF supports AEs, and especially DAEs, in project and programme preparation, with a focus on micro- and small-sized projects. A total of USD 40 million has been made available for the initial phase of the PPF, with each request subject to a cap of USD 1.5 million. The PPF aims to enhance “*the balance and diversity of the project pipeline*”.<sup>70</sup> Support is provided in the form of grants or repayable grants, and equity investments may be considered for private sector projects. Projects developed with PPF must be sent to the Board for approval within two years. PPF support covers seven types of activities: pre-feasibility and feasibility studies; project design; environmental, social and gender studies; risk assessments; identification of programme-/project-level indicators; pre-contract services (including the revision of tender documents), advisory services and/or other services to financially structure a proposed activity; and other project preparation activities. PPF requests are approved by the Executive Director and assessed against the GCF investment criteria, a justification of needs and consistency with GCF policies. As of February 2019, 23 applications have been approved for a total of USD 10.8 million, of which USD 4.8 million have been disbursed.<sup>71</sup>

## **b. Financial instruments**

40. The GI states that the GCF “will provide financing in the form of grants and concessional lending, and through other modalities, instruments or facilities as may be approved by the Board.” The GCF operates through four financial instruments:
- Grants: This instrument requires either no repayment or repayment with contingency, with this second option being limited to the private sector.<sup>72</sup> Funds can be used for a variety of activities, such as technical assistance, studies, capacity-building and support to policy development.

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<sup>68</sup> GCF/B.22/Inf.01 (Feb 2019).

<sup>69</sup> Decision B.18/06.

<sup>70</sup> Decision B.13/21.

<sup>71</sup> GCF/B.22/Inf.06/Rev.01 (Feb 2019).

<sup>72</sup> Decision B.09/04.

- Concessional lending: This instrument offers loans at below-market conditions, such as low or no interest rates or longer repayment or grace periods. It aims to finance activities for which no loans at market terms are available or when using market terms would not be financially sustainable.<sup>73</sup>
- Equity investments: These involve injecting capital directly into a project when the risk of failure is high. This comes with part ownership in the operation and returns depend on the results of the project.
- Guarantees: The GCF guarantees loans of a borrower in case of non-performance or default.<sup>74</sup>

## C. FINDINGS

### 1. ORGANISATIONAL STRUCTURE

- 41. The Fund has a strong structure including an influential Board with equal representation and voice from recipients and contributors. Key features of the GCF organisational structure, as required by the GI, have been established and are working.** The Fund’s overall structure includes a Board, a Secretariat and independent units, which are staffed with strong expertise for their current objectives.
- 42. Over a short period of time, the Secretariat has been established as an independent entity and built its structures, staffing and capacities to support the operationalisation of the GCF as prescribed by the GI.** Significant efforts have been dedicated to develop not only the organisation’s infrastructure (e.g. information and communication technology (ICT), human resources) but also its general processes (accreditation, project cycle), programmes and financial instruments, and at the same time to provide the Board with proposals for their review and approval. Many adjustments have been made along the way, such as revising the organigram, identifying performance indicators and recruiting staff with thematic expertise. One function that has increased and changed over time relates to the Secretariat’s role with projects: on one hand, the Secretariat is a “gatekeeper” through which projects go on to the next steps in the project cycle, and on the other hand, the Secretariat also plays the role of a project “facilitator”, processing as many projects as possible while retaining some ability to ensure quality and manage the portfolio against GCF targets. This role was confirmed by the FPR team during country visits, where AEs confirmed working in close collaboration with the Secretariat during the entire design of FPs.
43. Interviews with multiple stakeholders – both internal and external to the Secretariat – acknowledge the impressive achievements of the Secretariat considering it is still relatively new (its first Executive Director was appointed less than six years ago, in 2013), that it was created as a completely new institution, and the challenges inherent to building an organisation while its structuring elements are being designed. The Secretariat was also expected to deliver a work programme with quality proposals for investments for Board approval. The expression “building a plane while flying it” (or words to that effect) was used by some interviewees to refer to what the Secretariat has been doing in the last few years.
44. Interviews with NDAs and AEs acknowledge that the Secretariat staff is helpful when it comes to developing projects. However, accessing the Secretariat is sometimes a challenge, as there is no clear understanding of who does what, new staff are constantly being added and most contacts

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<sup>73</sup> Decision B.09/04.

<sup>74</sup> Decision B.08/12.

depend on pre-existing personal interactions rather than on formally established channels, causing inefficiencies.

45. **The roles of CDS and regional advisers are considered helpful in channelling GCF information to the countries, helping countries navigate GCF processes and procedures and reaching out to the right people within the Secretariat.** However, their capacities are considered limited since their responsibilities encompass many countries and they have a limited travel budget. According to the Secretariat, the ongoing recent pilot of having a CDS based in Grenada (since September 2018) has yielded welcome results<sup>75</sup> in terms of engaging more closely with NDAs and local stakeholders in Latin America and the Caribbean, supporting national processes and access to funding, and mitigating the effects of the time zone difference with Songdo. A process to recruit a CDS to be based in Africa is currently ongoing.
46. Strengthening the structure to provide regional advice, possibly through regional advisers is one way in which the Secretariat can increase its regional capacity. However, as noted in the IEU's review of the RPSP, this will require better communication with the regional advisers as well as increased travel support for them. It will also require that an intentional process to integrate regional advisers with the Fund's changing policies and guidelines is pursued. The other advantage of this is likely to be steady cost-effectiveness of the current business model. Having regional offices, as has been discussed and as is witnessed in other organisations, can also have unintended consequences (on coordination, communication, infrastructure costs, etc.) that the Secretariat would be well advised to explore before venturing further.
47. **Progress against the Secretariat's work programme, as presented by indicators,<sup>76</sup> seems to have been generally satisfactory in many areas,** such as supporting and achieving accreditation of DAEs, overall number of FPs approved, developing the Secretariat's ICT systems and implementing some changes to the Secretariat structure. Some targets are partially achieved, such as the target of number of concept notes reviewed and the reduction of processing times for PPFs. Some of the targets partially or not achieved depend on the Board reviewing and approving documents for achievement, such as the approvals of the risk management framework, compliance framework and results area guidance.
48. **Many targets were not achieved, and while the reasons for these are discussed elsewhere in this report, they may be recognised as either internal or external to the Secretariat.** Targets that were not achieved for various reasons are targets related to the hiring of new staff (although the hiring rate was deemed "appropriate to GCF requirements and capabilities"); preparing an audit manual and preparing a performance management system; number of PPF requests, volume of disbursements; number of countries supported for their country programmes; volume of private sector projects and of adaptation funding; and approval of projects under RfP programmes.
49. **Some decision-making processes, particularly for accreditation, project cycle and strategy/policy development, are still unclear, which has caused significant inefficiencies in the Secretariat's processes.** Among interviewees (mainly representatives of NDAs, AEs and CSOs), there was often a strong sense of frustration when discussing their collaboration and interaction with the Secretariat. As will be further expanded in subsequent chapters,<sup>77</sup> the main friction points are related to the processing times of project proposals or to the accreditation process, as follows:
  - Unclear, lengthy, burdensome processes that included several rounds of back and forth and that have generated additional and not unpredicted requirements for the process at hand.

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<sup>75</sup> GCF/B.22/Inf.01 (Feb 2019).

<sup>76</sup> GCF/B.22/Inf.01 (Feb 2019).

<sup>77</sup> See Chapter VIII.



- Overlap and sometimes contradicting comments coming from different departments within the Secretariat while processing proposals, which reflect that internal communications within the Secretariat are not functioning or that new staff are not fully briefed or provided information about previous discussions. In one example, an AE recalled that the Secretariat reached out to them to negotiate an FAA template, when that FAA template had already been negotiated and agreed on. In another, an AE reported that changes were requested to a project's logical framework after it had been approved by the Board (and thus cleared by both the Secretariat and iTAP).
  - Inconsistent application of policies/guidelines/investment criteria, and an unclear decision-making structure; informal communications are used to provide guidance when policy guidelines are not available. One AE reported that with every project they develop, there is a new discussion with the Secretariat about how to apply the investment criteria. Candidates to accreditation have reported that there have been "hints" that their candidature was not a priority for the GCF, but they had received no official communication to that effect.<sup>78</sup>
  - Lack of flexibility with administrative requirements. As an example, a simple typo in a document in Mauritius generated a two-year delay for a readiness project.
  - Delays in responses, and a subsequent sense of urgency for the entity to respond. No information is provided about standard response times, causing unpredictability for partners. At least two AEs reported several months of delay in receiving FAAs after projects were approved, leaving them only a month to review it on their side.
  - Limited knowledge of many country and regional conditions.
  - Language barrier: the fact that all communications and documents have to be presented in English is perceived as a disadvantage by non-English-speaking countries.<sup>79</sup>
50. Several respondents, both external and internal to the Secretariat, indicate that most of these problems reflect the lack of consistent procedures, protocols and clear guidelines as well as weak communications between departments. Furthermore, stringent requests and contradictory guidance are often associated with a lack of authority in the staff to make decisions.
51. **It is clear that over time the role of the Secretariat has expanded** beyond managing processes and operationalising activities. Increasingly it is expected to provide technical support for project development and to develop strategies and policies for the Board. It is also increasingly having to define investment and performance criteria for which there is little guidance. Additionally, the Secretariat is responsible for applying a set of policies that sometimes overlap or have gaps.<sup>80</sup> Although as a response to some of these shortcomings, the role of a "Task Manager" was established to improve coordination of project preparation, the Task Manager seems to have limited authority. Because decision-making authority has remained with the Board, most Secretariat staff members believe that any decision taken by them may be overturned at the next Board meeting.
52. **The Trustee is fulfilling its role** although it has been designed to be limited – like the one used by the Adaptation Fund, for example.<sup>81</sup> For the 2020 budget, the Trustee (the World Bank) has adopted a cost-recovery approach, instead of a profit approach, which means that the Trustee charges for transactions (rather than flat fee). As the level of transactions increase, the management cost of the Trustee will also increase. A few lessons were drawn from the role of the Trustee in the IRM period:

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<sup>78</sup> Decision B.14/08 establishes prioritisation criteria for accreditation, but no formal procedure has been approved to operationalise it.

<sup>79</sup> Detailed analysis of delays and bottlenecks is provided in Chapter VIII.

<sup>80</sup> As discussed in Chapter V.

<sup>81</sup> The Trustee is not responsible for selecting AEs or approving projects. For this reason, its role as Trustee has not prevented the World Bank from obtaining accreditation.

- There are significant differences in the levels of complexity required to manage grants and to manage a variety of non-grant instruments. This turns the GCF into a financial institution, which requires a full risk management and risk reporting system.
  - The Trustee does not have oversight over the level of complexity of the financial instruments that the GCF is offering.
  - Each partnership with an AE is unique, which is challenging for the Trustee.
  - Having a fixed replenishment period makes it easier to manage and is more convenient than when replenishment is triggered by contributions.
53. **The current business model relies heavily on NDAs and AEs** to identify needs, establish structures, mobilise stakeholders, communicate about the GCF, and design and implement high-quality projects in line with country priorities. **The GCF collaborates with 84 AEs and NDAs/focal points in 147 countries. Its remit for working through DAEs is matched by few other agencies.** During country visits, the FPR team observed significant efforts that NDAs and AEs make to develop their capacity to interact with the GCF.
54. **The structure of the NDA differs from one country to another:** it can be a one-person team or a unit within a ministry, working part-time or full-time. The focal point itself is sometimes high ranking (a Minister) and sometimes a more operational person. But in all cases, focal points have other tasks and duties within the government. Despite the guidelines, countries generally have to decide where to locate the NDA and whether they should have financial or environmental competencies: NDAs rarely have both. In most of the countries visited, the NDA was located within the Ministry of Environment, although in some countries, such as Bangladesh and Mauritius, the NDA is within the Ministry of Finance. **In most countries visited, the NDA seemed to be an active organisation, but the levels of capacity regarding climate change, the GCF, and project design and implementation varied widely.**
55. NDAs are expected to lead the development of a GCF country programme and to establish and implement no-objection processes. However, this varies by capacity. The FPR team heard about NDAs wanting to present their proposals in front of the Board, or not being aware of activities implemented in-country after a project had been approved. Some countries reported challenges in aligning the GCF project cycle with their national processes. The lack of legal presence of the GCF in the country<sup>82</sup> was mentioned as a barrier to efficient processes. Another issue is that GCF projects are implemented within the context of national and subnational policies, whereas GCF policies or requirements may be different or contradict them.<sup>83</sup> When governments are involved as EEs, they have legal arrangements with the AEs to implement these projects.
56. Since only NDAs are responsible for communicating about the GCF within countries, this has frequently generated deficiencies in the process given their differences in capacities and knowledge about the GCF, climate change, and project design and implementation. Several NDAs expressed desire for more support and access to the GCF and wished a more active presence of the GCF in-country.
57. **CSO and PSO engagement at the global level is formally limited.** Presently, the GCF structure and processes do not leverage the capacities of CSOs and PSOs within countries. This does not assure visibility for the GCF within country. Their engagement at the global level is limited to the role of observers to the Board. However, it remains somewhat informal as there are no TOR to clarify their role and no formal process to select representatives. Under the current guidelines, the comments provided by the CSO and PSOs observers may or may not be taken into consideration by

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<sup>82</sup> Lack of privileges and immunities is related to this.

<sup>83</sup> Also discussed in Chapter V.



the Board, and the observers may or may not be invited to contribute to the process of project approvals during Board meetings. Their participation is limited to the Board, and any decision taken in other kinds of meetings is beyond their reach. The lack of budget is a challenge for all CSO representatives, but even more so for those from developing countries. CSO observers commented that AEs are often unreachable before a Board meeting and hence cannot respond to inquiries that CSOs may have. AEs for their part do seem to value CSO opinions, although it may often be too late in the process of project design.

58. Both CSOs and PSOs have created a GCF network that at this point consists primarily of a distribution list of organisations that the observers to the Board use to disseminate information or request input into different documents and proposals. There are no formal TOR or guidelines on how this network should work.
59. The Indigenous Peoples Policy acknowledges that indigenous peoples are a “unique and a distinct stakeholder of the GCF” and that they “often have identities and aspirations that are distinct from mainstream groups in national societies and are disadvantaged by traditional models of mitigation, adaptation and development.”<sup>84</sup> **There are no guidelines on how indigenous peoples are to participate in the GCF, particularly in the context of projects.** The guidelines for Board observers do not include requirements for inclusion of indigenous peoples. According to CSO representatives, indigenous peoples are part of the CSO network and are regularly consulted, but they do not pretend to represent them.
60. **There is no policy on how the CSOs, PSOs or other groups, such as indigenous peoples or vulnerable communities, can interact or engage with the GCF.** This is a problem when it comes to participating in the project proposal review and approval processes, as their involvement is limited to the Board and they access documents very late.

## 2. FUNDING PROGRAMMES

61. **The GCF currently offers a wide variety of funding programmes,** with a mix of proposals and RfPs. While the regular FP mechanism has delivered most of the currently approved projects (see Chapter VIII), the RfPs are more strategically targeted and **should theoretically allow direct funds to be strategically dedicated to some priority issues.** All the topics currently targeted by RfPs are strongly relevant to the purpose of the GCF: EDA strengthens country ownership and should help channel funds to the local level more effectively; REDD+ tests innovative financial mechanisms; the programme for MSMEs targets the private sector at local levels for adaptation purposes; and the RfP on mobilising resources at scale is consistent with the priority of scaling up the role of the private sector. **Because of their design, the FPR recognises the role that RfPs can play in helping the Fund be more strategic.**
62. **The RPSP and the PPF are two GCF programmes providing capacity development support in countries. The IEU submitted its evaluation of the RPSP at B.22.** It strongly recommended that the GCF develop a vision and strategy for the programme and use a results-based management approach. It also recommended critical changes for the programme, such as improving efficiency, capacity-building and focusing on the more operational roles that country programmes may play (rather than viewing them as another paper-writing exercise) and recommended that standard operating procedures and turnaround times be developed. Last but not least, it recommended changes to the overall programme modalities to make it more accessible and responsive to country’s needs as well as to focus it on making countries ready for the GCF (“GCF-ready”).

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<sup>84</sup> GCF Indigenous Peoples Policy (decision B.19/05, March 2018).

63. **In its response to the evaluation, the Secretariat indicated that several recommendations were being taken on board.** In its Strategy for 2019–2021 and Work Programme 2019 (also submitted at B.22), the RPSP introduced a theory of change that accounted for several of the IEU’s recommendations. It also incorporated results from a Dalberg review, a review by the Secretariat and a review by the Adaptation Committee of the UNFCCC. While it did not specifically seek to review the RPSP again, the FPR team could confirm during its field visits that the support provided by this programme is considered as extremely valuable by countries. However, some countries, such as Solomon Islands, have not yet succeeded in accessing RPSP funds due to their low capacities. Other countries that have benefited from one or two RPSP projects still have significant needs to fully build their capacities to access the GCF. The language barrier is a challenge mentioned frequently in non-English-speaking countries, and this issue had been highlighted by the RPSP evaluation and acknowledged by the Secretariat. See Chapter VIII for further analysis.
64. **The variety of financial instruments available in the GCF is comparable to or higher than other climate funds and DFIs.** In comparison, the GEF started using non-grant instruments during its sixth replenishment period, and also invested in loans, equity and guarantees, in addition to grants.<sup>85</sup> The Adaptation Fund provides only grants. Under the CIF, the Clean Technology Fund (CTF) and the Strategic Climate Fund provide a relatively similar portfolio of financial instruments.

*Table III-1. Financial instruments available from other environmental funds or DFIs*

	GRANTS	LOANS	EQUITY	GUARANTEE	CREDIT	CARBON CREDIT	OTHERS
GEF	x	x	x	x			
Adaptation Fund	x						
CTF	x	x	x	x			x
Strategic Climate Fund	x	x		x	x		x
Access to Energy Fund		x	x				
Climate Investor One		x	x				
Norfund		x	x				
Nordic Environment Finance Corporation (NEFCO)	x	x	x			x	
Interact Climate Change Facility		x		x			x

Source: Fund and DFI websites

65. Perceptions from stakeholders interviewed, both from country visits and within the GCF, confirm that **the level of variety in financial instruments is a value added for the GCF** and provides it with the flexibility to finance different types of projects.
66. **Terms and conditions for financial instruments:** The terms and conditions for GCF grants and loans were approved by decision B.09/04. This decision states that conditions for both grant and

<sup>85</sup> See <https://www.thegef.org/topics/non-grant-instruments>

non-grant instruments to the private sector should be decided on a case-by-case basis and consider a few guiding principles:

- *“The average concessionality or grant element of the financial inputs to the Fund and the average concessionality or grant element of financial instruments of the Fund;*
- *The grant element of concessional finance will be tailored to provide the appropriate incentive to facilitate the implementation of mitigation and adaptation activities;*
- *Concessional forms of finance will be designed to minimise market distortions and potential disincentives to private investment;*
- *The expertise and capacity of financial intermediaries and implementing entities; and*
- *The risk sharing between public and private investment, when relevant.”<sup>86</sup>*

67. Decision B.09/04 also stated that the conditions for non-grant instruments to the public sector – except for concessional loans – would be determined on a case-by-case basis, with no reference made to the guiding principles.
68. **Beyond this willingness to provide more flexibility to public sector investments, there has been no guidance to date regarding the use of these instruments so as to maximise their potential for impact on country needs.** Some examples of situations where such guidance would have been useful were encountered during field visits. A project from Solomon Islands, with a budget of USD 86 million, was nearly rejected by the Board because its 19 per cent grant component was not considered appropriate by some Board members. Ecuador received indications from the Secretariat that as a middle-income country, it should be seeking more non-grant instruments. The review of the financial instruments submitted at B.21 also noted that the Secretariat was developing a grant equivalent calculator to measure the level of concessionality of each funding, improve comparability and comply with the requirement to measure allocation parameters in grant equivalents.<sup>87</sup> This tool can effectively be used to guide decision-making, keeping in mind the ultimate goals of the GCF, but it cannot replace the establishment of clear guidelines for the preparation of FPs or of mechanisms that generate incentives in line with these goals.
69. **Aligning accreditation with financial instruments.** In decision B.08/12, the Board decided that *“accredited entities shall list, as part of their application for accreditation, the range of financial instruments that they have the capacity and expertise to deploy”*. Through this decision, accreditation works jointly with the financial instruments to enhance accountability. This decision has had considerable impact on the use of these modalities as only some AEs can access certain financial instruments.<sup>88</sup> In some countries, no AEs with relevant financial instruments were present to support some projects. This is the case in Namibia, where infrastructure projects are planned but cannot access the GCF because the appropriate entities are not accredited. Some AEs stated their interest in collaborating with AEs with complementary accreditation to access a wider variety of financial instruments and build their track record.

## D. CONCLUSIONS AND RECOMMENDATIONS

70. Regarding the organisational structure, the FPR recommends the following:
- The Board may consider:
    - **Delegating authority to the Secretariat for developing procedures, guidelines and standards for Board-approved policies, as well as for some investments, while taking**

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<sup>86</sup> Decision B.05/07.

<sup>87</sup> Decision B.06/06.

<sup>88</sup> Accreditation is discussed in Chapter VI, and the portfolio is discussed in Chapter VIII.

**stock of the ability of Secretariat staff to deliver these and report them appropriately and regularly.**

- The Secretariat may consider:
  - **Leveraging influence through building knowledge-based policy-driven enabling environments in-country and globally. This means it will need to staff and create capacity for being a knowledge hub, provide on-demand advisory services and play an influential role in international policy.**
  - **Recognising that structure and incentives induce behaviour. Accordingly, incentivise staff in the Secretariat using a variety of approaches to create a culture of risk-taking, innovation and management for impact.**
  - Developing clear and efficient internal procedures, with specific responsibilities and decision-making structures at different levels.
  - Clearly communicating roles, responsibilities and levels of authority to GCF partners and the general public.
  - Continuing to strengthen thematic and regional/country expertise.
  - Aiming for a balance between accountability, predictability and flexibility, and, to that end, prioritising results-based planning. The GCF should ensure the Secretariat has sufficient delegated authority to establish processes that will increase the efficiency of the Fund and clarify the delineation between strategy and day-to-day management. Policies should continue to be approved by the Board, but guidelines and procedures should be left to the Secretariat, so that Board decisions can be operationalised rapidly and consistently.
- External stakeholders:
  - **Support an active network of in-country and international CSOs/PSOs, and representatives of indigenous peoples and vulnerable communities, both financially and operationally.** This will in turn enable them to provide much-needed support, voice and guidance for climate change projects and investments that by themselves are likely to have repercussions for a vast cross section of people and households in countries, with disproportionate effects on the vulnerable. It will also enable them to leverage the significant contextual knowledge and voice that CSO/PSOs and indigenous peoples have and benefit from their insights for planning, implementation, ensuring participation and monitoring GCF investments.
- NDAs:
  - Improve capacity of NDAs as representatives of the GCF at the country level. Given the importance of their role, NDAs should be further engaged as partners of the GCF and should have access to a variety of resources to support them in their role on a daily basis and beyond the framework of the RPSF. NDAs should also be specifically strengthened for their roles in engaging with the private sector, having a voice and influence in-country, and monitoring GCF investments.
- The Secretariat should reach out proactively to NDAs and other groups relevant to the GCF at the national/subnational levels by strengthening the capacities and the roles of the CDS and placing them in their respective regions. Several opportunities could be leveraged by doing this:
  - Engage with a broader variety of stakeholders in-country
  - Help identify capacity gaps in countries and collaborate with NDAs to fill them

- Increase GCF visibility and facilitate communication about the GCF directly rather than through other stakeholders, including about the roles and responsibilities of the NDA, AEs and others
- Help identify the most promising opportunities in support of the GCF objectives
- Clarify roles and responsibilities and provide both human and financial resources for an effective geographic and thematic coverage so the above points can be effective
- Further collaboration between the Secretariat and the Trustee will help improve the financial management of the Fund and is necessary. This should include the following:
  - The establishment of strong internal controls and oversight commensurate with the complexity of financial instruments
  - A strategy to manage the liquid balance assets
  - Looking into the possibility of hedging (a forward arrangement to mitigate risks) and using fixed schedules of payments as possible solutions to mitigate currency-related issues and the use of an exchange rate fixed rate at the time of replenishment
- The GCF should move to fixed replenishment cycles to increase the predictability of available funds.

71. Regarding financial instruments:

- The GCF should introduce clear definitions and further guidance about the use of financial instruments.



## Chapter IV. WERE THE GCF'S INITIAL STRATEGIC PLAN AND INVESTMENT CRITERIA ADEQUATELY DEFINED?

### KEY RECOMMENDATIONS

- Moving forward, the GCF should develop a strategic plan that focuses the GCF on being a global thought leader and a climate policy influencer, and that establishes a niche for innovation and impact. Consider a longer rolling plan that concentrates on a shortlist of key priorities and ensures predictability, transparency and measurement, and that is evidence-based: informed by science, current market needs assessments, the potential for climate finance market and market shaping, and independent evaluations. GCF results for all indicators should be reported publicly on the GCF website.
- The GCF could consider revising the investment framework and making it a true prioritisation tool, by introducing clear and transparent minimum requirements, an increased weight to the climate dimension of the GCF investments and an alignment to the results management framework. The Secretariat should develop clear definitions, indicators, procedures and guidelines for using and applying existing results and investment criteria. This material should be made public and translated into several languages, in order to transparently communicate the process and goals for selecting investments to the GCF's potential partners.

### KEY FINDINGS

- **The ISP** was fit for purpose, flexible and responsive to the aspirations of the GI. The ISP was more aspirational than operational, and the action plan and operational principles derived from it provided the GCF with a multiplicity of priorities.
- Having to respond simultaneously to all key principles and priorities in the GI, ISP, action plan and operational principles has created tension and conflicts and has resulted in processes that are perceived as insufficiently predictable and transparent.
- The limited set of targets and measurable indicators included in documents related to the ISP has made it difficult to assess GCF performance and has resulted in limited reporting on targets. Of those that were specified, several have been partially achieved.
- The ISP, action plan and operational principles do not demonstrate that they were developed based on evidence. For example, the evidence from the IPCC reports, evidence from independent evaluations of other relevant and similar climate funds, and evidence from market research have only marginally informed these documents.
- **The investment criteria** are linked to the higher-level strategic vision of the GCF, as well as to the action plan and operational priorities. As a result, they are very broad and not well defined.
- In practice, several investment criteria are treated as minimum requirements for projects and programmes rather than criteria to inform selection and prioritisation.
- Despite it being central to the mission of the GCF, the investment criteria do not give sufficient weight to the climate dimension.
- A key investment criterion – paradigm shift potential – is both a criterion and a principle in the GI, which has the potential to create circularity. A lack of clarity around the definition of “paradigm shift” can lead to perceptions of non-transparency and arbitrary decision-making.



## A. INTRODUCTION

1. This chapter presents an analysis of the ISP and its implementation during the IRM (including B.22). It analyses the ISP's relationship to the GI and its effectiveness and efficiency in fulfilling the GCF mandate. The chapter assesses the relevance and use of the investment criteria as part of the GCF investment framework.<sup>89</sup>

## B. DATA ANALYSIS OF THE INITIAL STRATEGIC PLAN

2. The GCF Board endorsed the ISP during its twelfth meeting, in March 2016 (decision B.12/20/Annex I), as a living document to “*guide the Board in addressing policy gaps and programming the Fund’s resources during the IRM period (2015–2018) and to invest the Fund’s resources in transformational climate actions in a country-driven manner.*” The ISP was prepared and agreed upon when the Fund was still in its early stages, so it was geared towards goals and actions related to setting up the GCF, building capacities in the GCF and within its network of NDAs and AEs, as well as building up the project pipeline.
3. The ISP sets out a **strategic vision** for the GCF by the Board, building on the mandate set out in the GCF GI, as an operating entity of the Financial Mechanism of the UNFCCC and the Paris Agreement, and as the largest multilateral climate fund.
4. The ISP included a two-part long-term Strategic Vision of the Board for the GCF:
  - “*Promoting the paradigm shift towards low-emission and climate-resilient development pathways; and*
  - *Supporting the implementation of the Paris Agreement within the evolving climate finance landscape.*”<sup>90</sup>
5. According to the ISP, the GCF established **core operational priorities** for the IRM period. In the report of the Implementation of the Strategic Plan: 2017,<sup>91</sup> it is stated the operational priorities balance “*the Board’s ambitious goal to get GCF off the ground and scale it up swiftly, without compromising ambition, transformation and country ownership.*” The core operational priorities were as follows:<sup>92</sup>
  - i. “*Allowing the GCF to scale-up its investments in developing countries with the objective of tapping its full potential to promote urgent and ambitious actions enhancing climate change adaptation and mitigation in the context of sustainable development;*
  - ii. *Maximizing its impact by supporting projects and programmes that are scalable, replicable and employ GCF resources in the most efficient manner by, among other things, catalysing climate finance at the international and national levels, including by maximizing private sector engagement;*
  - iii. *Setting out the approach of the GCF to programming and investing the full amount pledged for the 2015-2018 programming period, while striving to maximize the impact of its funding for adaptation and mitigation, and seeking a balance between the two;*
  - iv. *Ensuring that the GCF is responsive to developing countries’ needs and priorities including by enhancing country programming and direct access e.g. through enhanced support for*

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<sup>89</sup> The FPR team used a variety of documents including decision B.12/20/Annex I, Initial Strategic Plan for the GCF, March 2016; B.22/Inf.13, Report on the Implementation of the ISP on of the GCF: 2015-2018, February 2018; B.21/Inf.12, Sept 2018; decisions B.07/06. Annex XIV and B.07/05. Annex III, Initial Investment Framework; further development of the framework (B08/20); investment criteria indicators (B22/15, Annex VII).

<sup>90</sup> Decision B.12/20/Annex I, Initial Strategic Plan for the GCF), March 2016.

<sup>91</sup> Implementation of the Strategic Plan: 2017 report (B.19/10).

<sup>92</sup> Decision B.12/20 (March 2016).

*accreditation of National Implementing Entities, ensuring fast disbursement, implementing a gender-sensitive approach, supporting multi-stakeholder engagement, ensuring the effective use of funds and enhancing transparency;*

- v. *Proactively communicating the GCF’s ambition in terms of both scale and impact as well as its operational modalities with a view to enhancing predictability and facilitating access.”*
6. To implement these operational priorities, the ISP further included an **action plan**, which is organised in five strategic measures:<sup>93</sup>
- Prioritising pipeline development
  - Strengthening the Fund’s proactive and strategic approach to programming
  - Enhancing accessibility and predictability
  - Maximising the engagement of the private sector
  - Building adequate institutional capabilities
7. Each strategic measure identified specific actions to guide the GCF during the IRM.
8. A summary of priorities as extracted from GCF key documents is shown in Table IV-1. The ISP provided the GCF with a large and ambitious mandate, but one that lacked strategic focus, since there was no prioritisation among the various spheres of activities prescribed.

**Table IV-1. Priorities, aims and ambitions articulated within the GCF key strategic documents**

	AREA	GI	ISP			INVESTMENT CRITERIA
			Strategic vision	Core operational priorities	Action plan	
1	Support the implementation of Paris Agreement.	Yes.	Yes.			
2	Balance between adaptation and mitigation.	Yes.		Yes.		
3	Enhance direct access.	Yes.		Yes.	Yes.	
4	Developing country needs.	Yes.		Yes.	Yes.	
5	Promote country ownership.	Yes.	Yes.	Yes.	Yes.	Yes.
6	Geographical balance.	Yes.				
7	Prioritise Africa, LDC, SIDS.		Yes.		Yes.	
8	Participation of private sector.	Yes.		Yes.	Yes.	
9	Promote paradigm shift.	Yes.	Yes.			
10	Flexible menu of access modalities and financial instruments.		Yes.			

<sup>93</sup> Extracted from decision B.12/20, Initial Strategic Plan for the GCF.

	AREA	GI	ISP			INVESTMENT CRITERIA
			Strategic vision	Core operational priorities	Action plan	
11	Be guided by efficiency and effectiveness.	Yes.		Yes.		Yes.
12	New, additional, adequate and predictable finance.	Yes.				
13	Within sustainable development.	Yes.	Yes.	Yes.		
14	Take risks that other funds are not willing or able to take.	Yes.				
15	Up-scalable, replicable, innovative, ambitious, urgent funds.	Yes.		Yes.		
16	Programme and invest full pledged amount in IRM.			Yes.		
17	Maximise impact.	Yes.		Yes.		Yes.
18	Be gender sensitive.	Yes.				
19	Be transparent.	Yes.		Yes.	Yes.	
20	Communicate the GCF's ambition.			Yes.		
21	Prioritise pipeline development.				Yes.	
22	Strengthen programming.				Yes.	
23	Build institutional capacities.				Yes.	
24	Technology development and transfer.	Yes.				
25	Create a new institution.	Yes.				

9. Interviews and country visits conducted by the FPR team highlight that only a small proportion of stakeholders (from GCF Secretariat to AEs to country stakeholders) were fully familiar and understood these priorities. They also had different definitions and perceptions of what they meant. On the other hand, most respondents to the FPR online survey (65 per cent) indicated that the ISP was clear to them and that the investment criteria are consistently applied.
10. **Implementation report.** At its twenty-first meeting (decision B.21/18), the Board initiated the first formal replenishment of the GCF and requested the Secretariat to prepare a comprehensive report on

the implementation of the ISP for consideration by the Board and the replenishment process. A “Report on the implementation of the ISP of the GCF: 2015-2018” was tabled at the twenty-second meeting of the Board.<sup>94</sup> In addition, Board members were requested to provide their assessment of the ISP, and their opinions were also submitted to the Board at that meeting.<sup>95</sup>

11. **Some of the key elements brought up by Board members to be considered for the next strategy included the following** (these also seemed to point to the need to better prioritise investment choices to achieve the GCF mandate, among other things):

- Maintaining continuity in the strategic vision for the GCF, since it is still relevant and should be fit for the purpose of implementing the Paris Agreement and the paradigm shift of directing financing towards low-emission and climate-resilient development pathways
- Ensuring the updated strategic vision considers the operational maturity of the GCF, the scientific findings and evidence contained in the IPCC’s Special Report<sup>96</sup> to improve how the GCF is working to halve CO<sub>2</sub> emissions within the next 10–15 years
- Ensuring the process for updating the strategic plan considers the outcome of the FPR, and that it is open and interactive with a wide variety of stakeholders
- Updating the operational priorities and actions for a more mature phase of operations
- Scaling up investments and programming resources, shifting focus towards the impact and quality of GCF investments
- Responding to developing country needs, including scaling up support for countries through readiness, direct access and country programming
- Enhancing accessibility and predictability, in particular through further simplification of access modalities and accreditation reform
- Maximising the engagement of the private sector
- Consolidating GCF governance and institutional capabilities: strengthening governance with a more efficient, strategic and better functioning Board; ensuring efficient and reliable ways to conduct business between meetings; clarifying the division of responsibilities between Board and Secretariat; improving the efficiency and effectiveness of GCF processes; advancing implementation; embedding lessons learned; and managing for results
- Improving complementarity and coherence in the climate finance landscape

## C. FINDINGS ON THE INITIAL STRATEGIC PLAN

### 1. PROGRESS IN ACHIEVING THE INITIAL STRATEGIC PLAN

12. **Further analysis of the various data sources reviewed within the framework of the FPR shows that several of the priorities set in the ISP (from the few that had some level of targets or guidance on how to measure their achievements) have been partially achieved.** Each of these achievements will be further elaborated in the relevant chapters of the FPR. For example, the FPR finds that investments that have been committed so far are aligned with the NDCs; the GCF offers a diverse menu of funding programmes and financial instruments (the most diverse of all the climate change funds, although innovation has been limited); the GCF has provided support for capacity-building and readiness to about 80 per cent of developing countries (120 out of 154), including most

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<sup>94</sup> B.22/Inf.13.

<sup>95</sup> B.22/17/Add.01.

<sup>96</sup> IPCC (2018). *Global warming of 1.5C*. Available at <https://www.ipcc.ch/sr15/>

of the LDCs, SIDS and African States; most developing countries have assigned an NDA or a focal point; 84 entities have been accredited (although only 43 of them have an effective AMA); and the three independent units are functioning and starting to bring evidence and accountability to the Board.

13. **Table IV-2 provides a critical assessment of progress for a few of the preferences that are identified throughout the GI, ISP, action plan and operational priorities that are critical to the GCF or that had established some level of targets and measurements.**

**Table IV-2. Assessment of progress against selected preferences (data as of B.22, 28 February 2019, unless otherwise specified)**

PRIORITIES AND MANDATES OF THE GCF	ESTABLISHED MEASUREMENT AND TARGETS	DATA SUPPORTING THE PRIORITY	LEVEL OF PROGRESS
Balance between adaptation and mitigation (GI, paragraph 3).	50:50 (over time) according to portfolio target (decision B.06/06).	Of the 102 projects approved, 44 per cent (of total number) were adaptation, 31 per cent mitigation and 25 per cent cross-cutting.  Of USD 5.018 billion committed: 23 per cent for adaptation, 44 per cent for mitigation and 33 per cent for cross-cutting. The balance was closer in grant equivalent terms: 48 per cent for mitigation and 52 per cent for adaptation (see Chapter VIII).	Medium.
Enhance direct access (GI, paragraph 47).	DAEs that have applied for accreditation are given priority (decision B.21/16) (see section on Accreditation).	There are 84 AEs: 48 are DAEs (and from these 48, 52 per cent (25) have effective AMAs and 33 per cent (16) have at least one project approved); only 16 per cent of commitments are through DAEs. No targets with respect to the number of DAEs to be accredited (see Chapter VI).	Low.
Consider the needs of developing countries.	No clear definition (country needs are also an investment criteria).	As of 28 February 2019: 18 country programmes were delivered to the Secretariat. Analysis from country visits and interviews indicate that GCF projects are responding to country needs (see Chapter VIII).	High.
Promote country ownership.	No clear definition (country ownership is also an investment criteria).	As of 28 February 2019: 18 country programmes were delivered to the Secretariat. Analysis from country visits and interviews indicate that national GCF projects have an origin within countries. On the other hand, some of the regional/multi-country projects received fewer positive responses, indicating that some of them come from outside the country. There is also an issue of responsiveness to ownership other than government entities (see Chapter VIII).	Medium.
Promote a paradigm shift	No clear definition (paradigm shift is also	See Chapter VIII for experiences from country visits.	Yet to be assessed but the likelihood that it can be reported credibly is low.

PRIORITIES AND MANDATES OF THE GCF	ESTABLISHED MEASUREMENT AND TARGETS	DATA SUPPORTING THE PRIORITY	LEVEL OF PROGRESS
(GI, paragraph 2).	an investment criteria).	There is no definition of paradigm shift. Some attributes of paradigm shift used in other organisations include long-term changes in scale/depth, policies and behaviour. Even if the GCF used these, there would be an issue of credibility, given that the quality in the measurability of similar indicators and attributions in GCF projects, portfolio and investments is low. If another definition was used, such as investments in sectors where there is a high <i>potential</i> for a paradigm shift, it would be unclear whether the GCF had a strategy that was aligned with a paradigm shift.	
Appropriate geographical balance (GI, paragraph 52).	“Reasonable and fair allocation across a broad range of countries” (decision B.06/06).	No measurement of balance. The GCF has committed funding in 97 countries with FPs and 120 with the RPSP, out of 154 developing countries, representing all the GCF geographic regions (see Chapter VIII).	Medium.
Prioritise LDCs, SIDS and African States “using minimum allocation floors for these countries, as appropriate” (GI, paragraph 52).	Floor of 50 per cent of adaptation allocation (decision B.06/06).	Adaptation commitments are close to the target, globally, when counting projects (44 per cent of the 102 projects) but lag on commitments (in nominal terms, 23 per cent of the USD 5.018 billion if considering only adaptation projects, and 37 per cent if considering the adaptation portion of cross-cutting projects as well). Regarding priorities for LDCs/SIDS/African States, 64 per cent of the projects are in LDCs, SIDS, and Africa (65 out of 102 projects) and 43 per cent (USD 1.219 billion, in nominal terms) are for adaptation in these countries (out of total of USD 2.859 billion in nominal terms), including adaptation portion of cross-cutting projects (see Chapter VIII).	High.
Participation of private sector actors (GI, paragraph 43).	“Maximise engagement with the private sector, including through a significant allocation to the Private Sector Facility” (decision B.06/06).	No target for the amount expected to be committed through the PSF. The PSF has received 23 per cent of the 102 approved projects and 41 per cent of the USD 5.018 billion. Only 18 per cent (15) of the AEs are classified as private sector entities. There are basically no private sector projects for adaptation (see Chapter IX).	Low.
Be guided by efficiency and effectiveness (GI, paragraph 3).	No targets for dimensions of efficiency or effectiveness.	See Chapter VIII.	Low for effectiveness. Medium for efficiency.

PRIORITIES AND MANDATES OF THE GCF	ESTABLISHED MEASUREMENT AND TARGETS	DATA SUPPORTING THE PRIORITY	LEVEL OF PROGRESS
Channel new, additional, adequate, and predictable financial resources (GI, paragraph 3).	Annual programming for 2018: 40–55 projects and USD 2.2–2.8 billion. Three RfPs. No mechanism for receiving findings before replenishment is triggered. No definition of “new,” “adequate”, and “additional”.	Board approved projects in 2018 (B.19/B.21): +40 for USD 2.12 billion) (see 0).  The GCF remains relatively small in the broader climate finance domain beyond multilateral funds and has not leveraged at scale.	Yet to be assessed.
Flexible menu of access modalities and financial instruments (ISP).	Flexible menu of modalities and financial and non-financial instruments.	The GCF provides a menu of funding modalities – projects, RPSP, PPF, RfPs – and financial instruments – grants, loans, equity, guarantees, results-based payments. They are offering a better menu than any other climate fund, although mixing them in innovative ways is limited (see Chapter III and Chapter VIII).	Medium.
Within sustainable development (GI).	No targets (this is also an investment criterion). GCF defined co-benefits in economic, social, gender and environmental areas.	See Chapter IV and Chapter VII. Co-benefits have been achieved. iTAP and Secretariat ratings are not overly high.	Yet to be assessed.
Maximise impact (GI).	No definition (potential impact is an investment criterion).	Low quality of project-level measurement and evaluation and project-level theories of change that will make measurement difficult (see Chapter X).	Low.
Create a new institution (GI).	Elements presented in the GI: Board, Secretariat, independent units, AEs, Trustee, NDAs.	The “institution” as presented by the GI has been established.	High.

## 2. AREAS IN NEED OF IMPROVEMENT

14. **There has been limited reporting on the progress of the ISP** (only one of the annual portfolio reports to the Board at B.21), and there has been no regular review during the IRM as expected (the Secretariat has recently begun a review in preparation for the replenishment process). The ISP was prepared as a “learning document”, with the expectation that it would be reviewed regularly and incorporate changes into new phases of the GCF. However, this has not occurred. The first annual portfolio report from the Secretariat to the Board was completed in late 2018 with data from the end of 2017. There was an attempt at developing key performance indicators (KPIs), but they were not



reported consistently (for example, there was one set of KPIs in the 2017 Secretariat progress report but a different set in the 2018 Secretariat progress report).

15. **Although there is a large number of AEs (84), the diversity of AEs with approved projects is not as wide as expected in the ISP, and only 51 per cent have an effective AMA.** As discussed further in Chapter VI and Chapter VIII, half of the AEs with an approved project are international *public* organisations, with limited participation of private sector and national entities.
16. Table IV-3 shows the detailed breakdown of AEs with approved projects as of the end of February 2019. These international public entities are bringing projects to the GCF that are mostly based on grants. There has also been a significant concentration of the portfolio in 10 AEs (all but one are international).

**Table IV-3. The diversity of AEs with approved projects (as of 28 February 2019)**

AEs (36)			BREAKDOWN	
			No.	Percentage
<b>IAEs</b>				56%
	International public organisations.		18	
	International private organisations.		2	
<b>DAEs</b>				44%
	National DAEs.			25%
		<i>National public entities.</i>	8	
		<i>National private entities.</i>	1	
	Regional DAEs.			19%
		<i>Regional public entities.</i>	6	
		<i>Regional private entities.</i>	1	

17. Furthermore, the funding committed (in nominal terms) has not been as balanced as expected and is skewed to mitigation and, particularly, projects with an energy access or power generation results area. The expectation was that all pledges for the IRM (2015–2018) would be committed in either projects, administration or fees. As of 28 February 2019, the GCF has committed 83 per cent of the available funding.<sup>97</sup>
18. The analysis of the ISP and the priorities it established, as presented in Table IV-2 above, show that reconciling **some of these priorities is a source of tension.** Potential trade-offs between them have not been resolved and may have caused the GCF to appear unclear, unrealistic and non-transparent from a “user” point of view. As indicated above, the interviews and country visits conducted by the FPR team found that only a small proportion of stakeholders (from GCF Secretariat to AEs to country stakeholders) were fully familiar with and understood these concepts and how they are prioritised, or even how they are defined. Understanding the Fund’s concepts and priorities is important when an entity is in the process of seeking accreditation or is an investment proponent.

<sup>97</sup> The denominator here has changed during the IRM from the original pledge level of USD 10.3 billion since the largest contributor, the United States (30 per cent of the original pledge) withdrew 2/3 of its pledge. The value of contributions made in other currencies has declined in USD terms due to the increasing foreign exchange value of the USD.

19. **As there is very little clarity and ranking associated with priorities, the Secretariat is compelled to decide which priority is most salient.** This also means that in practice, depending on staff understanding of exposure and vision of the portfolio, investment proposals that come to the Secretariat are put in a queue. This then creates reputational risks for the GCF because of unforeseen delays, resulting in many investments being left in the pipeline for reasons that cannot be specified formally to the entities outside.
20. **Possible inconsistencies between country ownership, country needs, direct access and private sector engagement send various signals to different stakeholders.** Country visits during the FPR confirmed that while, for the most part, the national GCF projects align with countries' needs on paper (e.g. there is a link to NAPs or NDCs), many people interviewed questioned the "country ownership" criteria. This was often observed in GCF investments developed and implemented by IAEs.
21. It is also clear that the GCF is expected to bring national or regional entities nominated by the NDAs (DAEs) to develop and implement investments the GCF. **These expectations have not been fulfilled**, particularly when it comes to who is receiving the GCF funding (84 per cent of investments approved are implemented by IAEs).

### 3. MANAGEMENT FOR RESULTS: INDICATORS AND TARGETS

22. As described above, for the most part, **the ISP and relevant GCF Board documents included limited specific indicators and targets to manage the institution from the perspective of the allocation of resources and achievement of results.** Interviews with senior management indicated that this might have been to provide the GCF with more flexibility in its early days. Table IV-2 above discusses some key concepts from the GCF GI. Some of these concepts were translated into resource allocation indicators by the Board in the early days of the GCF. For example, the Board decided that the GCF should translate the GI guidance on balance between adaptation and mitigation to a 50/50 commitment of resources and aim for a floor of 50 per cent of the adaptation allocation for LDCs, SIDS, and African States. Other guidance, such as engagement of the private sector, resources for readiness and preparatory support, and geographic balance, were translated by the GCF as providing "significant", "reasonable and fair", and "sufficient" resources. These terms are not useful in the context of developing a results management framework and correspond more to the language used at negotiation, such as at the COP. A similar conclusion was reached by the recent independent review of the GCF's RMF undertaken by the IEU.
23. The IEU's independent review of the GCF's RMF assessed the sufficiency of the GCF RMF. This review found that **the RMF does not have a clear or consistent causal logic that can guide projects in the design of operations that may contribute to long-term change.** The RMF's underlying logic models are incomplete and inconsistent, and many results areas are misclassified. The IEU review also highlighted the absence of guidance on result indicators and how they may be used or informed. The Secretariat is currently responding to the IEU's evaluation recommendation to strengthen results and performance management and measurement, as well as its reporting and verification systems. The IEU's assessment of the evaluability of GCF FPs<sup>98</sup> found that two thirds of the projects' FPs, and the causal pathways leading to the desired impacts of the projects, were not very well discussed or were unclear, with half of the GCF FPs not having any baselines (see Chapter VIII and Chapter X for more analysis).

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<sup>98</sup> Fiala, N., Puri, J., & Mwandri, P. (2019). *Becoming bigger, better, smarter: A summary of the evaluability of Green Climate Fund proposals*, IEU Working Paper No.1. Songdo, South Korea: Green Climate Fund. Available at <https://ieu.greenclimate.fund/resources/working-papers>.

## D. DATA AND ANALYSIS ON THE INVESTMENT CRITERIA

24. A crucial element of how the ISP is operationalised at the project level is the criteria in the GCF investment framework. The Board approved an initial investment framework for the GCF (decision B.07/06), which defined six investment criteria and 24 coverage areas for assessing FPs of all sizes and ESS categories. The Board also approved investment criteria indicators (or indicative minimum benchmarks; decision B.19/07) that are under development by the Secretariat and are supported by the Investment Committee.<sup>99</sup> **The investment criteria are an adequate representation or interpretation of the ISP at the project level.** Indicators for each criterion have recently been approved by the Board.<sup>100</sup> The Secretariat will begin testing and using them, starting with a one-year pilot phase (that was recently completed). As per this decision, these indicators will be incorporated into the portfolio performance report to the Board.

**Table IV-4. The GCF's investment criteria, definition and indicators (B.22/05, February 2019)**

CRITERION	DEFINITION	INDICATORS
(1) Impact potential	Potential of the programme/project to contribute to the achievement of the Fund's objectives and results areas.	Mitigation: project lifetime emissions reductions (in tonnes of carbon dioxide equivalent) Adaptation: change in the loss of lives, the value of physical assets, livelihoods, and/or environmental or social losses; the number of direct and indirect beneficiaries of the project.
(2) Paradigm shift	Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment.	How the proposed project can catalyse impact beyond a one-off investment (include a theory of change for replication and/or scaling up of the project results).
(3) Sustainable development potential	Wider benefits and priorities (e.g. environmental, social, economic, gender-sensitive co-benefits).	At least one co-benefit indicator (baseline and target).
(4) Needs of the recipient	Vulnerability and financing needs of the beneficiary country and population.	Financial, economic, social and institutional needs and the barriers to accessing domestic finance.
(5) Country ownership	Beneficiary country ownership of, and capacity to implement, a funded project or programme (policies, climate strategies and institutions).	Alignment with existing policies (NDCs, NAPs), national plans indicator and/or enabling policy and institutional frameworks; consultations and capacity of entities.
(6) Efficiency and effectiveness	Economic and, if appropriate, financial soundness of the programme/project.	Mitigation: cost per tonne of CO <sub>2</sub> eq; ratio of co-financing. Adaptation and mitigation: expected rate of return; application of best practices.

25. According to the latest GCF Board document on indicators, discussed at B.22, the criteria and their indicators are an essential part of the selection and ex ante assessment of investment for the GCF to consider. Each of them responds to some aspects of the GCF mandate and its key concepts such as paradigm shift, country ownership, and country needs. The criteria are expected to describe how the

<sup>99</sup> The Board requested the Secretariat to develop indicative minimum benchmarks in order to (a) encourage ambition, and (b) take into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change, in particular LDCs, SIDS and African States, according to project size, mitigation/adaptation, and local and sector circumstances.

<sup>100</sup> Investment criteria indicators (B.22/15, Annex VII).

investment will deliver against the GCF mandates (considering the different national circumstances of developing countries). On the other hand, the criteria and indicators are not to be used as a binary pass/fail or set a single threshold that must be passed. The GCF is the first among comparable funds to establish this ex ante framework.

26. Each FP provides an explanation of how the project objective(s) relate to each of the criteria. The review process conducted by entities is outlined in Chapter VIII and conducted in the following sequence: by internal technical quality assurance reviews undertaken within AEs during preparation of the proposal; by the ratings process conducted by the GCF Secretariat and iTAP; and then during the Board review of Secretariat and iTAP assessments that takes place during the project approval process. As a whole, this review process generates significant discussion between the Secretariat, iTAP, Board and the AEs. Table IV-5 presents the ratings of the investment criteria by the Secretariat and iTAP.

**Table IV-5. Frequency comparison of GCF Secretariat and iTAP ratings of FPs against investment criteria**

		IMPACT POTENTIAL		PARADIGM SHIFT POTENTIAL		SUSTAINABLE DEVELOPMENT POTENTIAL		NEEDS OF THE RECIPIENT		COUNTRY OWNERSHIP		EFFICIENCY AND EFFECTIVENESS	
		Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP
Ratings.	Low	0	4	2	5	1	3	0	1	0	1	8	8
	Low-Medium	3	2	3	4	1	2	1	0	0	0	8	3
	Medium	24	24	18	19	37	25	26	6	11	8	32	29
	Medium-High	10	13	16	8	12	13	12	4	15	4	9	9
	High	40	36	38	45	26	38	38	69	51	69	20	30
	Total rated	77	79	77	81	77	81	77	80	77	82	77	79
“n/a”, “uncertain”, or not rated		34	32	34	30	34	30	34	31	34	29	34	32
<b>Total</b>		<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>

Source: IEU DataLab

Note: Sample size reflects 111 project assessments conducted by the Secretariat and iTAP; out of these, 102 are currently in the active approved portfolio of the GCF. Each cell represents the number of FPs that were ranked in that category of rating level, for the specific investment criterion.

27. Table IV-6 below presents the coefficients of variation of the investment criteria ratings. These are the standard deviations of the scores divided by the average of the score, according to more detailed dimensions that are critical to the GCF. It shows how different each project is from the average. The table shows that the coefficients of variation, albeit low across the board, are especially low for country ownership (the result of the very low variation score and the very high average score). Importantly, the overall coefficient of variation (e.g. mean score on all six investment criteria for a project) is lower than the lowest of the individual investment criteria.

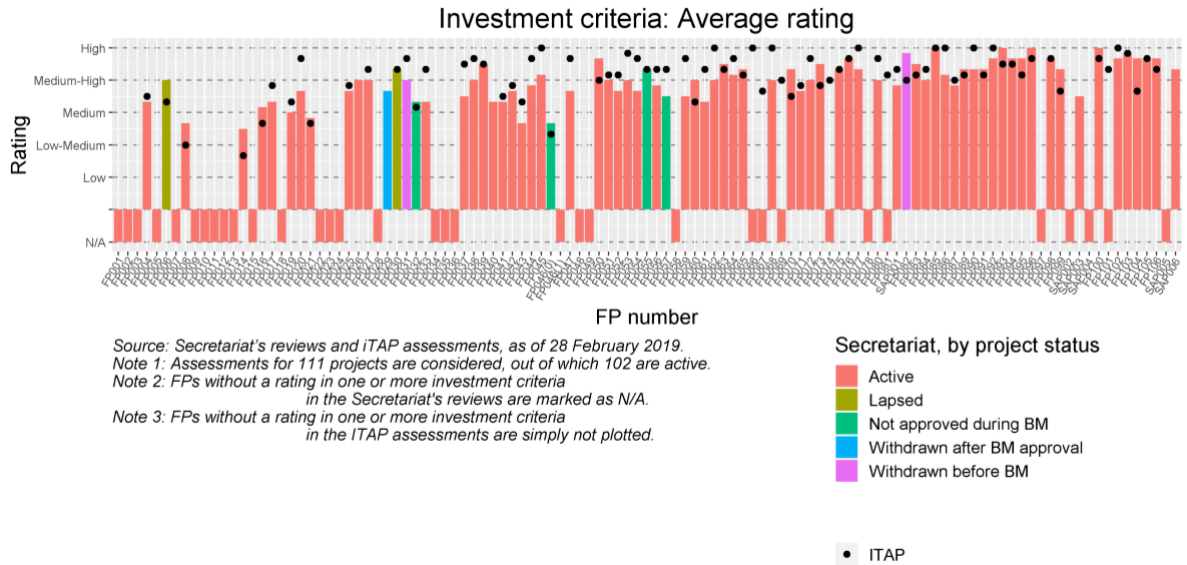
**Table IV-6. Coefficients of variation for investment criteria ratings by iTAP and the GCF Secretariat**

		IMPACT POTENTIAL		PARADIGM SHIFT POTENTIAL		SUSTAINABLE DEVELOPMENT POTENTIAL		NEEDS OF THE RECIPIENT		COUNTRY OWNERSHIP		EFFICIENCY AND EFFECTIVENESS		ALL-CRITERIA AVERAGE	
		Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP
Sec. or iTAP		Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP	Sec.	iTAP
Country vulnerability	<i>Others</i>	0.23	0.3	0.26	0.28	0.28	0.3	0.23	0.09	0.18	0.2	0.31	0.35	0.15	0.18
	<i>LDC, SIDS and/or African States</i>	0.23	0.27	0.23	0.32	0.24	0.25	0.22	0.14	0.14	0.14	0.41	0.34	0.15	0.15
Region	<i>Latin America and the Caribbean</i>	0.22	0.25	0.22	0.3	0.3	0.28	0.25	0.11	0.18	0.12	0.29	0.33	0.13	0.11
	<i>Africa</i>	0.25	0.24	0.2	0.32	0.25	0.2	0.2	0.04	0.11	0.14	0.37	0.34	0.16	0.14
	<i>Asia-Pacific</i>	0.25	0.36	0.32	0.3	0.24	0.33	0.22	0.18	0.15	0.17	0.4	0.4	0.17	0.22
	<i>Eastern Europe</i>	0.16	0.16	0.16	0.16	0.2	0.35	0	0.16	0.16	0	0.35	0	0	0.13
	<i>Global</i>	0	0.2	0.2	0.35	0	0.25	0.26	0	0.29	0.29	0.19	0.2	0.09	0.13
AE type	<i>Direct</i>	0.21	0.21	0.18	0.32	0.22	0.27	0.18	0	0.11	0.08	0.26	0.29	0.11	0.11
	<i>International</i>	0.24	0.29	0.25	0.3	0.27	0.27	0.23	0.13	0.17	0.17	0.39	0.36	0.16	0.17
Focus area	<i>Cross-cutting</i>	0.17	0.24	0.19	0.32	0.24	0.29	0.12	0	0.13	0.14	0.38	0.28	0.09	0.13
	<i>Adaptation</i>	0.26	0.38	0.3	0.38	0.22	0.34	0.24	0.17	0.16	0.18	0.38	0.45	0.16	0.23
	<i>Mitigation</i>	0.16	0.19	0.16	0.21	0.28	0.2	0.25	0.12	0.18	0.16	0.3	0.26	0.13	0.1
Sector	<i>Public</i>	0.24	0.3	0.25	0.3	0.24	0.29	0.22	0.14	0.16	0.14	0.37	0.38	0.16	0.18
	<i>Private</i>	0.15	0.19	0.18	0.3	0.33	0.21	0.24	0	0.18	0.21	0.31	0.22	0.11	0.09
<b>Total</b>		<b>0.23</b>	<b>0.28</b>	<b>0.24</b>	<b>0.3</b>	<b>0.26</b>	<b>0.27</b>	<b>0.23</b>	<b>0.12</b>	<b>0.16</b>	<b>0.16</b>	<b>0.37</b>	<b>0.35</b>	<b>0.15</b>	<b>0.16</b>

Source: IEU DataLab

Note: Assessment ratings from low to high were allocated a numerical value from 1 to 5. The coefficient of variation of a sample is defined as the standard deviation divided by the sample average.

28. Some inconsistencies were observed with the use of investment criteria. Four projects received a negative recommendation from iTAP and generally medium ratings from the Secretariat but were nevertheless approved by the Board. On the other hand, 65 per cent of the respondents to the online survey conducted by the FPR indicated that investment criteria are consistently applied. Figure IV-1 presents the average scores by iTAP and the Secretariat for each of the funding projects when all six criteria are combined in one score. The dot represents the average score for iTAP and the bar the Secretariat. This graph shows that the average scores of ratings per project are not that different between iTAP and the Secretariat (tables in Annex 6 show the ratings per criterion).



**Figure IV-1. Comparison between ratings from iTAP and the Secretariat: average ratings**

Source: IEU DataLab

## E. FINDINGS

29. The evaluation team found that, for the most part, **the definitions of the investment criteria are non-existent, broad or not adapted** to the different areas of results, size and types of projects, financial instruments, or the different types of countries receiving GCF support. Instead, they are applied uniformly across all operations of the GCF. Their widespread use has generated different and variously entrenched notions of what they represent, depending on the staff member, division and type of assessment being used.
30. Country ownership and needs of recipients are operationalised very differently, depending on the funding window, particularly between private and public sector operations. According to AEs interviewed and other project proponents and stakeholders at the country level, this lack of clarity (among other criteria) has created extensive back and forth between the Secretariat, iTAP and Board members regarding project definition, preparation and assessment in the absence of consistent and detailed guidelines.<sup>101</sup>
31. Overall, **there are relatively few ratings of “low” and “low-medium”**, both from the Secretariat and iTAP, demonstrating that these projects have successfully gone through all of the steps in the process. The criteria with the lowest ratings (larger number of projects with low and low-medium ratings) are those for efficiency and effectiveness, whereas country ownership has the highest ratings (least numbers for low and medium-low, and highest numbers for high). Data also show that ratings by iTAP are generally higher (more positive) than those of the Secretariat. **Over time, ratings have been improving for both iTAP and the Secretariat, which in some instances may reflect an increased capacity of AEs to comply with investment criteria during project design** but are also related to the Secretariat and iTAP being able to hold back projects before they go to the Board if there are issues of quality.<sup>102</sup> Additionally, since iTAP reviews these projects after the Secretariat reviews them, this may also indicate anchoring bias. It is also interesting to observe that more recent projects (those approved at B.22) received higher ratings from the Secretariat than from iTAP, thus inverting the initial trend.

<sup>101</sup> See Chapter VIII on performance.

<sup>102</sup> Decision B.17/9 states that “The Secretariat will only submit to the Board for its consideration those funding proposals whose approval has been recommended by the iTAP and the Secretariat.”



32. The Board receives all the ratings and information about the investment criteria. In many cases, Board members conduct their own review of the project and investment criteria, and there may be dialogues between Board members and AEs before and during the Board meetings. As explained above, the FPR found inconsistencies on how the investment criteria are used at the time of Board approval. This indicates, as expected, that the Board takes into consideration other factors beyond the investment criteria for decision-making.
33. **The low variation in the coefficients of variation analysis presented above indicates a statistical certainty:** the more investment criteria added (however well intended, however relevant), the more the overall score of projects tends to be towards the middle of the scoring spectrum.<sup>103</sup> In other words, the more (relevant) criteria that are considered when scoring projects, the blunter or less obvious becomes the separation of good from bad, and the less useful the criteria are for decision-making. Criteria such as country ownership, country needs and, possibly, paradigm shift could be considered as pass / no pass criteria (or, as recommended later in this report, as a minimum requirement rather than an investment criterion).
34. The analysis of the graph presenting the **differences between iTAP's and the Secretariat's average score ratings** provides several findings. One is that there is not much difference between the Secretariat's and iTAP's ratings, with iTAP's ratings higher, on average. There seems to be an improving progression from the initial review by the Secretariat to the next review by iTAP, since ratings by the Secretariat are usually lower than those by iTAP. This may imply that project proponents improve the presentation (and linkages to the objectives of the projects) of these concepts by the time the new version of the proposal comes to iTAP. Another finding is that across all the investment criteria, the Secretariat's and iTAP's ratings are mostly medium and above (with the highest frequency at medium-high and high) and very few projects have low or medium-low ratings (less than 5 per cent in most investment criteria). In particular, for the criteria of country ownership, country needs and paradigm shift, all projects are rated medium or higher. As mentioned before, one key issue with these concepts is the absence of definitions for them. Arguably, this may suggest that projects that come to the GCF may already have these criteria well elaborated by proponents, (although this does not apply to other criteria).
35. **The investment criteria do not include a criterion explicitly on the climate dimension of the projects.** This criterion is a critical aspect of what makes a project eligible for GCF support. Several of the criteria have indicative assessment factors (including indicators) related to climate (e.g. greenhouse gases (GHGs) avoided, beneficiaries, reduced vulnerability) but do not provide enough weight to this core value of the GCF. Indeed, this aspect is currently subsumed under paradigm shift, impact potential or other criteria, and has led to a situation where guidance on strengthening the "climate rationale" in GCF projects is in the process of being developed by the Secretariat at the request of the Board.<sup>104</sup> However, this document does not propose including climate rationale as an investment criterion.

## F. CONCLUSIONS AND RECOMMENDATIONS

36. **The ISP was fit for purpose, responded to the GI and was flexible:** this has enabled the Fund to grow and emerge while exploring competing objectives. It represented the Board's vision for the GCF. It was designed as a living document and initially provided the necessary flexibility and overall coherence to quickly commit operations, but it contained few targets and hence limited clarity on priorities.

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<sup>103</sup> Also called the Central Limit Theorem in statistics.

<sup>104</sup> GCF/B.21/Inf.08. Steps to enhance the climate rationale of GCF-supported activities (September 2018).



37. **All the elements presented in the strategic vision** are informed by the ISP and are linked with the GI: innovative and ambitious projects and programmes, programming resources at scale, country ownership, transparency and inclusive procedures, and crowding-in private sector are linked to the Fund's policies, business model and procedures approved by the Board.
38. **The ISP was more aspirational than operational, and the action plan and operational principles provided a multiplicity of priorities.** The ISP has not provided clarity in the definitions of many of the key concepts (including investment criteria). **The limited specific targets and measurable indicators included in all of these documents has made it difficult to assess GCF performance.** Specifically, the ISP and other documents do not provide a framework to support management for results. Furthermore, the action plan or operating principles have not provided the Secretariat with a clear steering mechanism to help prioritise investments and policies.
39. The ISP, action plan and operational principles did not use the full existing evidence at the time – for example, the evidence from the IPCC reports (e.g. how the GCF will contribute to solving climate change), evidence from independent evaluations of other relevant and similar climate funds (e.g. weak results frameworks and limited targets), and evidence from market research on commercial funding available for renewable energy.
40. **Having to respond at once to all key principles and priorities, including country ownership/needs, effectiveness, efficiency and paradigm shift, and the private sector role, creates tension and conflicts and results in a process that is widely perceived as insufficiently predictable and transparent.**
41. Concerning the **investment criteria**, the FPR concludes that **the investment criteria are also linked to the higher-level strategic vision of the GCF, as well as to the action plan and operational priorities.** As a representation of the ISP, the investment criteria serve their purpose well. **However, they are very broad and not well defined.** The small variations in ratings indicate that these investment criteria are not a good investment prioritisation tool. Additionally, **despite being central to the mission of the GCF, the investment criteria do not give sufficient weight to the climate dimension.**
42. The analysis presented in this chapter seems to suggest that **several of the investment criteria (and the concepts behind them) are in practice considered more as a minimum requirement for projects and programmes than as investment criteria.** They serve as minimum conditions rather than a prioritisation tool in determining GCF investments. None of them provide guidance on the size of investments, for example, and none advise on the innovative use of instruments. Notably, three out of the six criteria (e.g. country ownership, country needs and paradigm shift) are also key GCF principles, increasing their function as a minimum requirement.

## Recommendations

43. The FPR recommends that **the GCF should develop a strategic plan that focuses the GCF on being a global thought leader and a climate policy influencer, and that establishes its niche commensurate with innovation and impact.** Particularly:
  - The strategy should include a longer rolling plan (over 15 years) that indicates how overall priorities of the GCF will be achieved in a phased way, while ensuring that the Secretariat can concentrate on a shorter list of priorities organised by strategy period. This will enable the Secretariat to realise its full mandate as specified in the GI over a longer but predictable time period, without sacrificing quality or predictability.
  - The strategy should be evidence-based. It should be informed by science, current market needs assessments (both the potential in different existing climate finance markets and market

shaping) and by independent evaluations that can help inform, without bias, the possibilities inherent with current and future structures and processes.

- It is highly recommended that for the next replenishment period performance indicators are selected and targets set (for example, three-year rolling targets, with options to adjust them as the next phase progresses). A few examples could include evidence that AEs are using climate considerations for their operations and strategies; aggregation of results (credible and independently validated) on the RMF core indicators of the GCF RMF; compliance with business standards in the different stages of the project cycle and accreditation process; and quality of project monitoring and evaluation (M&E) frameworks. All these indicators should be reported publicly on the GCF website.

44. Regarding recommendations for improving the **investment criteria**, the FPR recommends the following:

- Consider revising the investment framework and making it a true prioritisation tool.
  - In the longer run, consider moving some criteria to minimum requirements while ensuring that remaining criteria are well understood and transparent and can be applied as a prioritising tool that may be used for investment selection or timely feedback.
  - Ensure that the investment criteria reflect the basis of what is supported by the Fund and consider mainstreaming “climate value” into the investment criteria.
  - Ensure that the investment criteria and the RMF are aligned and that while the investment criteria may help provide indicators of quality, the RMF is usable without contradiction for effective management and delivery.
- The Secretariat should develop clear definitions, indicators, procedures and guidelines for using and applying existing criteria. This material should be made public and translated into several languages. This will ensure that they are effective prioritisation tools of the GCF, transparently communicating the process and goals for investment selection to the GCF’s potential partners.



## Chapter V. GCF POLICIES

### KEY RECOMMENDATIONS

- In the longer run (two years), the FPR recommends that dialogue occurs across the GCF ecosystem to underscore the “climate dimension” of GCF policies, with consideration given to articulating this in a single “climate policy” document that establishes the climate additionality of GCF policies beyond the policies of AEs.
- GCF policies need to be made commensurate with the capacities/contexts of countries, AEs and the Secretariat, to truly contribute to a paradigm shift towards a low-emission, climate-resilient development pathway.
- The GCF should undertake reviews of the relevance, efficiency and effectiveness of the implementation of GCF policies and, specifically, examine their consistency with the GCF business model. It should also consider clarifying policy overlaps and filling policy gaps and consider clarifying delegated authority associated with the current set of GCF policies.
- The GCF should review its efforts towards becoming a global influencer in the field of international policies related to climate change, thereby increasing the potential for a paradigm shift in the area of global climate change policy.
- While developing new policies, the Secretariat should review (and present to the Board) how new policies are affected and influenced by existing ones, as well as their implications for current and past investments, agreements and memorandums of understanding.

### KEY FINDINGS

- The GCF has approved a set of more than 50 policies, frameworks and procedures based on global best practices, which has significantly helped the GCF to become operational during the IRM. However, the existing set of GCF policies have significant overlaps, are unclear in their delegation of authority, have questionable climate value and contain significant gaps.
- Some AEs have indicated that compliance with GCF policies has improved their safeguards. However, many AEs, particularly DAEs, have articulated concerns with the investments and capacities required to be compliant with GCF policies.
- For a relatively young organisation such as the GCF, applying the current set of policies has affected efficiency and effectiveness, had implications for entities that want to participate, and proved difficult for implementation on the ground. Several AEs view the current set of policies as burdensome, which in turn has contributed to the GCF gaining a reputation as non-transparent and unpredictable.
- Several policies do not consider the GCF business model, which relies on the implementation of investments through AEs and under national/subnational conditions, including policies.
- The approval of rights-based policies represents emerging best practices within climate finance, which has the potential to contribute to a paradigm shift for the GCF in the global context of climate change policies. Notwithstanding this, GCF policies lack a discussion on climate, such as how policies and suggested practices are linked to climate-related investments and the mandate of the GCF.
- Many key policies, and the guidelines and standards prepared by the Secretariat for implementing many policies, are still pending approval from the Board.

## A. INTRODUCTION

1. The type, process and effect of GCF policies have important consequences for the GCF's overall processes, access, transparency, speed and predictability. This chapter discusses the efficiency and effectiveness of the approved GCF policies and how they support the GCF mandate and its strategy. It emphasises policies that have been approved for a longer time (e.g. Risk, ESS, Gender and Indigenous Peoples). In particular, the chapter will assess the process of developing and approving policies. It will also assess, identify and explore overlaps and complementarities among existing policies as well as gaps or areas of policy overload, and compare the suite of GCF policies with those of other climate funds.
2. The FPR review of policies was based on the criteria of relevance, sufficiency and complementarity (see Annex 4). A sample of more than 40 GCF policies and administrative instructions, administrative guidelines and frameworks were considered in the review for the FPR (see Annex 6).
3. The following key questions are explored in this chapter:
  - Are current policies necessary, sufficient, coherent and effective in supporting the GCF mandate and strategy?
  - How do policies complement each other and are there any gaps?
  - What is the process of developing and approving policies?<sup>105</sup>

## B. DATA AND ANALYSIS

4. The GCF policy framework includes policies, frameworks, guidelines and procedures considered by the Board over 22 meetings since 2014 and covers a diverse set of areas (see Box V-1).<sup>106</sup> Following the GCF Handbook on Board decisions, the policy framework is divided into two parts: (i) policies directed at the institution, and (ii) policies that govern the development, approval and implementation of investments.

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**Box V-1. Areas covered by GCF policies, frameworks, guidelines and procedures**

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Policies cover several areas in relation to indigenous peoples, ESS, ethics and conflicts of interest, the accreditation framework and related fees, information disclosure, monitoring and accountability for AEs, the risk management framework, the protection of whistle-blowers and witnesses, prohibited practices, and in relation to restructuring and cancellation on the frameworks for initial investment and results management. There is also an interim policy on protection from sexual exploitation, abuse and harassment.

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5. Most GCF policies are directed by or linked with a division of the Secretariat or independent units and involve developing guidelines to implement them. The current review of policies did not include (in most cases) a review of these guidelines. Consideration was, however, given to some policies that have been submitted in the past for Board consideration but that had not yet been approved. The

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<sup>105</sup> The FPR team conducted an extensive review of GCF Board documents, particularly those that present policies. It also reviewed Board decisions and minutes to understand the discussions and processes that occurred during the Board's approval of these policies. The chapter reviews how GCF policies are implemented across the GCF partnership and how they are perceived by various stakeholders. Interviews and an online survey provided concrete examples of how policies are developed and implemented. The country case studies revealed many examples of how these policies are affecting GCF activities on the ground.

<sup>106</sup> The review also included the policies on travel, Administrative Instruction on Structure and Staffing of the Secretariat, Administrative Guidelines on Procurement and Human Resources, and Administrative Instructions on performance management and administrative review and appeal. GCF policies are instrumental for the implementation of the GCF business model.

review also included a comparison of GCF policies with those from other relevant institutions such as the GEF, Adaptation Fund and CIF.

6. **Effective management requires articulating rules and principles to achieve objectives.** Policies are an essential part of setting the stage for these rules and are the interpretation of principles. This clarity is particularly instrumental for implementing a business model that includes a network or a partnership. The review of the set of GCF policies reveals that most policies are relevant to the needs of the Secretariat (19 policies), the NDA (7 policies) and AEs (7 policies).
7. **Perceptions of GCF policies:** The FPR online survey asked participants if they thought that “the GCF had sound policies to guide operations?” Responses were mixed: “internal” stakeholders (e.g. Secretariat staff and management, Board members and advisers) of the GCF disagreed with this statement (59 per cent), whereas CSOs and NDAs mostly agreed (63 per cent). Those that disagreed with the statement indicated reasons including the slow process in approving policies, that consultations with AEs are insufficient, and gaps still exist.
8. FPR country visits provided further examples of the achievements and shortcomings of GCF policies. There was a consensus among the 12 countries visited that GCF policies are necessary, sufficient and helpful in setting the guidelines and standards, and in building the capacity of national stakeholders, and that they are often consistent with national or other donors’ policies. On the other hand, the country case studies also revealed that many at the country level consider that the GCF has too many policies and that they are by far the most stringent that stakeholders have to deal with when compared with other climate change funds and donors.
9. **FPR country visits also brought out the importance of the Indigenous Peoples Policy (IPP).** The importance of engaging with indigenous peoples in climate change policies and actions has been recognised by the UNFCCC/COP (Cancun Agreement, decision 1/CP.16). The preamble of the Paris Agreement acknowledges that Parties should – when addressing climate change – respect, promote and consider their respective obligations on, among other things, the rights of indigenous peoples. The COP requested that the GCF consider recommendations “to enhance (its) consideration of local, indigenous and traditional knowledge and practices and their integration into adaptation planning and practices, as well as procedures for monitoring, evaluation and reporting.” The IPP responds to these requests. The Guatemala and Ecuador FPR country case studies, with a large presence of indigenous peoples, contributed significantly to clarifying the consequence of implementing this policy. National indigenous organisations and nations in these countries suggested several ways to improve the practical implementation of the IPP policy, as follows:
  - Enhancing dialogue between governments and indigenous communities
  - Developing direct channels for indigenous peoples to cooperate with the GCF at country level to ensure that issues are considered in country programmes and that there is a dialogue with AEs to address potentially contentious issues
  - Stressing that although indigenous peoples are represented indirectly through CSO observers at the Board, the concerns of CSOs and indigenous peoples are different, and indigenous peoples may require a more direct presence<sup>107</sup>

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<sup>107</sup> There is no policy approved by the Board on the participation by CSOs/PSOs observers at the Board and in projects.

## C. FINDINGS

10. The FPR found potential issues with the implementation of approved policies, including duplications, overlaps, inconsistency in terminologies, applicability for the GCF business model, general lack of country context and lack of climate consideration.

### 1. DUPLICATION

11. **One area where duplication and overlaps occur is in terms of the reporting requirements.** For example, there are significant overlaps in the requirements from the Risk Management Framework, Results Management Framework, investment criteria and the internal control framework for the GCF (the Committee of Sponsoring Organizations of the Treadway Commission (COSO)). Sometimes the reporting is different, even if the policies are dealing with a similar area, such as from the interim Policy on Protection from Sexual Exploitation, Sexual Abuse and Sexual Harassment; the Policy on Protection of Whistle-blowers and Witnesses; and the general principles regarding prohibited practices. Such weaknesses in GCF policies imply that they increase the transaction cost and unpredictability of how to engage with the Fund. This is especially important for direct access, national, civil society and other entities with less capacity or experience to absorb and manage all these policies. This overlap is also seen, for example, between the investment framework and the results framework.<sup>108</sup>

### 2. TERMINOLOGY

12. In some other cases, **different policies use different definitions.** This has the potential to cause confusion when AMAs are signed and represent a risk for GCF because policies are then interpreted differently by different actors. As the number of GCF policies increase, the need for clear policies (and clarifying how they need to be interpreted) will become even more important when AEs apply for reaccreditation (initial AMAs contained fewer policies because the Fund had fewer policies during its early years). As discussed in Chapter VIII, compliance with policies after projects are under review in the project cycle adds confusion and transaction costs, particularly, and can cause some important risks to the achievement of GCF objectives.

### 3. APPLICATION TO THE GCF BUSINESS MODEL

13. The application of different policies has specific consequences for the GCF business model (see Chapter VII for a discussion of the business model). The GCF business model heavily relies on the implementation of investments through AEs and also in the context of national/subnational policies. GCF policies need to be implemented within the context of AEs and countries' own policies and procedures. Several policies were borrowed from other institutions (such as MDBs and the United Nations) to jump-start the Fund's operations, although they may not have been fully applicable to the GCF. In other cases, the implementation of specific policies applicable to the investments (such as ESS, Fiduciary Principles and Standards, Gender Policy and IPP) are not within the control of the GCF since the implementation of these policies is transferred to and applied by the AEs, and even to the EEs of the investments, as specified in the AMA and FAAs.
14. Changes in policies or the approval of new policies affect the time it takes for AMAs and FAAs to be negotiated and executed, ultimately affecting the effectiveness and efficiency of the GCF business model. The fact that policies are frequently amended and may impose strict(er) requirements implies that when policies are approved, it is necessary to renegotiate agreements

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<sup>108</sup> See, for example, the IEU's review: <https://ieu.greenclimate.fund/evaluations/rmf>



(both AMAs and also FAAs) to make them consistent with changes in legal requirements. There are several examples (see Chapter VI on accreditation). One example is the Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT) that requires that the GCF ensures none of its funding is involved with money-laundering or the financing of terrorism; if such involvement happens, the GCF will terminate all relationship with counterparts concerned. The consequence is that GCF legal agreements with the AEs will need to incorporate a clause that gives the GCF the right to request suspension of disbursements to all other parties involved in project implementation in case of a credible risk of money laundering or the financing of terrorism. From the perspective of AEs, this makes the implementation of investments uncertain, as they have firm commitments with their counterparts, and they cannot suspend disbursements or terminate contracts because the GCF believes there is such a credible risk. Another example involves the Prohibited Practices Policy (PPP). Some practices considered in this policy are not considered prohibited by the AEs. The AE may impose sanctions for some of these practices rather than cancelling the project. This again creates potential bottlenecks as well as long periods of re-negotiation for either existing AMAs or FAAs that are on their way to effectiveness (if the AMAs are already in place).

#### **4. LEVEL OF AUTHORISATION TO IMPLEMENT THE POLICY**

15. The Board may request the Secretariat to prepare certain guidelines to implement or execute policy. However, it is not always clear if the guidelines will be approved or just noted by the Board, by a subcommittee, or by a panel within the Secretariat. There is a perception within the Secretariat that all guidelines and standards emanating from policies will be reviewed and approved by the Board (or one of its committees). For example, the Cancellation and Restructuring Policy and the AML/CFT Policy require establishing standards for operationalising policy and standard operating procedures. Whether these are to be approved by the Board or a subcommittee, or at the level of the Secretariat, is not clear. Requiring that guidelines and procedures be approved by the Board means that there is little agility in the system.

#### **5. LACK OF COUNTRY CONTEXT**

16. The FPR country case studies also brought to the FPR's attention that many requirements in GCF policies are viewed as burdensome, disconnected from on-the-ground reality, and contribute to cumbersome, circular and tedious accreditation processes. However, several country reports also indicated that GCF policies have supported the improvement of their own national policies. In Bangladesh, the NDA reported that the GCF policies helped national counterparts to develop aspects of gender and ESS, although it had been more difficult to develop an environmental policy that was aligned with the GCF at the national level. In Namibia, the process of developing policies required by the GCF is seen as tedious but is also considered to improve the quality of the institutions. In Mongolia, the process of developing or complying with GCF policies has stimulated a few agencies to develop their own policies to comply with the GCF accreditation. In Grenada, GCF policies helped to improve the fiduciary standards and capacity. This is considered to have contributed to triggering procedures that would not have happened without the presence of the GCF (or at least would not have happened as quickly as they have through the GCF).

17. In several non-English speaking countries, there is an issue of language, which limits the capacities of entities in some countries to deal with policies (and accreditation).<sup>109</sup> All of this contributes to delays<sup>110</sup> in the execution of FAAs, as presented in other parts of the FPR.

## 6. LACK OF CLIMATE CONSIDERATION

18. GCF policies often lack a climate dimension. Some examples of this can be seen in policies focusing on gender and indigenous peoples.<sup>111</sup> A better articulation of climate relevance is needed. Presently, many entities consider GCF policies to be redundant, or they fail to see the value of GCF policies beyond policies already present in their organisations. To change this mindset, it is critical to establish and demonstrate to agencies the climate “value” of GCF policies; that is, the reasons why it is important to address/adapt these policies in the context of climate change. Not all policies require this, but most do. Clearly explaining how GCF policies link to both climate action (mitigation and adaptation) and to climate issues (equity and vulnerability) would provide a valuable rationale. Providing a clear climate rationale is important – not only for ensuring the GCF is at the forefront in demonstrating the importance of climate considerations, but also to communicate to agencies why they need to adopt these policies. This could also be used by staff in AEs to advocate for the adoption of GCF policies to their senior management and boards.

## 7. CLUSTERING OF POLICIES

19. Several policies, such as those on ethics and conflict of interest, are articulated in various documents, are nearly identical and often appear in clusters.<sup>112</sup> The same happens for gender-related policies, action plans, approaches and assessments – these are not consolidated and the updated action plan has not been approved by the Board. There are several versions of policies, from their formulation through to updates and their appearance in action plans.

## 8. POLICY GAPS

20. **While there are overlaps in the GCF’s policy framework, there are also notable gaps. The Secretariat has submitted a document addressing these gaps<sup>113</sup> at B.20, B.21 and B.22, but the Board has yet to consider it.** Examples of gaps include, for instance, that the Accredited Entity Fee Policy does not explicitly cover the private sector and only covers the public sector.<sup>114</sup> The policy on fees for AEs and delivery partners does not inform the fees for the private sector and non-grant instruments, other than concessional loans to the public sector. The General Principles on Prohibited Practices state that the GCF may levy sanctions in case of non-compliance. However, a sanction policy is not currently adopted, although it has been requested. The Policy on Prohibited Practices was adopted at B.22; before that the GCF only had an interim policy. Existing policies of the GCF

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<sup>109</sup> For instance, this was the case for a francophone entity that signed the AMA in one day but then could not negotiate the FAA because it was in English. The Secretariat provided the AMA in French. Through this process, the entity recognised that it needed support to improve its capacity. This was possible since the Secretariat had French-language capabilities, although clearly the Secretariat cannot deal in all languages.

<sup>110</sup> IEU data show that it takes 10 months, on average, to sign an FAA for projects, post Board approval.

<sup>111</sup> Fiduciary policies are another example. Most should include a consideration of risks caused by increased climate variability and unexpected shocks, for example.

<sup>112</sup> A separate policy covers Board members: “Policy on Ethics and Conflicts of Interest for the Board of the GCF (decision B.09/03)” but that is outside the remit of this review, yet it is notable that in addition to all other cited and similar policies on ethics and conflicts of interest, there is one more policy separately for the Board.

<sup>113</sup> “An integrated approach to addressing policy gaps to ensure climate impact: an overview of policies related to the consideration of funding proposals”.

<sup>114</sup> In a sense, however, the fee policy “covers” the private sector as it states that fees are to be negotiated on a “case-by-case” basis.

do not directly cover the termination of the GCF, or the guidance/rules for participation by CSO/PSOs as observers at the Board and in projects.

21. **FPs submitted for approval often fail to explain how GCF policies impact design and implementation.** At B.19, the Board recognised the need for an integrated approach for resolving interrelated issues concerning incremental costs, concessionality, policy gaps, project eligibility criteria, co-financing, the RMF, the investment framework, country programmes, entity work programmes and the risk management framework.

## 9. COMPARISON WITH OTHER CLIMATE FUNDS

22. The FPR compared the GCF suite of policies with those of other relevant climate funds to benchmark the GCF and identify potential gaps. The following table provides a list of the policies found in these funds but not in the GCF (see Table V-1).
23. On the other hand, many GCF policies, such as the following, are not present in the policy framework of comparators.
- Anti-Money Laundering and Countering the Financing of Terrorism
  - Policy on the Protection of Whistle-blowers and Witnesses
  - Administrative Instruction on Administrative Review and Appeal Procedures
  - Policy on Prohibited Practices
  - Initial Monitoring & Accountability Framework for AEs

*Table V-1. Policies from comparable funds that are not present in the GCF*

FUND	POLICIES THAT ARE NOT PRESENT IN THE GCF
GEF	Visibility CEO/Chairperson & IEO Director Appointment Reappointment & Performance Objective Review Communication and Visibility Guidelines for the Implementation of the Public Involvement Policy
Adaptation Fund	Zero Tolerance Policy for the Board Reaccreditation Process Policy for Project/Programme Delays Ad Hoc Complaint Handling Mechanism

Source: FPR review of policies and frameworks of other comparable agencies.

## 10. POLICY APPROVAL BACKLOG

24. Several reasons exist for delays in approving policies. For example, all policies, and changes in policies, are discussed and approved by the Board (or one of its committees), as mandated by the GI. Although the Board has approved more than 50 policies, procedures and frameworks in 22 meetings, many have remained on the GCF Board's agenda for lengthy periods without receiving approval.<sup>115</sup> At B.21, at least six items related to policies and frameworks were not discussed due to other Board priorities. Recent Board meetings have seen an increase in the backlog of policy approvals, with no progress at B.20 and several policies not being opened at B.21. Five policies were approved at B.22. Many others are still waiting for discussion and approval. The provision for Board approval of some policies between meetings has not contributed significantly to resolving the

<sup>115</sup> Many agenda items have not been opened.

policies backlog. Table V-2 presents a list of policy-related documents that were not opened at B.21 and B.22.

**Table V-2. Policy-related documents that were not opened or not completed at B.21 and B.22**

BOARD	POLICY-RELATED DOCUMENTS NOT OPENED OR NOT APPROVED
B.21	<p>Project or programme eligibility and selection criteria (GCF/B.21/Inf.02)</p> <p>Incremental and full cost calculation methodology (GCF/B.21/03)</p> <p>Options for further guidance on concessionality (GCF/B.21/24)</p> <p>Co-financing matters (GCF/B.21/29)</p> <p>Revision of the structure and operations of the iTAP (GCF/B.21/04)</p> <p>Two-stage proposal approval process (GCF/B.21/11)</p> <p>Steps to enhance the climate rationale of GCF-supported activities (GCF/B.21/Inf.08)</p>
B.22	<p>GCF/B.22/06, the Board continues considering the Updated Gender Policy and action plan 2019–2021, for consideration and approval of the Board at its next meeting.</p> <p>GCF/B.22/20: adopted (decision B.22/18, Annex XIII) the “Interim Policy on Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment” (SEAH) but also requested to bring an updated SEAH policy for B.23, which also concerns counterparties in GCF-related activities.</p> <p>GCF/B.22/12: “Risk management framework: compliance risk policy – Proposal by the Risk Management Committee”. No decision was taken under this agenda item.</p> <p>GCF/B.22/18: “Standards for the Implementation of Anti-Money Laundering and Countering the Financing of Terrorism Policy”. No decision was taken on the standards.</p>

## 11. SPECIFIC CONSIDERATIONS ON THE ESS, GENDER, IPP AND RISK POLICIES

25. Several institutions interviewed (either accredited or in the process of being accredited) suggested that despite the laborious process of responding to GCF policies (especially ESS, gender, IPP and risk-related policies), it had improved their own quality and readiness to implement projects. GCF policies may be a barrier to participate in the GCF system, particularly in countries where these concepts are less ingrained within national systems and cultures. They can also be burdensome when young, small entities, CSOs and DAEs have to comply with requirements imposed in the accreditation process and FAA negotiations. In some countries visited by the FPR team, the required GCF policies may contradict national legislation and frameworks. Furthermore, some governments interviewed strongly felt that their national policies were sufficient in meeting minimum requirements to accredit national entities. The GCF’s heavy compliance/requirement culture for accreditation and project approval was communicated by several people interviewed in countries. In one country, the following perception was frequently stated “the GCF is more of a bank than a Fund”, or “the Green Climate Fund is not [a] green [light] that facilitates access to climate finance but rather a red [light].” Many also felt that the significant compliance requirements had, in turn, caused a reduction in the risk and innovative levels of the proposals and entities approaching the GCF. Many also considered that the wording of GCF policies and the complexity of the templates emanating from them (e.g. AMA and FAA) as overly legal.
26. **In many cases, not all policies are necessary for or applicable to every investment.** During FPR-related interviews, some interviewees suggested that where investments do not require all policies to be applicable because of the reality on the ground or the type of investment (e.g. support to the electricity grid), the GCF should develop a fast-track system for investments processing. Others recommended the GCF customise its policies and requirements to fit the country context and the

nature of the investment and financial instrument; and further, that it adopt tailor-made, country-based accreditation and investment preparation support for local entities.

## D. CONCLUSIONS AND RECOMMENDATIONS

27. The following are key conclusions related to the development, approval and implementation of GCF policies.
- **The GCF has approved** a set of more than 50 policies, frameworks and procedures based on global best practices **in a relatively short period**. These policies have helped the GCF to become operational during the IRM. This is a major achievement for the GCF.
  - **The existing set of GCF policies has gaps** and does not cover evaluation, termination of the Fund in the GI, and to some extent, the participation and engagement of CSOs, PSOs and indigenous peoples as observers at the Board and with projects.<sup>116</sup>
  - **Some AEs indicated that compliance with GCF policies** (e.g. ESS, IPP, Independent Redress Mechanism, procurement, gender, and integrity policies) improved their safeguards.
  - However, for a relatively young organisation such as the GCF, applying the current set of policies has **affected the efficiency and effectiveness of the Fund**, had implications for entities that want to participate, and proved difficult for implementation on the ground, especially when they contradict national/subnational policies (e.g. policies related to gender and indigenous peoples).
  - **GCF policies are often built with limited consideration to complementarity among themselves**, in their overlap with existing policies or in their use of terminology, and generally do not consider the country context and capacities of AEs. More specifically:
    - Duplication or overlap of policies has led to uncertainties or lack of clarity in the existing set of policies. This is particularly the case regarding requirements on reporting – increasing transaction costs for AEs, for example.
    - Different policies use different definitions and increase the risk of confusion in interpretation, with varying levels of compliance and use exhibited by agencies.
    - The levels of authorisation that are needed for implementation policies are not always sufficiently specified. This is important when understanding who has the authority to prepare and approve guidelines and procedures related to the execution of a policy.
    - There is misalignment between the mandates of the AEs and the stringency of the policies. There is an inherent conflict when the GCF relies on the AEs to implement projects but does not rely on their policies. In the current structure, agencies are not motivated to align with the GCF, as it may undermine them.
    - For many, GCF policies do not reflect an adequate understanding of country context, particularly considering potential conflicts with national legislation.
    - New GCF policies do not include information about how they are closing a gap or how they relate to existing ones.
  - **Several policies fail to consider the GCF business model**, which relies on the implementation of investments through AEs and under national/subnational policies and context. Certain policies may face implementation challenges, especially when their enforcement may not be

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<sup>116</sup> There are some Board-adopted policies covering stakeholder engagement and observer (CSO, PSO) participation, and guidelines relating to observer participation and the accreditation of observer organisations and participation of active observers, as well as the IPP and the ESS.

within the control of the GCF since they fall within the implementation role of the AEs and national/subnational authorities. These policies may be a barrier to collaboration with the GCF, particularly in those countries where related concepts are less ingrained within national systems and cultures.

- Although the GCF is an organisation in its early days, several areas of operations mandated by the GI do not have policies. These include evaluation, termination of the Fund and, to some extent, the engagement of civil society at all levels. In some of these areas, the Secretariat or the independent unit has prepared draft policies, but the Board has not approved them yet. There is still a backlog of policies to be approved and/or developed.
- The approval of rights-based policies, including the ESS, the IPP, and the Independent Redress Mechanism Procedures and Guidelines, represent emerging best practices in terms of policies within climate finance (although not always including a climate angle or rationale).
- Many key policies (and guidelines and standards prepared by the Secretariat to implement many policies) are still pending approval from the Board. Three Board meetings per year may not be enough to resolve the backlog.

## Recommendations

28. A key finding and a related recommendation from the FPR are that the GCF suite of policies does not accord climate change the significance it requires. The suite of GCF policies are necessary but many of them do not consider the implication of and for that policy of climate change and climate-induced variability and uncertainty. Primary recommendations from the FPR are as follows:
- In the longer run (two years), the GCF should consider leading a dialogue across its ecosystem to underscore the “climate dimension” of GCF policies, and also consider articulating this in a single “climate policy” for the GCF that establishes the climate additionality of its policies over and above AE policies. This is likely to have the advantage that potential AEs will require only one document for their management to approve and will also strengthen the GCF’s voice and niche in advocating for mainstreaming climate-sensitive thinking. The Secretariat may wish to explore this option and assess its feasibility.
  - GCF policies need to be rationalised and made commensurate with the capacities/context of countries, AEs and the Secretariat to truly contribute to a paradigm shift towards low-emission climate-resilient development pathways.
  - Given that some of the policies have been under implementation for a few years (and that this will still be the case in the future), the FPR recommends that the GCF:
    - Conduct reviews of the relevance, efficiency and effectiveness of the implementation of the GCF policies and specifically examine the consistency of these policies (individually and aggregated) with the GCF business model. Consider clarifying policy overlaps, filling policy gaps and clarifying delegated authorities associated with GCF policies.
    - Evaluate all GCF policies after a few years of implementation.
    - Take immediate actions that may enhance the implementation of the IPP, such as facilitating a dialogue between national indigenous peoples and governments and AEs, and increasing the direct communication of the GCF with indigenous peoples, globally and at the country level, starting with their engagement with the GCF (e.g. as Board observers).
    - Strengthen the role of indigenous peoples’ participation within GCF country programming and AEs’ work programme processes.



- The FPR recommends that the GCF take a leadership role in the development of relevant climate change policies. For example, the GCF should consider how it may be a global influencer in the field of international policies related to climate change.
- With regard to processing policies, the FPR also recommends that while developing new policies, the Secretariat should review (and present to the Board) how new policies are affected and influenced by existing ones, as well as their implications for current and past investments, agreements and memorandums of understanding. A consistency check with other policies will help reduce duplications, gaps and overlaps and help remove ambiguity in terminology and definitions, while also clarifying levels of authorisation for implementation. The Secretariat should consider (and present to the Board) how these policies will be implemented at the country level and impact the AEs (existing and potential types, particularly private sector and national), current portfolio, existing legal agreements and budgets.
- In general, regarding recommendations in the area of policies, the FPR team cautions that any changes to the set of GCF policies should be made with due consideration. Implementing new and changed policies has the possible repercussion of creating significant misunderstanding in an already complex project and accreditation process. It is also essential that the GCF more effectively and regularly communicates potential future changes in policies to the entities in countries and to international and subnational stakeholders.
- To help the GCF learn faster and better, the FPR recommends the GCF place greater emphasis on agility and consideration for learning and flexibility in guidelines and procedures.





## Chapter VI. ACCREDITATION

### KEY RECOMMENDATIONS

**The GCF should consider revising the accreditation framework and process, and consider the following improvements:**

- Develop a strategy for accreditation that will bring in institutions that have capacities and strategies commensurate with those of the GCF, as it will help achieve its mandate and strategic plan.
- The strategy should include annual targets for accreditation and specifically for DAEs, in order to create a portfolio of entities that mirror the Fund's new strategy and priorities.
- To achieve greater participation and disbursement of GCF investments through DAEs, consider integrating readiness far more closely into accreditation.
- Announce business standards and clear expected requirements for processes to improve transparency, predictability, expectations and communication.
- Simplify the processes – for example, by embracing *sufficient* or *minimum* standards for project management rather than best practices; engage the entities in the development of AMAs before Board approval; provide more options, taking into account different contexts.

**The backlogged accreditation pipeline needs to be addressed as a matter of urgency.** The Secretariat should be given authority to formally disengage entities after a certain number of days without activity in the entity processing account.

### KEY FINDINGS

- Accreditation is an essential part of the GCF business model and the GCF relies on AEs for delivering its mandate and implementing its investments in countries.
- Of the 84 Board-approved entities, 43 have effective AMAs and are ready to implement GCF projects and the other 41 are currently negotiating their AMAs or awaiting legal effectiveness. This has not led to the anticipated portfolio of effective entities, given the low number of DAEs with funded projects.
- The scope of the accreditation process as defined by the GI is focused on fiduciary standards, ESS and gender capacities of the entities. It is not mandated or equipped to assess capacity.
- The FPR concludes that accreditation, in its present form, is not fit for purpose, for three main reasons: a) a slow, unpredictable and not fully transparent process; b) a backlogged pipeline, which presents reputational and operational risks; and c) the accreditation process is mostly a one-size-fits-all model. It does not sufficiently differentiate by type of country, entity or project, with respect to compliance with GCF policies.
- Currently, the accreditation process provides a few different tracks for accreditation. Entities that have been accredited by other climate funds are considered priorities by the Board and are expected to implement different sizes of projects in different ESS categories.

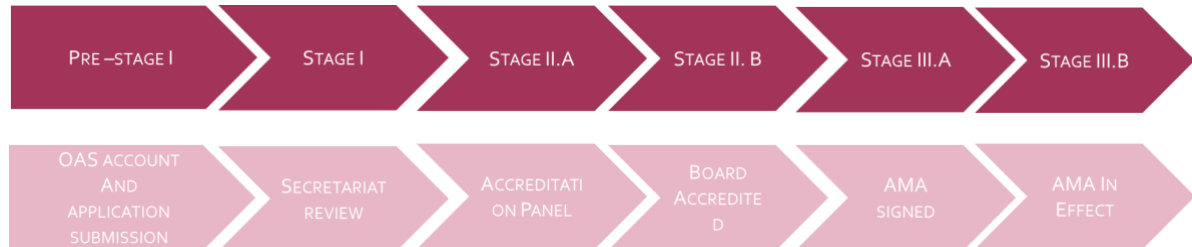
## A. INTRODUCTION

1. This chapter assesses the effectiveness and efficiency of the GCF accreditation process and provides recommendations on how to improve it. The following questions are explored in this chapter:
  - Is the accreditation process credible, necessary and sufficient to support the GCF strategy and plan?
  - Is it efficient to support the mandate and operations of the GCF?
  - Does it meet the needs of the GCF and of the GCF’s partners?
  - To what extent has it enhanced direct access?
2. For clarity, the FPR uses the term “accreditation” for the process that an entity follows to be accredited by the Board and that ends with an effective AMA. Figure 1 presents the three stages of the accreditation process. The term “Board-accredited” refers to those 84 entities, as of 28 February 2019, that have passed through Stages 1 and 2. However, Board accreditation is followed by Stage 3, by the end of which, the entity with an *effective* AMA will be able to start channelling funds to implement their Board-approved projects.

## B. DATA AND ANALYSIS

### 1. DESCRIPTION OF THE ACCREDITATION PROCESS

3. Entities approaching the GCF to seek accreditation need to follow a fairly uniform process. All applications are processed through the three stages in Figure VI-1. There are no formal business standards about how long each stage should take nor how many applications can be effectively attended to and when. All applications are simultaneously processed on a rolling basis.



**Figure VI-1.** Accreditation stages

4. **The accreditation process starts** by entities requesting a login for the online application system (OAS). They then complete the application, upload supporting documents and pay a fee. Stage 1 review is conducted by the Secretariat’s accreditation team (and/or its contractors), which certifies that the application meets the requirements. Stage 2 has two steps: a review by an external Accreditation Panel of the quality of the application, which provides the entity with recommendations (Stage 2A). When this process is completed to the satisfaction of the Accreditation Panel, recommendations are presented to the Board for review, discussion and approval (Stage 2B). Once approved by the GCF Board (Board-approved), entities then enter Stage 3, in which the AMA is negotiated and signed. This process ends when the AMA is effective.
5. Although this is the standard process, currently, in theory, there are three mechanisms that entities may use to get accredited:
  - **Fast-track entities:** Entities that are accredited by other climate funds may be eligible for “fast-tracking”. In these cases, significant components of the accreditation process are expected to be waived because they have already been verified by the GCF’s counterparts.

- **Prioritised entities:** Entities that meet certain favoured criteria are prioritised. While they undergo the full accreditation process, the accreditation team is authorised to review and respond to them ahead of other applicants. As per decision B.21/16, current Board-approved priority entities for accreditation are national DAEs, private sector entities, entities responding to GCF RfPs, AEs seeking to fulfil their conditions for AMA effectiveness, and AEs requesting upgrades in their accreditation profile.
  - **ESS categories:** Certain specific standards are relaxed for entities who fall under designated project types, such as low environmental/social risk categories. Their applications are not processed more quickly, but some parts of the application are less stringent. For these entities, accreditation status comes with restrictions, related to lower-risk categories.
6. **GCF accreditation is not a permanent state: it has a duration of five years.** AEs are required to submit an annual self-assessment as well as a more intensive set of midterm reports, and then apply for reaccreditation after five years. The first cohort of GCF AEs will need to apply for reaccreditation in 2020. Reaccreditation is not meant to be a re-application; instead, entities are expected to update any details that may have changed, and these are subject to Secretariat approval. However, detailed guidelines for reaccreditation have not been approved yet by the GCF Board.

## 2. ACCREDITATION SCOPE AND STRATEGY

7. The GI mandates that “*access to Fund resources will be through national, regional and international implementing entities accredited by the Board.*”<sup>117</sup> This highlights the importance of the accreditation process in the GCF and its business model. Paragraph 18 of the GI gives the mandate to the Board to “*Develop criteria and application processes for the accreditation of implementing entities of the Fund and accredit implementing entities and withdraw such accreditation.*”<sup>118</sup> To this end, Paragraph 49 elaborates, “*The Board will develop, manage and oversee an accreditation process for all implementing entities based on specific accreditation criteria that reflect the Fund’s fiduciary principles and standards and environmental and social safeguards.*”<sup>119</sup> Board documents are clear that these three areas represent the pillars of GCF accreditation.
8. The architecture of the GCF’s accreditation process was laid out at B.07 in May 2014, when the Board approved the “*Guiding Framework and Procedures for accrediting National, Regional, and International Implementing Entities and Intermediaries, including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards*”.<sup>120</sup> This document presents definitions of key terms; highlights elements of the guiding framework; elaborates fiduciary, environmental and social standards; and sets out roles and responsibilities within the GCF at every stage in the process. The framework indicates that the accreditation standards are heavily influenced by those used by the International Finance Corporation (IFC). Each point in the GCF accreditation framework document has been systematically operationalised in a series of checklists that have been periodically updated as GCF policies relevant to accreditation have matured. A visual summary of the GCF’s accreditation scope is presented in Figure VI-2 below.<sup>121</sup>

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<sup>117</sup> *GCF Governing Instrument for the Green Climate Fund, (Dec 2011)*, paragraph 45.

<sup>118</sup> *Ibid*, paragraph 18 (f).

<sup>119</sup> *Ibid*, paragraph 49.

<sup>120</sup> See [GCF Guiding Framework for Accreditation](#).

<sup>121</sup> See [GCF Accreditation to the Green Climate Fund. \(Feb 2017\)](#).

<p><b>Basic Fiduciary Standards</b></p> <ul style="list-style-type: none"> <li>• Key administrative and financial capacities</li> <li>• Transparency and accountability</li> </ul>	<p><b>Environmental and Social Safeguards (ESS)</b></p> <p><b>Institutional ESMS policy-level:</b></p> <p>✓ <b>Performance Standard (PS) 1:</b> Assessment and management of relevant PS1-8 environmental and social risks and impacts through an environmental and social management (ESMS)</p> <p><b>Project-level:</b></p> <ul style="list-style-type: none"> <li>✓ PS2: Labor and working conditions</li> <li>✓ PS3: Resource efficiency and pollution prevention</li> <li>✓ PS4: Community health, safety and security</li> <li>✓ PS5: Land acquisition and involuntary resettlement</li> <li>✓ PS6: Biodiversity conservation and sustainable management of living natural resources</li> <li>✓ PS7: Indigenous peoples</li> <li>✓ PS8: Cultural heritage</li> </ul>
<p><b>Specialized Fiduciary Standards</b></p> <ul style="list-style-type: none"> <li>• Project management</li> <li>• Grant award and/or funding allocation mechanisms</li> <li>• On-lending and/or blending</li> </ul>	
<p><b>Gender Policy</b></p> <ul style="list-style-type: none"> <li>• Policies, procedures, and competencies</li> </ul>	

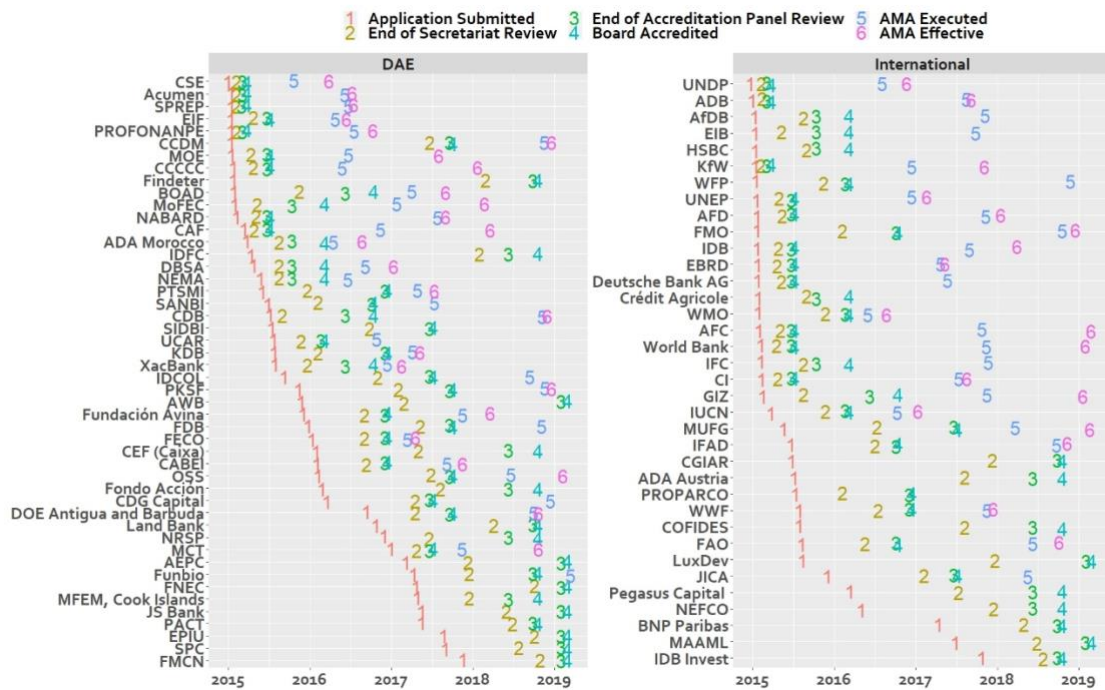
*Figure VI-2. Scope of GCF accreditation process*

### 3. ACCREDITATION DURATION

9. Although there are no business standards for the length of the accreditation process, the GCF aims to complete up to the Stage 2B of accreditation (until Board approval) for an entity in six months (180 days), “assuming all documentation is provided in a timely and complete manner, the applicant does not opt for readiness support while the application is being processed, and the applicant is found to meet all of the standards for which it originally applied for.” For fast-track entities, the GCF’s aim is three months.<sup>122</sup>
10. For the 84 entities that have obtained Board approval for accreditation (Stage 2B), it took an average of 500 days from application submission to Board approval (i.e. 2.7 times longer than targeted); half of the entities took 463 days or less.<sup>123</sup> The accreditation team indicated in interviews that they can realistically process 20–25 entities per year, an estimate that corresponds to the current yearly average of 21 entities per year (84 AEs in four years).
11. Figure VI-3 presents a timeline of the accreditation process among the 84 Board-accredited entities, although not all have completed the last two steps of Stage 3 (AMA signature and AMA effectiveness). From 2017 onward, there are significantly more DAEs obtaining Board approval for accreditation.

<sup>122</sup> “Accreditation to the Green Climate Fund”, February 2017. The aim for six months also appears in the GCF/B.07/02, paragraph 47.

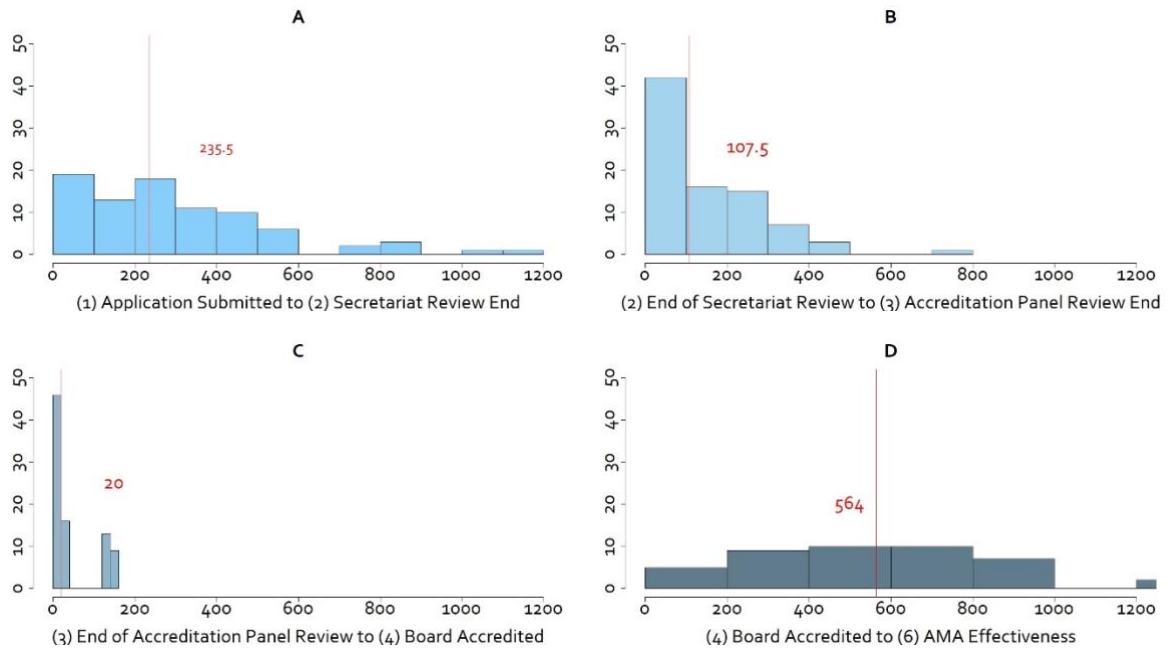
<sup>123</sup> This is the median statistic and it has the advantage that it takes out outliers.



**Figure VI-3. Accreditation timeline for the 84 entities that have been accredited by the Board according to six main steps in the accreditation process, 28 February 2019**

Source: Data from the GCF Secretariat’s online system, collected, coded and analysed by the IEU DataLab

12. The four charts in Figure VI-4 show the days taken for the Board to go through the accreditation process. The median number of days across the four charts is marked with a red line. It shows that it took 84 AEs a median of 236 days to pass through the Secretariat review (Stage 1: the “completeness check”), 108 days to pass through the Accreditation Panel (Stage 2A: the “quality check”), and 20 days to secure Board approval (Stage 2B). In addition, for those 43 that have an effective AMA, the negotiation and condition fulfilment (Stage 3) took an additional 564 days. **For these 43 entities, the accreditation process has taken a total of 914 days to go through the process that enables them to start channelling GCF funds to projects).**



**Figure VI-4.** Days taken for the 84 GCF Board-accredited entities to go through the accreditation process (A, B, C), and the 43 entities with effective AMAs to conclude Stage 3 (D), 28 February 2019

Source: Data from the GCF Secretariat’s online system, collected, coded and analysed by the IEU DataLab

13. **Accreditation pipeline:** As of 28 February 2019, in addition to the 84 entities whose have received Board approval, there are 106 entities that are formally seeking accreditation (application submitted but not yet Board-approved), and six that have withdrawn their application. This sums up to 196 entities that have ever submitted an accreditation application to the GCF. In addition, 48 entities have requested but not yet received OAS logins (before Stage 1), and 107 entities had an OAS login but have not yet submitted their application (also before Stage 1). Table VI-1 below illustrates the pipeline of entities at each stage of the accreditation process.

**Table VI-1.** Status of entities in the accreditation pipeline, as of 28 February 2019

			STAGE I	STAGE IIA	STAGE IIB	STAGE IIIA	STAGE IIIB
	OAS account requested	OAS accounts issued but no application submitted yet	Submitted application and under Secretariat Review	Under Accreditation Panel Review	Board-approved	AMA executed but not in effect	AMA effective
# entities	48	107	91	15	28	13	43

14. Of the 91 entities that have applied and are yet to conclude Stage 1, almost half (49 per cent) are yet to start the formal review process by the Secretariat. The average time spent so far in this stage by these entities, following application submission, is 461 days, as of 28 February 2019, with the longest duration being 1,449 days. However, of these 91 entities, many may have already *informally* disengaged insofar as they are not responding to Secretariat feedback but continue to linger in the system indefinitely.

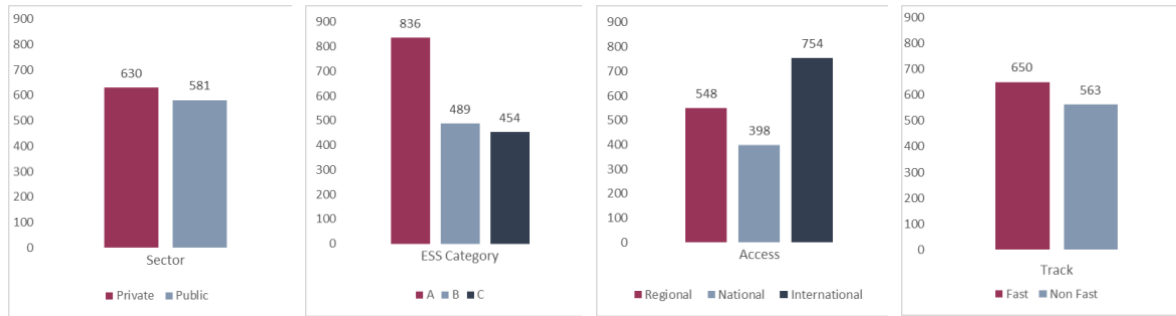


15. **Bottlenecks:** Figure VI-4 and the following analyses show that one of the main bottlenecks lies in Stage 1 (Secretariat review). DAEs are expected to need more support, and thus take more time to secure accreditation; however, among the 99 entities who had already completed Stage 1, the *type* of organisation (e.g. DAE vs. IAE) had no effect on how long it took to complete Stage 1. One reason may be that DAEs gain some time in the processing since they are prioritised within the pipeline, according to Board decision.<sup>124</sup> Interviews suggest that entities who fall outside of official accreditation priorities are simply not progressing at all.
16. **A key determinant of the length of time spent in Stage 1 is time an entity spends responding to the Secretariat’s feedback. However, it would be incorrect to interpret this as entity inaction in all cases** (although that is the case in some instances – for example, there are 25 entities that opened their OAS accounts in 2015 and are still in Stage 1). Interviews with current and pending AEs suggest a number of explanations for the period of time it takes to respond to Secretariat comments, such as the below:
- Secretariat feedback may appear at any time, including when the entities’ accreditation teams are fully engaged with other tasks.
  - The first set of comments from the Secretariat is the most voluminous and detailed, so it may take a long time to respond.
  - Some entities are unprepared for the depth and complexity of the comments that they receive from the Secretariat.
  - Some entities, including those that have been accredited by other major global actors, indicate that GCF processes are unduly burdensome and inflexible; they are surprised that policies and systems approved by others are insufficient for GCF. They opine that the GCF has insufficient understanding of diverse contexts and institutions (this was also explained in Chapter V).
  - Agencies that can clearly demonstrate that they are fully capable of managing large sums of money and implementing large-scale programmes are perplexed by what they perceive to be uninformed and extraneous comments, questions and requests for additional documents; some question the GCF’s capacity to assess institutional capacity.
  - Entities indicate that they are surprised by the nature and extent of requests for further details beyond that which had already been submitted.
  - Some Secretariat requests may require significant organisational changes for entities applying for accreditation that may take time to implement. Institutional reform is normally time-consuming, and in some cases Secretariat recommendations are contrary to existing internal systems and procedures. Some comments suggest that some entities are preparing documents to satisfy GCF requests that are not meaningful.
  - Some requests from the Secretariat are incompatible with some entities’ internal confidentiality policies.
  - The accreditation team is not authorised to formally reject an entity (e.g. due to capacity gaps, fiduciary issues, repetition of types of entities, or an entity’s failure to respond to Secretariat communications). These applications may remain in the pipeline indefinitely; this poses a reputational risk to the GCF insofar as it is perceived as inefficiency.
17. Figure VI-4 also showed that another major bottleneck of the accreditation process is Stage 3. **The 43 entities that have negotiated, signed and fulfilled the legal effectiveness conditions of their AMAs, took an average of 564 days from their Board accreditation to conclude this stage.**

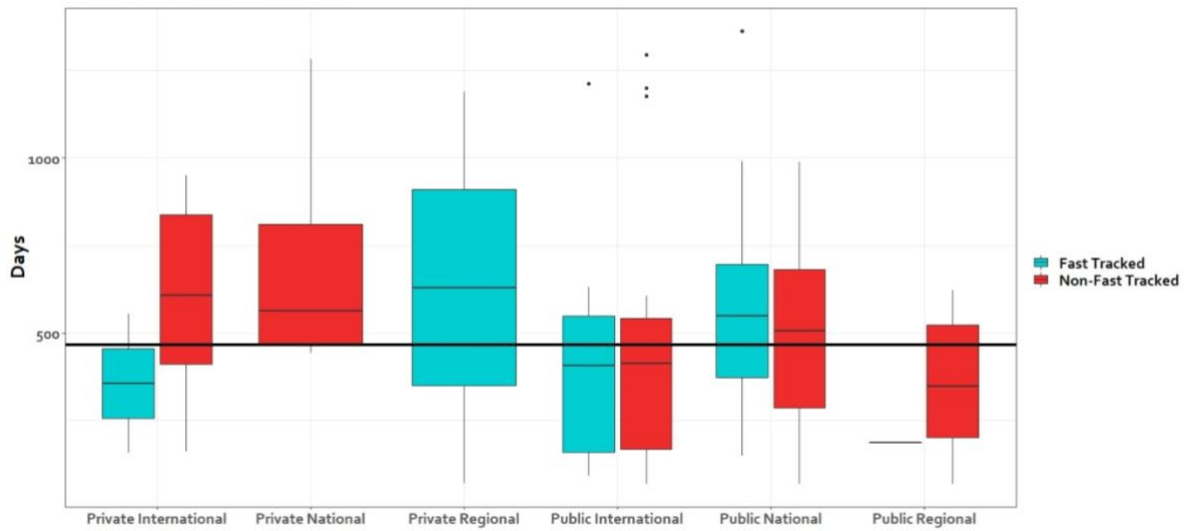
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<sup>124</sup> Decision B.21/16 (e).

18. Figure VI-5 shows that, in general, the larger the intended projects size for which the entity is seeking accreditation, the longer Stage 3 takes. Few differences exist between public and private organisations, and between fast and normal tracks. Figure VI-6<sup>125</sup> shows that being fast-tracked does not necessarily result in quicker Board accreditation duration for entities.



**Figure VI-5.** *The 43 entities' time spent in Stage 3, from Board approval to AMA effectiveness, as of 28 February 2019*



**Figure VI-6.** *Number of days taken by the 84 Board-accredited entities that go through the “fast-track” and non-fast-track accreditation process, Stages I and II, 28 February 2019*

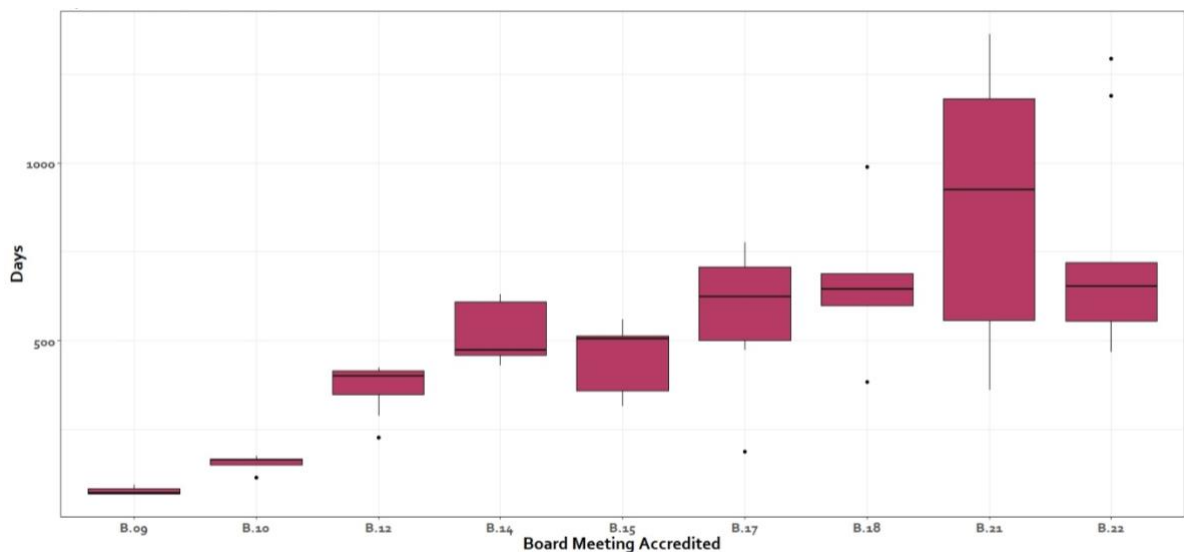
19. **Reasons for the slow overall pace of AMA proceedings include the following:**

- Reviewers: After Board approval, an entirely different set of reviewers enter the negotiations from the Secretariat and may re-open questions that were previously resolved during Stages 1 or 2.
- Legal: GCF and legal entity processes and requirements may not harmonise easily.
- Purposeful delay: AEs (especially MDBs) may choose to delay fulfilling their AMA effectiveness conditions until an appropriate time within their own business cycles. A Board-approved GCF project requires both an effective AMA, as well as a certificate of the AE’s internal approval of the project. The fulfilment of both triggers a 180-day deadline to execute

<sup>125</sup> This chart is a box plot, i.e. “a standardized way of displaying the distribution of data based on a five-number summary (“minimum”, first quartile (Q1), median, third quartile (Q3), and “maximum”). It can tell you about your outliers and what their values are. It can also tell you if your data is symmetrical, how tightly your data is grouped, and if and how your data is skewed.” Outliers are represented by singular dots. See <https://towardsdatascience.com/understanding-boxplots-5e2df7bcbd51>.

an FAA for the project. For this reason, the AE may wait until it is ready to present the project to its own Board for approval before signing the AMA. This was especially compounded by the effect that until B.17 the GCF Board could approve projects for an entity without an executed AMA, without any restrictions. The fact that the AMA process could be used to delay the FAA process to accommodate the AEs needs resulted in long delays for AMA effectiveness, which also affected project implementation (See Chapter VIII).

- Complexity of the GCF: Although the Secretariat has a consultation process in place to discuss GCF policies that affect AEs, many entities within the accreditation pipeline do not grasp the complexity of working with the GCF. Some AEs do not anticipate the full reach of the set of GCF policies or requirements (this was further discussed in Chapter V). They are thus unprepared for the legal expectations of GCF accreditation, and some may not have the capacity to understand the technical AMA requirements.
- Language: Entities that do not normally operate in English especially struggle with legal negotiations. While it is permissible for certain supporting documentation to be submitted in the language it was written in, the chief AMA must be entirely in English.
- Type of entity: Figure VI-6 shows that international organisations take longer than national or regional ones for Stage 3. The key explanations for this are that international organisations present more complex legal challenges; aim to apply for more complex and larger projects; and are more likely to postpone signing an AMA in order to synchronise with their own business cycles, as described above.



**Figure VI-7.** *Number of days in the accreditation process for the 84 entities from submission of application to Board approval according to Board meeting in which the entity was approved, 28 February 2019*

20. **Overall, the time it takes to receive approval by the Board (complete process until Stage IIB) has been increasing over time, although there has been a recent downturn in B.22** (Figure VI-7). On the other hand, the box plot in Figure VI-7 shows that the size of “boxes” is increasing: this means that the range of times experienced by entities in the middle of the distribution is increasing. This in turn means that agencies experience increased ranges in the times they require to get Board-accredited, which in turn means greater unpredictability.

#### 4. PORTFOLIO BALANCE AND COUNTRY OWNERSHIP

21. The GCF's business model including its commitment to country ownership places considerable emphasis on having a portfolio of national and regional AEs as GCF partners. A Secretariat report submitted at B.22 indicates that:

The current portfolio of entities is imbalanced and particularly unrepresentative of direct access and private sector entities, and it has a suboptimal geographical distribution. The accreditation and funding proposal processes have not resulted in a project portfolio that is in line with the objectives of GCF, either in terms of overall size or by some of the key metrics by which GCF is measuring its performance – country ownership, private sector involvement and supporting the needs of developing countries, particularly least developed countries, small island developing States and African countries”.<sup>126</sup>

22. **Mix of entities:** While the mix of entities in the portfolio has become more balanced over time, actual funding continues to be dominated by IAEs, whose projects account for 82 per cent of funding as of 28 February 2019. Moreover, IAEs are much more likely to have accreditation profiles for larger projects, more financial instruments and higher risk levels, enabling them to implement a wider variety of projects. Of the 27 Board-approved AEs who are fully accredited to manage large projects, 20 are IAEs. By contrast, many national and regional entities may only be eligible for a more limited accreditation scope and, therefore, less funding. The portfolio of projects, in terms of dollars committed, may not be balanced in terms of DAEs versus IAEs for this reason.

#### 5. DIFFERENTIATED TRACKS AND ALTERNATIVE APPROACHES TO ACCREDITATION

23. **The accreditation process is largely, but not entirely, uniform.** As discussed previously, there are different tracks for entities of different sizes, and environmental/social risk levels. In these cases, certain accreditation requirements may be relaxed, but these entities' accreditation status also comes with some restrictions. There are also the fast-track mechanism and the Board-approved priorities for accreditation. The Secretariat is developing initiatives to introduce avenues to access GCF funding without full accreditation, such as the project-specific accreditation approach (PSAA). PSAA entities would enjoy a streamlined accreditation process but would *only* be accredited for a single project. However, this approach has not yet been approved by the Board.

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<sup>126</sup> See *GCF B.22. Matters related to accreditation, including the framework review, and matters related to the baseline of accredited entities: Accreditation framework review*, paragraph 22.

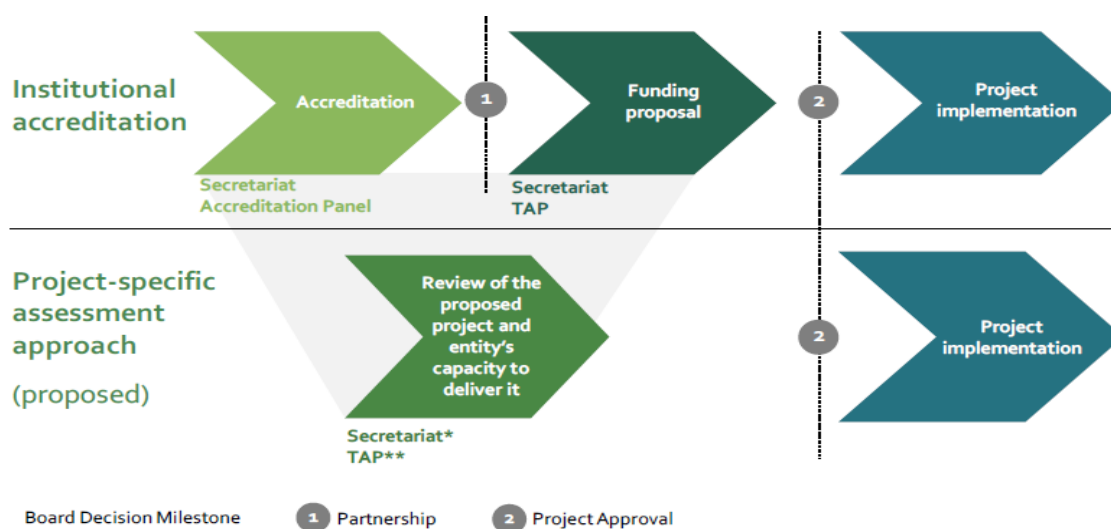


Figure VI-8. Overview of the accreditation framework and the proposed PSAA

## C. FINDINGS

### 1. ACCREDITATION RESULTS

24. The GCF has accredited **84 entities, of which 43 have an effective AMA, and 41 are still in legal proceedings. This is more than any other climate fund, but this has not led to the anticipated list given the low number of DAEs with funded projects.** In practice, 75 per cent of GCF committed funding for FPs (in nominal terms) is currently allocated to 10 AEs, 9 of which are international development institutions and 1 a regional entity (DBSA). The top 10 AEs in terms of number of projects approved is also skewed towards IAEs. Countries are still relying on international entities, as many are development organisations with a long history of collaboration with developing countries.

### 2. ACCREDITATION SCOPE AND STRATEGY

25. Accreditation focuses on three areas: fiduciary standards, ESS safeguards and gender policy. Standards are modelled on those used by the IFC and are largely consistent with MDBs and other international climate funds. The standards are not specific to climate action, nor are they intended to be. Some argue for a more comprehensive scope for accreditation and indicate that GCF accreditation must be far-ranging and a comprehensive process regardless of the time it takes. Others point to the backlogged pipeline and call for streamlining. Many suggest that accreditation has become a burden and has produced a backlog so that it is compromising the GCF's overall aims and discouraging strong potential partners, particularly from the private sector, from engaging at all.
26. Implicit in the business model is the assumption that entities accredited by the GCF will have the capacity to deliver effective climate action. Given proliferating systems, policies and reviews, a larger question for the GCF is what is the appropriate role and scope of accreditation? Should it be to verify project management capacity, or to directly advance effective climate action? This is an inherent tension: accreditation is sometimes judged according to whether it encapsulates the GCF's entire business model and/or includes aims well beyond meeting fiduciary, environmental and social standards. Moreover, the GCF now has a thorough set of reviews in place, established and operationalised since the accreditation process was first instituted, and applicable to both accreditation and project reviews before approval.

### 3. ACCREDITATION DURATION

27. Time taken for accreditation is a significant bottleneck for entities wishing to access the GCF. The accreditation process is resource intensive, and there is a potential for delays throughout. Estimated times for accreditation are both unrealistic and unpredictable. While on average it takes entities 914 days to achieve accreditation with an effective AMA, some languish within the pipeline for longer periods of time.
28. The GCF has not set formal targets concerning either the number of entities to process during a given time frame, or standards for the length of time it should take an entity to complete the process. It has also not addressed the fact that it is untenable to simultaneously process large numbers of applications with existing resources.
29. One factor has been identified that is associated with faster accreditation: *Early applications* (i.e. applications submitted before 2015). This is consistent with the challenges discussed in Chapter V about the set of policies that has been developed since then within the GCF. Many of these policies are mirrored in the accreditation requirements. Duplication, unclear terminology, lack of country context and consideration, and lack of temporal clustering hamper the accreditation process. This finding is supported by many stakeholders, which indicates that constant changes in GCF policies are highly problematic. It can lead to non-transparency and unpredictability to have goalposts shift and new requirements inserted mid-application.
30. **Reaccreditation may exacerbate the bottleneck.** The process is not yet fully operational, but concerns are already emerging that expected paperwork is excessive compared to added value. Moreover, those who have completed accreditation upgrades (i.e. those who were accredited for a limited category of projects and then apply for a more comprehensive level) have indicated that the Secretariat required them to provide nearly everything all over again. As a result, there are worries that reaccreditation may prove to be similarly burdensome. Other knowledgeable stakeholders that were interviewed indicate that reporting and review demands may strain the accreditation team and AEs.

### 4. PROPOSED AND ONGOING ACCREDITATION REFORMS

31. The accreditation team has put forth a series of reforms to streamline its internal processes. The FPR concurs that these reforms have potential to make the accreditation process more efficient. The reforms do not, however, address larger, overarching questions about accreditation's role within larger GCF aims and operations. There is also a need to address transparency and downward accountability to applicants.
32. The delays surrounding accreditation are well known and are elaborated upon by internal stakeholders. Many of these were discussed in a June 2018 report commissioned by the accreditation team and undertaken by an external consulting firm.<sup>127</sup> This report reviewed the GCF's accreditation process and its operationalisation. The accreditation team has advanced on various recommendations from this report in order to improve its internal processes. Some have already been endorsed by the Board, whereas others remain in its Accreditation Committee (and a few have been rejected). The FPR did not review each individual recommendation in-depth but they were considered when preparing the FPR recommendations.
33. Overall, the FPR's independent summary assessment of this report is that the suite of recommendations appears to be sound and holds considerable potential to speed up the accreditation review process. They are also widely endorsed by internal stakeholders.

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<sup>127</sup> Moore Stephens. (2018). Review of the Green Climate Fund's Accreditation Process and Its Operationalisation.



34. **The FPR has identified two important gaps in the report. The first is that the analysis largely pertains to the accreditation team itself, rather than fully exploring accreditation within the GCF's overall aims and operations. The second gap concerns transparency and downward accountability to entities within the pipeline.** The website and other public materials tend to present key information in aspirational and/or promotional tones, and official communications between the accreditation team and entities are formal, infrequent and often cryptic. There are complaints from multiple entities that these are paired with inappropriate informal communications from the accreditation team.

## 5. ACCREDITATION AND INSTITUTIONAL CAPACITY-BUILDING

35. There is inconclusive evidence to determine if AEs are generally benefiting from or being disrupted by the demands of the accreditation process of the GCF. Qualitative evidence suggests that the accreditation process has improved the capacity of some AEs. GCF accreditation appears to be especially beneficial for AEs with institutional gaps on particular policies or procedures. For example, one private sector representative credited the GCF accreditation process for upgrading his agency's gender standards. While the entity had some gender policies already, they were weak and dated, and while this was well known, improving them had never been a priority. The GCF's accreditation process presented the right incentive to do so, and the GCF's own standards served as its template. The improved gender standards were welcomed as an important improvement for the entire institution. This example is not simply anecdotal but illustrative of several cases identified by the FPR. However, it should be noted that examples like this are typically associated with national and/or regional entities who have gaps in their systems. Engaging with the GCF gives them both a reason and a road map to fill those gaps.
36. However, accreditation has not *consistently* led to increased capacity. There is a subset of entities that indicate that GCF accreditation has in fact compromised certain aspects of their operations. These entities typically have mature systems whose details meet the spirit of a GCF requirement but diverge from the specific requirement. In other cases, GCF expectations are incompatible with the entity's policies or other arrangements, and this has become a significant stumbling block. This causes frustration and creates objections about inappropriate and unnecessary donor interference. Indeed, there is evidence that in some cases, the GCF's "inflexible" details undermine rather than enhance mature existent systems. Reviewing internal audit reports is one example. In some situations, these are confidential and may even be illegal to disclose, precisely because their purpose is to identify and address any internal problems quietly. Indeed, one can argue that distributing internal audit reports to donors may compromise the integrity of internal auditing insofar as it may ultimately invite pressure to produce "clean" reports. Yet the GCF requires these reports. When the GCF requests documents that the entity cannot disclose as a matter of policy, an impasse is created. Finally, some promising agencies formally or informally withdraw from GCF accreditation altogether. In other cases, entities have created a paper trail exercise for the sole purpose of advancing their accreditation application.
37. **Some entities need considerable support to navigate the accreditation process and indicate that site visits from the accreditation team are exceptionally helpful.** As more national and regional entities apply, it is becoming clear that they need more coaching and guidance specifically on how to secure accreditation. While the accreditation team seems more than willing to extend this, there are significant resource implications and the accreditation team is not currently equipped to do so. The evaluation of the RPSP by the IEU recommended that the RPSP focus more on readiness for GCF partnership.



## 6. PORTFOLIO BALANCE AND COUNTRY OWNERSHIP

38. Many decision makers are concerned about perceived imbalance in the GCF portfolio. Given that accreditation marks the *beginning* of GCF engagement for many entities, and its role is to verify whether it meets a specific and limited set of standards, imbalances in the portfolio cannot be attributed to accreditation. However, there is evidence that accreditation processes and requirements discourage and exclude many potential partners that could improve the diversity of the pool of partners. For instance, qualitative evidence suggests that potential private sector partners are discouraged by requirements that do not meet their expectations of efficient and predictable processes. Furthermore, the stringency of GCF requirements effectively excludes some, like one promising LDC entity that believes it is ineligible for GCF accreditation because its M&E is conducted by an independent government department. Having an independent M&E unit is required by the accreditation checklist, but this entity is unable to either obtain necessary supporting documentation from their M&E unit or modify its internal procedures to meet GCF requirements precisely *because* the unit is independent. This individual situation has not been independently investigated, but examples like this are recurrent themes in interviews. Until these fundamental issues are addressed, both the GCF and NDAs are likely to remain dependent on a handful of IAEs.
39. **The portfolio imbalance has led to prioritising certain kinds of entities within the accreditation pipeline.** While there is support for this, there are issues about how this is operationalised. The accreditation team is presently committed to considering *all* applications on a rolling basis but prioritises only *some*. This is a contradiction, and one that compounds delays for entities that are not prioritised but that have already extended considerable effort, costs and fees to apply for accreditation. Meanwhile, the official *accreditation* priorities do not necessarily reflect the full breadth of GCF priorities, nor all its identified gaps (which include health, efficient transportation, behaviour change and, indeed, adaptation).
40. Country ownership is a core principle for the GCF, and direct access is considered one of its building blocks. While the FPR's country visits confirm a strong interest in direct access to the GCF, they also highlight that, ultimately, countries are far more interested in securing any funding at all than in obtaining any particular institutional arrangement or access modality of funding. This raises questions about how country ownership can best be realised. Above all, stakeholders would prefer to work with and through any partner so long as they are efficient and straightforward. Direct access presents obvious benefits, but the chief demand is for smooth, predictable and efficient funding cycles. By and large, countries are happy to work through intermediaries if that is easier. **Indeed, the fact that the GCF is perceived as a “difficult donor” actually increases demand for IAEs.** These points are compounded when one considers the lack of creditable entities within especially vulnerable locations, including LDCs and SIDS. NDAs and other stakeholders in these locations often voice more demand for a diverse suite of accessible IAEs, precisely due to the lack of viable alternatives.

## 7. DIFFERENTIATED TRACKS AND ALTERNATIVE APPROACHES TO ACCREDITATION

41. Accreditation review is fairly uniform; however, there are several “categories” to accredit different types of entities in somewhat different ways (e.g. entity's environment/social risk levels and budget size), as well as opportunities to progress through accreditation review more quickly and pilots to deliver funding to non-accredited entities in specific circumstances. The FPR finds that diverse and distinct avenues to GCF partnership are helpful but not sufficient, as efficiency needs to be improved throughout the process.

## D. CONCLUSIONS AND RECOMMENDATIONS

42. **Accreditation is an essential part of the GCF business model, and the GCF relies on AEs for delivering its mandate and implementing its investments in countries.** The implicit aim is that AEs will become long-term GCF partners who implement various projects and, ideally, shift paradigms towards low emissions and climate-resilient pathways by transforming their own organisational portfolios.
43. **The scope of the accreditation process as defined by the GI is too narrow. It is not mandated or equipped to assess capacity.** The GCF's operations stand out as being quite different from its global counterparts, and climate change is its *raison d'être*; however, this issue falls outside the current scope of accreditation. Overall the current scope of the accreditation process raises questions about the role of accreditation within the GCF business model and why entities want to become AEs of the GCF.
44. As a result of this narrow scope, **many AEs are not sufficiently equipped to advance the GCF's global climate agenda.** Many AEs exhibit high project management capacity, but have weak track records in climate action, as demonstrated by the number of business-as-usual proposals that arrive at the Board.
45. **Furthermore, the process is slow and the pipeline is backlogged, which presents risks for the GCF's reputation, operations and ability to forge partnerships with promising entities.** This is problematic from the standpoint of transparency and downward accountability to applicants.
46. **The accreditation process is too uniform, and does not sufficiently differentiate** by type of country, entity or project, with respect to compliance with GCF policies. This has implications for access. It has also contributed to delays and perceptions of unpredictability. Its inflexible requests bring challenges for all the types of organisations seeking accreditation.
47. **For these reasons, the FPR concludes that accreditation, in its present form, is not fit for purpose.**
48. The FPR concludes that **differentiated accreditation tracks are helpful**, and indeed there is opportunity to further embrace distinct, fit-for-purpose tracks for different types of entities that aim towards different types of interventions.

### Recommendations

49. The key recommendation that the FPR proposes regarding accreditation is that the GCF should **consider revising the accreditation framework and process**, considering the following elements:
  - Develop a strategy for accreditation that will bring in institutions that have capacities and strategies commensurate with those of the GCF and will help it achieve its mandate and strategic plan.
  - The strategy should include annual targets for accreditation and specifically for DAEs as well as to creating a portfolio of entities that mirror the Fund's new strategy and priorities.
  - To achieve greater participation and disbursement of GCF investments through DAEs, consider integrating readiness far more closely into accreditation (to create GCF-ready entities).
  - Announce business standards and clear expected requirements for processes to improve transparency, predictability, expectations and communication.
  - Simplifying the accreditation process should include the following:
    - Embracing sufficient or minimum standards for project management rather than best practices
    - Engaging entities in the development of AMAs before Board approval

- Providing more options for differentiated tracks and alternative approaches to accreditation based on different contexts around country, project objectives and type of financial instrument
- Addressing complementarities with other GCF operations (particularly with the project cycle and the negotiations of the FAAs)
- Another fundamental recommendation is that **the backlogged accreditation pipeline should be addressed as a matter of urgency**. For example, the Secretariat should be given authority to formally disengage entities after a certain number of days without activity in the entity processing account.

## Chapter VII. THE GCF BUSINESS MODEL

### KEY RECOMMENDATIONS

- Emphasise the strong, influential and trend-setting structure of the GCF Board, but also consider current dissatisfaction in some quarters regarding access, transparency and the predictability of GCF decision-making processes. Support a review of processes that might help to mitigate these dissatisfactions.
- Consider reviewing the current compliance-driven culture in the GCF and provide incentives for increased innovation in the use/creation/combination of financial instruments while helping to yield impact.
- The Secretariat should take on the role of a broker for appropriate opportunities in climate finance (and not just as a disbursing of resources).
- Clarify roles and responsibilities across the GCF business model, including those of AEs and NDAs and within the Secretariat, to ensure management and delivery for greatest impact.
- Incorporate processes in the business model that are sensitive to the different needs of countries, entities and investments.
- Consider building a solutions-driven structure in the Secretariat that encourages a one-GCF approach and in which staff are incentivised to provide solutions and meet the needs of countries in effective ways.

### KEY FINDINGS

- The essential design and elements of the GCF business model are still valid. The critical challenge for the Secretariat is to ensure that implementation is efficient and effective.
- The GCF, through implementing its business model, has fulfilled several expectations in the GI in only four years, since the approval of the first set of GCF projects in 2015. The implementation of the business model, however, is not sufficiently predictable or transparent.
- There needs to be more clarity in the roles and responsibilities of key actors with respect to the processes involved in implementing the business model.
- The GCF business model is characterised by a compliance-driven culture (particularly within the accreditation and project cycle) with limited room for risk-taking.
- There is a tendency to implement the business model as a “one-size-fits-all”. In practice, requirements to comply with policies, standards and procedures infrequently differentiate among different types of entities, project objectives, financial instruments and country capacities and contexts.
- There are insufficient incentives in the business model to induce a one-GCF business model approach to solutions. The business model has so far not yielded processes that are solutions driven. It has instead yielded workstreams that are characterised by instruments and modalities. Each of the parts play a disjointed role.
- The implementation of the business model at the country level is frequently centrally managed and operated by the national government, with diminishing participation and inputs from stakeholders that are located far from the capital.
- The GCF portfolio is not as balanced as anticipated (in nominal terms between adaptation and mitigation; IAEs versus DAEs), primarily due to employing a supply-driven approach to projects.

## A. INTRODUCTION

1. The business model is the GCF’s plan for delivering climate impacts. It describes the contributions it gets and the financing and services it offers; its target areas of influence, distribution channels and expenses; and the results it anticipates.<sup>128</sup> The GCF business model comprises several elements: it includes the structure of the organisation (with accompanying roles and responsibilities for each member of the organisation); the ISP, which outlines key concepts such as country ownership; the set of approved policies and frameworks (particularly those related to accreditation); and the diverse menu of types of investments and financial and non-financial instruments available to developing countries. The ultimate goal of the GCF, as noted by the Board in decision B.04/04, is that it has a “strategic focus on climate mitigation and adaptation, and also seeking to maximise sustainable development.” Many constituent elements have been discussed in detail in the previous chapters. This chapter brings them together in the context of the implementation of the GCF business model. A series of Board decisions approved during the fourth and fifth meetings<sup>129</sup> (June and October 2013, respectively) attempted to develop the GCF business model framework. The decisions took into account provisions of the GI and previous Board decisions on each of the elements and processes that connect them. Table VII-1 provides a summary of the decisions regarding the business model.

**Table VII-1. Summary of Board decisions regarding the business model according to different areas**

BUSINESS MODEL AREA	KEY CHARACTERISTICS OR FOCUS
Objectives, results and performance	<p>The Fund will have a strategic focus on climate mitigation and adaptation and also maximise sustainable development.</p> <p>Countries will identify their priority areas in line with their national strategies and plans.</p> <p>The Fund will have core performance indicators to measure performance against objectives and mitigation and adaptation results.</p>
Results management framework	<p>Adopts the initial results areas of the GCF as initial areas of funding and performance indicators.</p> <p>Enables effective monitoring and evaluation of results, organisational effectiveness and operational efficiency.</p> <p>Includes indicators and systems to support the Fund’s operations, including co-benefits and gender sensitivity.</p> <p>Flexibility given to refine the RMF based on the Fund’s experience. (National and sector-wide indicators are not mandatory).</p> <p>Assesses proposals in each results area using the same impact indicators.</p> <p>Mandates that the Fund’s logical framework also measures the impact of the GCF on strategic improvements at a country level.</p>
Country ownership	<p>Country ownership and a country-driven approach are core principles of the GCF.</p> <p>Highlights importance of readiness and preparatory support for country-ownership practices.</p> <p>Countries may designate an NDA or focal point that will recommend to the Board FPs in the context of national climate change strategies and plans; nominate entities to the GCF; seek to ensure consistency of FPs from entities with national plans and strategies; implement the no-objection procedure; and act as the focal point for Fund communication.</p>

<sup>128</sup> A business model describes how an organisation creates, delivers and captures value in its different contexts.

<sup>129</sup> B.04/17. Decisions of the Board – Fourth Meeting of the Board, June 2013; B.05/23. Decisions of the Board – Fifth Meeting of the Board, October 2013.

BUSINESS MODEL AREA	KEY CHARACTERISTICS OR FOCUS
Access	<p>The Fund will provide simplified and improved access to funding.</p> <p>The Board will consider additional modalities that further enhance direct access.</p> <p>Accreditation procedures with best-practice fiduciary principles and standards and ESS; criteria for the accreditation; assessment of AEs by other relevant funds.</p>
Financial instruments	<p>Consider the terms and criteria of grants and concessional lending to be deployed for mitigation and adaptation.</p>
Private Sector Facility	<p>Operates efficiently and effectively, under the guidance and authority of the Board.</p> <p>To address barriers to private sector investment in adaptation and mitigation activities.</p> <p>Promotes the participation of the private sector in developing countries with efficient solutions that minimise market distortions and moral hazard.</p> <p>Initially to focus on grants and concessional lending.</p> <p>Establishment of the PSAG and an Investment Committee.</p> <p>Develop an appropriate risk management framework.</p> <p>To start working through AEs but over time work directly with private sector actors.</p>
Structure and organisation	<p>As established in the GI (see Chapter V).</p> <p>Board: oversees, approves, develops, reviews, establishes, appoints.</p> <p>Secretariat: fully independent; responsible for day-to-day operations; reports, liaises, monitors, operationalises the project cycles.</p> <p>Trustee: manages financial assets of the GCF.</p> <p>PSF: directly and indirectly finances private sector activities.</p> <p>AEs (international and direct): provide access to Fund resources (recipient countries to determine the access).</p> <p>IEU.</p> <p>IIU.</p> <p>Independent Redress Mechanism.</p> <p>Stakeholder input and participation.</p> <p>The Fund and the Secretariat should be structured thematically with the flexibility to evolve over time.</p> <p>Establishment of ad hoc committees of the Board.</p>
Financial inputs	<p>The Fund will receive financial inputs from developed countries as well as from other sources.</p> <p>Flexibility to receive financial inputs on an ongoing basis.</p> <p>Receive grants from public and private sources and paid-in capital contributions and concessional loans from public sources.</p>
Resource allocation	<p>The Fund will adopt a theme/activity-based approach to the allocation of resources (allocation system will be under review over time).</p> <p>Allocations will be made to adaptation, mitigation and PSF; with a balance between adaptation and mitigation.</p> <p>On adaptation: proposed activity to demonstrate its potential to adapt to impacts of climate change in the context of promoting sustainable development and urgent and immediate needs of vulnerable countries, in particular LDCs, SIDS and African States.</p> <p>On mitigation: proposed activity to demonstrate its potential to limit and reduce GHG emissions in the context of promoting a paradigm shift.</p> <p>PSF: direct and indirect finance private sector activities and promoting the participation of private sector actors.</p>

2. **The business model selected by the GCF**, based on the guidance from the GI and the decisions at the fourth and fifth meetings of the Board, requires that GCF funding be accessed through national, regional and international entities accredited by the Board (which prepare, develop, implement and evaluate the projects). In the current business model, recipient countries determine the mode of access (type of entity to work with) and more than one type of entity can be used simultaneously. Investments need to be recommended by the NDAs through a NOL. Within these entities, both the GI and the ISP emphasise the need to include private sector actors by indicating that the GCF will enable these actors to directly or indirectly finance private sector activities, within a country-driven approach. The GI and ISP also prescribe many priorities and mandates (see Chapter II) that the business model should adhere to. These documents and several Board decisions together provide guidance on the different ways in which countries may access funding, such as projects, programmes, readiness programmes, RFPs and through grant and non-grant instruments.

## B. DATA AND ANALYSIS

3. This chapter brings evidence from the different chapters of the FPR, given that those chapters discuss the different elements of the business model in more detail. No new data about the portfolio or processes are therefore analysed in this chapter; the only new data included are the results from the FPR online survey related to the business model. The chapter primarily recalls Board decisions from the fourth and the fifth meetings (June and October 2013, respectively).

## C. FINDINGS

### 1. ACHIEVEMENTS OF THE BUSINESS MODEL SO FAR

4. **The business model has supported the GCF during the IRM in setting up the institution that was mandated by the GI and by achieving many of the expected priorities of the ISP and Board decisions.** In particular, the business model has created, in an efficient way, a portfolio of 102 approved projects with total commitments of USD 5.018 billion (in 97 out of 154 developing countries) that generally responds to country priorities, and 210 RPSP grants have been approved, worth USD 138.6 million and reaching 120 countries. The GCF is now responsible for more than half of all commitments made by all multilateral climate funds (see 0). Further points of note are as follows:
  - 75 per cent of the available pledges during the IRM have been committed to approved projects, the RPSP and the PPF.
  - The roles and responsibilities of key actors in the project cycle have been established (although not fully formalised and not always clear): the Board, NDAs (or focal points) in 147 of the developing countries, the Secretariat, three independent units, 84 AEs and the Trustee.
  - A broad menu of funding programmes, financial and non-financial instruments, and IAEs and DAEs has been put in place.
  - Policies and procedures in most areas of the functioning of the GCF have been developed and approved.
  - Support for LDCs, SIDS and African States has been ramped up, representing about 60 per cent grant equivalent of the portfolio and representing 50 per cent above the floor expected for adaptation.
  - Investments supported by the GCF are linked to NDCs, NAPs and nationally appropriate mitigation actions (NAMAs) and all of them have NOLs, endorsed by government NDAs.



- RPSP support has been provided, particularly for LDCs, SIDS and African States.
- NDAs visited during the FPR expressed a desire for an increase in the number of DAEs in their countries.
- NDAs considered working with the GCF as additional to their current workload and felt that the implementation of the GCF at country level was dependent on national circumstances.

## 2. SHORTCOMINGS OF THE BUSINESS MODEL

5. The FPR recognises that the GCF is still in its early days and that most GCF investments have not started disbursement yet. Even though the GCF has delivered many of outputs expected of it, **the business model has not delivered in a number of the areas for which the GCF was set up, or that were in the GI or ISP, as analysed in previous chapters:**
  - The number of private sector entities in the current portfolio has not been as high as expected; furthermore, 82 per cent of the commitments of the project portfolio are implemented by IAEs.
  - The current portfolio is not balanced between adaptation and mitigation (in nominal terms), between DAEs and IAEs (in nominal terms), and between the public and private sectors in terms of number of projects.
  - The quality at entry of theories of change and M&E frameworks for most projects is low, particularly regarding the ability of these projects to credibly measure and report results in the future.
  - The concept of country ownership, as a core principle of the GCF, has been implemented with an approach limited to central national governments, thereby reducing participation and engagement with the GCF from the diverse stakeholders relevant to climate change, such as CSOs, PSOs, indigenous peoples and vulnerable communities.
  - a. **Urgency to act on climate change**
6. **Implementation of the business model has resulted so far in a very limited disbursement of funds in developing countries.** This does not adequately reflect the sense of urgency necessary to successfully combat climate change. Urgency to provide funding at scale, to reach developing countries and to provide solutions for climate change mitigation and adaptation were among the key reasons for establishing the GCF. The GI indicates the urgency and seriousness of climate change and requires the GCF to make a significant and ambitious contribution to global efforts to combat climate change.
7. GCF money is not yet reaching countries and targeted beneficiaries because disbursement is very slow. As of 28 February 2019, only USD 454 million had been disbursed in four years of operations, which represents only 9 per cent of committed funds or 22 per cent of the funding committed in effective investments.<sup>130</sup>
8. Entities wanting to access the GCF make decisions on how and at what level they will engage with the GCF, whether to seek accreditation or not, and if affirmative, what accreditation profile to pursue regarding size of projects, level of ESS and type of financial instruments. They also decide which projects to support according to their own priorities. Countries depend on these decisions to access the GCF.<sup>131</sup>
9. Accreditation of entities and approval of projects take too much time. On average, it takes 315 days for a project to go from Board approval to having an executed FAA; 52 per cent of the approved

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<sup>130</sup> This is further analysed in Chapter VIII.

<sup>131</sup> Chapter VI discusses accreditation more in depth.

projects do not have an effective FAA, so they cannot start implementation; and 20 per cent of those were approved by the Board but the responsible entity has not completed the accreditation process as of 28 February 2019 (an effective AMA is mandatory to start negotiating the FAA). As discussed in Chapter VI and Chapter VIII, processing times have not improved substantially over time.

10. Becoming accredited does not guarantee that a project will be prepared and approved: only 43 per cent of the AEs have at least one project.
11. The project cycle is not transparent and predictable.<sup>132</sup> Stakeholders interviewed from around the world and from different parts of the GCF network have indicated that the cycle includes more steps than those in the official project cycle. This is particularly related to multiple and lengthy interactions between the proponents and the Secretariat (and multiple divisions and units within the Secretariat) and iTAP. Some of these interactions require additional steps and may require time and resources before they are resolved. Most importantly, project proponents commented that the GCF project cycle is not predictable, meaning that they did not know when a project would be approved or when its funding would start, given the exchanges with the Secretariat and iTAP on project design, and the three Board meetings a year when proposals are approved.
12. Although the Secretariat prepares an annual document outlining which proposals in the pipeline are expected to be presented to the Board within the next 12 months,<sup>133</sup> the exact timing of proposals going to the Board is not known until a few weeks before the Board meeting. This makes participation by different project stakeholders inefficient, particularly when it comes to commenting on projects. This means the project cycle increases the uncertainty and unpredictability about accessing GCF funding.
13. The resulting challenge from these various factors is confirmed by the overall results from the online survey, where responses were mixed on whether the business model was fit for purpose or not (see Annex 6). Indeed, most of the GCF Secretariat staff reported concerns about the business model.

#### **b. Roles, responsibilities are not as clear as they ought to be**

14. **Clarity of roles and responsibilities of key actors with respect to the processes involved in implementing the business model is still an issue.** In particular, the roles and responsibilities between the Board and the Secretariat are not completely clear: oversight, management and supervision are not sufficiently separate, particularly in relation to project generation, review and approval, and the accreditation process. For example, decision B.BM-2015/06, titled “Administrative Guidelines on Internal Control Framework and Internal Audit Standards”, commits the GCF to adhere to the COSO framework as its internal control framework but is not yet under implementation.
15. Despite the diversity of the structure of NDAs across countries, their main task within the business model is to issue the NOL. However, once an NDA has provided its NOL, its role in a project is assumed to be completed since the project contract is between the GCF and the AE. The practice of AEs keeping the NDAs informed about the projects they are implementing is not formalised, although there is an expectation from NDAs that AEs will inform them about progress. The role of NDAs in regional or global proposals (e.g. multi-country projects) and then on project implementation is mostly limited to providing NOLs.
16. The project cycle includes multiple and duplicate reviews starting with technical and management staff from the AEs, then by the Secretariat followed by iTAP, and then by Board members prior to and during project discussions at Board meetings.

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<sup>132</sup> This will be discussed further in Chapter VIII.

<sup>133</sup> See for example, B.17/09, “Status of the GCF portfolio: pipeline and approved projects” (July 2017).

17. The Secretariat has multiple roles that have evolved as new functions have been added.<sup>134</sup> There is still confusion among NDAs and project proponents about how the Secretariat is organised: basically, who is who and who does what? Many stakeholders commented that there is not enough country-level knowledge and there has been limited outreach to countries by the Secretariat.<sup>135</sup>
18. There is confusion regarding whether the Secretariat is authorised to issue guidelines, procedures and standards to support the implementation of these policies.<sup>136</sup> Furthermore, several policies may face challenges of implementation, especially when their enforcement may not be within the control of the GCF, as they fall within the scope of the implementation role of the AEs and national/subnational authorities.
19. There is no formal participation of CSOs, PSOs, indigenous peoples and vulnerable communities in the business model, particularly at the project level during preparation or during implementation.

### c. One-size-fits-all approach

20. **The business model has been mostly implemented as a one-size-fits-all approach**, without much distinction or appreciation of the different contexts and circumstances at the country level, access instrument level and implementing actor level, as well as the type of problem and its solution.
21. Attempts at making improvements, such as SAP, EDA and project-specific accreditation, are failing, not fully functioning or not producing the expected result.
22. The business model has established a complex and taxing set of procedures, reviews and compliance tests for both the accreditation and project proposal processes, making this a bottleneck and limitation to bringing additional actors to the GCF and providing urgently needed funding on the ground.
23. IAEs are often expected to bring technical capacity on climate change issues and knowledge about the GCF into the country, but not all IAEs have country offices or have that capacity.
24. The business model also assumes that there are AEs in all countries and that countries have the resources to establish a functioning and stable NDA. These prerequisites are more difficult to fulfil in LDCs and SIDS, as the country visits demonstrated.

### d. Disjointed implementation

25. **The business model has been implemented in a disjointed manner**, particularly with respect to how different actors work in the system:
  - The Secretariat functions through two separate entry windows and there are no formal arrangements on how they work during the project cycle, for example. Projects come to and are processed through the GCF, either by the DMA or the PSF, implying that solutions and opportunities arising from climate change problems are solved by either a public sector or a private sector approach.
  - NDAs are developing country programmes separate from those prepared by the work programmes under preparation by the AEs. Many countries have developed climate change committees that bring together different government line ministries and academia. However, these committees, as was the case in the countries visited by the FPR teams, rarely have representation from subnational government entities (Ecuador is one exception), CSOs, PSOs and vulnerable or marginalised communities. CSOs and PSOs can participate in events organised by the NDA or become involved in projects implemented by AEs. However, their

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<sup>134</sup> See Chapter III.

<sup>135</sup> Please refer to the previous chapter for the experience of the Secretariat with regional presence.

<sup>136</sup> See Chapter V.

expertise and capacities could also be useful as an independent voice in countries and to provide technical knowledge. These capacities are not currently being leveraged as no GCF mechanism exists to involve CSOs and PSOs at the country level.<sup>137</sup> Furthermore, donors at the country level, for the most, do not coordinate their efforts on cross-cutting issues such as climate change. The GCF encourages this behaviour by asking each AE to prepare their own GCF work programme.

### e. Application of country-ownership and country-driven approaches

26. The implementation of the GCF business model, at the country level, has been translated, largely, as centrally managed and operated by the national government.
27. The GI mandates the GCF to “pursue a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders.” The ISP states that the GCF should ensure full country ownership through its operational modalities and that providing adequate support to build the required country capacity is important to the vision of paradigm shift. Furthermore, the ISP requires that the GCF sets the highest standards with regard to country ownership, and that its guiding principles are ingrained throughout its processes. As one of the six investment criteria, country ownership is defined as the beneficiary country ownership of and capacity to implement a funded project or programme (policies, climate strategies and institutions). The key indicators associated with this investment criterion are alignment with NDCs, national plan indicators and/or the presence of enabling policy and institutional frameworks.
28. As with other concepts, the GI, the ISP and business model documentation do not define country ownership. Several Board decisions<sup>138</sup> relate to country ownership by reaffirming that it is a core principle of the GCF, with its selection and establishment NDA / focal point functions (including the no-objection procedure), and its discussion of the role of country programming in enhancing country ownership. The Board adopted guidelines for enhanced country ownership, stating:

Recognising that country ownership is an underlying principle and an ongoing process, and that country ownership may mean different things in different country contexts, quantitative measurement alone of country ownership is unlikely to provide meaningful results. The Fund should make efforts to draw lessons from how country ownership is being interpreted and implemented in different contexts, and to use such lessons to inform the development of policies and programmes, stakeholder engagement, and country programmes.<sup>139</sup>
29. **An assessment of this crucial concept and principle of the GCF shows a mixed picture.** The FPR confirms that country ownership is one of the key underlying principles of the GCF and its business model and that it is present as part of important processes such as the investment criteria framework, accreditation, proposals and no-objection. Countries have undertaken several activities that support country ownership, such as assigning an NDA or focal point in every developing country, preparing country programmes, developing and applying the no-objection process for project approval and designating DAEs, and requesting assistance from the GCF through the RPSP (120 of the developing countries have received grants). Country visits conducted by the FPR indicate that national projects are mostly perceived as being aligned with national priorities and having support from national governments (about 90 per cent of projects are aligned with at least

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<sup>137</sup> Decision B.17/21 provides guidelines on enhanced country ownership and country drivenness (GCF document B.17/14, June 2017).

<sup>138</sup> Decisions B.04/05; B.07/03, B.08/10, B.08/11, B.11/10, B.17/21.

<sup>139</sup> Decision B.17/21.

two national plans/policies/strategies). The FPR survey shows that almost 80 per cent of the respondents believe that country ownership facilitates other GCF aims.

30. **On the other hand, none of these elements<sup>140</sup> alone are sufficient to ensure country ownership in the GCF in general, and in the business model in particular.** There have been a few country programmes (as of 28 February 2019, there are 18 country programme documents shared with the Secretariat by the NDA), and the initial ones were assessed as general, without clear climate rationales/value, in particular for adaptation projects, while the goals of country programmes still under development remain unclear.<sup>141</sup> NDAs / focal points have many other responsibilities within their governments, and the work with the GCF is normally on top of their other functions. They spend much time processing NOLs and translating the GCF to their national constituencies, but they rarely have contact with or feedback to and from the GCF Secretariat (some of the NDAs / focal points have been involved as Board members or alternates or advisers and this substantially improves their knowledge and understanding of the GCF).<sup>142</sup> One opportunity for the NDAs / focal points to interact with the GCF Board members/alternates/advisers and Secretariat is through the GCF structured dialogues. They have proven to be useful, but their role in country ownership is unclear. They have increased knowledge about GCF procedures but have not yet effectively supported knowledge-sharing among country-level stakeholders (these events include seminars and workshops where country representatives and AEs share experiences and technical issues). Clearly, the no-objection procedure, by itself, is not a sufficient indicator or guarantee of country ownership.
31. The current project portfolio greatly underrepresents DAEs,<sup>143</sup> although there is strong in-country interest in expanding this aspect of the GCF.
32. Most importantly, the operationalisation of the concept of country ownership has focused too strongly on government priorities and is not enabling broad-based stakeholder involvement with the GCF (see Figure VII-1 below based on the country visits). Government leadership is a necessary but not a sufficient condition for country ownership.

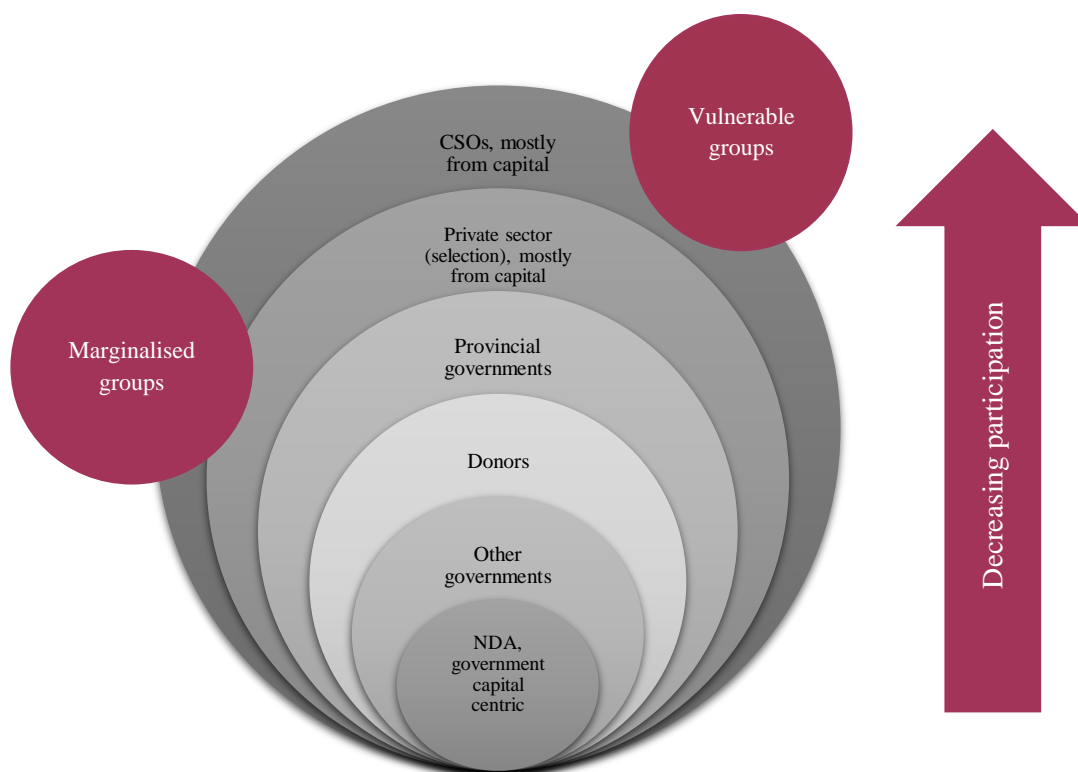
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<sup>140</sup> Assigning an NDA or focal point in every developing country, preparing country programmes, developing and applying the no-objection process for project approval, and designating DAEs and requesting assistance from the GCF through the RPSP.

<sup>141</sup> IEU RPSP Evaluation (2019).

<sup>142</sup> Dalberg Review of RPSP and IEU RPSP Evaluation (2019).

<sup>143</sup> 26/102 projects are done by DAEs (25 per cent).



*Figure VII-1. Stakeholder involvement under the current business model at the country level*

## D. CONCLUSIONS AND RECOMMENDATIONS

33. **The FPR concluded that the essential elements and design of the business model are valid.** The GCF, through implementing its business model, has accomplished several of the expectations set up in the GI in only four years, as indicated throughout the FPR.
34. The creation of a new institution and a new business model has brought about challenges that must be corrected in the next phase of the GCF.
  - **The business model is not predictable and transparent.** Project proponents do not have a clear and predictable path to follow to reach success: receiving GCF funding.
  - **Clarity of roles and responsibilities** of key actors with respect to the processes involved in implementing the business model still needs to be dealt with.
  - **The business model is characterised by a compliance-driven culture with limited room for risk-taking.** Both accreditation and the project cycle are heavy, compliance-driven processes. This has been a bottleneck because requirements are cumulative, starting with accreditation and then continuing with the project cycle. All investment proposals go through extensive reviews to ensure that the proposals provide information about their compliance with all the principles, policies and procedures of the GCF, which are among the most stringent in the area of international climate and development finance. The model is based on the hypothesis that the better the project is designed and complies with requirements, the better the likelihood of it achieving results.<sup>144</sup>

<sup>144</sup> Even large and experienced institutions in the development area assume (and expect) that up to 25 per cent of the projects will fail. For example, the World Bank has a target of 75 per cent success of projects at completion in their corporate scorecard.



- **There is a tendency to use a one-size-fits-all business model.** Currently, in practice, accreditation and project cycle processes do not differentiate between the different levels of experiences and capacities of entities (particularly those that have already had experience with climate change projects). Required compliance levels across processes are the same for entities, countries and types of projects. There is no differentiation between types of investments or entities (unless they are on fast-track or for reduced levels of accreditation), and all investment proposals and entities go through a similar project cycle and accreditation process. The GCF could consider a model that differentiates access and delivery mechanisms by capacity and purpose of investments.
  - **The business model has not been solutions driven, particularly with respect to how different actors work in the system.** When the GCF has tried to use other modalities, such as SAP or using RfPs, the requirements do not decrease, and the processing times do not improve.<sup>145</sup>
  - **There are no incentives in the business model to induce a one-GCF business model approach to solutions rather than each of the parts playing a disjointed role.**<sup>146</sup>
  - **The implementation of the business model at the country level is frequently centrally managed and operated by the national government.** Some key stakeholders are not consistently participating in the GCF. There is consequently limited consistency in quality and delivery of implementation at the country level across countries.
  - **The GCF's portfolio is not as balanced as anticipated (in nominal terms between adaptation and mitigation; IAEs versus DAEs; and the presence of the private sector in terms of number of projects), caused primarily by employing a supply-driven approach in the business model.** This is especially the case in the PSF portfolio, where there are only two small adaptation projects and a significant dominance of larger IAEs. It is also demonstrated by the generally unsuccessful RfPs.
  - **The business model is based on an implicit premise: the AEs will take due care of the GCF's money. This implies that there is full trust between the GCF Board, the Secretariat, NDAs and AEs.** Some of the interviews conducted indicate that this trust is not always present. This is particularly the case around the issue of identifying “climate” projects compared to those that support “traditional” sustainable development projects and what the GCF would finance.<sup>147</sup> This is important since most of the entities accredited so far are institutions that deal with development (even if they have a climate change strategy) rather than institutions that deal primarily with investments on climate change issues.
35. A series of more fundamental questions should be raised at this point of the FPR given the portfolio of investments and entities that the GCF business model has generated: how different is the GCF to other climate change funds, in practice? **Although the GCF with its business model can offer a greater diversity of AEs, financial instruments and potentially larger size projects than other climate funds, in reality the actual GCF portfolio is similar to others: skewed to mitigation (in nominal amounts); adaptation is usually supported through grants; international entities are the key implementors; and there is limited private sector presence.**<sup>148</sup> **Is this itself a reflection of what the current climate change finance and a market of opportunities can offer? Or is it a reflection of the partners that the GCF has selected to participate in its efforts, through its**

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<sup>145</sup> See Chapter VIII.

<sup>146</sup> As will also be discussed in Chapter X.

<sup>147</sup> The Secretariat has prepared several documents, requested by the Board, on incremental cost, co-financing and concessionality, but they have not been discussed and not been approved by the Board. See for example, B.20/19 (June 2018).

<sup>148</sup> See Chapter VIII for data and analysis of the portfolio.



**accreditation process? Or is it that the policies and the compliance culture of the institution reduce the appetite for innovation and risk?** The last chapter of the FPR offers recommendations on how the GCF could move forward to create a niche that is more strategic in developing solutions and opportunities within climate change and that is better aligned to its unique mandate.

### Recommendations

36. Based on the current key principles and premises of the business model, **the overall recommendation regarding the business model is that the GCF should clarify and re-examine the separation of supervision and management in the GCF and consider delegating authority to the Secretariat to highlight agency, responsibility and urgency in delivering developing country needs** and increasing predictability, transparency, speed, innovation and impact.
37. The following more specific recommendations will help achieve the overall recommendation:
  - **Emphasise the strong, influential and trend-setting structure of the GCF Board in providing vision, but also consider current dissatisfaction in some quarters with access, transparency and predictability of GCF decision-making processes. Support a review of processes** that might help to mitigate these dissatisfactions. In particular, consider the source of delays in post-approval phases of funded projects, as well as causes for slow and limited disbursement, while requesting the Secretariat to clarify different staff roles to overcome redundancies and clarify responsibilities during different phases of the project cycle.
  - **Consider reviewing the current compliance-driven culture** in the Fund and provide incentives for increased innovation.
  - To be a solution-driven institution, one that provides advice to maximise the global impact of its resources, and to secure additional finance as recommended by the GI, the Board could consider **the Secretariat taking on the role of a broker for appropriate opportunities** in climate finance (and not just as a disbursing of resources).
  - **Clarify roles and responsibilities across the GCF business model** and provide incentives (non-monetary) including those to AEs and NDAs and within the Secretariat to ensure management and delivery for greatest impact and innovation.
  - **Consider incorporating processes in the business model that are sensitive to the different needs of countries, entities and investments.** In the business model, view accreditation and the project/investment cycle in an integrated way so that entities can expect reasonable turnaround times and clarity in expected requirements, from their first engagement with the GCF to realising disbursements. One way in which the Secretariat may consider this is to build processes that ensure high scrutiny during accreditation or during project appraisal but not both (a differentiated model that is sensitive to the needs and objectives of entities, capacities of countries and purposes of investments). Ensure that project investment sizes are also differentiated in the overall compliance structure of the GCF (with a specific focus on fast-track entities in the accreditation process, and SAP and private sector projects for types of projects).
  - **Know that structure and incentives induce behaviour.** Consider building a solutions-driven structure in the Secretariat that encourages a one-GCF approach and in which staff are incentivised for providing solutions and meeting the needs of countries in effective ways, including by pursuing innovative financial solutions and leveraging other institutions to ensure GCF investments have optimal impact on country needs. Additionally, build teams that are custodians of GCF investments from beginning to end and that are incentivised for both innovation in providing advice/instruments and for realising impact and results.

## Chapter VIII. PERFORMANCE

### KEY RECOMMENDATIONS

1. Improve the predictability, efficiency and transparency of the **project cycle**.
  - Develop clearer guidance on strategic focus and investment criteria.
  - Expand and simplify SAP eligibility and processes.
  - Create a functioning management information system to improve portfolio and results management and transparency.
  - Provide the Secretariat with the ability to reject proposals.
  - Ensure there is a legal opinion before a Board decision on FPs.
  - Take into account the relevance of policies during project assessment.
2. Consider separating investment decision-making from other decisions during Board meetings.
3. Consider adopting arrangements for approving certain clusters of FPs between Board meetings.
4. Improve **portfolio mix** to align more closely with the intention of the GI, ISP and Board decisions.
  - Stimulate projects in adaptation that are innovative and leverage the private sector.
  - Stimulate and facilitate access for national DAEs.
  - Better leverage the Fund's suite of financial instruments as well as its risk appetite.
  - Include a target/KPI for private sector funding as a proportion of total funding.
  - Explore including innovation in the use of non-grant instruments as a KPI.
  - Develop a system for results-based approaches for capital allocation.

### KEY FINDINGS

1. **Efficiency and effectiveness:**
  - Of the USD 7.1 billion of available resources, the GCF has committed USD 5.9 billion (83 per cent of available capital) to projects, programmes including the RPSP and PPF, administrative expenses and project fees.
  - At an average of 0.45 per cent of available pledged contributions in costs annually, the GCF has operated cost-efficiently to date, and with current administrative cost projections of 1.2 per cent annually it will continue to do so. (This excludes AE fees, which are currently at USD 132 million for 55 FAA executed projects).
  - While the Secretariat is learning and improving as time progresses, the legacy of the Fund's decisions in its early years is affecting its current effectiveness.

## KEY FINDINGS (CON'T)

### 2. The project cycle:

- Despite an increased utilisation of the RPSP since 2017, the capacity of NDAs remains a challenge in developing country work programmes.
- The RfPs have been insufficiently effective in generating viable FPs; out of USD 1.3 billion available for four RfPs, only USD 166.5 million was approved and USD 28.6 million disbursed.
- The PPF has been underutilised in improving the quality of FPs and balancing the portfolio.
- The project cycle is generally perceived as bureaucratic, lengthy and insufficiently transparent.
- While it is too early to tell if the SAP will improve timelines, the approval time for the six approved SAP projects was similar to FPs (eight months versus nine months respectively), and SAP proposals go through similar channels as FPs.
- Project decision-making by the GCF is perceived as insufficiently predictable and in some cases influenced by political considerations.
- At an average of 12 months for currently effective projects, post-Board-approval processes to reconcile legal concerns are too lengthy and are a barrier to project implementation. Many drivers for this are largely outside of the control of the legal team at the Secretariat.

### 3. The portfolio: The GCF has 102 approved projects in 63 per cent of developing countries and 67 per cent of LDCs, SIDS, and African States; In all regions, over half of developing countries have GCF projects. In Latin America, each GCF funded country has received, on average, USD 40 million, while in Africa the GCF has approved USD 58 million, on average, for each country it has supported.

- The GCF portfolio is not as balanced in terms of targets or access modalities as anticipated in the GI, ISP and Board decisions:
  - Of the USD 5.018 billion of Board approved funding, in nominal terms, 63 per cent goes to mitigation projects and 37 per cent to adaptation projects<sup>149</sup> against a targeted 50/50 split. Allocating the Fund's resources according to grant equivalence reveals a portfolio with 52 per cent of GCF funding committed to adaptation and 48 per cent committed to mitigation;
  - Over 82 per cent of GCF funding (USD 4192.9 million) is committed through IAEs and 18 per cent through DAEs;
  - Of the USD 1,174 million committed to purely adaptation projects, almost three quarters (or USD 861 million) is committed to LDCs, SIDS and African States, which is well above the 50 per cent threshold.
- The GCF is in a position to better leverage the range of financial instruments at its disposal; 88 per cent of total GCF financing for current projects is either a grant or a loan (or a combination); equity, guarantees and result-based payments are only utilised in nine projects.
- The expected co-financing ratio is low at USD 2.5 for every USD 1 of GCF funding.

### 4. Responsiveness to the UNFCCC during the IRM

The GCF Board has annually reported to the UNFCCC as mandated. The GCF has addressed COP guidance by, for example, approving a policy or a budget.

The GCF has addressed most UNFCCC requests in their expected time frame and has done so in an increasingly efficient manner, as its capacity to respond has increased.

<sup>149</sup> Cross-cutting projects are distributed across adaptation/mitigation according to the funding amount per results area; with 59 per cent of GCF cross-cutting funding going to mitigation results areas.

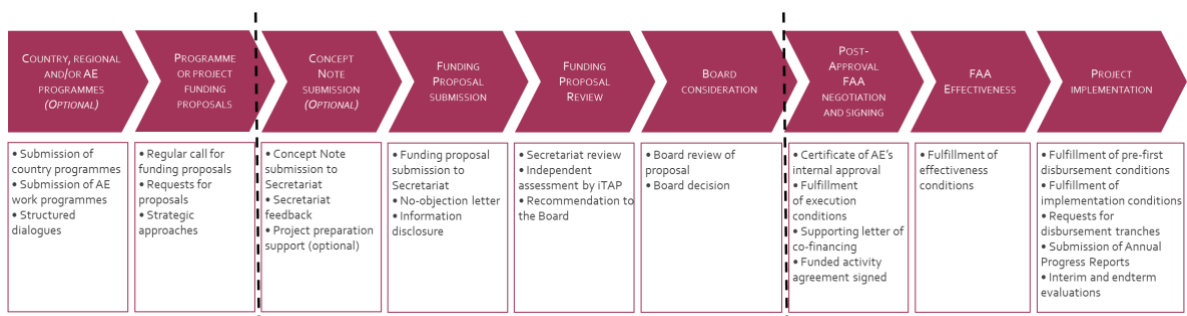
## A. INTRODUCTION

- This chapter describes the performance of the GCF to date, assessing the project cycle, the current GCF portfolio, the effectiveness and efficiency of different access modalities, and the Fund’s use of financial instruments. Key questions discussed and analysed in this chapter are as follows:
  - Is the project cycle conducive to delivering the mandate of the GCF?
  - What is the quality of delivery (e.g. requirements, timelines, communication), and how has this impacted the portfolio?
  - To what extent is the current project portfolio living up to the GCF’s mandate and targets (in terms of regions, LDCs/SIDS/African States, adaptations/mitigation, co-financing, public vs. private, direct vs. international access, additionality etc.)?
  - What mix of financing instruments is being used? Have they been effective in leveraging financial resources? Are instruments being used optimally to achieve the results expected, including potential for scale? Have they been innovative enough?
  - To what extent are the GCF’s access modalities effective and efficient?
  - To what extent has the GCF responded to the UNFCCC guidance?

## B. DATA AND ANALYSIS

### 1. PROJECT CYCLE

- The project cycle is a central element of the GCF operational processes, policy context and governance arrangements. It aims to ensure that the projects that meet the Fund’s investment criteria move up from the initiative of individual countries, regions or entities through the Fund’s analysis and approval processes towards effectiveness and implementation (as illustrated in Figure VIII-1). The first round of funding proposal consideration occurred at the eleventh meeting of the Board (B.11) in Zambia in November 2015. Since then the Board has approved 102 project FPs, and the GCF has additionally committed resources for 22 PPF and 210 RPSP grants (as of 28 February 2019). There are 77 FPs and 242 concept notes still under review (Figure VIII-2).



**Figure VIII-1. Overview of the GCF’s project cycle**

Note: This chart does not mirror the project cycle as disseminated by the Secretariat. It reflects the FPR’s understanding of the process and stages.

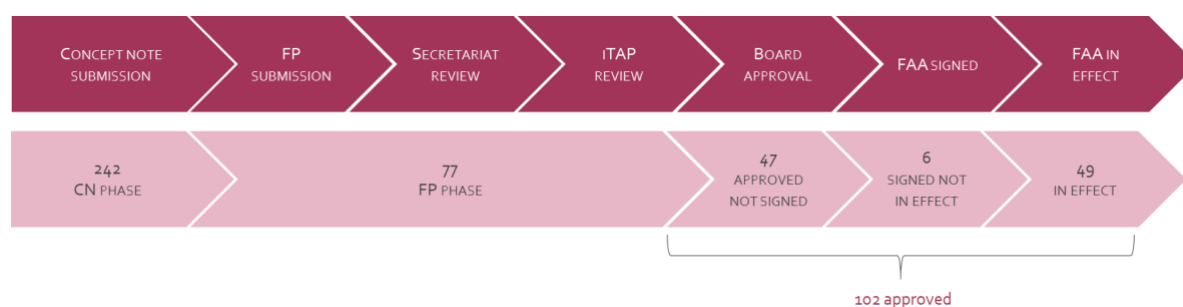


Figure VIII-2. Status of the GCF's project pipeline, 28 February 2019

### a. Country and accredited entity programmes

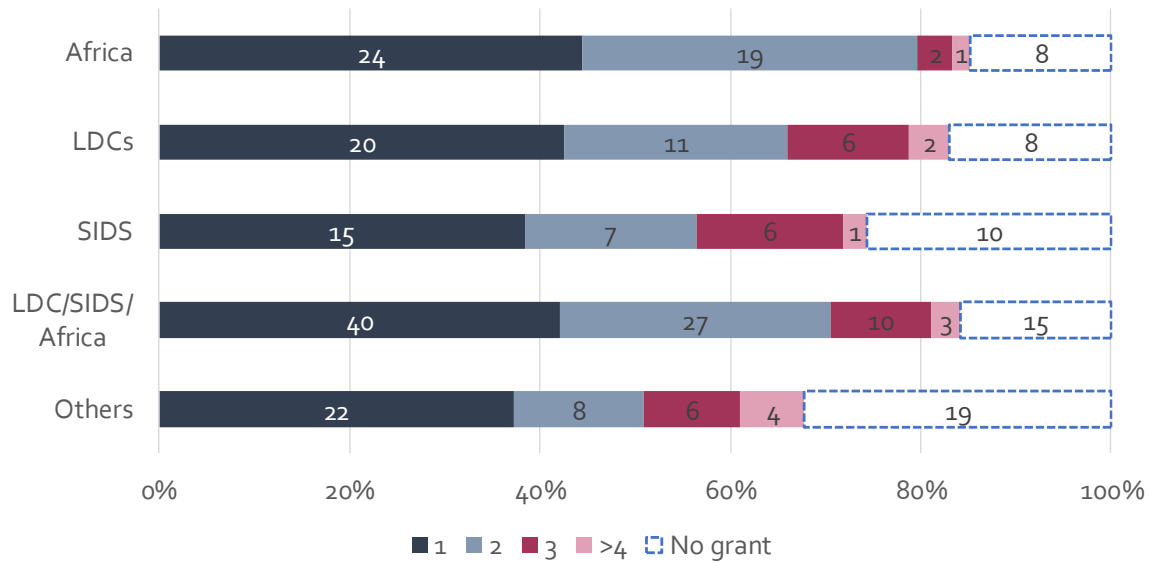
- As explained in the GCF handbook, the Fund's project and programme activity cycle (as approved at B.07 and adapted at B.11) starts at the country level through the country programmes, AE work programmes and structured dialogues.

Table VIII-1. Overview of grants in the Readiness and Preparatory Support Programme, 28 February 2019

	2014	2015	2016	2017	2018	2019	SUBMISSION DATE NOT TRACKED	TOTAL	AMOUNT COMMITTED (MILLION USD)	AMOUNT DISBURSED (MILLION USD)
Readiness grants	2	36	44	102	26	0	-	210	138.6	48.9
Pwc DAE support	0	1	2	9	5	1	16	34	1.2	0.9
Structured dialogues and workshops	0	1	4	8	5	0	9	27	8.3	5.4
<b>Total</b>	<b>2</b>	<b>38</b>	<b>50</b>	<b>119</b>	<b>36</b>	<b>1</b>	<b>25</b>	<b>271</b>	<b>148.1</b>	<b>55.2</b>

Note: Submission date is unknown for some DAE support programmes and structured dialogues.

- Country programmes may be supported through the RPSP. As of 28 February 2019, 210 readiness grants had been approved. The majority of these initiatives were submitted in 2017. Of the USD 284 million allocated to the RPSP, USD 139 million was committed to various RPSP grants, of which USD 49 million has been disbursed. The Readiness Programme is targeting LDCs/SIDS/African States well, and the Secretariat has approved at least one readiness grant in 84 per cent of LDCs/SIDS/African States (Figure VIII-3).



**Figure VIII-3. Number of developing countries that have received one or more RPSF grants February 28, 2019**

Note: Some countries can exist in more than one category within LDCs, SIDS, and African States. The combined bar of these three categories, however, is without double counting.

5. **Country programmes are national documents** that enable countries to identify and effectively communicate their funding priorities to the Fund. As stressed in the Board’s ISP, they are aimed at enabling the Fund to prioritise and plan its resources. The current guidelines for country programmes are elaborate and are additional to the country’s intended nationally determined contributions (INDCs), national communications, as well as NAMAs, NAPAs, NAPs and/or other adaptation planning processes.
6. Country work programmes are meant to translate national needs and priorities into concrete project proposals for the GCF. Each country can apply for readiness funding for developing a country programme. According to the Secretariat’s self-reported data in their Strategic Programming paper (that the FPR team has not had a chance to validate), the GCF Secretariat has assessed such prioritised project ideas provided by 79 countries in the following forms:<sup>150</sup>
  - *Country programmes* officially submitted to the GCF Secretariat by 18 countries
  - *Draft country programmes or country programme briefs* shared by 39 countries
  - *Project ideas* discussed during GCF regional structured dialogues by 22 countries that have not yet shared information in the form of a country programme or brief
7. The Secretariat estimates that these 79 countries are working on a total of 606 project ideas that were not yet submitted to the GCF, intending to seek around USD 16 billion from the GCF for a total project funding of at least USD 102 billion.<sup>151</sup>
8. **Accredited entity work programmes (AEWPs)** provide an overview of an entity’s areas of work, priority sectors and experience in implementing projects and programmes across the eight strategic impact areas of the GCF. They summarise potential projects that an entity is likely to submit to the GCF and outline an action plan for engagement with the GCF. In the instance of DAEs, AEWPs

<sup>150</sup> These numbers are taken from the strategic programming paper of the Secretariat. The FPR team has not had a chance to validate these numbers.

<sup>151</sup> GCF. (2019). *Strategic Programming for the Green Climate Fund First Replenishment*, 18.

also address short- and long-term initiatives to build the entity’s institutional and project implementation capacity. The Secretariat is presently working with 84 AEs to update or develop their AEWPs.

9. **Structured dialogues** at the national and regional level facilitated or supported by the Fund have provided opportunities to further expand on country programmes as well as to share lessons and experiences to strengthen the pipeline development processes. Structured dialogues have offered an opportunity for the Secretariat, NDAs/FPs, relevant AEs and other stakeholders, including the private sector and civil society, to develop country programmes and determine which priorities identified by country strategies (INDCs, low-emission development strategies, NAPAs, NAMAs, etc.) are the best match for GCF support. Among those who participate in such events, there is a widespread and strong perception that these initiatives have been effective in enabling their work, including engagement with the GCF and understanding the Fund’s processes.<sup>152</sup>

### b. Generation of programme or project funding proposals

10. As introduced in Chapter III, the generation of programme or project FPs can take place through the spontaneous submission of FPs to the Secretariat by AEs, or through responses to RfPs. Through any of these processes, after receiving the FP, it becomes subject to the Fund’s approval process. So far, the Secretariat has initiated four RfPs, summarised in Table VIII-2 below.

*Table VIII-2. Status of the pipeline of the Requests for Proposals, 28 February 2019*

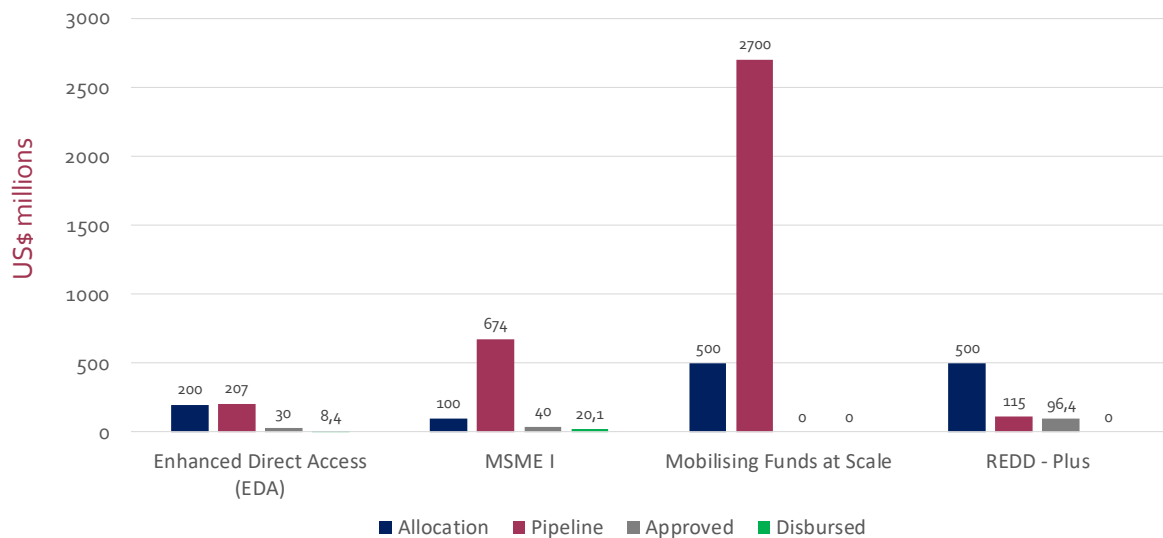
REQUEST FOR PROPOSAL	BOARD DECISION OF APPROVAL		ALLOCATION	TOTAL FUNDING REQUESTS	COMMITTED FUNDING	DISBURSED
Enhanced Direct Access (EDA)	B.10/04	Budget (USD)	200 million	207 million	30 million	8.4 million
		Number of Proposals and/or Concept Notes	10+	11	2	1
Micro, small, and medium-sized enterprises I (MSME I)	B.10/04	Budget (USD)	100 million	674 million	40 million	20.1 million
		Number of Proposals and/or Concept Notes	n/a	23	2	1
Mobilising Funds at Scale	B.10/04	Budget (USD)	500 million	2.7 billion	None	None
		Number of Proposals and/or	n/a	30	None	None

<sup>152</sup> IEU. (2018). *Independent Evaluation of the Green Climate Fund’s Readiness and Preparatory Support Programme*. Songdo, South Korea: Green Climate Fund.



REQUEST FOR PROPOSAL	BOARD DECISION OF APPROVAL		ALLOCATION	TOTAL FUNDING REQUESTS	COMMITTED FUNDING	DISBURSED
		Concept Notes				
REDD – Plus	B.18/07	Budget (USD)	500 million	115 million	96.5 million	None
		Number of Proposals and/or Concept Notes	3+	3	1	None
Total		Budget	1.3 billion		166.5 million	
		Number of Proposals and/or Concept Notes			4	

11. Figure VIII-4 visualises these results. From a cumulative allocation of USD 1.3 billion for these four RfPs, a total of USD 166 million (12.8 per cent of allocated budget and 4.5 per cent of total pipeline) was approved and USD 28.6 million (2.2 per cent and 0.8 per cent of total pipeline) has been disbursed across four projects.



**Figure VIII-4. Overview of results of the RfP modalities (in million USD), 28 February 2019**

### c. Concept notes

12. Concept notes are not mandatory (except for proposals seeking support from SAP). On receipt of a concept note from an AE, the Secretariat may seek confirmation from the NDA or focal point that the concept note is in line with national priorities and country ownership. In consultation with the NDA/focal point, the Secretariat provides feedback and recommendations to the AE, and advises if the concept is endorsed or not (with the possibility of resubmission), or if it is rejected. As of 28 February 2019, 242 concept notes are under review by the Secretariat.
13. **PPF:** AEs can also apply for financial support to prepare their FP for submission to the Board through the PPF. To date, a quarter of available funds (USD 40 million) has been committed to 22 PPF projects (Figure VIII-5), and of the USD 11.7 million committed, USD 5 million has been disbursed to date. Also, only half of the approved PPF projects are supporting DAEs, and only a third of the projects target adaptation.

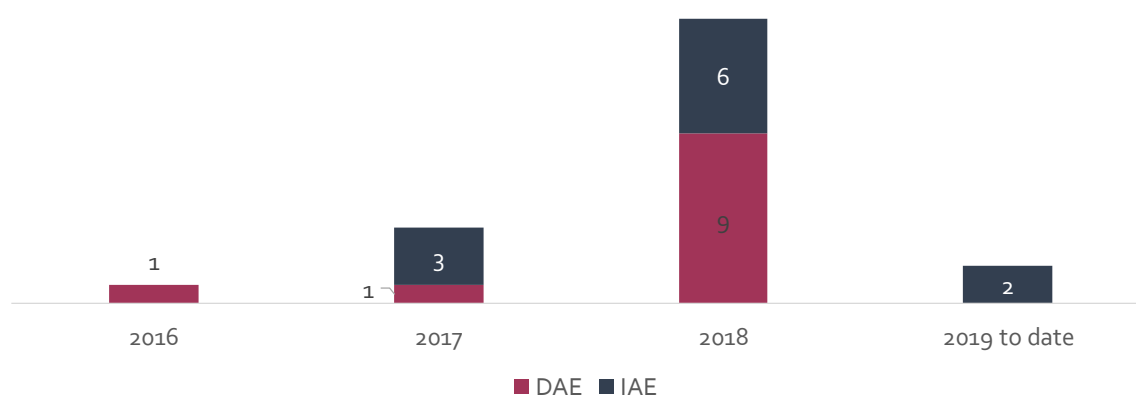


Figure VIII-5. Number of PPF projects approved per year by AE type, as of 28 February 2019

### d. Submission of funding proposals

14. The submission of a funding proposal by an AE or other intermediary can be accepted after a NOL by the NDA or focal point, in line with the Fund's no-objection procedure. The Secretariat acknowledges the submission of the documentation, reviews it for completeness and acknowledges receipt.

### e. Secretariat analysis and iTAP recommendations to the Board

15. After a funding proposal is submitted, the Secretariat carries out second-level due diligence. The Secretariat also assesses compliance with the Fund's interim ESS, gender policy, financial policies and any other policies promulgated by the Board, in addition to the performance of the project or programme against investment-criteria-specific indicative assessment factors.
16. During the eighteenth Board meeting in October 2017, the GCF adopted a new approach to project approval: the **Simplified Approval Process Pilot Scheme** (SAP). The adoption of the SAP recognises the need to facilitate fast preparation, review, approval and disbursement of smaller projects (under USD 10 million in GCF contribution) especially from DAEs, and with environmental and social risks that are deemed minimal to non-existent. To date, six investments under the SAP have been approved by the Board, and the projects took an average eight months from FP submission to Board approval.

17. **iTAP:** In addition to the Secretariat’s assessment, the Board’s decision-making is informed by recommendations provided by iTAP. iTAP assesses FPs against the six investment criteria.<sup>153</sup> iTAP’s reviews generate discussions between its members and the project proponents with the expectation that iTAP’s comments will be resolved and incorporated into the project. The FPR team learned from iTAP members that they jointly discuss all proposals and reach consensus on assessments to ensure consistency of their reviews and application of indicators. They also report that each two-person team subsequently prepares iTAP assessment findings and recommendations for the Board. The review generally takes place within four weeks. At present, iTAP is processing around 12–15 FPs per batch for a Board meeting. According to iTAP’s TOR, the time allocated for the Panel’s review cannot exceed two weeks. According to iTAP members, this short review period has proven to be challenging. **To date, for the 102 approved projects, the average time from FP submission to Board approval, including iTAP assessment, is nine months.** In addition to FPs, the iTAP also reviews SAP proposals.

#### **f. Board decision**

18. The Board gathers three times a year, where project decision-making is part of the agenda. The Board takes a decision to approve the FP; provide an approval without conditions or that is conditional on modifications to project or programme design; or reject the funding proposal. The decision is recorded by the Secretariat and communicated to the Trustee. The Secretariat informs the AE or intermediary and the NDA or focal point of the decision and next steps. In case of rejection, the Secretariat informs the developing country that, in accordance with decision B.06/09, a reconsideration may be requested via the Independent Redress Mechanism.

#### **g. Post-approval process of complying with GCF legal requirements**

19. The final stage is the post-approval process, during which legal requirements of the GCF are discussed for an FAA. If required, legal agreements are negotiated, and then signed by the Executive Director and by the AE or intermediary. On signature, an FAA is said to be signed or “executed”. However, it only becomes “effective” once all effectiveness conditions have been met. After agreements are signed (or executed), the Interim Trustee is notified, and the NDA or focal point is informed.
20. For the 55 FPs that have been signed (see Figure VIII-2), the post-approval legal clearance process for reaching a signed FAA took 10 months, on average (or 315 days). According to the Secretariat, the turnaround time to execute the project’s FAA after Board approval is 180 days. This includes obtaining the AE’s internal approval, or the effectiveness of the AE’s AMA, whichever is later. As of 28 February 2019, the Board approved 47 projects without the entity having an effective AMA (see Figure VIII-2). This FAA negotiation period is one of the key periods that account for delays in the GCF project cycle.
21. Similarly, as of 28 February 2019, 34 projects were approved by the Board without an executed AMA of the relevant AE. Although decision B.17/09<sup>154</sup> was made to mitigate potential challenges posed by this situation, the post-approval process has still been affected by many challenges. **Beyond the challenges posed by AMA negotiations during project post-approval, the other recurring challenges include AEs obtaining internal approval for the project, difficulties posed**

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<sup>153</sup> See Chapter 4 for an extensive discussion on the application of investment criteria.

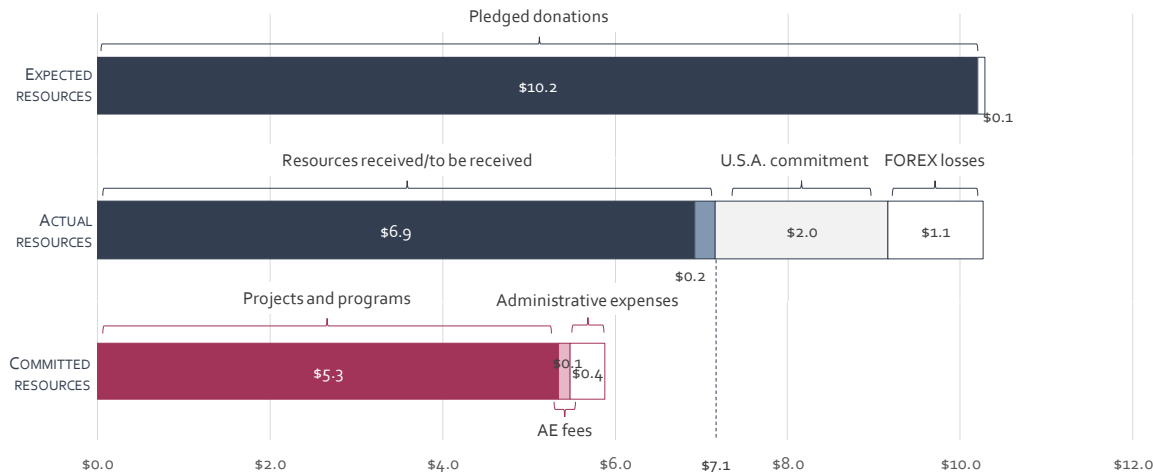
<sup>154</sup> The Board, in decision B.17/09, has requested the Secretariat not to bring any proposals to the Board from an entity without a signed AMA at the time of proposal submission. There are three caveats to this: (1) Provided the entity submits a funding proposal within 120 days of its Board accreditation, that proposal can be brought to the Board in lack of an executed AMA; (2) proposals submitted for RFPs can also be brought without an executed AMA; (3) “From those entities who have not yet signed the accreditation master agreement that have proposals currently at stage 4 of the updated project and programme activity cycle”, an executed AMA is also not required. (decision B.17/09, (d))

by the complexities of the GCF framework and its application, unclear technical or commercial matters, such as log frame, budget, or implementation plan revisions, fulfilment of Board conditions, and sometimes slow response rate from AEs.

22. Sixty per cent of the 106 FAAs belonging to the approved 102 projects have experienced at least one of these challenges after approval, with 42 per cent spending more than 180 days for FAA execution after Board approval. Since decision B.17/09, AMA execution or effectiveness related challenges have reduced; however, technical and commercial matters, condition fulfilment, and the AE’s certification of internal approval remain a challenge over time.

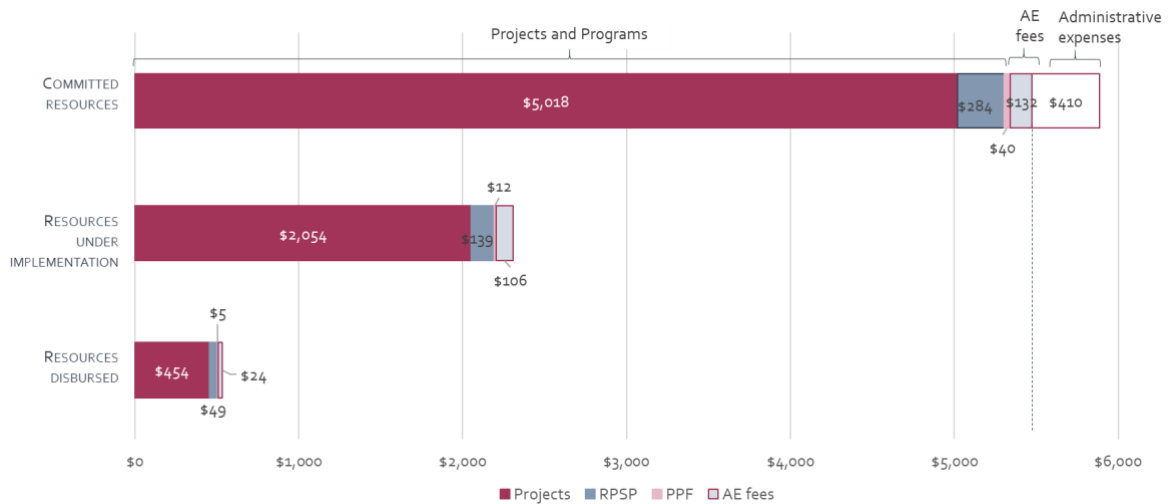
## 2. EFFICIENCY AND EFFECTIVENESS

23. Figure VIII-6 and Figure VIII-7 show that during the IRM, USD 10.3 billion was pledged to the GCF, of which USD 10.2 billion were signed. Given the uncertainty surrounding the remaining USD 2.0 billion commitment by the United States and a USD 1.1 billion loss due to foreign exchange fluctuations, the Fund essentially has USD 7.1 billion of pledged resources at its disposal (see Figure VIII-6). Of this USD 7.1 billion, USD 6.9 billion has been made available to the Fund, with USD 0.2 billion in pledged resources still outstanding. In addition to the pledged resources, the Fund has, and will in the future receive, reflows on its investments. As of 31 March 2019, the GCF had received USD 921,231 of reflows. As Figure VIII-6 shows, as of 28 February 2019, the Fund has committed 75 per cent of its available pledged resources (or USD 5.3 billion) to projects and programmes. This includes USD 5.018 billion to projects. A further USD 132 million has been committed in AEs’ fees for 55 projects (the 55 projects with executed FAAs) and USD 410 million has been committed to administrative expenses up until the year 2021.<sup>155</sup> With the approval of more projects and completed FAAs, these numbers will increase.



**Figure VIII-6. Overview of the GCF’s expected and actual inflows of financial resources (as of 31 March 2019) and the amount of committed financial resources in USD billion, 28 February 2019)**

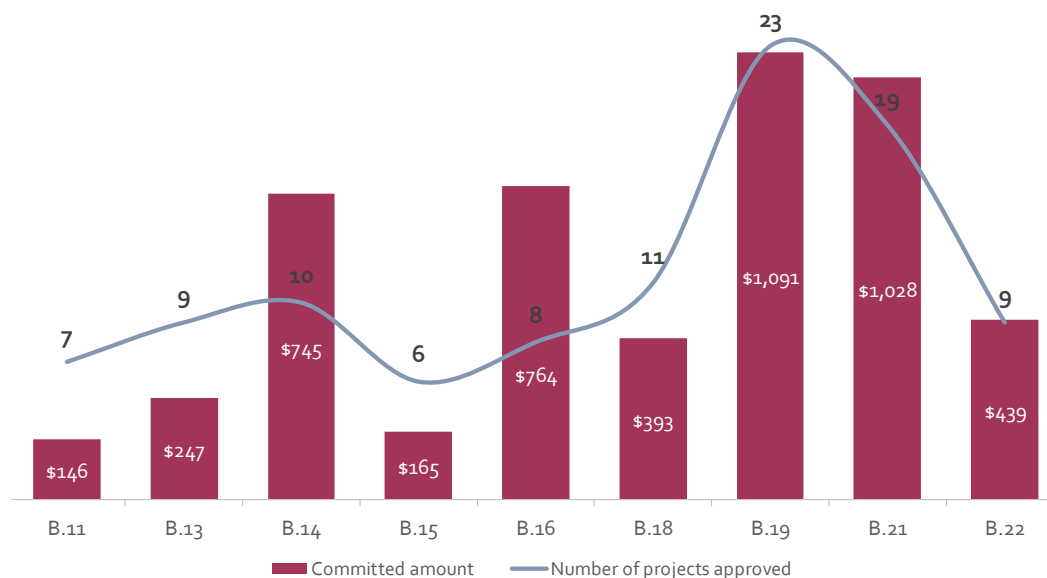
<sup>155</sup> To ensure consistency with the World Bank Trustee report dated 31 March 2019, the *Expected Resources* and *Actual Resources* figures noted in the graph are sourced from the Trustee’s report. The *Committed Resources* figures were retrieved from the Office of Project Management and Fluxx. The FPR team acted on the advice of the Secretariat.



*Figure VIII-7. Overview of the GCF's commitment of financial resources in USD million in nominal terms (as of 28 February 2019)<sup>156</sup>*

24. **Administrative expenses:** In its first five years (2014 to 2018) the Fund spent, on average, USD 32 million annually, or 0.45 per cent of available pledged resources, on administrative expenses. Current projections of administrative expenses until 2021 will see annual administrative costs increase to USD 84 million, which is a fairer representation of administrative costs as the Fund was understaffed in its first few years. This still puts annual costs at 1.2 per cent of pledged resources, which is below the 2 per cent management cost that, for example, private equity firms operate with.
25. **The Fund is able to keep administrative expenses low through its use of the AEs.** Current AE project fee commitments (for 55 of the 102 approved projects) are USD 132 million. With the fairly low administrative expenses, the Fund has been able to commit three quarters (USD 5.3 billion) of its available resources (USD 7.1 billion). **This is a significant achievement.** Over time the Fund has increased its commitments, peaking, in terms of the number of projects and amounts, at B.19 and B.21 (Figure VIII-7).

<sup>156</sup> For the FPR, the IEU had to gain a thorough understanding of the financial inflows and outflows of the Fund, the various financial instruments, as well as the co-financing that the GCF projects rely on. In the FPR, multiple sources were used to populate the finance data. The GCF financing amounts during the lifecycle of a project appear in multiple primary source documents, starting from the FP, to the Board approval decision, and the FAA. Both the total and the financial instrument specific funding amounts can be subject to change between these documents. The central iPMS system of the Secretariat, however, is not always consistent or timely in the capturing of various changes to the amounts or to the instruments, thus making it an unreliable source. To ensure that the data presented in the FPR were consistent with the figures in the World Bank Trustee report, the IEU finally relied on data from the Office of Portfolio Management. This data is most consistent with the data from the Trustee's report and contains detailed data on GCF financial instruments per projects.



*Figure VIII-8. Commitment over time per Board meeting in USD million in nominal terms*

26. **As the Fund has matured, efficiency gains have also been achieved in the project approval process and the FAA legal agreements** (Figure VIII-8). FPs submitted in 2015 took an average of 11 months to be approved and a further average of 13 months to receive legal execution. For the 37 approved FPs submitted in 2017, these numbers improved to an average of nine months for project approval and an additional eight months to receive FAA execution.

*Table VIII-3. Time taken by FP submission year*

	2015	2016	2017	2018	TOTAL
Number of FPs	27	18	37	20	102
Time from submission to Board approval (months)	11.3	7.1	8.5	6.5	-
Number of FPs with executed FAAs	21	13	21	0	55
Time from Board approval to FAA execution (months)	12.4	9.3	7.8	n/a	-
Number of FPs with an effective FAA	20	12	17	0	49
Time from FAA execution to effectiveness (months)	1.2	1.4	1.4	n/a	-
Number of FPs requested first disbursement	17	11	9	0	37
Time from effectiveness to first disbursement request (months)	2.5	2.2	2.7	n/a	-

27. However, while there are 55 projects with executed FAAs (note that of these 49 have effective FAAs and are therefore under implementation), there are still 47 projects that are without an executed FAA. Disregarding the project proposals that were submitted in 2018 (and thus only recently received Board approval), 27 are still involved in legal proceedings. Of these, six submitted

their FPs in 2015. One project approved in B.11 (the first Board meeting where projects were approved) has been stuck in legal proceedings for 39 months (using 28 February 2019 as the cut-off date). This is because the fundamentals of the project have changed (the expected impact of the project would be much lower), which has rendered the project no longer investable. Keeping projects like this in the pipeline goes against any efficiency ratios of the Fund.

28. **In the Fund’s first few years, the Secretariat was incentivised to bring as many projects to the Board for approval, in order to speed up capital commitments. However, this sometimes came at the expense of project quality, more than 20 per cent of FAAs were facing challenges due to unclear technical or commercial matter, or Board imposed conditions upon approval.** The legacy of earlier Fund decisions still has implications on the efficiency of the Secretariat today, largely because the Secretariat does not have the mandate to reject projects (AEs must withdraw their projects). This leads to FPs or approved projects becoming stuck in “purgatory”;<sup>157</sup> either by never being submitted to the Board for approval or never receiving legal effectiveness.



*Figure VIII-9. Distribution of financial resources committed to approved projects (N=102) in USD million in nominal terms*

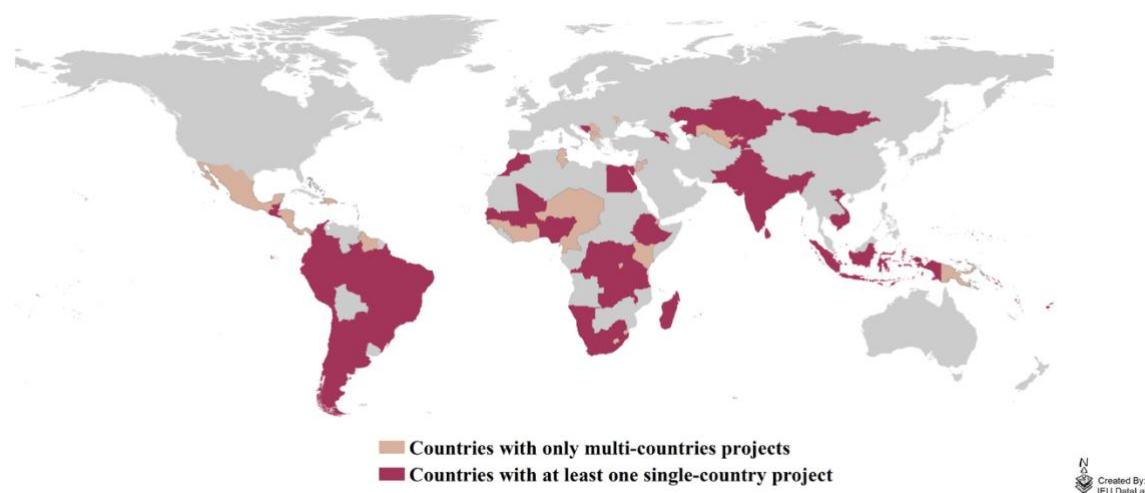
29. Of the USD 5,018 million committed to projects, only USD 454 million has been disbursed (Figure VIII-9). This is less than 9 per cent of the total committed amount and 22 per cent of the commitment to projects under implementation.<sup>158</sup>

<sup>157</sup> Quote from a Secretariat staff member.

<sup>158</sup> In terms of expected disbursement, the FPR team has estimated that as of 28 February 2019, around 14 per cent should have been disbursed, compared to the current 9 per cent disbursement level. This estimate was calculated with the assumption of a standard 180 days of FAA execution from Board approval, an additional 90 days of effectiveness, and a subsequent median value from effectiveness to first disbursement request date of 83 days, and then estimating a minimum of one disbursement per year. For projects without an executed FAA as of 28 February 2019, and thus a missing disbursement schedule, we estimated the disbursement amounts by dividing the total committed GCF financing by the length of the implementation years. The estimated 5 percentage points of difference is indicative of the effect of challenges in legal proceeding in the post-approval process.



### 3. PORTFOLIO



*Figure VIII-10. Map of GCF single-country and multi-country projects*

Note: There are 84 single country projects and 18 multi-country projects.

30. As of 28 February 2019, the Board has approved 102 projects in 97 of the 154 developing countries (see Table VIII-4). Of these 102 projects, 84 projects are single-country projects, and 18 are multi-country projects (with individual projects targeting anywhere between 2 and 29 countries). The Fund's projects are geographically well distributed and are targeted well in terms of temperature and precipitation variability.<sup>159</sup>

*Table VIII-4. Number of developing countries (N=154) with GCF projects (committed and under implementation), 28 February 2019*

	TOTAL DEVELOPING COUNTRIES (#)	DEVELOPING COUNTRIES WITH GCF PROJECT(#)	DEVELOPING COUNTRIES WITH PROJECT UNDER IMPLEMENTATION
Asia-Pacific	47	28	21
Eastern Europe	9	7	5
Latin America and the Caribbean	33	27	9
Africa	54	35	14
LDCs/SIDS/African States	95	64	28
Other	59	33	21
<b>Total</b>	<b>154</b>	<b>97</b>	<b>49</b>

31. The Fund has also committed to projects in especially vulnerable countries, with one or more GCF projects found in 67 per cent of the LDCs, SIDS and African States (Table VIII-4). However, looking solely at the projects currently under implementation, only 29 per cent of LDCs/SIDS/African States are reached. Furthermore, many LDCs/SIDS/African States are targeted

<sup>159</sup> For more details, please refer to Annex 7.

through multi-country projects, which often work through financial intermediaries, and thus will likely take a long time to materialise and reach beneficiaries.

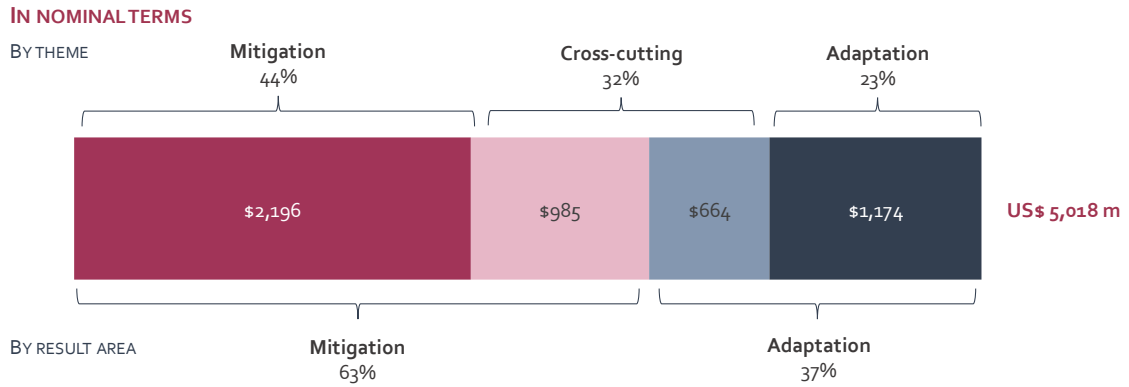
**Table VIII-5. GCF projects (number and funding amount) by country type and theme, 28 February 2019**

	TOTAL	LDCs	SIDS	AFRICAN STATES	LDCs/SIDS/AFRICAN STATES	OTHER
<b>NUMBER OF PROJECTS</b>						
<b>Total</b>	<b>102</b>	<b>38</b>	<b>22</b>	<b>43</b>	<b>65</b>	<b>37</b>
Adaptation	45	18	11	21	33	12
Mitigation	32	9	5	13	15	17
Cross-cutting	25	11	6	9	17	8
<b>GCF FUNDING (USD MILLION)</b>						
<b>Total</b>	<b>\$5,108</b>	<b>\$1,323</b>	<b>\$783</b>	<b>\$2,041</b>	<b>\$2,859</b>	<b>\$2,159</b>
Adaptation	\$1,174	\$508	\$303	\$534	\$861	\$313
Mitigation	\$2,196	\$342	\$278	\$854	\$1,073	\$1,123
Cross-cutting	\$1,648	\$475	\$202	\$653	\$926	\$723

32. **Balance:** At its inception, the GCF set out to deliver a 50:50 balance between mitigation and adaptation allocations in its portfolio. Furthermore, the Fund aimed for at least 50 per cent of adaptation funding to go to LDCs/SIDS/African States. The GCF currently has 102 projects approved, of which 31 per cent are mitigation projects, 44 per cent are adaptation projects, and 25 per cent are cross-cutting projects (Table VIII-5). In terms of funding amount per target, however, the GCF is skewed towards financing mitigation projects in nominal terms, with 44 per cent of total GCF funding committed to the 32 mitigation projects (Figure VIII-11).<sup>160</sup> In terms of funding amounts per impact results area,<sup>161</sup> the GCF is further skewed towards mitigation: of the USD 5,018 million committed, USD 3,181 million is committed to achieving impacts in the four mitigation results areas. While the GCF may not be delivering a 50:50 balance between mitigation and adaptation, the Fund is successful in achieving its second adaptation aim. Of the USD 1,174 million committed to purely adaptation projects in nominal terms, almost three quarters (or USD 861 million) is committed to LDCs, SIDS and African States.

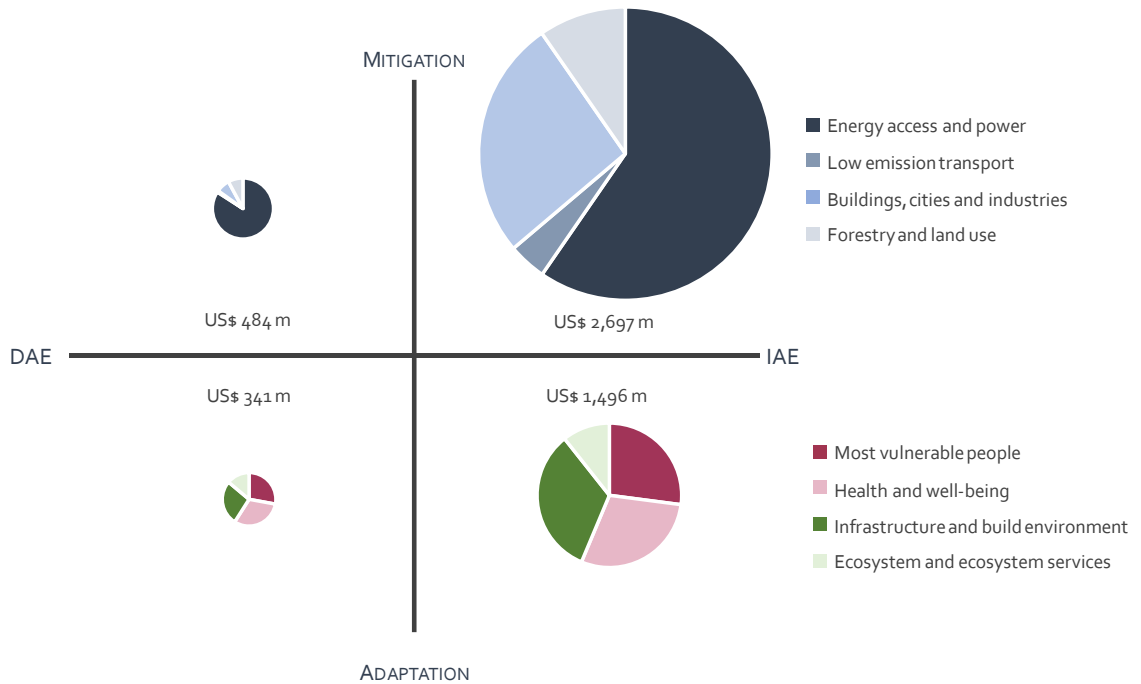
<sup>160</sup> The 50:50 balance is stipulated in the ISP; however, during the sixth Board meeting, the Board decided that all allocation parameters should be determined in grant equivalents. This would tilt the portfolio in favour of adaptation (52 per cent of the portfolio). However, in the FPR we will refer to the nominal amounts committed because they reflect the amount of capital that ultimately reaches the beneficiaries. Furthermore, taking this approach is in line with the manner in which the GCF communicates on its portfolio externally.

<sup>161</sup> As per the GCF/B.09/06 document, there are four mitigation results areas: Energy access and power generation; low-emission transport; buildings, cities, industries and appliances; and forestry and land use. And four adaptation results areas: most vulnerable people and communities; health and well-being, and food and water security; infrastructure and built environment; ecosystems and ecosystem services.



**Figure VIII-11. Split of funding for approved projects (N=102) by target and results area in USD million nominal amounts, 28 February 2019**

33. Currently, USD 4.193 billion is committed to IAE projects, and over half of the GCF’s committed funds are committed to mitigation projects managed by IAEs. Furthermore, 32 per cent of the GCF portfolio is committed to IAE projects that target ‘Energy access & power generation’ (Figure VIII-12); an area in which the financing need is increasingly being met by other actors – including the private sector (see 0).



**Figure VIII-12. GCF funding by results area and access modality in USD million, nominal amounts, 28 February 2019**

### a. Grant equivalency

34. The GCF uses grant equivalency<sup>162</sup> both to report on resource allocation and as a risk management tool. Under decision B.06/06, which states that “*all allocation parameters should be determined in grant equivalents*”, the value of the GCF portfolio would be USD 3.006 billion,<sup>163</sup><sup>164</sup> Given the use of almost solely grant financing in adaptation, this means that when allocating the total GCF funding amount as determined by grant equivalents, the GCF is meeting its 50:50 balance between mitigation and adaptation. The USD 3.006 billion is distributed as follows: 37 per cent in adaptation, 32 per cent in mitigation and 31 per cent in cross-cutting. In terms of funding amounts per impact results area,<sup>165</sup> 52 per cent of GCF funding is committed to adaptation results areas and 48 per cent to mitigation projects.

### b. Leveraging additional funds

35. **Catalysing finance:** One way the GCF aims to maximise its impact is by catalysing national and international climate finance; however, to date every USD 1 of GCF funding is expected to leverage an additional USD 2.5 in public and private sector financing.<sup>166</sup> While the GCF has never committed to a specific co-financing ratio target,<sup>167</sup> the figure is an important component of the FPs submitted by AEs. The expected volume of finance to be leveraged by the proposed project/programme as a result of the Fund’s financing is indicative of the Fund’s potential to catalyse and/or leverage investment. The actual catalytic effect of GCF funded projects should be studied in the country and industry context (and is discussed in more detail in country reports); however, at the portfolio level (N=102), the Fund is expected to leverage USD 12.557 billion.
36. It is of note that while all expected co-financing partners are included in the initial funding proposal, often only the main co-financing partners are included in the FAA. There is no system that tracks the stated co-financing amount as it is presented on the GCF website. The only source is OPM and, in some cases, the APRs, which will be discussed further in Chapter X.
37. **Co-financing:** Figure VIII-13 shows that PSF projects are expected to leverage an additional USD 2.9 for every USD 1 of GCF funding; which is substantially higher than the additional USD 2.2 leveraged by projects under the DMA division. However, it should be noted that a third of DMA funding is committed to adaptation projects (compared to only 2 per cent of PSF funding) and leverage ratios in adaptation are traditionally lower than mitigation as it is perceived as a public good.

<sup>162</sup> See explanation at footnote 163.

<sup>163</sup> This figure is the most recent data made available by the Office of Portfolio Management. Tracking financing amounts within the Secretariat has been a difficult task for the FPR. Financial data pertaining to project funding (in both nominal and grant equivalency terms) and co-financing amounts was retrieved from OPM. These data were provided as per June 2019 and may therefore deviate from the 28 February 2019 figures of the portfolio. Nonetheless, these figures do cover the projects approved as per 28 February 2019.

<sup>164</sup> The Fund, in line with the practice of the IMF and MDBs, defines concessionality in terms of the grant equivalency of the concessional loan. The grant equivalence is calculated by subtracting the present value of financial inflows (to the GCF) from the present value of outflows. The GCF applies a uniform 5 per cent discount rate across all its projects for easy comparison across the whole portfolio.

<sup>165</sup> As per the GCF/B.09/06 document, there are four mitigation results areas: energy access and power generation; low-emission transport; buildings, cities, industries and appliances; and forestry and land use. There are also four adaptation results areas: most vulnerable people and communities; food, water security and health; infrastructure and built environment; ecosystems and ecosystem services.

<sup>166</sup> The scope of the FPR with regard to co-financing, is the *expected* volume of finance to be leveraged by the project. Therefore, the source of the co-financing amounts for the 102 approved projects is the FPs.

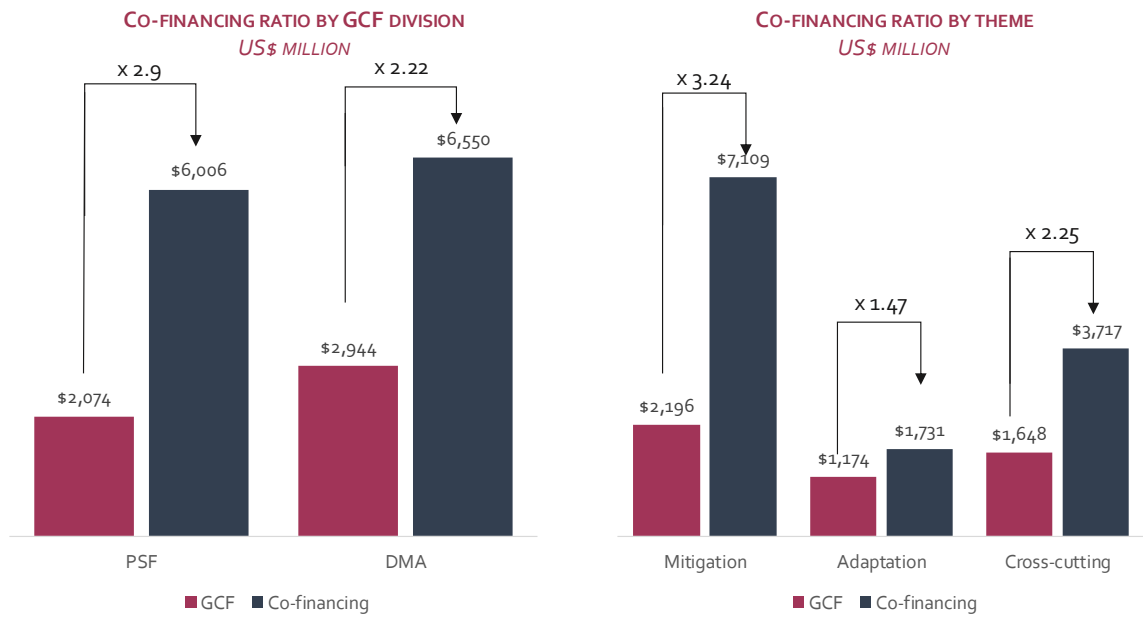
<sup>167</sup> The co-finance ratio is the total amount of expected co-financing divided by the Fund’s investment in the project/programme. Source: *The GCF Handbook*.

The ISP stresses the role of the GCF in crowding-in and maximising the engagement of the private sector in financing and implementing the paradigm shift.<sup>168</sup> However, the GCF's current portfolio is largely expected to leverage additional financing from international organisations. While GCF projects are expected to leverage USD 7.9 billion from international organisations, the private sector is expected to finance USD 2.8 billion (

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<sup>168</sup> The role of the GCF was highlighted during the Informal Board Dialogue.

38. Table VIII-6).



**Figure VIII-13. Co-financing ratio by GCF division in USD million (left); Co-financing ratio by theme in USD million (right), 28 February 2019**

Note: Co-financing ratio for different project characteristics (GCF: Co-finance): *Mix instruments* \$1:\$3; *Grant* \$1:\$1.32; *Non-grant* \$1:\$3.3.

**Table VIII-6. Sources of GCF co-financing by type of financing partner, project theme and GCF division in USD million, 28 February 2019**

	DMA				PSF			
	Adaptation	Mitigation	Cross-cutting	Total	Adaptation	Mitigation	Cross-cutting	Total
GCF funding	1,133.1	966.4	845.7	2,944.2	41.5	1,229.6	802.7	2,073.8
Total co-financing	1,688.3	2,972.0	1,889.0	6,550.3	42.5	4,137.1	1,826.9	6,326.6
Co-financing ratio	1.5	3.1	2.2	2.2	1.0	3.4	2.3	2.9
Co-financing amount by type of partner								
Governments / National entities	822.5	285.1	332.4	1,439.9	-	-	-	\$ 0
Private sector	7.8	986.3	97.9	1,092.0	30.0	1,421.5	272.3	1,723.8
International organisations	828.9	1,663.9	1,333.6	3,826.3	12.50	2,498.6	1,554.5	4,065.6
Supporting governments	15.0	\$ 36.8	76.0	127.8	-	-	-	\$ 0
Unidentified	14.3	-	50.1	64.3	-	217.0	-	217.0

Note: Unidentified co-financiers include: *N/A; Sponsors; Other lenders.*

### c. Financial instruments

39. As per the ISP, the GCF can “deploy the full range of financial instruments at its disposal”, which include grants, concessional loans, equity, and guarantees. The GCF, thus far, has at its disposal a very broad range of instruments, as discussed in Chapter III. Nonetheless, in the Fund’s GI, it is stated that grants and concessional loans will be used by the Fund as the initial financial instruments. The Fund has done this for the projects in its current portfolio: 88 per cent of total GCF financing is either a loan or grant (Figure VIII-13). The Fund rarely makes use of results-based payments, equity and guarantees (in one, six and three projects respectively). Interviewees pointed to the internal legal constraints and risk-averse attitude of the Fund as additional reasons for the lack of utilisation of other instruments.

**Mix of instruments:** The Fund deploys a mix of two or more financial instruments in 35 of its 102 approved projects, of which only four are solely adaptation projects.<sup>169</sup> The mix of financial instruments is, for the most part, a combination of grant and loan financing (see

<sup>169</sup> There are 14 cross-cutting projects in which a mix of two or more financial instruments is utilised.

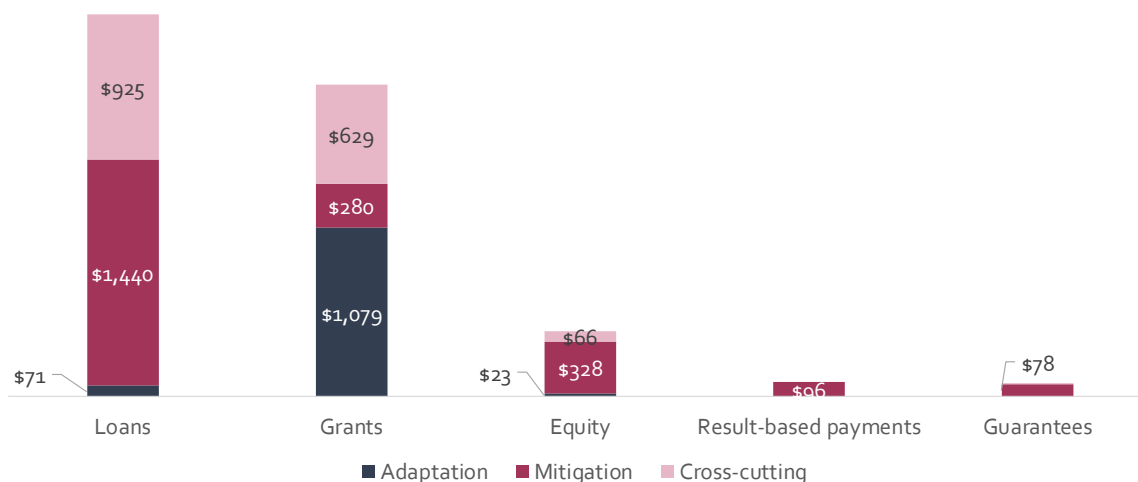


40. Table VIII-7). Often, a yield-bearing instrument, the loan, is used in combination with a grant for technical assistance funding. The Fund has made increasing use of a mix of financial instruments: of the seven projects approved at B.11, one project benefited from more than one financial instrument, and of the 19 projects approved at B.21, 10 projects benefited from more than one financial instrument.

**Table VIII-7. The use of instruments in the GCF portfolio, as of 28 February 2019**

	TOTAL	ADAPTATION	MITIGATION	CROSS-CUTTING	TOTAL	ADAPTATION	MITIGATION	CROSS-CUTTING
	NUMBER OF PROJECTS				GCF FUNDING (USD MILLION)			
<b>Total</b>	<b>102</b>	<b>45</b>	<b>32</b>	<b>25</b>	<b>5,018</b>	<b>1,174</b>	<b>2,196</b>	<b>1,648</b>
Projects with one instrument								
Grants	60	41	6	13	1,580	1,066	155	\$ 359
Senior Loan	4	0	4	0	248	-	248	-
Subordinate Loans	1	0	1	0	100	-	100	-
Reimbursable Grants	1	0	1	0	100	-	100	-
Result Based Payments	1	0	1	0	96	-	96	-
Projects with more than one instrument								
Mix of 2 or more financial instruments	35	4	19	12	2,894	108	1,497	1,290

Note: Equity and Guarantees are only used in combination with other instruments.



**Figure VIII-14. Financial instruments deployed in the current GCF portfolio (N=102) in USD million, 28 February 2019**

## C. RESPONSIVENESS TO THE UNFCCC DURING THE IRM

- The GCF provides an annual report to the UNFCCC, of which there are currently seven (2012–2018).<sup>170</sup> In their annexes, these reports note each piece of guidance received from the year prior, and the relevant decisions and actions taken by the GCF during that year. Since each report responds to the previous year of guidance, this analysis covers how guidance during the period 2014–2017

<sup>170</sup> UNFCCC: Green Climate Fund. COP decisions and Annual reports of the GCF to the COP. Available at <https://unfccc.int/process/bodies/funds-and-financial-entities/green-climate-fund>.

was addressed in the IRM (2015–2018) period.<sup>171</sup> An analysis of the language and frequency of language used by the SCF gives an indication of the type of guidance coming out of each COP year and the level of concern or urgency of the guidance. Figure VIII-15 illustrates these segments of text in the final COP decisions<sup>172</sup> aimed at the GCF Board (minimally)<sup>173</sup> and that imply additional work is needed regarding requests, concerns, invitations and encouragements.<sup>174</sup>

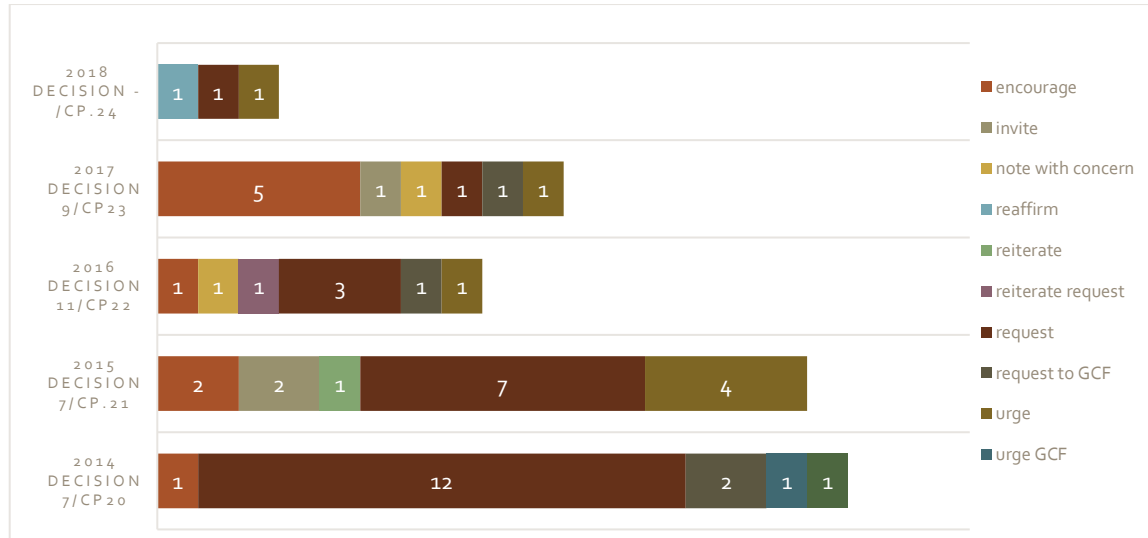


Figure VIII-15. Types of COP Guidance “Requests” to the GCF over the IRM

42. **The overall count of text submissions per COP suggests a decreasing trend of direct COP guidance over the period, as a result of the GCF responses in text/reporting and in action to each COP decision.** Overall in terms of “responsiveness”, broadly, few items were not addressed by the GCF Board and GCF Secretariat within their expected time frame during the IRM. This also implies the GCF was in a process of fulfilling the mandates of the GI and has incrementally and sufficiently done so throughout the IRM. *Draft* decision texts collected by the SCF show several other types of initial points of guidance and indicate the GCF activities and COP interests of the specific year.<sup>175</sup> For each year, they closely mirror the final decision text. However, in 2018, the amount of draft versus final text went from 20 draft requests to only 1; meaning that the GCF assured the COP that ongoing efforts were already addressing each of those requests.

<sup>171</sup> The COP Decision Text for 2018 is considered draft form by the UNFCCC website (an advanced, unedited version). See [https://unfccc.int/sites/default/files/resource/cp24\\_auv\\_10c.pdf](https://unfccc.int/sites/default/files/resource/cp24_auv_10c.pdf).

<sup>172</sup> This text taken directly from COP 20–24 decisions: UNFCCC. (2014). *Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund*. Decision 7/CP.20. FCCC/CP/2014/10/Add.2 p14.; UNFCCC. (2015). *Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund*. Decision 7/CP.21. FCCC/CP/2015/10/Add.2. p10.; UNFCCC. (2016). *Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund*. Decision 10/CP.22. FCCC/CP/2016/10/Add.1. p35.; UNFCCC. (2017). *Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund*. Decision 9/CP.23. FCCC/CP/2017/11/Add.1. p 29.; UNFCCC. (2018). *Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund*. Decision -/CP.24. Advance unedited version.

<sup>173</sup> Some COP guidance is directed at the Parties or at developing countries or NDAs, for example.

<sup>174</sup> The COP text also sometimes uses “GCF” and “GCF Secretariat” interchangeably (e.g. the one mention of the “GCF” refers to the Secretariat and not to the Board). This analysis assumes the member make-up of the Board and of the COP does not change so significantly from year to year over the IRM to the extent that it would alter the overall or “average” amount and type of guidance and responses emerging.

<sup>175</sup> From COP 21–24 (GCF IRM: 2015–2018), the SCF annual reports to the COP compiled 100 and 135 pieces of draft guidance and other texts of varying nature that call specific items to the attention of the GCF Board and Secretariat; this included 35 “welcomed” points of progress pertaining the respective year prior. Nineteen of these decision texts points were “urgent” matters the COP wanted the GCF to address; 10 were areas of “concern,” 43 were “requests”, 25 were suggestions to “encourage” particular points of action, and the remaining various others were notations (16) and placeholders (9) of issues unaddressed at the respective latest GCF Board or SCF meeting (pertaining to the year the report reflects).

43. Upon examining the remaining, “neutral” and “positive” texts included in final decisions (e.g. all others *not* included in Figure VIII-15 above, or those accepting completed efforts, noting changes since the year prior, and/or making requests of actors *other than* the GCF Board), the pattern reveals considerable compliance with guidelines in 2015, at the start of the IRM, followed by a period of rapid upscaling of effort in 2016 (with much of the unfinished business of 2015 addressed), and then finally a rounding-off of acknowledgement of advancements in 2017 and 2018. Figure VIII-16 shows these other types of texts that highlight the accomplishments and remaining actions by second- and third-party actors largely in order to fulfil particular GCF policy or operational objectives. The pattern shows an IRM period that marks a phase of Board decisions and GCF actions (by the Secretariat and independent units) to rapidly address each piece of the COP guidance, and an increasingly aligned understanding between the Board and the COP on the particular outstanding issues each year of the IRM.

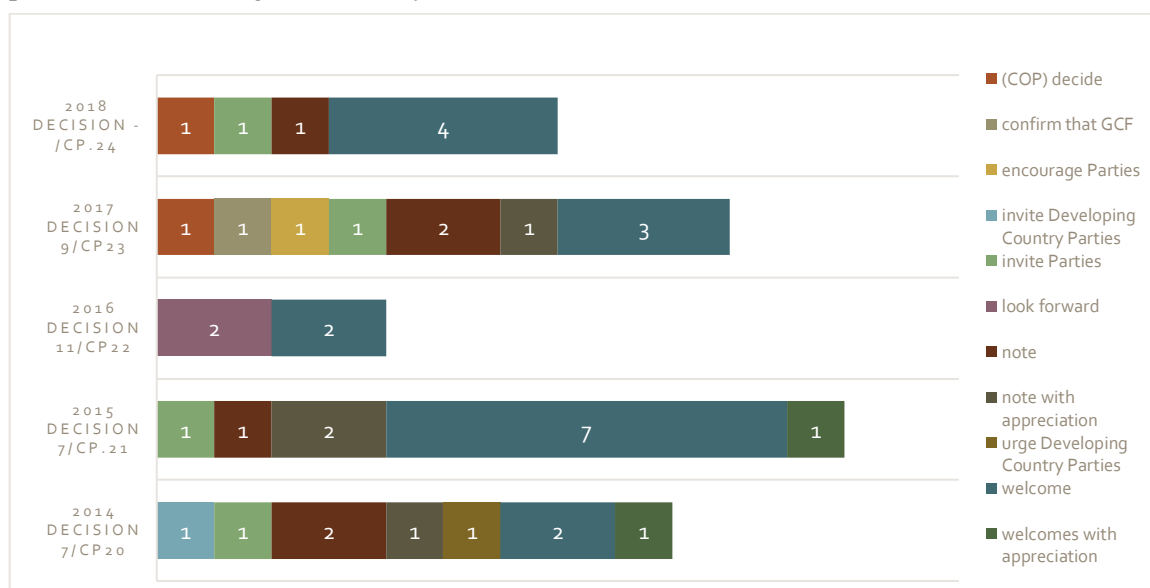


Figure VIII-16. Types of COP Guidance “Welcome” and statement text to the GCF over the IRM

44. Upon examining the GCF annual reports to the COP, a similar pattern emerges of increasing responsiveness and decreasing levels of urgent guidance coming out of the COP throughout the IRM. Each report contains several tables of actions taken to address COP guidance, depending on the year, which include those pursuant to the latest COP decision text; past COP guidance that is still open; particular topics such as adaptation (NAPs, report of the Adaptation Committee), technology (formalising links with the Technology Executive Committee and the Advisory Board of the Climate Technology Centre and Network), and the review of the Financial Mechanism; and arrangements between the COP and the GCF.
45. Most GCF actions in response to COP guidance over the IRM carry a corresponding Board decision (e.g. approving of a policy, or a budget), and with each passing year the GCF is better equipped to refer to existing decisions or actions instead of indicating when or how a specific issue will be addressed. In earlier reports, several topics are deferred to subsequent or upcoming Board meetings. This is consistent with the workload for the GCF Board growing substantially over the first half of IRM and put additional pressure on the GCF to upscale its activities in the 2016/17 workplan. By 2017, much of the GCF responses to COP guidance are references to sections of the annual report that address those particular topics and/or refer to ongoing actions under Board decisions. By 2018, the response to COP guidance is even more succinct and largely refers to sections in the document that respond to specific guidance points or Board decisions that have already addressed the topic at

hand. This shows an “evolution” of responsiveness in the ability of the GCF to acknowledge, account for, and take action on each COP decision text.

## D. FINDINGS

### 1. PROJECT CYCLE

46. **Despite an increased utilisation of the RPSP since 2017, the capacity of NDAs remains a challenge in developing country work programmes.**
47. The Secretariat is aware of many of the issues with the RPSP. The IEU pointed out many of these issues in its evaluation of the programme (February 2019). The IEU evaluation notes the success of the RPSP in sharing the information and operational modalities of the GCF by helping countries build their capacity to access GCF funding, establishing coordination mechanisms and no-objection procedures in countries, and supporting NDAs/focal points to engage with multiple stakeholders. However, a challenge in countries remains the capacity of NDAs in developing country work programmes, their involvement in the structured dialogues, and their role in extending the NOLs.
48. A still too high proportion of NDAs/focal points appear not to have participated in structured dialogues, which suggests that the RPSP should be leveraged more for these purposes. Aside from the higher political momentum generated, by far the biggest and most cited benefit of participating in these events was learning from peers and sharing in the experiences of other countries.
49. Similarly, **some NDAs cannot understand complex** financial instruments for debt and equity transactions. This has been the case for multi-country funds and programmes. Some NDAs do not extend NOLs for instruments other than grants, which poses a significant limitation for fund-based project proposals and programmes that typically have higher capital mobilisation impact. This has slowed down or limited the scope of private sector multi-country funds and programmes. This challenge underlines the relevance of readiness support for building capacity of NDAs in the most vulnerable countries.
50. **The RfPs have not been effective in generating viable FPs; out of USD 1.3 billion available for four RfPs, only USD 166 million was approved and USD 28.6 million disbursed.**
51. While there were many reasons for this, three key hurdles are faced in the RfP processes:
  - *Lack of AEs:* Project proponents are still required to find an AE that can act as a delivery partner for their project. Although the Secretariat works closely with the proponents of concept notes from non-accredited entities to help them find suitable AEs who may be interested in partnership, it turned out these AEs were developing their own projects with similar concepts or have otherwise shown little time or interest in acting as delivery partners. This underlines the limited ability of the Fund to select its projects, and that AEs may pursue their own agenda rather than act as fiduciaries for the GCF.
  - *Accreditation process:* Some project proponents also expressed an interest in seeking accreditation themselves. However, these entities faced a cumbersome and time-intensive application process, including negotiating and executing AMAs, securing a nomination and NOLs from NDAs for accreditation before project submission to the Board. This meant that the projects that required immediate GCF financing did not move forward due to these and other

accreditation-related challenges. It should be noted that as of B.17, no projects may be brought to the Board for approval without an executed AMA.<sup>176</sup>

- *Quality of proposals:* Upon closer engagement with the project proponents, some project ideas turned out to be purely aspirational in terms of structure, funding amount, targeted impact and feasibility.

**52. The PPF has been underutilised in improving the quality of FPs and balancing the portfolio.**

53. Only a quarter of available funds (USD 40 million) have been committed to 22 PPF projects, and of the USD 11.7 million committed, USD 5 million has been disbursed to date. Only half of the approved PPF projects are supporting DAEs and only a third of the projects target adaptation. Furthermore, in light of the sometimes poor quality of FPs (such as the absence of a log frame or viable budgets), the FPR team argues that the PPF should be utilised more effectively.

**54. The project cycle is perceived as being unpredictable, lengthy and insufficiently transparent.**

55. The project cycle is perceived as unpredictable by AEs, due to the lack of transparency on the real-time status of applications, the large numbers of comments and questions on proposals and the perceived lack of guidance on the eligibility of projects. The average time for the 102 approved projects to move through the project cycle from FP submission to Board approval is nine months. This length of time can, to a certain extent, be explained by the fact that the Board meets only three times a year for investment decision-making. The following factors also contribute to the length of time taken:

- *Policy application:* Because there are policy gaps, and a perceived uncertainty on how the Board will assess policy implications on certain projects, Secretariat members feel forced to apply requirements and policies strictly in project assessments, even if the relevance of particular requirements or policies is not convincing, and a flexible stance from the GCF would be more appropriate.
- *Retroactive application of policies:* New policies approved during Board meetings take immediate effect, meaning that existing project and programme applications need to comply after FP submission, before consideration by the Board. This requires adaptations of FPs after submission. AEs, NDAs and other stakeholders perceive this as “changing the rules during the game”. The retroactive application of policies is also an issue after Board approval, as discussed later on.
- *Internal coordination:* AEs note that responses to FPs with questions by the Secretariat are elaborate and in cases contain duplications of questions asked by different divisions. Coordinating task managers should streamline questions and additional conditions as much as possible, and avoid duplicating questions.
- *Absence of a management information system (MIS):* Because the GCF does not have a functioning MIS in place it is challenging for Secretariat members (or the general public and in particular those affected by a project) to check the status of an FP assessment. It also means that AEs are dependent on communication with individual task managers and cannot transparently check progress on FP assessment themselves.

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<sup>176</sup> The Board, in decision B.17/09, requested the Secretariat not to bring any proposals to the Board from an entity without a signed AMA at the time of proposal submission. There are three caveats to this: (1) provided the entity submits a funding proposal within 120 days of its Board accreditation, that proposal can be brought to the Board in the absence of an executed AMA; (2) proposals submitted for RFPs can also be brought without an executed AMA; (3) “From those entities who have not yet signed the accreditation master agreement that have proposals currently at stage 4 of the updated project and programme activity cycle”, an executed AMA is also not required (decision B.17/09, (d)).

56. **While it is too early to tell if the SAP will improve timelines, the approval time for the six approved SAP projects was similar to regular FPs, at eight months compared to nine months, respectively.**
57. A key reason for this is that while project preparation time has reduced due to better guidance developed for AEs, the review, approval and legal steps of the project cycle have not been simplified. Only project preparation time has reduced due to better guidance developed for AEs.
58. **Project decision-making by the GCF is perceived as unpredictable and political.**
59. This has its roots in several factors:
- *Set up of Board meetings:* Projects are approved at Board meetings that take place three times a year and focus not only on investment decision-making but also on items such as setting the agenda, approving policies, personnel and approach to replenishment. This leads to limited time and attention for project assessment and approval.
  - *Lack of transparency on which project will be put forward for review:* For the most part, projects that are put forward for Board review are not announced to the public until 21 days before the start of the Board meeting, and submissions to iTAP are not announced until a few weeks before that publication deadline.
  - *Policy gaps:* The Board started approving projects in 2015 in the absence of several relevant policies such as incremental cost, co-financing, or even eligibility criteria (the policy gaps should be viewed in light of the GCF still being a young organisation). This means that many policy discussions occur during discussions around project approval. In many cases, this has led to slower decision-making and the postponement of project approvals and unanticipated condition-setting.
  - *Country/sector exposure:* There is no formal guidance on limitations to country and sector exposures, both in terms of numbers and volumes. This has led to uncertainty among national stakeholders on whether any more projects can be expected to be approved by the Fund. This has also led to an unbalanced portfolio (as discussed further on).
  - *Political factors:* Political considerations seem to have played a role in project approvals. Although these cases are limited in number, they have affected perception around the Fund assessing projects objectively based on key principles and investment criteria.
60. **The post-Board approval legal clearance processes are too lengthy and are a barrier to project implementation.**
61. It has taken 10 months, on average, for the 55 projects that have executed their FAAs as of 28 February 2019 to go from Board approval to post-approval execution of the FAAs; of the 47 projects still in this phase, 6 of them have been stuck in these proceedings for an average of 31 months. This is a too lengthy process, and the delays in implementation in several cases have put into question whether the fundamentals of the project are still relevant – for example, attracting the necessary co-financiers, or the costs of renewable energy, which decrease over time. A variety of reasons cause these delays and are frequently outside the sphere of influence of the legal team:
- *Absence of AMAs:* A significant driver of the length of time required before implementation is the pace of the finalisation of AMAs, in terms of both execution and to take effect. Several projects did not have an AMA (in effect) at the time of Board approval, especially before decision B.17/09. Execution or effectiveness of AMAs is a prerequisite for the commencement of FAA negotiations.



- *Internal AE approval:* The internal approval timelines or project portfolio timelines of AEs, particularly those of the larger IAEs, do not run in sync with the GCF's timelines, which leads to delayed FAA proceedings.<sup>177</sup>
- *Commercial/technical matters:* Many FPs have absent or incomplete explanations on technical and financial topics such as logical frameworks, budgets and other commercial matters. The requirement of certain commercial conditions that still need to be resolved indicates that there may be a need for a legal opinion before Board approval.
- *Policy application:* The legal department is required to strictly verify whether AEs and the projects comply with the Fund's policy framework. It takes this very seriously, as mandated, particularly because legal staff can personally be held liable for omissions and negative implications.
- *Retroactive application of policies:* Similar to the Secretariat assessments, the retroactive application of new policies, even after Board approval is problematic. Frequently when new policies are approved, that have not been included in the signed AMA, the Secretariat includes these in the FAA which then contributes to delays.

## 2. EFFICIENCY AND EFFECTIVENESS FINDINGS

### 62. **Of the USD 7.1 billion of available resources, the Fund has committed USD 5.9 billion to projects, programmes, project fees and administrative expenses in just five years.**

Of the USD 10.3 billion pledged to the GCF, the Fund, in reality, has USD 7.1 billion of available pledged resources at its disposal as a result of a withdrawal of USD 2.0 billion in funding and foreign exchange fluctuation losses of USD 1.1 billion. Of the USD 7.1 billion, about USD 5.0 billion was committed to projects, just over USD 324 million to programmes (RPSP and PPF), USD 132 million to project fees (for 55 projects) and USD 410 million to administrative expenses (up to 2021).

### 63. **At an average of 0.45 per cent of available pledged contributions in costs annually, the GCF has operated cost-efficiently to date, and with current administrative cost projections of 1.2 per cent annually it will continue to do so.**

According to internal stakeholders interviewed, the Fund was understaffed in its initial years; between 2014 and 2018 the Fund spent USD 158 million on administrative expenses. The Fund operated on an average of USD 32 million in expenses annually, which represents just 0.45 per cent of available pledged resources annually. Due to the increase in staffing, this is expected to move up to an average of USD 84 million annually over the period 2014–2021, which represents 1.2 per cent of pledged resources annually. This is comparable to the 0.5 per cent to 1.0 per cent management fees funds of funds typically charge. At the same time, when taking into account both the USD 158 million of administrative expenses plus the USD 132 million in project fees (for 55 effective projects), it means that the average cost per approved project is currently USD 2.84 million, which is high, and will be even higher when more projects become effective.

### 64. **While the Secretariat is learning and improving as time progresses, the legacy of the Fund's decisions in its early years is affecting its current effectiveness.**

Over time, the Secretariat has maintained the project approval times at around 10 months and has improved the length of the post-approval processes. However, the total disbursed amount represents a mere 9 per cent of Board-approved project funding to date and 22 per cent of projects under

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<sup>177</sup> The deadline to execute the project's FAA is 180 days from Board approval, from the submission of a certificate of the AE's internal approval, or from the effectiveness of the AE's AMA, whichever is later. AEs may thus wish to delay the start of the 180 days to match their own timelines.

implementation. There are 53 Board-approved projects, which represent over USD 2.9 billion of funding, that are waiting for either FAA or AMA effectiveness. Of these, six projects were submitted in 2015 and have been in post-approval for over 31 months. As discussed earlier in this chapter, these inefficiencies and lengthy legal proceedings are symptoms of the strict policies of the GCF, the retroactive application of GCF policies and the quality of the proposals. The legacy of earlier Fund decisions still has implications on the efficiency of the Secretariat today, largely because the Secretariat does not have the mandate to reject projects (AEs must withdraw their projects). This leads to FPs or approved projects becoming stuck in a so-called purgatory, either by never being submitted to the Board for approval or never receiving legal effectiveness.

### 3. PORTFOLIO

**65. The Board approved 102 projects in 63 per cent of developing countries (with fair representation in all regions) and 67 per cent of LDCs/SIDS/African States.**

The Board approved projects in 97 out of the 154 developing countries (63 per cent), of which 58 countries have at least one project that only targets their own country. The remaining 39 countries are reached through multi-country projects, mostly through programmes that work through financial intermediaries and thus will likely take a long time to materialise and reach beneficiaries. The Fund has projects in 64 out of the 95 identified LDCs/SIDS/African States (67 per cent).

**66. The GCF portfolio is not balanced in terms of targets or access modalities as anticipated in the GI, ISP and Board decisions.**

Of the USD 5.018 billion of Board approved funding, in nominal terms, 63 per cent goes to mitigation projects and 37 per cent to adaptation projects<sup>178</sup> against a targeted 50/50 split. This is largely driven by the lack of adaptation projects in the PSF portfolio, where only USD 42 million was allocated to them. The GCF portfolio is a fairly traditional portfolio for a climate finance mechanism, particularly given its low private sector engagement in adaptation.

**67. The cooperation with AEs in the current GCF portfolio is heavily skewed towards IAEs, with DAEs not being engaged and utilised sufficiently. Over 82 per cent of GCF funding (USD 4.193 billion) is committed to IAEs, while DAEs have been involved in only 18 per cent of GCF funding to date. There is an especially strong focus on energy access and power generation projects through IAEs, with 32 per cent of GCF funding committed to them.**

**68. As argued in Chapter IV, the current GCF portfolio is more supply-driven than strategic. This is driven by the lack of strategy in the accreditation and project approval process, which has not enabled DAEs to flourish and has led to the PPF being underutilised and the RfPs having very limited success. The imbalance in the portfolio is compounded by the lack of targets and measurable indicators in the ISP.**

**69. Allocating the Fund's resources according to grant equivalency reveals a portfolio with 52 per cent of GCF funding committed to adaptation and 48 per cent committed to mitigation.**

As a risk management tool, grant equivalency enables the GCF to assess concessionality in the overall project financial structure and set the right terms and conditions for loans, guarantees and equity. As a tool for resource allocation, however, whether or not the grant equivalency is applied has significant implications for the overall GCF portfolio. From a capital resource perspective, grant equivalency makes sense, because it expresses the net capital, which will not be available for other commitments.

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<sup>178</sup> Cross-cutting projects are distributed across adaptation/mitigation according to the funding amount per results area, with 59 per cent of GCF cross-cutting funding going to mitigation results areas.

70. The FPR prefers the nominal perspective because it reflects the amount of capital that ultimately reaches the beneficiaries, irrespective of any Board decision on how grant equivalency works (or should be applied).
71. If the GCF aims to maximise its impact per dollar capital, grant equivalency incentivises the organisation to use more risk instruments (non-grant). However, such an approach would favour mitigation projects where return flows are easier to get (as is shown in the current GCF portfolio). Applying grant equivalency may incentivise the GCF to move away from where the money is needed most: the financial needs of adaptation projects are to a larger extent not being met by development finance (0). That being said, if the GCF were to utilise risk instruments in adaptation, it would be truly innovative and contribute to a paradigm shift.
72. **The GCF insufficiently utilises the range of the financial instruments at its disposal; 88 per cent of total GCF financing is either a grant or a loan (or a combination); equity, guarantees and result-based payments are only utilised in nine projects.**

While the Fund recognises that it “will need a range of financial instruments in order to mobilise climate investment on the necessary scale”,<sup>179</sup> it does not take enough advantage of this capability to effectively crowd-in financing of climate solutions. Both equity and guarantees enable the Fund to leverage a large amount of debt financing for a smaller commitment on its part (albeit at higher risk). Further, equity can be deployed to support early-stage companies or innovations; particularly in adaptation, a relatively underfunded climate target (see Chapter X) in which private sector finance is rarely catalysed.

73. Furthermore, while a mix of financial instruments is not a necessary (let alone a sufficient) condition, truly innovative projects likely require different financial instruments to allow for proper design and the spreading of risks across parties commensurate with their ability or appetite to shoulder them. The Fund has, however, made increasing use of a mix of financial instruments: of the seven projects approved at B.11, one project benefited from more than one financial instrument, and of the 19 projects approved at B.21, 10 projects benefited from more than one financial instrument.
74. **The expected co-financing ratio is low at USD 2.5 for every USD 1 of GCF funding.**

Across the 102 approved projects, the USD 5.018 billion is expected to leverage USD 12.557 billion. Thus every USD 1 of GCF funding is expected to leverage an additional USD 2.5 in public and private sector financing. The projects that fall under the PSF division are expected to leverage an additional USD 2.9 for every USD 1 of GCF funding; and DMA projects are expected to leverage an additional USD 2.2, although this can be explained by the limited focus on adaptation by the PSF (where co-financing is more challenging). The primary type of co-financing partner of the GCF is publicly owned or funded international organisations, who are expected to finance USD 7.9 billion, or 63 per cent of total co-financing. Total expected co-finance from the private sector is USD 2.8 billion, or 22 per cent of co-financing.

#### 4. RESPONSIVENESS TO THE UNFCCC FINDINGS

75. **The GCF has addressed most UNFCCC requests in their expected time frame and has done so in an increasingly efficient manner, as its capacity to respond developed.** During the IRM, few requests from the UNFCCC were left unaddressed by the GCF Board and the GCF Secretariat. The analysis of the language used in UNFCCC decisions relevant to the IRM period indicates that the GCF was actively fulfilling the mandates of the GI. The analysis includes patterns of increasing responsiveness and decreasing levels of urgent guidance from the UNFCCC. Most GCF actions in response to the COP result in a Board decision. COP guidance and GCF reports to the UNFCCC

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<sup>179</sup> GCF/B.08/12.

indicate a positive evolution in the ability of the GCF to acknowledge, account for and take action as a result of a COP decision.

## E. CONCLUSIONS AND RECOMMENDATIONS

76. Improve the predictability, efficiency and transparency of the project cycle.
- **Develop clearer guidance on eligibility and investment criteria.** Complete outstanding investment and funding proposal policies and specifically strengthen expectations around climate rationale. Also, consider creating country and sector targets and limits.
  - **Strengthen the RfPs.** Before launching RfPs the Secretariat could conduct market analysis on the subject and formulate more clearly what expectations are in terms of the goals and eligibility criteria. It is also recommended to include an initial expression of interest in the process to test the demand. Once launched, the Secretariat needs to be more proactive in seeking project developers that could qualify and match the needs and mandate of the GCF and provide predictable and transparent time frames for processing proposals and receiving funding.
  - **Expand and simplify the application of the SAP.** Allow for a less stringent and faster Secretariat review, allow projects to be approved at Secretariat level in between Board sessions and have a lighter-touch FAA template.
  - **Create a functioning MIS to improve portfolio and results management and transparency.** Having a solid MIS in place will help improve efficiency and is a prerequisite for the Fund to become more transparent. A functioning MIS could enable the Secretariat to identify AEs and track the status of projects in real-time, with clear time targets and points of contact within the Secretariat.
  - **Provide the Secretariat with the ability to reject proposals.** Allow the Secretariat to reject FPs early in the assessment process in order to provide more feedback and clarity, and to prevent lengthy assessment processes for projects that are of insufficient quality and/or lack sufficient climate rationale.
  - **Ensure there is a legal opinion before a Board decision.** In order to prevent or reduce the time for legal processes, there should be a legal opinion that includes shortcomings or concerns ahead of Board approval.
  - **Take the relevance of policies into account in project assessment.** Assess the relevance and applicability of a policy for a particular project, instead of requiring projects to meet all GCF policies, especially when the DAE has been accredited already.
  - **Do not require policy changes to be applied retrospectively to projects.** Once a funding proposal is approved, the Secretariat may consider not changing the “rules of the game” anymore, and the policy framework at the time of Board submission should be applicable.
77. **Separate investment decision-making from other decisions during Board meetings.** Allocate a minimum amount of time per Board meeting for project assessment and approval, preferably at the start of meetings.
78. **Adopt arrangements for approval of certain FPs between meetings.** Allow for project approval by the Board in between meetings and/or delegate approvals of additional classes of projects, to ensure that approvals can continue to be managed in a timely and efficient manner by the Board.
79. Improve the portfolio to align with the expectations of the GI, ISP and Board decisions.

- **Stimulate projects in adaptation.** Increase the focus on adaptation projects, through internal incentive structures and utilisation of the PPF, particularly for private sector projects, to ensure a more balanced portfolio.
- **Stimulate and facilitate access for (national) DAEs.** Utilise the Readiness Programme, and simplify accreditation for national DAEs, by better assessing the relevance of policies for actors and allowing “grace periods” for policy development, and by allowing project-specific accreditation for proponents that win RfPs.
- **Better leverage the Fund’s suite of financial instruments.** Equity, guarantees and results-based payments are only utilised in nine projects. These instruments are particularly well-suited to crowding-in finance for more innovative business models or climate solutions. However, the risk-averse stance of the Fund in practice and internal legal constraints has caused an underutilisation of these instruments.

## Chapter IX. PRIVATE SECTOR

### KEY RECOMMENDATIONS

- The PSF should use the high-risk mandate appetite of the GCF to finance pioneering and replicable projects and foster an increased focus on innovation and replicability.
- The PSF should shift its focus from financial instruments to sector solutions. An intensified cooperation with sector experts from the DMA should be leveraged to increase the focus on pioneering and innovative sector initiatives. Steps should be taken to remove the strict PSF/DMA split and work towards “one GCF”.
- Recognising that currency risk presents a significant barrier to enhancing private sector investment in many developing countries, a GCF local currency financing facility could help to manage unhedged risk, through more guarantees and reimbursable grants.
- The GCF should consider establishing an internal innovation hub focused on early-stage climate innovations to support high-risk investments in small and untested but innovative concepts that have the potential to scale up and/or be transformational.
- The Secretariat needs to assess projects more strictly on market and financial additionality to bring in more commercial private sector co-financing rather than just international development banks.
- To balance mitigation and adaptation, the GCF should establish an RfP for private sector adaptation projects with a target allocation.
- The GCF should reform the accreditation process for the private sector. Simplifying accreditation, through allowing “grace periods” for policy development, is key to improving conditions for the private sector actors and national DAEs.
- The PSF should invest in more active engagement with national and international commercial banks and institutional investors to unlock capital and encourage private (co)-investment at scale.
- The GCF should make use of the PSF mandate to finance projects directly. It should first pilot this in smaller, pioneering projects.

### KEY FINDINGS

- By mandate, the GCF has the strongest private sector focus of the multilateral climate finance funds and the best ability to scale projects through its flexible suite of financial instruments.
- In reality the GCF’s private sector engagement is constrained by factors including a) a reactive business model; b) the lack of engagement with DAEs; c) the length of project approval and legal assessment timelines; d) the perceived lack of predictability by private sector actors.
- The GCF’s AEs predominantly consist of publicly owned and/or funded (international) development banks. So far, the PSF has effective project from only one commercial private AE.
- Despite its high risk appetite, it has been challenging for the PSF to get private sector adaptation projects through the Fund’s AEs. This has resulted in only 2 per cent of PSF funding for adaptation, despite a large need for investments.
- Several current PSF projects insufficiently match the Fund’s expected level of additionality. This is underlined by the fact that the PSF has so far funded a considerable number of projects from DFIs.



## A. INTRODUCTION

1. Responding to the climate change challenge requires collective action from public and private sector actors. However, public finance, including through multilateral climate funds, can meet only a fraction of the needs for climate finance.<sup>180</sup> Public finance thus must be used in catalytic ways to mobilise other sources of finance to reach the scale required. The 2018 New Climate Economy report projects that in the next 10–15 years around USD 90 trillion will be invested in infrastructure in the world’s urban, land use and energy systems, making this the world’s “*use it or lose it*” moment for choosing inclusive, low-emissions and climate-resilient pathways.<sup>181</sup> New and additional finance is required in support of climate action, and the GCF is mandated to catalyse it.
2. The following key questions are discussed and analysed in this chapter:
  - To what extent are PSF processes and modalities effective, efficient and innovative?
  - To what extent does the PSF bring innovation to the IEU portfolio?
  - To what extent has the PSF been effective in leveraging resources?
3. As introduced in Chapter III, in the GI, the PSF is part of the Fund’s initial structure to enable it to “directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international levels”. The investment strategy and portfolio targets that are part of the initial investment framework expect the Fund to “maximise fund-wide engagement with the private sector, including through significant allocation to the PSF”, but did not include a specific hard target in terms of PSF allocation or expected co-finance generated.
4. **By mandate, the GCF has the strongest and most explicit private sector focus of the climate finance funds, particularly those connected with the UNFCCC.** In theory, the PSF has the best ability to scale projects through its mandated investment ticket size and ability to scale, its high risk appetite and its flexible suite of financial instruments, which include grants,<sup>182</sup> debt, equity, guarantees and (reimbursable) grants.

## B. DATA AND ANALYSIS

### 1. PSF PORTFOLIO

5. As of 28 February 2019, the PSF portfolio consisted of 23 GCF Board-approved projects (23 per cent of the Fund’s total number of projects) for a funding amount of USD 2.074 billion (41 per cent of the Fund’s total approved funding). The average size of PSF projects is USD 90.2 million, which is almost three times larger than the average DMA project’s size of USD 37.3 million.
6. **The PSF portfolio is characterised by a large number of multi-country projects.** Out of the 23 projects, 11 target between 2 and 29 different countries, targeting a total of 63 countries. The 12 projects that target single countries are spread out over nine individual countries, of which the majority are larger, more mature markets (except for projects in the Democratic Republic of the Congo, Madagascar and Zambia). Fourteen of the projects (61 per cent) are either fully focused on or include a focus on priority countries. Figure IX-1 shows the map of PSF projects around the world.

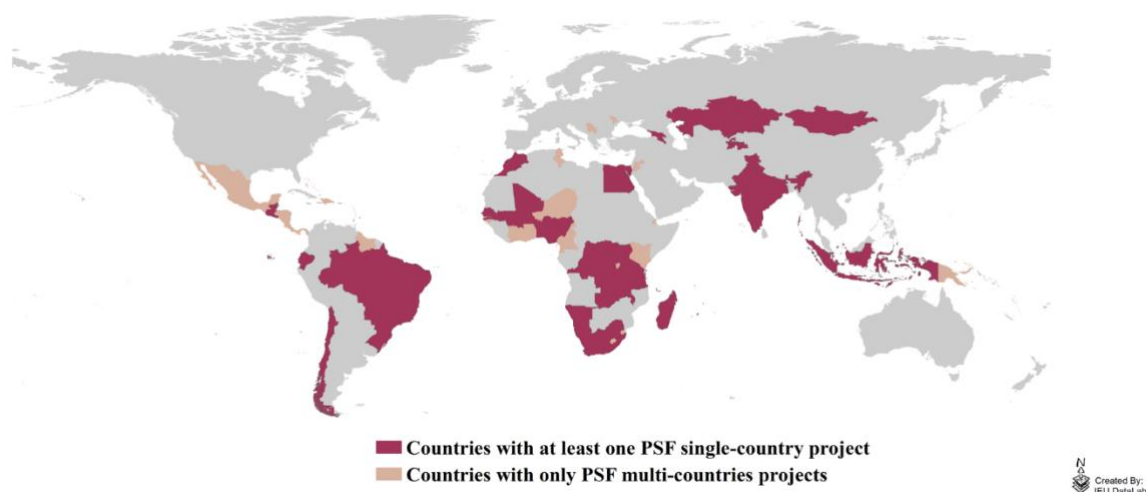
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<sup>180</sup> See 0.

<sup>181</sup> *Unlocking the Inclusive Growth Story of the 21st Century: Accelerating Climate Action in Urgent Times*. Available at [https://newclimateeconomy.report/2018/wp-content/uploads/sites/6/2019/04/NCE\\_2018Report\\_Full\\_FINAL.pdf](https://newclimateeconomy.report/2018/wp-content/uploads/sites/6/2019/04/NCE_2018Report_Full_FINAL.pdf).

<sup>182</sup> PSF has one reimbursable grant-only project and 17 multi-instrument projects with a grant component (the largest grant component being USD 34 million).





*Figure IX-1. PSF projects around the world*

7. **PSF projects are strongly focused on mitigation**, with about USD 1.2 billion focused on mitigation, USD 803 million on cross-cutting (mitigation and adaptation, but predominantly mitigation) and only USD 42 million solely in adaptation, representing just two per cent of the PSF portfolio.<sup>183</sup> In terms of sector exposure, the PSF portfolio is largely concentrated on energy. Projects that either fully focus on or include a focus on the energy access and power generation results area make up 20 out of the 23 projects, and when looking at the allocation of funding, this results area represents 75 per cent of PSF funding. These projects include several large-scale photovoltaic (PV) fields (including the world's largest solar PV field), wind energy, off-grid and mini-grid solar power, and several energy efficiency credit lines focused on companies and consumers. The remaining projects include two with a focus on adaptation to climate-resilient agriculture and one on forestry and land use.
8. **Private sector investments in adaptation are slowly growing**, as risks, vulnerabilities and the business case for adaptation finance are better understood. This should be an opportunity for the GCF to act as a leader in working with private sector entities (e.g. insurance and corporate sectors), as well as other stakeholders (e.g. local governments) to continuously optimise and adjust business models and operations to act on the increasing impacts and uncertainties caused by climate change. In this context, it is important to support new models alongside sustained awareness campaigns that are needed to address the scarce resources and limited knowledge of adaptation.
9. **PSF projects predominantly use loans to finance projects, in most cases supported by a grant component that is usually used for technical assistance.** Out of the 23 PSF projects, 6 projects use a single instrument, 16 are using a combination of two instruments, one of which is always a grant, and 1 project uses a mix of four different instruments. In 15 out of the 17 projects, when loans are used, the PSF used senior loans. These are mostly concessional loans, just under the financing terms of the AE; however, there are also cases where the GCF invests on a *pari passu* basis with the AE and/or other co-financiers. In 10 cases, the senior loan is combined with a grant, in four cases, it is a stand-alone instrument, and in one case, it is combined with a grant, an equity, and a guarantee component. The remaining 2 of the 17 loans are subordinate loans, one stand-alone, and one combined with a grant component. Loans were mostly used for major renewable energy development projects or credit line programmes. Equity, as a leading instrument, is used by the

<sup>183</sup> When looking at PSF funding by adaptation results areas, 11 per cent of the PSF nominal funding commitment is in adaptation.

facility in six cases, mostly for (fund of) funds constructions. Examples include Acumen’s KawiSafi Fund and Resilient Agriculture Funds, the Deutsche Bank’s Universal Green Energy Access Program, an investment fund managed by the European Investment Bank (EIB) in Madagascar, and the EIB’s GEEREF Next. Guarantees have been applied once, as part of the Low Emissions and Climate Resilient Agriculture Risk Sharing Facility for MSMEs in Guatemala and Mexico; these are managed by the Inter-American Development Bank (IDB). The last type of instrument used is a reimbursable grant, which the GCF applied in the case of FMO’s blended finance facility, Climate Investor One, where the GCF participates in the two riskiest tranches that are focused on early-stage climate project development.

10. **The dominance of mitigation is not unexpected because it is more challenging to find and fund private sector adaptation projects.** This is first and foremost because private sector participation in adaptation activities is still at an early stage, and markets are underdeveloped or non-existent. There are currently very few robust and well-defined business models or products to promote adaptation activities in the private sector, with the possible exceptions of insurance, the built and physical environment, corporate industry, the agriculture sector and supply chain. This is because adaptation projects are often characterised by long-term economic payback profiles and/or delayed benefits and are often considered public goods (and thus difficult to finance with private flows). Also, incomplete or asymmetric information on climate change models prevent adequate market-based risk pricing of investments in project development and therefore informed private sector decision-making in that respect.
11. **Nevertheless, many opportunities exist.** Many adaptation projects have a clear livelihood or income-generation focus, indicating the possible presence of financeable return flows – for example, microfinance or (micro-)insurance schemes, and health or agricultural extension services, for which the very poor have shown willingness to pay.<sup>184</sup> As seen in Figure IX-2, the European Bank for Reconstruction and Development (EBRD) seems to exhibit the best practice among MDBs in terms of how to involve the private sector in adaptation projects.

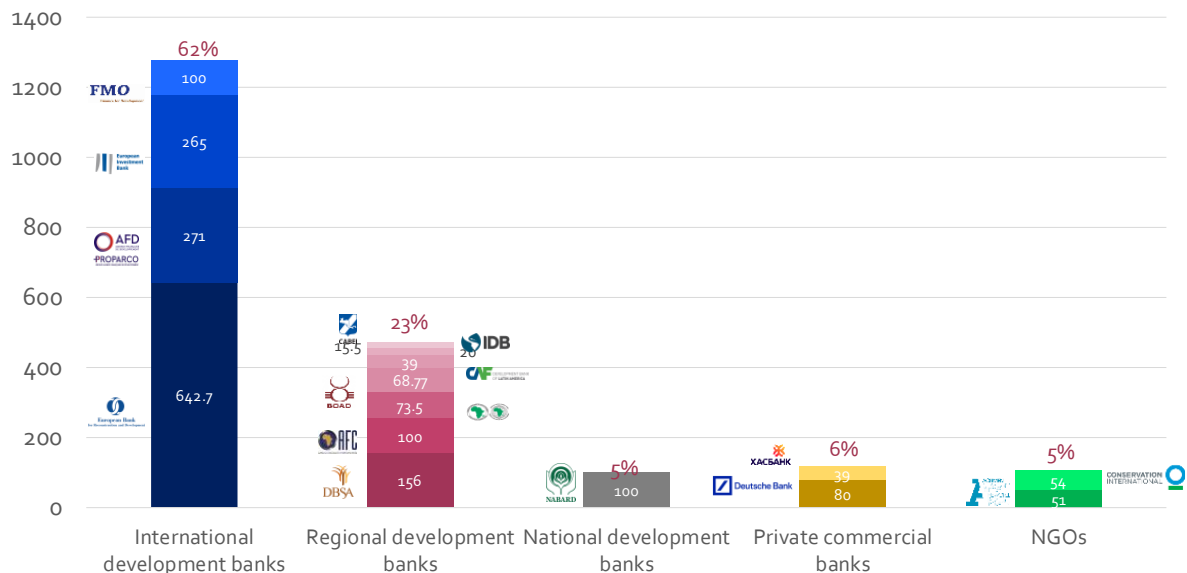
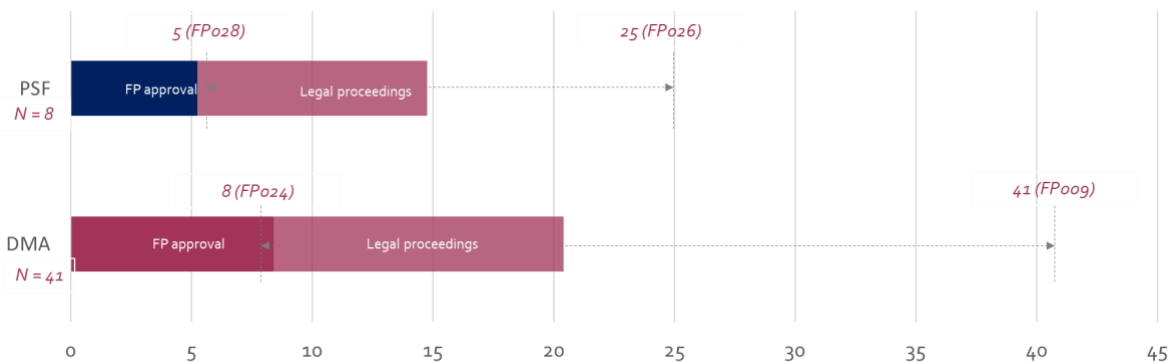


Figure IX-2. Volume of PSF funding per (type of) AE

<sup>184</sup> During the field visit to FP023 in Namibia the FPR team came across a number of examples where the private sector is playing or could play a role. For example, a microinsurance scheme has been developed by a private sector party that already requires capital and will require even more when it scales up. The seed and extension services provided within the project scope would also require (micro)finance to scale up.

## 2. EFFICIENCY OF PRIVATE SECTOR PROJECTS

12. The PSF project cycle is prone to the same hurdles described in chapter VIII. With an average time of 15 months, the eight approved and effective PSF projects have, on average, seen faster FP approval and post-approval times than the GCF’s overall portfolio. The average time for these eight projects – from FP submission to Board approval – was 5 months, while legal proceedings required an average of 10 months (Figure IX-3). The fastest project (FP028) took only 5 months from submission to effectiveness, whereas the longest took 25 months. This analysis does not take into account projects unlikely ever to become effective, such as a major solar PV field project in Chile (FP017) and a green-energy focused credit line by Deutsche Bank (FP027), which were approved in March 2017.



*Figure IX-3. Average time for approval and post-approval processes for effective PSF and DMA projects*

13. Of the PSF projects, 68 per cent were approved less than two years ago. For this reason, the PSF portfolio is young. Currently, eight projects have a signed FAA and are effective, representing USD 730 million.<sup>185</sup> Of this amount, USD 283 million has been disbursed to date (13 per cent of committed funding) in seven projects. On the other hand, the PSF project portfolio contains the first two fully disbursed projects, of which one is a 10 MW solar plant on the edge of the Gobi desert in southern Mongolia, which was opened in January 2019 and will operate until 2029.

## 3. EFFECTIVENESS OF PRIVATE SECTOR ENGAGEMENT

14. The PSF fell short in managing to fund projects through private sector AEs effectively. Of the approved PSF funding, 89 per cent is for publicly owned and/or funded development banks – although these entities do have a private sector development focus. Figure IX-2 above visualises PSF project engagement through different types of AEs. Four international development banks – namely, EBRD, AFD/PROPARCO, EIB and FMO, which are publicly held, funded and/or managed – are responsible for 61.7 per cent of PSF funding. EBRD alone manages 31 per cent of PSF funding. Another 22.8 per cent of PSF funding went out through regional development banks, 4.8 per cent through a national development bank, and 5.0 per cent through NGOs. The remaining 5.7 per cent of PSF funding went to four projects managed by two private commercial banks, although the project with one of these two banks (Deutsche Bank) seems unlikely to become effective at the moment. **This means the PSF has essentially managed to develop projects with only one private commercial AE, XacBank, a Mongolian financial institution. XacBank manages three successful projects for the PSF, representing USD 39 million (1.9 per cent of PSF funding), of which one**

<sup>185</sup> The value of PSF projects with effective FAAs is USD 730 million, in addition to two FAAs worth USD 40 million that are not effective as of 20 February 2019.

project (a solar PV plant) is built and another (an energy efficiency credit line for MSMEs) is almost completed. Given the large representation of projects in the PSF portfolio where an (international) development bank is the initiating and leading financier, **a significant part of the PSF portfolio is virtually indistinguishable from the (climate or energy) portfolios of (international) development banks.**

15. Interviews with NDAs of countries during FPR visits, research for a PSF strategy<sup>186</sup> and a survey conducted for this review show that **there is little or no awareness and engagement between NDAs and private sector AEs at country level.**<sup>187</sup> Consequently, limited perceived country ownership exists in private sector projects. This is striking because most countries acknowledged a key role for the private sector in NDC implementation. However, most NDAs are uncertain how to advance from general frameworks/sector priorities to a private sector pipeline and investments, although several recognised the importance of the private sector in climate change (e.g. Ecuador, Georgia, Guatemala, Mongolia). In most cases, the government entities acting as NDAs do not have a strong track record of engaging with private sector entities (beyond some financial institutions). In the case of active projects, NDAs are insufficiently aware of the performance of private sector projects, because these are mainly executed by international development banks as part of regional or global projects, and because there are no communication and/or reporting requirements between NDAs and IAEs.

#### 4. INNOVATION AND ADDITIONALITY

16. **The GCF's mandate allows it to take greater risk than it has previously to achieve impact and contribute to a paradigm shift.** This implies that that PSF projects should focus strongly on innovation and additionality. However, the review's analysis of PSF projects suggests that projects brought to the GCF by its AEs are, to a large extent, similar in sector prioritisation (i.e. mitigation-focused) and financial instruments (i.e. hard currency, focus on loans) compared with those financed through other sources in the GCF. In terms of instruments, the GCF funding in PSF projects is sometimes also on a *pari passu* basis with other investors.
17. **The PSF seems to have taken a more reactive stance than allowed by the business model.** To a certain extent, this is understandable, as the GCF is a young institution with a new and small PSF team that had to establish itself in the market. It has, however, resulted in a PSF portfolio where GCF is often a co-investor in the projects of development banks, rather than an entity that is supporting the most innovative and replicable climate projects and is leveraging the private sector. This finding is shared by PSF stakeholders, who described the PSF portfolio to date as containing several "plain vanilla" projects that are not entirely in line with the Fund's ambitions and risk appetite. Overall, **these various sources of evidence indicate that the PSF's concessional financing has considerable untapped potential to finance more innovative, riskier projects where the PSF can be most additional than it is currently, and this will need to change in order for the PSF to truly meet its mandate.**

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<sup>186</sup> CCAP, *GCF PSF Strategy Roadmap – Final Presentation* (2019).

<sup>187</sup> The survey for this review shows that 9 per cent of surveyed NDAs are quite aware, 50 per cent have basic awareness and 41 per cent have no awareness about private sector investment in the country. The survey for the PSF Strategy shows that 9 per cent of NDAs are highly aware, 47 per cent have basic awareness and 43 per cent have no awareness about private sector investment in the country (although 37 per cent know consultants that are well aware).

## 5. LEVERAGE EFFECT

18. The importance of co-finance and the Fund's leverage effect is firmly embedded in the GCF's core documents. The Objectives and Guiding Principles in the GCF's GI state that the Fund "*will catalyse climate finance, both public and private, and at the international and national levels*". The operational priorities in the GCF's strategic plan further emphasise the role of the PSF in this objective, as it states this should be done by "*maximising private sector engagement*".
19. Co-finance that is expected to be generated is tracked by the Fund through the expected co-financing amounts that are provided by AEs in the FPs. The actual co-finance that is generated after a project has become effective is evidenced in signed FAAs and tracked through APRs.
20. Based on the amounts stated in FPs, the PSF projects are expected to leverage an additional USD 6.0 billion, or USD 2.9 for every USD 1 of GCF funding. This is higher than the additional USD 2.2 per dollar leveraged by the DMA division projects, although a third of DMA funding is committed to adaptation projects (compared to only 2 per cent of PSF funding) and leverage ratios in adaptation are traditionally much lower than in mitigation, which is perceived as a public good.
21. The ISP stresses the role of the GCF in crowding-in and maximising the engagement of the private sector in financing and facilitating a paradigm shift. This is especially expected through the PSF. However, the PSF projects mostly leverage public development banks and other international organisations, rather than private sector actors. Of the total USD 6.0 billion of co-finance that is expected to be generated, USD 4.1 billion (68 per cent of co-finance) comes from these actors and USD 1.7 billion from private sector actors (29 per cent of co-finance). This means that for every USD 1 of PSF funding, USD 0.83 of co-finance is expected to be generated from private sector actors. It also means that PSF projects generate only marginally higher co-finance from actual private sector actors compared to DMA projects, where 17 per cent of co-financing is expected to be generated from private sector actors.
22. That being said, when looking at actual co-finance generated based on the APRs, the PSF projects are delivering co-finance significantly faster and on a larger scale than the DMA projects. In February 2019, PSF projects accounted for six out of the seven projects that reported co-finance flows. These six projects represent 99.9 per cent of the total of USD 1.01 billion of reported co-financing generated to date. About 91.4 per cent of this co-financing was generated through two major solar PV projects executed through the EBRD in Egypt and Kazakhstan. The remaining sum was generated through a third solar PV project managed by XacBank, two energy efficiency credit lines by the EBRD and XacBank, and co-investors in Acumen's KawiSafi Fund.
23. Finally, it should be noted that the leverage effect of the Fund is likely to be larger than captured in the current scope of co-finance. The focus in the GCF's current FP template and APRs is on direct co-finance, which can be defined as all financial resources from third parties that flow into the project/programme directly alongside the financing provided by the Fund. However, in addition to this, there may be financial resources by third parties that indirectly flow into projects/programmes supported by the Fund further downstream. An example is the case of the EIB's GEEREF, a clean-energy focused fund of funds, where the GCF currently only tracks the direct co-finance (i.e. the investors in the fund of funds vehicle) but not finance that is generated by funds or companies in which GEEREF invests. These additional financing flows can be referred to as indirect co-finance. A policy that describes this difference and provides guidance on how to track both direct and indirect co-finance generated is still pending approval.



## C. FINDINGS

24. The findings of this chapter are as follows:

- **By mandate, the GCF has the strongest private sector focus of the multilateral climate finance funds.** It also has the best ability to scale projects through its mandated ticket size and flexible suite of financial instruments.
- **However, in reality, the GCF's private sector engagement is constrained, mostly due to four main factors:**
  - The reactive business model: the PSF is dependent on the project origination by AEs who, at present, are mostly (international) development banks, even in the case of RfPs. The Fund has not yet used its mandated ability to fund projects directly.
  - The lack of private sector (D)AEs: the GCF has a limited number of private sector AEs, and an even more limited number of private sector DAEs, who are virtually absent from the Fund's AE base due to the current accreditation process.
  - The length of project approval and legal assessment timelines has room for improvement. The average, overall project approval timeline of 15 months fares poorly compared with the timelines in private sector investment decision-making. As a result, potential private sector actors hold back from approaching the GCF for their (more innovative) projects.
  - Private sector actors perceive a lack of predictability in project appraisal and Board decision-making. This is a hurdle because the predictability of processes and decisions are key factors for private sector actors in determining if it is worth investing time and resources in engaging with the extensive and elaborate funding proposal template.
  - **This has resulted in a relatively limited number of approved and effective projects.**
- **The Fund's AEs predominantly consist of publicly owned and/or funded (international) development banks. So far, the PSF has only one commercial private AE that has approved projects that are currently effective.** There are clear benefits in working with development banks that have so far executed projects. These banks often have a private sector development focus, a clear climate rationale in projects, can meet the GCF's strict policy criteria, and know how to operate in countries and sectors in which commercial banks are often not active or willing to invest. At the same time, the GCF is now mostly a co-investor in the projects of development banks, rather than leveraging the private sector in innovative and pioneering projects. The latter is in line with its mandate and should be its ambition level. That is why, in the survey for this review, 72 per cent of Secretariat staff respondents and 83 per cent of GCF Board respondents described the Fund's private sector engagement as not effective.
- **There is limited engagement and cooperation between NDAs and private sector AEs at the country level.**
  - **Despite its high risk appetite, it has also been challenging for the PSF to get private sector adaptation projects through the Fund's AEs.** This has resulted in only 2 per cent of PSF funding for adaptation. As discussed in chapter XI, there is a large need for investments in adaptation, and this is not fulfilling that need. PSF projects are predominantly focused on mitigation, hard currency debt and larger, more developed markets, with a high concentration on energy production and/or energy efficiency. Transport, forestry and land use, and ecosystems and ecosystem services are underrepresented.
  - **Several current PSF projects insufficiently match the Fund's expected level of additionality.** This is underlined by the fact that the PSF has so far funded a considerable

number of projects that DFIs also finance, in some cases even on the same financial terms, despite the Fund's ability to provide highly concessional finance.

- **PSF projects have an expected co-financing ratio of 2.9 (vs. 2.2 DMA) but co-finance to a limited extent from the *actual* private sector.** This is insufficiently in line with the mandate to catalyse new and additional finance to reach the scale required in combating climate change.
- **PSF projects are delivering actual co-finance significantly faster and on a larger scale than the DMA projects.**

## D. CONCLUSION AND RECOMMENDATIONS

25. **Take more risk and focus more on innovation and replication.** The PSF should make better use of its high-risk mandate appetite to finance pioneering and replicable projects. This may require an increased focus on being innovative and replicable. Its portfolio could include the following, for example:
  - Start-up technologies
  - Financing structures, such as climate-focused venture capital (VC) or early-stage funds and incubators or blended finance vehicles
  - Initiatives that focus on adaptation-related income generation, such as microfinance, (micro) climate insurance, microfinance programmes that aim to start new businesses in particularly climate vulnerable areas, and drought-focused agricultural extension services
  - Asset classes such as climate bonds or conservation finance
  - Initiatives such as national green finance platforms
26. **Increase awareness and focus on innovation in sectors.** The PSF needs to be structured less according to financial instruments and more according to sectors searching for solutions rather than providing products. There is specific potential for more cooperation with the DMA, where the knowledge of the sector experts can be leveraged to increase focus on pioneering and innovative initiatives in sectors. The PSF experts can provide insight on what the private sector could do in supporting the achievement of objectives of DMA projects, for example. Steps should be taken to remove the strict PSF/DMA split and work towards “one GCF”.
27. **Increase financing in local currencies, through guarantees and reimbursable grants.** Recognising that currency risk presents a significant barrier to enhancing private sector investment in many developing countries, a GCF local currency financing facility could help with managing unhedged currency risk and/or guarantee financial instruments' credit lines. Increasing the focus on innovative and replicable projects may also require increased use of reimbursable grants and/or first-loss guarantees.
28. **Establish an internal innovation hub focused on early-stage climate innovations.** The Fund could consider setting up a dedicated financing envelope specialised at high-risk investments in small and untested but innovative concepts that have the potential to scale up and/or be transformational. This could ideally be in the form of a specialised internal fund, or otherwise through an RfP, that allows for direct financing but counts actors in the innovation ecosystem as its collaborators, including academic, corporate and other partners, that nurture the vision for game-changing concepts and ideas. To guard against the unintended but predictable consequence of plain vanilla projects gaining access, the programme would set a high standard for innovation. Other than innovation, proposers would also need to commit to high standards for implementation and transparent reporting. This vehicle should primarily use (reimbursable) grants and equity as



instruments and should anticipate a percentage of failed projects. For its pipeline, the Fund could consider issuing a specific RfP and combine this with setting up partnerships and co-investing alongside climate incubators.

29. **Assess projects more strictly on market and financial additionality.** The Fund’s market and financial additionality should be a more prominent indicator in the investment framework and in project appraisal by the Secretariat and Board to bring in the more commercial private sector co-financing rather than the international development banks.
30. **Increase focus on adaptation projects.** Work towards a better balance between mitigation and adaptation by designing an RfP for private sector adaptation projects with a target allocation. This will send a strong signal to the market that the GCF is serious about attracting the private sector to adaptation. For the most part, the GCF may have to reach out to incubators, research entities and small- and medium-sized entrepreneurs. Despite perceived difficulties in generating financeable return flows in adaptation, particularly in the short term, the FPR team suggests that this is where the potential lies for the GCF to be truly innovative and thus to act according to its mandate. Liaising with the EBRD on how it has achieved a 20 per cent private sector participation rate across its adaptation portfolio may also be useful (see Figure IX-2).
31. **Focus on non-renewable energy results areas, and finance renewable energy only when the GCF’s additionality is clear** (e.g. higher-risk local finance, non-commercially viable projects in small states, or where private sector parties who are new to renewable energy can be brought in – for example, in fragile states or SIDS).<sup>188</sup> **This type of project may also need to include a discussion within the GCF about the high probability of not achieving the objectives of the projects, given the high risks involved.** The GCF should then also incentivise both the AEs and Secretariat staff to bring high -risk projects to the Board and should mandate that failures are discussed from a learning perspective (and not accountability). Lessons from failures or unsuccessful investments will be very valuable to others working in climate change finance, particularly those in the private sector.
32. **Reform accreditation for private sector actors.** Simplify accreditation generally for private sector actors, and especially for national DAEs, such as by better assessing the relevance of policies for actors and allowing “grace periods” for policy development. Also, allow for project-specific accreditation for proponents that win RfPs, or allow direct investment in these projects.
33. **Increase focus on engaging with private sector actors.** Invest in more active engagement with national and international commercial banks and institutional investors such as pension funds, insurance companies and sovereign wealth funds to unlock their capital and encourage private (co)-investment at scale in low-carbon, climate-resilient development. This should be done through more engagement at conferences focused on institutional investors, climate change and innovative climate solutions, and through supporting projects with private sector parties, including through innovative VC funds and direct investment through loans and equity. These private sector actors could also be engaged in the replenishment process as potential contributors to the GCF, as the GI also opens the door for “other sources”.
34. **Make use of the ability to directly finance projects.** The PSF is mandated to finance projects directly and should pilot this in smaller, pioneering projects.

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<sup>188</sup> In 0 it is shown that a paradigm shift is already underway in the financing of renewable energy projects.

## Chapter X. LIKELIHOOD OF RESULTS

### KEY RECOMMENDATIONS

- Improve the credibility of reporting results by crafting clear and coherent definitions, protocols and guidance for FPs on how to assess contributions towards the GCF's mandate and how to define and measure its indicators.
- Ensure that AEs can easily understand and utilise the GCF's M&E expectations and systems. This includes having an easily accessible web-based portfolio management system and a technical guide that presents GCF guidance on results management.
- Create an online APR submission environment and improve the APR template by tailoring it to specific results areas.
- Signal *externally*, to the AE community and others, the value that the GCF places on innovation. This may take the form of innovation being included in proposal review criteria, or via an RfP. This may also be signalled through the creation of an "innovation hub".
- Signal the emphasis that the GCF places *internally* on innovation, by having non-monetary incentives for staff to create a portfolio that emphasises impact on country needs or innovation or both. Build a culture that is excited by and responsible for innovative projects and that reflects the need for urgency and innovation in the response to climate change.
- Encourage project proposals to target (national) policy processes.

### KEY FINDINGS

- The GCF will not be able to fully measure its impact and effectiveness due to gaps in FPs' M&E frameworks and a lack of coherency and climate specificity in its log frames.
- The RMF was designed to be flexible, giving project proponents considerable latitude to design diverse and innovative projects. The RMF helps entities align their projects to GCF results areas and presents a flexible menu of indicators.
- There are gaps and weaknesses in how the RMF indicators are defined and measured. Furthermore, the RMF does not fully articulate how project outcomes contribute to the GCF's overarching aims of paradigm shift.
- All GCF projects aim for long-term impacts, which is predicated on three things: that the design is robust, implementation is successful, and the impact is measurable. It is unclear currently whether the GCF has the data or information systems to inform all three variables credibly.
- The current GCF portfolio is expected to reduce 1.5 btCO<sub>2</sub>e<sub>q</sub>, directly and indirectly, benefit over 276 million people, and manage over 2 million ha of land or forest areas more sustainably.
- To date, APRs have been submitted for 37 projects. However, these are early years and reporting on the four core indicators is not yet at the impact level. The current portfolio is concentrated mainly in 10 AEs (75 per cent of GCF funding), 9 of them large IAEs, and in 10 countries (57 per cent of all projects).
- GCF projects are partly targeting the adaptation and mitigation needs identified in the NDCs of the 64 SIDS, LDCs and African States with approved projects; however, there remains a significant unmet adaptation and mitigation financial need.
- Proposals received by the GCF are ambiguous in their treatment of paradigm shift, mainly because GCF guidance on paradigm shift is not sufficient. There is not yet reliable evidence that suggests the GCF portfolio is set to achieve a paradigm shift at the global or national level.

## A. INTRODUCTION

1. This chapter describes the likelihood of impacts of the current GCF portfolio and discusses its potential for a paradigm shift. The key questions discussed and analysed in this chapter are as follows:
  - What has been the quality of design of approved GCF-funded projects in responding to investment criteria?
  - What is the quality of the RMFs of GCF-funded projects?
  - What are the early indications that the Fund's supported projects and programmes have delivered planned results (or are on their way to)?
  - What are the *expected* results of funding decisions and other support activities?
  - What is expected of the mitigation and adaptation portfolio?
  - To what extent are funded activities likely to contribute to a paradigm shift, increased resilience and transformational change?
  - What lessons can be derived so far that can help position the GCF to promote the paradigm shift?

## B. DATA AND ANALYSIS

### 1. QUALITY OF FPs

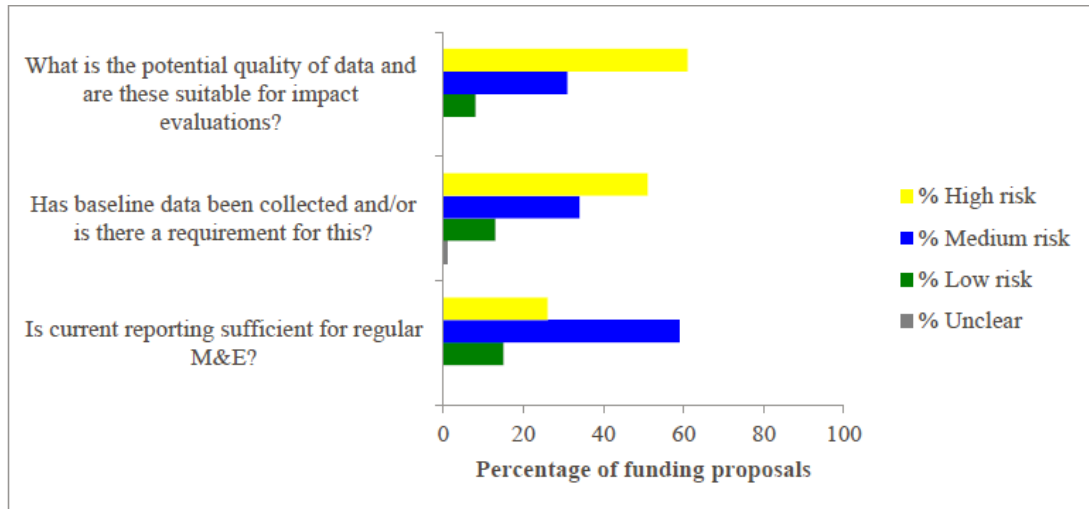
2. The IEU recently conducted an evaluation of the GCF RMF,<sup>189</sup> including an assessment of the quality of FPs by reviewing the FPs' M&E frameworks, and in particular inferring the likelihood of both success and credible reporting.<sup>190</sup> The review identified specific shortfalls in project applications and their M&E frameworks, including the following (see Figure X-1):
  - Half of a sample of reviewed proposals had no plans for collecting baseline data on key variables.
  - 90 per cent of FPs are likely to overstate results.
  - 70 per cent of proposals have insufficiently planned and budgeted for M&E.
  - 75 per cent of approved FPs do not have well-articulated M&E plans, and many of those that are included consist only of a skeletal description of basic reporting practices.
  - A review of 74 proposals demonstrated that 46 per cent of FPs lack clarity on how they will measure contributions to the GCF's investment criteria. Meanwhile, in more than half (53 per cent), the impact potential of the project is discussed in only general terms.
  - While half of the 74 proposals reviewed discuss unintended consequences, only 32 per cent have well-defined theories of change. However, the quality of these theories of change is uneven, often depending on uncertain causal pathways.

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<sup>189</sup> Independent Evaluation Unit. (2018). *Independent review of the GCF's Results Measurement Framework*. Evaluation Report No. 1/2018. Songdo, South Korea: Green Climate Fund. Available at <https://ieu.greenclimate.fund/evaluations/rmf>.

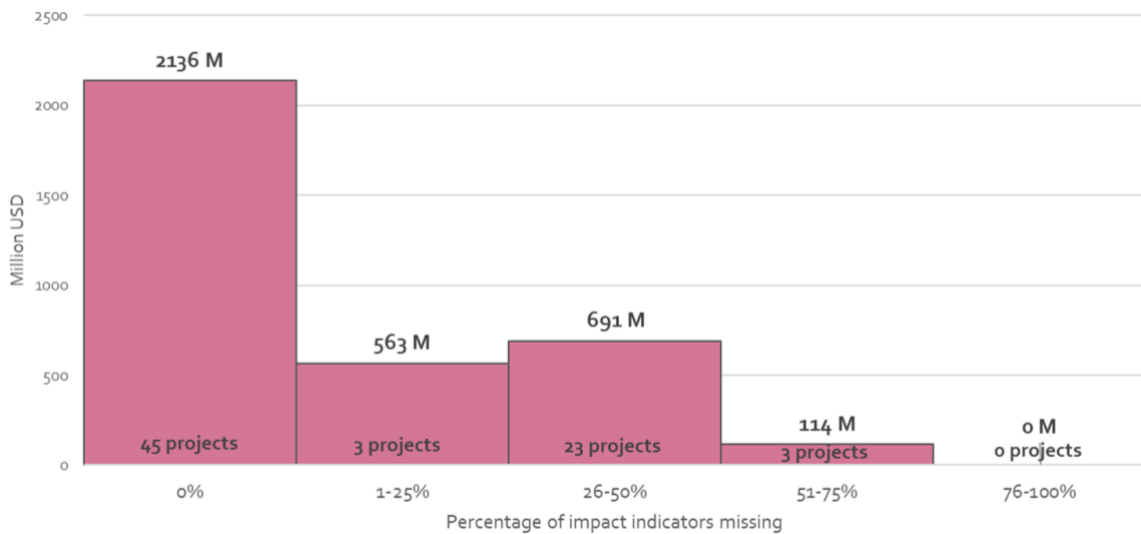
<sup>190</sup> The assessment included in the RMF evaluation has been updated since the evaluation report. It now includes 93 of the GCF's approved projects (till December 2018), and the assessment has been published with updated figures as Fiala, N., Puri, J., & Mwandri, P. (2019). *Becoming bigger, better, smarter: A summary of the evaluability of Green Climate Fund proposals*, IEU Working Paper No.1. Songdo, South Korea: Green Climate Fund. Available at <https://ieu.greenclimate.fund/resources/working-papers>.

- Only 45 of 74 projects had GCF impact indicators in their log frames corresponding to the GCF results areas that they were targeting. Out of 18 cross-cutting projects, 13 included at least one indicator each for adaptation and mitigation.



**Figure X-1. Data and reporting at the GCF of funding proposals (93 funded proposals)**

Source: Fiala, N., Puri, J., & Mwandri, P. (2019). *Becoming bigger, better, smarter: A summary of the evaluability of Green Climate Fund proposals*. IEU Working Paper No.1. Songdo, South Korea: Green Climate Fund.



**Figure X-2. Value and number of projects missing indicators for one or more results areas of 74 projects**

Source: Independent Evaluation Unit. (2018). *Independent review of the GCF's Results Measurement Framework*. Evaluation Report No. 1/2018. Songdo, South Korea: Green Climate Fund.

## 2. RESULTS MANAGEMENT FRAMEWORK

3. **The GCF's RMF includes 43 core, impact and outcome indicators.**<sup>191</sup> FPs are free to tailor the output indicators to their own projects. Globally, GCF projects should report against the three core indicators for mitigation or one core indicator for adaptation (cross-cutting projects report against all

<sup>191</sup> Independent Evaluation Unit. (2018). *Independent review of the GCF's Results Measurement Framework*. Evaluation Report No. 1/2018. Songdo, South Korea: Green Climate Fund. Available at <https://ieu.greenclimate.fund/evaluations/rmf>.

four), and also select and report the GCF impact and outcome indicators that best fit the project. (See Box X-1 for the GCF's core indicators).

**Box X-1. GCF core indicators**

Expected tCO<sub>2</sub>eq to be reduced or avoided

Estimated cost per tCO<sub>2</sub>eq

Expected volume of finance to be leveraged by the project/programme

Expected total number of direct and indirect number of beneficiaries; and number of beneficiaries relative to total population

4. The first three apply to mitigation projects; the sole adaptation core indicator is beneficiary count, although in two different forms. The Board has considered other adaptation core indicators (for example, in GCF/B.13/34 and GCF/B.12/13); however, no decisions have been taken. Each FP is expected to indicate whether it is adaptation, mitigation or cross-cutting, and to align the respective core indicators. Cross-cutting projects have to report against all of them.
5. **The RMF includes separate mitigation and adaptation logic models.** The logic models, adopted at B.07, reflect how inputs and activities are translated into results at the strategic level. Board document GCF/B.07/11 provides an overview of the initial mitigation and adaptation logic models, which indicate the cause–effect linkages that are expected to lead to the paradigm shift objective in the two areas of mitigation and adaptation. The logic is as follows: *project/programme-level outcomes* lead to *Fund-level impact* lead to the area-specific *paradigm shift objective*.
6. In the mitigation logic model, there are nine results areas. Of these, four *results* areas reflect the intended aggregate *impact* at *Fund-level*. The remaining five results areas are *outcome* level results areas at the *programme or project level*. Similarly, the adaptation logic model consists of four *Fund-level* results areas at the *impact* level and another four results areas at the level of a *project or a programme* that are *outcome level areas*. Associated with all these results areas (see Figure X-2) are indicators. Indicators are further developed in the performance management frameworks, which are an extension of the RMF.

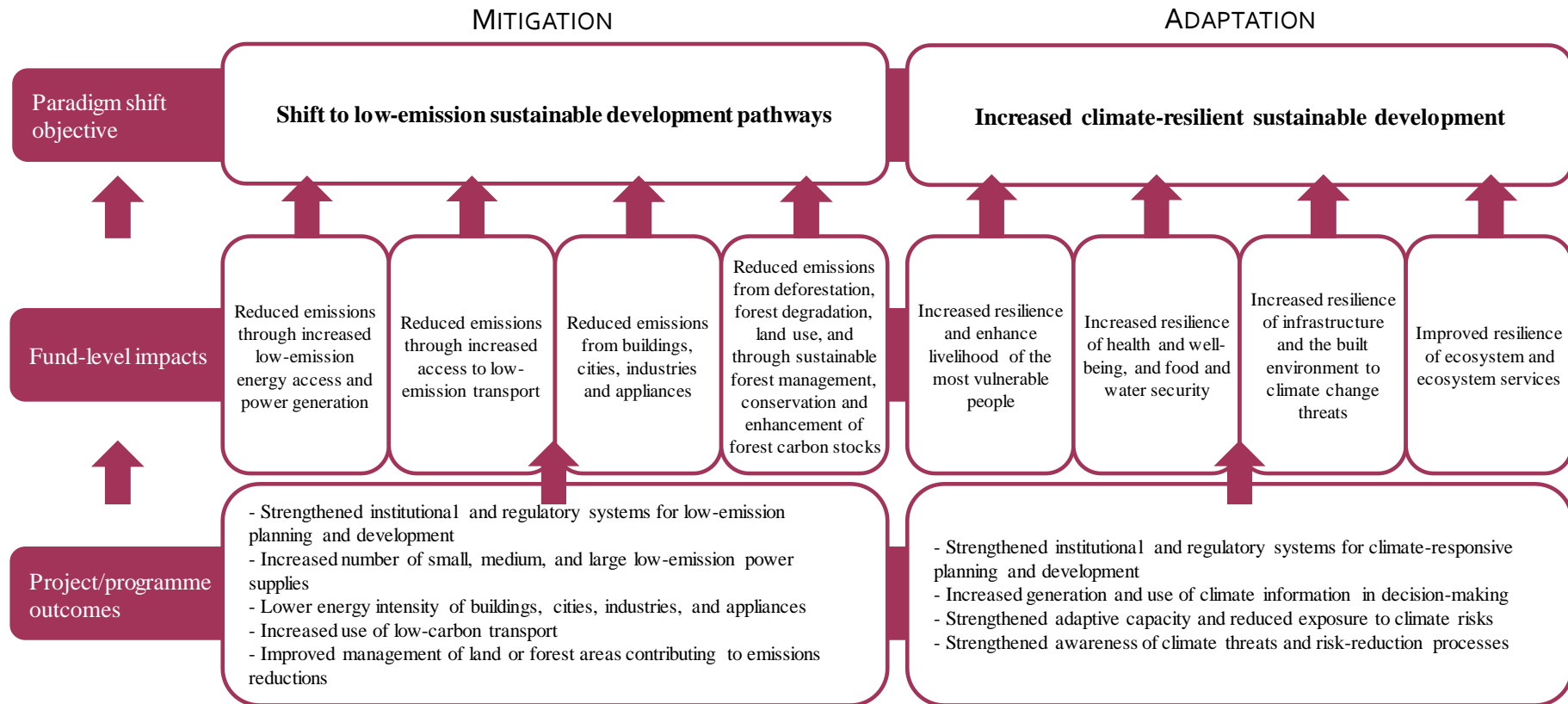


Figure X-3. Mitigation and adaptation logic models

Source: *Initial Results Management Framework of the GCF*. (B.07/11)

### 3. EXPECTED AND ACTUAL RESULTS

#### a. Expected and actual results reported in FPs and APRs

7. The 102 FPs approved should report on their respective impact indicators. Estimates of targets are provided in the FPs, as seen in Table X-1. The cumulative self-reported impacts from the APRs on some of these impact indicators are provided in Table X-2. As the projects begin implementation, they report in their APRs the progress towards achieving expected results.

**Table X-1.** *Accredited entity self-reported impact potential stated in FPs of the current GCF portfolio along some of the key indicators (N=102)*

SOME KEY IMPACT INDICATORS	TOTAL
Expected tonnes of carbon dioxide eq to be reduced Lifetime (btCO <sub>2</sub> eq)	1.55
Expected total number of direct beneficiaries (people)	121,491,976
Expected total number of indirect beneficiaries (people)	198,296,068
Ha of land or forest areas under improved management or reduced salinisation (No.)	2,140,993

Note: These numbers (sometimes given as ranges) are from the FPs and provided by the AEs, and there are differences between these figures and those reported on the GCF website. The Secretariat verifies the numbers provided by the AEs, which is why there will be differences.

8. The first APRs were received in 2018 for 18 projects, and in 2019 the Secretariat received 36 APRs (which included APRs for 19 new projects), as of the 1 March 2019 submission deadline. There are 37 projects that report on the first year of implementation and 17 projects that have submitted an APR for the second year in a row. The APRs report on the GCF's four core indicators, and also additional impact indicators relevant to the project results areas, such as the current MW of low-emission energy installed, and the hectares under improved and effective sustainable management. (see Table X-2).

**Table X-2.** *APR reported impacts along some impact indicators, Year 1 and Year 2*

	TONNES OF CO <sub>2</sub> EQ REDUCED	MW OF ENERGY INSTALLED	BENEFICIARIES REACHED	HA UNDER MANAGEMENT
Number of projects with already reported impacts				
2018 (N=18)	3	2	2	2
2019 (N=36)	7	9	3	6
Total amount per impact indicator				
2018 (N=18)	790,858 tCO <sub>2</sub> eq	10,721 MW	3,489,172 people	39,071 ha
2019 (N=36)	9,880,928 tCO <sub>2</sub> eq	11,352 MW	4,675,070 people	497,891 ha

#### b. Observations of results from country visits

9. In addition to the self-reported results found in the APRs, the FPR drew insights from FPR country visits. In several of these visits, the projects either had not kicked off or were still very much in the early stages of implementation. In other countries, first results were observed, although not yet along



the impact indicators found in the APR but instead mainly at the output levels. Table X-3 presents highlights of results observed during the FPR country visits.

**Table X-3. Observed results from FPR country visits**

COUNTRY	PROJECTS	OBSERVED RESULTS
Bangladesh	FP004, FP069, FP070	Too early to tell given early stages of implementation
Ecuador	FP019, FP095	After almost two years of implementation, FP019 is already reporting on strengthened institutional coordination mechanisms through its support of the REDD+ Working Group and the Inter-institutional Committee on Sustainable Palm Oil. FP095 has not started yet.
Egypt	FP025, FP039, FP053, FP095	The Nile Delta (FP053) project has recently become operational and is already proving to be innovative. The project makes use of nature-based materials to design natural sand dunes, and one unexpected benefit of the project has been its use of reeds from a neighbouring lake, which has additional ecological benefits.
Georgia	FP025, FP038, FP068, FP086	Too early to tell given early stages of implementation
Grenada	FP0020, FP0038, FP059, FP061	Too early to tell given early stages of implementation
Guatemala	FP038, FP048, FP087, FP097	Too early to tell given early stages of implementation
Mauritius	FP033, FP038, FP095	Too early to tell given early stages of implementation
Mongolia	FP025, FP028, FP046, FP077, FP086, FP099, SAP004	Construction of XacBank's Govisumber solar PV plant was completed in January 2019, and the plant is currently delivering renewable energy to the grid. The project's (FP046) expected completion is 2029. The Bank's business loan programme (FP028) for energy-efficient and renewable energy projects approved 19 loans in 2017 and 77 in 2018.
Namibia	FP023, FP024, FP027, FP095, FP098, SAP001, SAP006	The two EIF projects (FP023 and 024) are running behind schedule. Nonetheless the CRAVE project, which aims to increase climate resilience among small-scale subsistence farmers, is bearing fruit: Farmers have expressed interest in applying the CRAVE agriculture methods to their own fields.
Rwanda	FP005, FP073	Only the KawiSafi Ventures Fund (FP005) is under execution. Thus far, 26 shops selling solar systems have opened across the country. Although there are indications that the project is reaching vulnerable people with its off-grid solution, it is too early to tell what the impact is.
Solomon Islands	FP044	Too early to tell given early stages of implementation

**c. Meeting country needs**

GCF projects, in line with the GCF's role as operating entity of the Financial Mechanism of the UNFCCC, should advance and **inform a country's NDCs, national development plans and GCF country programmes.**

10. Table X-4 presents an analysis of the NDCs of 64 LDCs, SIDS and African States for which the GCF has approved funding as of 28 February 2019. Comparing the quantified adaptation and mitigation financial needs of these 64 countries, as expressed in their NDCs, with the amount of GCF funding committed to adaptation and mitigation results areas, reveals a significantly unmet financial need. However, one fourth of these countries have not included quantified financial need in their NDCs, and only half of the 64 have quantified mitigation or adaptation needs separately. Given these limitations, the actual unmet financial need could be more significant than expressed in this table. 0 provides larger figures, referring to a recent United Nations Environmental Programme (UNEP) report that puts annual adaptation finance needs of all developing countries between USD 140 billion and USD 300 billion. Furthermore, a recent study from the International Institute for Environment and Development (IIED)<sup>192</sup> found that LDC NDCs underreported the expected cost of their adaptation measures.

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<sup>192</sup> IIED. (June 2019). *Briefing. LDC NDCs: adaptation priorities and gaps to address*. IIED: London, UK. Available at <https://pubs.iied.org/pdfs/17709IIED.pdf>.

**Table X-4. The extent to which the needs of GCF eligible countries as expressed in NDCs are targeted by GCF projects**

	QUANTIFIED NDC FINANCIAL NEEDS BY 2030 (USD BILLION)	GCF-FUNDED PROJECTS (USD BILLION)	FUNDING NEEDS MET BY THE GCF (%)
All 154 GCF eligible			
Total	\$ 2,303	\$5.0	0.2 %
Adaptation	\$ 570	\$1.8	0.3 %
Mitigation	\$ 1,515	\$3.2	0.2 %
64 LDC, SIDS and African States			
Total	\$ 967	\$ 2.86	0.3 %
Adaptation	\$ 206	\$ 1.22	0.6 %
Mitigation	\$ 543	\$ 1.640	0.3 %
	64 LDCs, SIDS, AFRICA WITH EXPRESSED NEED (# COUNTRIES)	64 LDCs, SIDS, AFRICA WITH GCF PROJECTS (#COUNTRIES)	64 LDCs, SIDS, AFRICA WITH NEEDS MET BY THE GCF (%)
ADAPTATION			
Most vulnerable people and communities	43	38	88%
Health, well-being, food and water security	62	41	66%
Infrastructure and the built environment	58	40	69%
Ecosystems and ecosystem services	55	23	42%
MITIGATION			
Energy access and power generation	62	50	81%
Low-emission transport	50	3	6%
Buildings, cities, industries and appliances	51	31	61%
Forestry and land use	56	23	41%

Source: For quantified financial needs in mitigation and adaptation, a combination of data was extracted by the IEU DataLab from the NDCs and validated by data sourced from NDC Explorer developed by the German Development Institute (DIE), GCF-related data from IEU DataLab

Note: The financial needs stated here are assumed to be cumulative, and not annual.

#### 4. PARADIGM SHIFT

11. **It is stated in the GI of the GCF that “the Fund will promote the paradigm shift towards low emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impact of climate change”.** The ISP focuses the concept of “paradigm shift” somewhat, by highlighting the following components as important: financing innovative projects and programmes; programming resources at

scale; ensuring full country-ownership; ensuring transparent and inclusive procedures; and crowding-in and maximising the engagement of the private sector. “Paradigm shift” is further found in the GCF’s investment criteria; FPs are assessed on the “*degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment*”. The vision for longer-term change should be accompanied by a theory of change for replication and/or scaling up of the project’s results (GCF/B.22.05). The GCF’s action plan does not make any reference to the term “paradigm shift”.

Several institutions involved in climate financing have discussed paradigm shift in the context of transformational change. They associate several attributes to this concept, such as scale effect, removal of barriers, behavioural and long-term changes, and capacity-building (see

12. Table X-5). For the most part, none of the institutions have methodologies to actually measure this transformational change, nor do they have indicators.

**Table X-5. Summary of attributes of transformational change used in different organisation**

ATTRIBUTE OF T-CHANGE	CIF TRANSFORMATIONAL	WB TRANSFORMATIONAL ENGAGEMENT	GEF LDCF/SCCF	NICFI REDD+	UKCIP
<i>Measured T-change?</i>	No	Maybe	No	No	No
<i>Specific/consistent indicators</i>	No	No	No	Yes	No
<i>Demonstration project logic (theory of change)/catalytic</i>	Yes	No	Yes	No	Yes
<i>Removing barriers/lower costs</i>	Yes	No	Yes	Yes	?
<i>Scale effects (spatial)</i>	?	Yes	Yes	Yes	?
<i>Research and learning</i>	Yes	No	Yes	?	?
<i>Systems and across sectors</i>	Yes	Yes	Yes	No	Yes
<i>Long-term change</i>	Yes	Yes	Yes	No	Yes
<i>Behaviour change</i>	No	Yes	No	Maybe	No
<i>Capacity-building</i>	No	No	Yes	Yes	No



13. GCF FPs describe how their proposed project will contribute to a paradigm shift. Three fourths of the adaptation, more than half of mitigation, and one third of cross-cutting FPs will not be able to credibly inform their *own* definition of paradigm shift (Table X-6).

**Table X-6.** *Extent to which paradigm shift potential is identifiable and measurable in 93 GCF funding proposals, measured in level of risk associated with credibly identifying and measuring paradigm shift potential*

	ADAPTATION	MITIGATION	CROSS-CUTTING
% low risk	24	44	64
% medium risk	37	33	20
% high risk	39	22	16

Source: Fiala, N., Puri, J., & Mwandri, P. (2019). *Becoming bigger, better, smarter: A summary of the evaluability of Green Climate Fund Proposals*. IEU Working Paper No.1. Songdo, South Korea: Green Climate Fund.

Note: Definition of scales as follows. Low risk: Paradigm shift potential is well articulated in the proposal and appear to be measurable using high-quality methods; medium risk: paradigm shift potential is specified but needs some clarification; high risk: paradigm shift potential is specified but it relies on significant assumptions that are not verified and/or paradigm shift indicators are vaguely described.

14. The Secretariat and iTAP assessments of the FPs on the paradigm shift potential investment criterion show that 70 per cent (according to the Secretariat ratings) and 65 per cent (according to iTAP) are rated medium-high to high (Table X-7).

**Table X-7.** *Secretariat and iTAP assessment ratings of GCF projects on paradigm shift potential (number of projects per rating)*

RATINGS	SECRETARIAT ASSESSMENT	iTAP ASSESSMENT
Low	2	5
Low-Medium	3	4
Medium	18	19
Medium-High	16	8
High	38	45

Breaking down the term “paradigm shift” into the necessary, but not sufficient, attributes such as the GCF’s contributions to scale of change, depth of change, permanence of change, systems and behaviour change (including contributions to policy), early insights from the country visits show there to be potential for change in some projects. However, the potential is dependent on the long-term sustainability of projects (permanence of change) and changes to the (national) policy environment (systems and behaviour change). Furthermore, some projects address symptom level problems and not root causes (depth of change).

15. Table X-8 below provides examples of paradigm shift potential in 12 countries visited by the FPR team.

**Table X-8. Observations from country visits on paradigm shift potential**

COUNTRY	OBSERVATIONS
Bangladesh	While it is too early to make any conclusions, the Climate-Resilient Infrastructure Mainstreaming project (FP004) has the potential, with the dissemination of knowledge and best practices from its centre of excellence, to shape future adaptation work in Bangladesh.
Ecuador	The projects are at a symptom level and do not tackle the root causes of major deforestation. This can affect the sustainability of the projects, since any success of the projects will be undermined by external threats such as illegal logging or mining activities. The projects do not take these root causes into consideration.
Egypt	The Nile Delta project is an innovative, sustainable and cost-efficient solution. While the nature-based solution is local – using reeds from a nearby lake as input for the dams – the best practices and lessons learned can be applied to other countries dealing with rising sea-levels.
Georgia	Too early to tell.
Grenada	Transformational changes are envisioned for some projects (FP020 and FP059) in terms of contributions to scale of change. However, the pace of disbursement and implementation is undermining the feasibility of the changes being realised.
Guatemala	The contributions of the GCF project that focus on capacity-building are at risk of being lost as the result of staff turnover or political changes. Institutionalisation of climate action is therefore crucial.
Mauritius	FP033 lays the engineering foundation for renewable energy nationwide and as a result has the potential to contribute to change at a large scale. However, the potential of the project to be paradigm shifting is in part dependent on changes to the policy environment (contributions to systems), specifically the electricity tariff regulation.
Mongolia	Individual projects are innovative, with the potential to catalyse comparable activities in the future. The Govisumber solar PV project entailed the first time in the country that a national commercial bank led the financing of a renewable energy project. In general, as a result of XacBank’s demonstration effect and green financing workshops, the Mongolian financial sector has an active interest in the opportunities for green financing.
Namibia	The current projects are active at a symptom level and do not tackle the root causes of lack of resilience. However, there are elements of the CRAVE project that are innovative and potentially paradigm shifting. An indicator of the project’s success would be the percentage of smallholder farmers that have adapted their agricultural practices accordingly.
Rwanda	Too early to tell.
Solomon Islands	The GCF project (FP044) is well-positioned to catalyse transformational change in the energy sector through its contributions to dramatically increasing energy security and reducing the cost of power. However, the potential of the project to be truly transformational is dependent on the reform of power tariffs and regulations.

## C. FINDINGS

### 1. QUALITY OF FPS

16. **The GCF will not be able to fully measure its impact and effectiveness due to gaps in FPS' M&E frameworks, and because log frames often lack coherence and climate specificity.**
17. The FPR finds that the quality of the RMFs for GCF-funded projects is weak in the majority of approved projects. There are widespread reporting gaps, which will inevitably lead to underreporting of the GCF's reach and impact. The Office of Portfolio Management is reviewing the current portfolio for M&E gaps and engaging and supporting the AEs.

### 2. RESULTS MANAGEMENT FRAMEWORK

18. **The RMF helps project proponents to align project objectives to the GCF's results areas. It presents a flexible menu of indicators. The GCF's RMF was designed to be elastic, giving partners considerable latitude to design diverse and innovative projects. However, there are gaps and weaknesses in how the indicators are defined and measured.** There are no clear definitions, protocols or guidance to report on indicators, resulting in heterogeneous interpretations and uneven applications. While the GCF's RMF is suitable for classifying projects, the lack of guidance opens the door to double-counting, non-aggregability and other problems. Moreover, the IEU's review suggested that they are not systematically used by stakeholders beyond classifying the results areas. Unless impact indicators are identified for results areas that are currently missing them, the GCF will have results reporting gaps for USD 1.3 billion of its investments.
19. **The RMF does not fully articulate how project outcomes contribute to the GCF's overarching aims of paradigm shift towards low-emission and climate-resilient sustainable development pathways.** As discussed extensively in the IEU's evaluation of the RMF, and further substantiated by interviews with internal and external stakeholders, the logic models that underpin the projects' RMF have quality issues. Some of the issues are internal to the GCF, such as lack of clarity on definitions of indicators, and some are external, such as issues related to a low-quality theory of change.<sup>193</sup>
20. **The FPR team verified that all GCF projects aim for long-term impacts.** However, this is predicated on three things: the project design is robust, the implementation is successful and the impact is measurable. It is unclear currently whether the GCF has the data or information systems to credibly inform all three of them.

### 3. EXPECTED AND ACTUAL RESULTS

21. **The current GCF portfolio is expected to reduce 1.5 btCO<sub>2</sub>eq, directly or indirectly benefit over 276 million people, and manage over 2 million ha of land or forest areas.** As a result of a still nascent organisation and portfolio, and the currently low disbursement rates, there are few indications of first results. Initial observations from country visits largely reveal very few first results; many of the projects either had not yet been implemented or were in the very early stages of implementation. However, there are some early indications of initial results in Mongolia, Namibia, Ecuador and Egypt.

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<sup>193</sup> The proposals submitted to the GCF often lack good-quality theories of change that substantiate the longer-term visions of the projects. As discussed in the IEU's review of the RMF, only 32 per cent of proposals had well-defined theories of change, and 51 per cent did not inform their theories of change with quality evidence.

22. There are several issues that the GCF should consider when trying to estimate the results into the future:
- Due to gaps and weaknesses in the quality of its results measurement frameworks it is difficult to gauge likelihood of results. Overall, due to the absence of a management framework, it is unlikely that the Fund will be able to report its impacts credibly. Currently it is difficult to gauge the likelihood of results based on current standards of evidence, data, methodologies and reporting.
  - To date, APRs have been submitted for 37 projects, and across the four core indicators reporting is not yet at impact level. Of the quantified results that have been reported, it is difficult to draw substantive conclusions on the realised results of the GCF's projects and programmes to date, given the lack of guidance on methodology and the GCF's limited due diligence on the APRs. Aggregating the actual results at portfolio level is, for these reasons, similarly problematic.
  - Currently, GCF funding is mainly committed through 10 AEs receiving three fourths of the GCF's funding (75 per cent) (Table X-9). Most of these entities have targeted their success rate, at completion, at 70–80 per cent. This means that the GCF should also adjust its expectations for success at this level, reducing its potential for impact.

Furthermore, the GCF portfolio concentrates in 10 countries (57 per cent of all projects) (

- Table X-10). This means that the GCF might be able to realise contributions to impacts in a small number of eligible countries.

**Table X-9.** *Accredited entities ranked by GCF approved amount of funding in USD million, as of 28 February 2019*

RANKING	ACCREDITED ENTITY	AMOUNT OF GCF FUNDING (USD MILLION)
1	EBRD	826.8
2	UNDP	700.8
3	World Bank	576.5
4	ADB	372.5
5	AFD	310
6	EIB	265
7	IDB	247.7
8	AfDB	168.7
9	KfW	155.8
10	DBSA	155.6

**Table X-10. Countries ranked by number of approved GCF projects, as of 28 February 2019**

RANKING	COUNTRY	NUMBER OF APPROVED PROJECTS
1	Mongolia	7
2	Namibia	7
3	Kenya	6
4	Morocco	6
5	Nigeria	6
6	Uganda	6
7	Benin	5
8	Burkina Faso	5
9	Senegal	5
10	Tajikistan	5

23. **GCF projects are partly targeting the adaptation and mitigation needs identified in the NDCs of 64 SIDS, LDCs and African States; however, there remains unmet adaptation and mitigation financial need.** An analysis of 64 NDCs of LDCs, SIDS and African States reveals that GCF projects are largely targeting the adaptation and mitigation needs of these 64 countries in terms of results areas. The GCF projects are targeting the energy access and power generation need of over 80 per cent of the 64 countries. This area, as discussed in 0, is also increasingly being met by the market, specifically, the private sector. However, the current GCF portfolio is delivering limited support to the needs of the 64 countries in low-emission transport (there are only three countries with an expressed need for support in low-emission transport with a relevant GCF-funded project).

#### 4. PARADIGM SHIFT

24. Paradigm shift is one of the key principles of the GCF, and the GCF is expected to promote it to move countries into low-emission and more climate-resilient economies. It is one of the key pathways to achieve sustainable impact indicators such as GHG emissions reduction and people benefiting from the GCF projects. For the most part, **proposals received by the GCF are ambiguous in their treatment of paradigm shift, largely because GCF guidance on paradigm shift is not sufficient.** However, as interviews, country visits and surveys reveal, there is no clear definition and guidance on the term “paradigm shift”.<sup>194</sup>
25. **Early observations from country visits reveal the potential of a few projects to be paradigm shifting; however, a common barrier to this potential is having the right policy environment.** The potential of the projects observed during the country visits to affect a paradigm shift is largely driven by either their innovative nature, their focus on the dissemination of knowledge and best practices, or their demonstration effect. However, the potential is dependent on the *permanence of the change* the projects effect and whether the change is accompanied by *behavioural and system changes*. For example, it can be argued that the paradigm shift in renewable energy is well under way (please see 0 for more details); however, if this shift is not accompanied by changes to the policy environment (i.e. to tariff regulations) the scale of the transformation could be hindered.

<sup>194</sup> Similarly, interviews with the GCF’s in-country counterparts reveal a need for a more actionable definition to better frame national priorities and communicate needs.



Other observations find that projects do not sufficiently tackle root causes, and thus lack the depth of change necessary for a paradigm shift, particularly in relation to their sustainability. Country reports highlight the need to address systemic issues and ensure institutionalisation of changes, which are often achieved through policy changes.

26. **There is not yet reliable evidence that suggests the GCF portfolio is set to achieve a paradigm shift at global or national level.** The iTAP and Secretariat assessments of the projects in the GCF's current portfolio rate the paradigm-shifting potential of over two thirds of the projects at medium-high or high. Furthermore, achieving a paradigm shift is a process and not a one-off occurrence; however, the Secretariat and iTAP judge the paradigm-shifting potential of FPs only by each project's individual potential and not in the larger context.

## D. CONCLUSIONS AND RECOMMENDATIONS

### 27. Quality of FPs – measuring results:

- Craft a clear and coherent set of definitions, protocols and guidance for FPs on how to precisely measure contributions towards GCF indicators, so that reported results are globally consistent and amenable to aggregation.
- Issue a clear and coherent definition of core GCF indicators.
- Ensure that AEs can more easily understand and utilise the GCF's M&E expectations and systems. This would include a public web-based portfolio management system and a technical guide that clearly presents GCF guidance on results management in a way that enables readers to fully understand priorities and requirements.

### 28. Reporting on results:

- Simplify the APR template and create an online APR submission environment, with tailored questions for the results areas of projects. Focus the APR template on quantitative and qualitative reporting of progress towards achieving results (at the outcome and impact levels) and identifying shortcomings in implementation, ways to manage these shortcomings and any lessons that could be used for future projects.
- Create an enabling internal environment that encourages experimentation and learning – even from projects that are not fully successful.

### 29. Innovation, risk and enabling environment as a key elements of paradigm shift:

- Signal externally to the AE community and others, the value that the GCF places on innovation. This may take the form of innovation being included in proposal review criteria, or via an RfP. This may also be signalled through the creation of an innovation hub that places a significant emphasis on innovation and learning.
- Signal the emphasis that the GCF places internally on innovation by having non-monetary incentives for staff to create a portfolio that emphasises impact on country needs or innovation, or both. Build a culture that is excited by and responsible for innovative projects and that reflects the need for urgency and innovation in the response to climate change. Celebrate and reward innovation both in the use/production/combination of instruments as well as in the overall portfolio mix. Innovation may deviate from established best practice and is more likely to fail, or be riskier, and so the GCF should consider how to build in a greater tolerance for risky projects.
- Encourage project proposals to target national policy processes.



## Chapter XI. THE GCF'S ROLE IN CLIMATE FINANCE

### KEY RECOMMENDATIONS

- Increase the focus on innovative adaptation operations, combining the different financial instruments available to the GCF and increasing the participation of the private sector in adaptation. This focus could include de-risking capital and insurance structures in agricultural supply chains; adaptation-focused private equity funds; and insurance solutions for countries and communities.
- Set targets at GCF and PSF levels and incentivise project teams that combine private sector knowledge and adaptation knowledge to work closely on providing solutions-based advice that leads to the greatest impact on country needs, rather than providing instrument-based advice.
- Adopt a portfolio approach rather than a project approach to adaptation finance to encourage learning and knowledge-sharing between projects.
- Given the innovativeness and potential for scaling up of this approach, the Board should encourage a culture of learning from the failure of projects, as a valuable return on these investments.
- Scrutinise adaptation-related project proposals on their climate rationale. This requires the GCF to increase its conceptual clarity on what separates and complements adaptation and sustainable development.
- Develop new approaches through which an adaptation project pipeline can be built with more private sector participation. The GCF should also partner with, encourage and join innovative private sector actors that are working on adaptation.
- The GCF must be very conservative in committing finance to renewable energy projects since a paradigm shift is already under way in this area. GCF support for renewable energy should be focused on specific cases, such as LDCs and SIDS niches, where the GCF may still have a role to play.

### KEY FINDINGS

- Climate adaptation and mitigation needs in developing countries are estimated to be USD 220 billion and USD 1,200 billion per year, respectively. Adaptation and mitigation financing in developing countries are estimated to be USD 22 billion and USD 249 billion per year, respectively, or 10 per cent and 21 per cent of the identified needs.
- The GCF's scale in the adaptation market is substantially larger than in mitigation. In developing countries, the GCF's 2.2 per cent share of adaptation finance is more than five times larger than its share in mitigation finance (0.4 per cent).
- DFIs are losing "market share" in renewable energy financing in developing countries, from 3.4 per cent in 2013 to 2.3 per cent in 2017, due to a significant increase in domestic and commercial financing.
- The GCF's sustainable annual commitment rate of  $\pm$  USD 1.5 billion represents 2.7 per cent of the international climate finance flows of USD 57 billion. Nevertheless, the GCF is by far the largest international climate fund: its USD 2.1 billion commitments in 2018 represented 73 per cent of the total commitments of international climate funds.
- The GCF's mix of instruments used in mitigation financing is quite similar to those of MDBs. In adaptation, the GCF provides mostly grants, whereas the MDBs provide mostly debt and guarantees. Although the participation of the private sector in adaptation finance is below 20 per cent for all MDBs, some report higher participation of the private sector than the GCF.

## A. INTRODUCTION

1. This chapter describes the role of the GCF in the international climate financing architecture. The following key questions are discussed and analysed in this chapter:
  - What are the climate financing needs, especially in developing countries?
  - What are the climate financing flows to developing countries?
  - What is the GCF's position in the climate financing space, both in terms of the needs and the financial flows, and specifically in adaptation and mitigation?
  - What are the implications of the findings for the GCF?
2. The data used in this chapter are drawn from public sources, notably the IPCC, UNFCCC, UNEP, Climate Policy Initiative (CPI) and World Bank.

## B. DATA AND ANALYSIS

### 1. CLIMATE FINANCING NEEDS AND FLOWS

#### a. Global needs

3. **There are many differences in estimates of global climate financing needs.** To limit global warming to 1.5° Celsius, the IPCC estimates that an annual investment of USD 2.38 trillion is needed between 2016 and 2035<sup>195</sup> in the energy generation and distribution system. This is equivalent to 2.5 per cent of world GDP. It is estimated that some 77 per cent of this is needed for energy supply and the remainder for the demand side. Similarly, the OECD estimates that energy investments in transport and infrastructure will represent one third of total investment needs.<sup>196</sup> This means annual investment needs may well be above USD 7 trillion per year or 7.5 per cent of world GDP. Given the large variance and thus the limited confidence of the estimations, and to err on the side of caution, the FPR team uses the lower estimate of USD 2.38 trillion as the annual climate investment required to keep global warming within the 1.5°–2.0° C range.

#### b. Needs of developing countries

4. The International Energy Agency estimates that some 50 per cent of future energy investments will occur in developing nations<sup>197</sup>. Combining this with the global climate investment needs from the previous section results in a high-level estimation of climate investment needs in developing countries of approximately USD 1.2 trillion. UNEP estimates the annual cost for developing countries adapting to climate change at between USD 140 billion and USD 300 billion by 2030, increasing to USD 280 billion to USD 500 billion by 2050.<sup>198</sup> For the analysis below, the FPR team takes the average of USD 220 billion as the adaptation financing needs in developing countries and emphasises that these high-level estimates are, if anything, conservative and therefore well defensible. Based on NDCs that have quantified estimates of adaptation costs, the IIED estimates

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<sup>195</sup> IPCC. (2018). *Global warming of 1.5° C*, Section D.5.3 and Section 4.4.5.1. Available at <https://www.ipcc.ch/sr15/>. This statement is classified as medium confidence and is based on the average of six models of annual investment needs, which range from USD 1.38 trillion to USD 3.25 trillion. The USD exchange rate in 2010 is applied to the estimations in this particular section.

<sup>196</sup> From the same IPCC report, the OECD estimates annual investment needs in energy, transport and other infrastructure to be respectively USD 2.13 trillion, USD 2.73 trillion and USD 1.52 trillion.

<sup>197</sup> <https://www.iea.org/weo2018/electricity/>

<sup>198</sup> UNEP. (2018). *The Adaptation Gap Report 2018*. Nairobi, Kenya: United Nations Environment Programme (UNEP). Available at <https://www.unenvironment.org/resources/adaptation-gap-report>.

that the largest funding needs are in agriculture and food security; followed by hydrological, water resources and coastal zones; infrastructure; and natural resource management.<sup>199</sup>

### c. Climate financing flows within and to developing countries

5. Mapping out all climate finance flows, be they domestic or international, is near impossible. Based on UNFCCC data, the CPI has compiled the most comprehensive overview to date of these flows.<sup>200</sup> The CPI was able to track a total of USD 463 billion<sup>201</sup> of climate financing, of which USD 249 billion came from the private sector and USD 214 billion from the public sector. Tracked private sector flows were limited to two sectors – renewable energy and sustainable transport – whereas flows in the public sector encompass those two sectors as well as energy efficiency, land use and adaptation. The complete breakdown of the flows is presented in Figure XI-1.

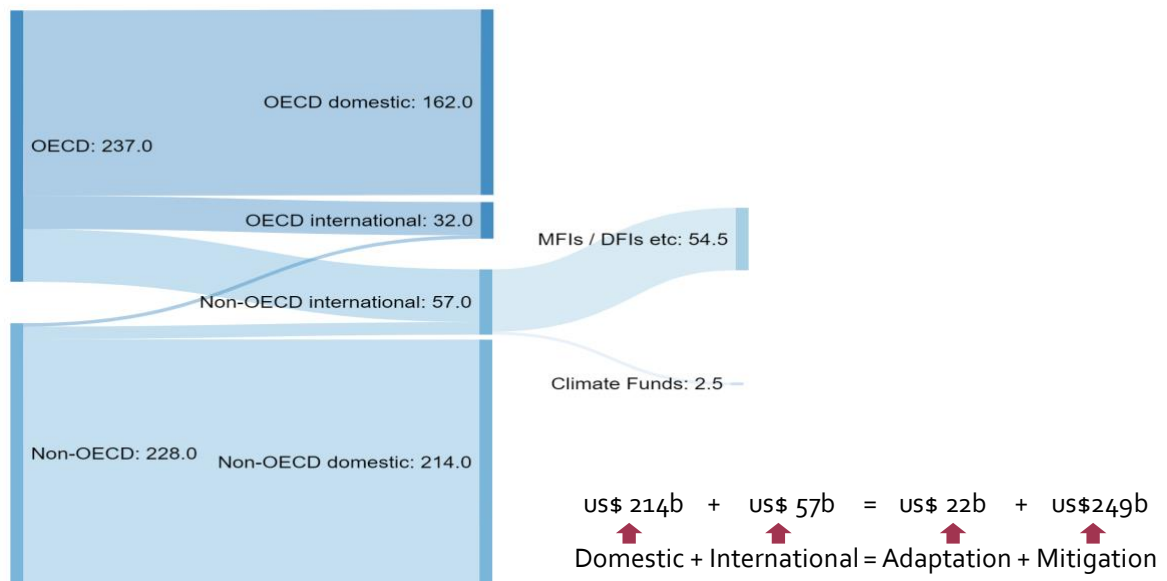


Figure XI-1. Global climate finance flows

Source: CPI, 2018

6. As shown in the figure above, in non-OECD countries domestic climate finance flows amount to USD 214 billion, and the international transfers to non-OECD countries (mostly from OECD countries) is USD 57 billion.<sup>202</sup> The USD 57 billion largely consists of the financing of multilateral finance institutions (MFIs) and bilateral DFIs as well as the various climate funds, including the GCF. Of the total USD 271 billion in climate finance in non-OECD countries, USD 22 billion was for adaptation and USD 249 billion was for mitigation.
7. **Most of the USD 249 billion of mitigation finance needs are for renewable energy.** In this sector, the growth of developing countries has been most remarkable. Whereas in 2011, less than one third of the global USD 288 billion investments in renewable energy occurred in developing countries, in 2017 this was almost two thirds of USD 280 billion.<sup>203</sup> Most of this capital came from domestic sources. Although the annual investments in renewable energy by MDBs and climate

<sup>199</sup> IIED. (June 2019). *Briefing. LDS NDCs: adaptation priorities and gaps to address*. The analysis covers a total of USD 167 billion of costed adaptation measures in NDCs.

<sup>200</sup> CPI. (2018). *Global Climate Finance: An updated view 2018*. Available at

<https://climatepolicyinitiative.org/publication/global-climate-finance-an-updated-view-2018/>.

<sup>201</sup> CPI reports 2015/2016 averages.

<sup>202</sup> UNFCCC identified USD 58 billion of international climate finance whereas CPI identified USD 57 billion

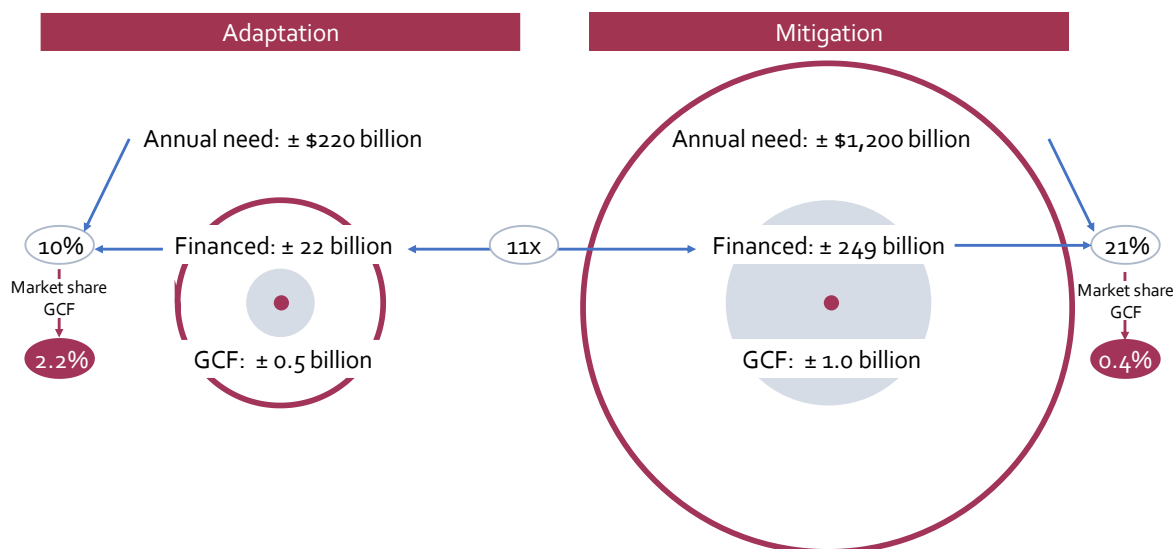
<sup>203</sup> BloombergNEF. (2018). *Climatescope*. USD 197 billion in developed countries and USD 91 billion renewable investments in developing countries; in 2017 these amounts were respectively USD 103 billion and USD 177 billion.

funds increased from USD 2.2 billion to USD 4.1 billion over this period, their combined market share fell from a high of 3.4 per cent in 2013 to 2.3 per cent in 2017. One may therefore tentatively conclude that a paradigm shift is already under way in the financing of renewable energy in developing countries, where more investments are being mobilised from a variety of financing sources and financially self-sufficient models are being established. **One of the main drivers for this shift has been the dramatic reduction of costs, which renders wind and solar power more cost-effective than thermal plants, even without subsidies.**<sup>204</sup>

## 2. THE GCF'S POSITION IN CLIMATE FINANCE

### a. The GCF's share of adaptation and mitigation climate finance

8. The financial needs and flows described in the previous section are annual. In order to describe the GCF's role in climate finance we had to look at its commitments historically – that is, the amount of money it has committed annually to climate projects. The 2016–2018 average commitment rate<sup>205</sup> of the GCF was USD 1.5 billion per year.<sup>206</sup> Based on the breakdown of the entire GCF portfolio to date, and using the ratio of committed amounts to adaptation and mitigation (USD 0.5 billion and USD 1.0 billion respectively),<sup>207</sup> results in the diagram in Figure XI-2.



**Figure XI-2.** *Global financial flows to adaptation and mitigation in developing countries and the GCF's position (2015–2017)*

9. As shown in Figure XI-2 and discussed in parts 1.b and 1.c, of the USD 220 billion needed for adaptation in developing countries, some USD 22 billion (10 per cent) is financed, meaning that almost USD 200 billion (90 per cent) of needs are unmet. The GCF historical commitment rate of USD 0.5 billion to adaptation gives it a 2.2 per cent share of the actual adaptation flows. In mitigation, the USD 249 billion in finance meets 21 per cent of the USD 1,200 billion needs. The GCF's historical annual commitments of USD 1 billion represent some 0.4 per cent of total

<sup>204</sup> According to BloombergNEF, 54 developing countries have invested in at least one utility-scale wind farm, and 76 countries have secured financing for solar projects larger than 1.5 MW. A decade ago, there were just 20 countries with utility-scale wind projects and just three solar projects.

<sup>205</sup> In 2016, 2017 and 2018 the commitments were respectively USD 1,157 million, USD 1,157 million and USD 2,119 million, for an average of USD 1,478 million.

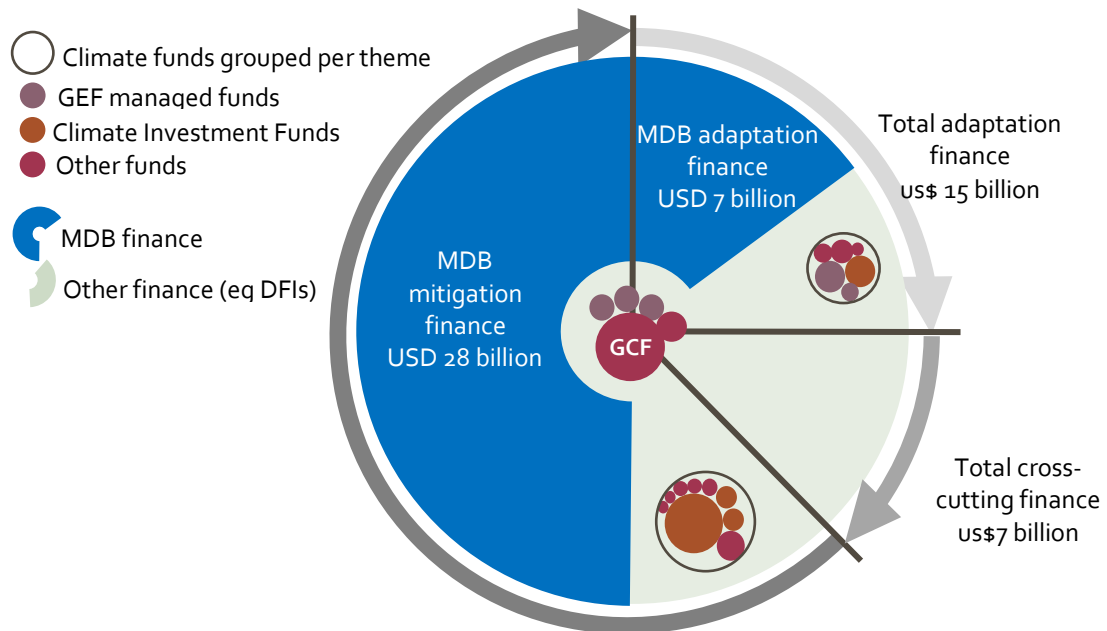
<sup>206</sup> This excludes co-financing because that would be tantamount to double counting.

<sup>207</sup> When disaggregating cross-cutting projects by results area, total commitments in adaptation and mitigation make up respectively 37 per cent and 63 per cent of the GCF portfolio, in nominal terms. This report therefore assumes a 1:2 ratio. For more data and charts please see the Annexes.

mitigation finance. **In summary, although the GCF’s commitments to adaptation are smaller than to mitigation, its relative size in adaptation is more than five times larger than in mitigation, based on these conservative estimates.**

**b. The GCF’s share of international climate finance**

10. When looking at the USD 57 billion (see part 1.c) in multilateral (public) climate finance flows (mostly from MFIs/DFIs) to developing countries, the GCF’s annual USD 1.5 billion commitment rate represents a share of 2.7 per cent. The biggest players in this space are the seven multilateral DFIs (i.e. Asian Development Bank (ADB), African Development Bank (AfDB), EBRD, EIB, , Islamic Development Bank (ISDB), IDB, and the World Bank Group (WBG)) as shown in Figure XI-3. The diagram shows how international climate finance is partitioned over adaptation (USD 15 billion or 25 per cent), mitigation (USD 36 billion or 63 per cent) and cross-cutting (USD 7 billion or 12 per cent). Overlying these three slices are the annual USD 7.3 billion adaptation finance and USD 27.9 billion mitigation finance of MDBs, as well as the average annual commitment rates of the various multilateral climate funds. MDBs thus provide 49 per cent of international adaptation finance and 78 per cent of international mitigation finance.<sup>208</sup>
11. The GCF climate funds are small in comparison to those of the MDBs. For example, the GCF’s USD 1.5 billion three-year average commitment to climate-focused investments is some 4 per cent of the USD 35 billion of MDBs. Nevertheless, these investments are important because of the additional and specific climate-related role they can play, as well as their potential for taking higher levels of risk and contributing to a catalytic change. Moreover, they are the most tangible evidence of the principle of “common but differentiated responsibility and respective capabilities” mentioned by the COP, through which developed country Parties are to provide financial resources to assist developing country Parties in implementing the objectives of the UNFCCC.

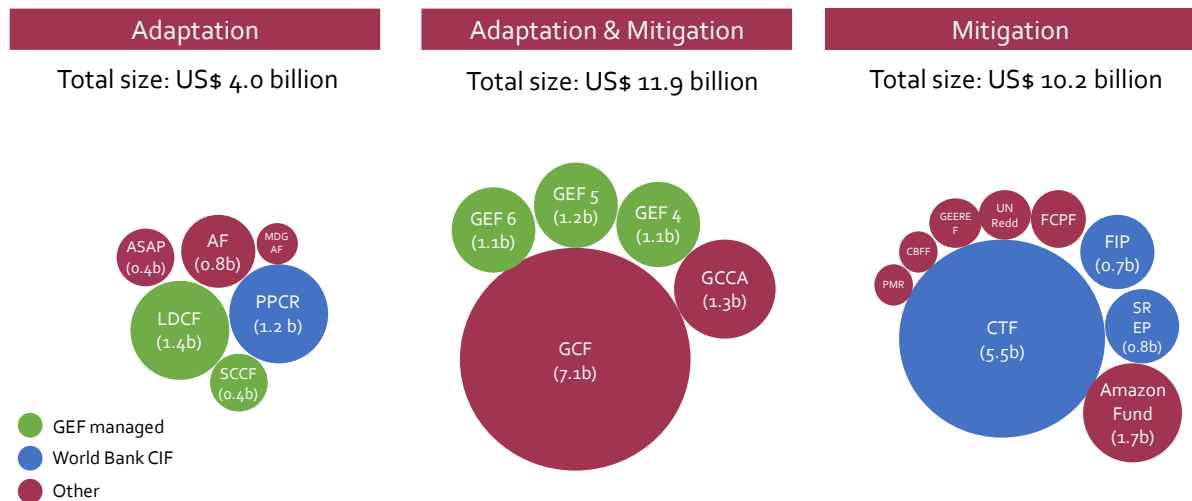


**Figure XI-3. MDBs and climate funds in the USD 57 billion international climate finance flows**

<sup>208</sup> MDBs also finance cross-cutting projects, but a breakdown is only given for adaptation and mitigation.



12. The situation depicted in the figure above changes over time. For example, since 2016, the WBG has increased its adaptation finance (by its own account) considerably more than its mitigation finance. Its adaptation finance reached more than USD 7.5 billion in 2018,<sup>209</sup> and for the years 2021–2025 it is likely to spend more than USD 10 billion on adaptation each year.<sup>210</sup> The cumulative USD 50 billion for adaptation finance represents half of the World Bank’s USD 100 billion direct finance announced for climate finance, and another USD 100 billion of finance will be provided by WBG’s IFC and Multilateral Investment Guarantee Agency, together with private financiers.
13. Figure XI-4 provides an overview of most multilateral climate funds active in adaptation and/or mitigation climate finance. With USD 4.0 billion out of the total USD 26.1 billion (i.e. 15 per cent), adaptation is the smallest focus. Moreover, 85 per cent of the current funding for adaptation has already been committed. In terms of project capital commitment rates, the GCF’s leading position among climate funds is also pronounced: from 15 per cent (USD 145 million) in 2015 to 73 per cent in 2018 (USD 2,119 million out of USD 2,884 million). The GCF’s market share of all public multilateral climate fund financing in adaptation, mitigation and cross-cutting projects in 2018 was respectively 58 per cent, 66 per cent and 93 per cent.



**Figure XI-4. Public multilateral climate funds active in adaptation and mitigation**

Source: Climate Funds Update, Heinrich Böll Stiftung NA, ODI

Note: Size of the bubble indicates amounts deposited (not pledged). Deposited amounts as per 19 February 2019. Funds cover different time periods but an estimate of annual commitments of 10 per cent of cumulative fund size is realistic, i.e. ± USD 2.5 billion per year.

### c. The GCF’s profile in adaptation and mitigation finance

14. Adaptation and mitigation projects are very different. Whereas mitigation investments such as energy access and power generation (representing 79 per cent of the GCF’s mitigation portfolio<sup>211</sup>) are often separable from other investments, adaptation projects tend to be much less discernible. This is especially the case when trying to make a distinction between adaptation and traditional development activities because climate change disproportionately affects poor and marginalised communities. As a result, it is considerably harder to construct an accurate picture of adaptation finance than it is for mitigation finance because different institutions may use different criteria. With

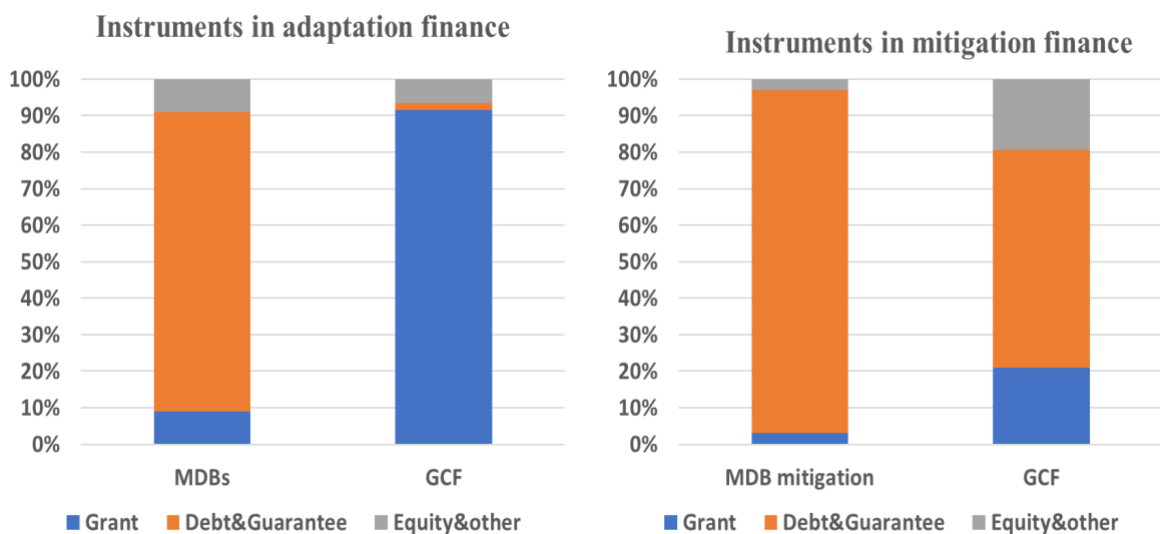
<sup>209</sup> Project-level climate finance data, World Bank Group FY2018.

<sup>210</sup> World Bank. (2019). *The World Bank Group Action Plan on Climate Change Adaptation and Resilience*. Washington, DC: World Bank. Available at <http://documents.worldbank.org/curated/en/519821547481031999/pdf/The-World-Bank-Groups-Action-Plan-on-Climate-Change-Adaptation-and-Resilience-Managing-Risks-for-a-More-Resilient-Future.pdf>.

<sup>211</sup> This includes the mitigation portion of the cross-cutting portfolio.

this caveat in mind, the FPR compares the character of GCF financing in adaptation and mitigation with those of MDBs and multilateral climate funds. The two main aspects we look at here are, first, the types of financial instruments used and, second, the degree of involvement of the private sector.

15. Figure XI-5 shows that the GCF’s mix of financial instruments in mitigation finance is broadly similar to the one deployed by MDBs, although the GCF uses more grants and equity, which is commensurate with its higher risk appetite. In adaptation finance the situation is markedly different. Whereas the GCF provides 92 per cent of its finance in the form of grants to adaptation, MDBs provide mostly debt and guarantees (80 per cent). Except for the CIF’s PPCR, the GCF’s financing of adaptation is similar to that of other climate funds, albeit at a larger scale (see Figure XI-7). It should be noted that the Board information paper GCF/B.21/Inf.03/Add.01<sup>212</sup> mentions that most entities behind the GCF adaptation pipeline had no relationship with one of the other adaptation funds. Hence there must be potential for the GCF to identify innovative and successful projects from the smaller adaptation funds and help them to scale up.



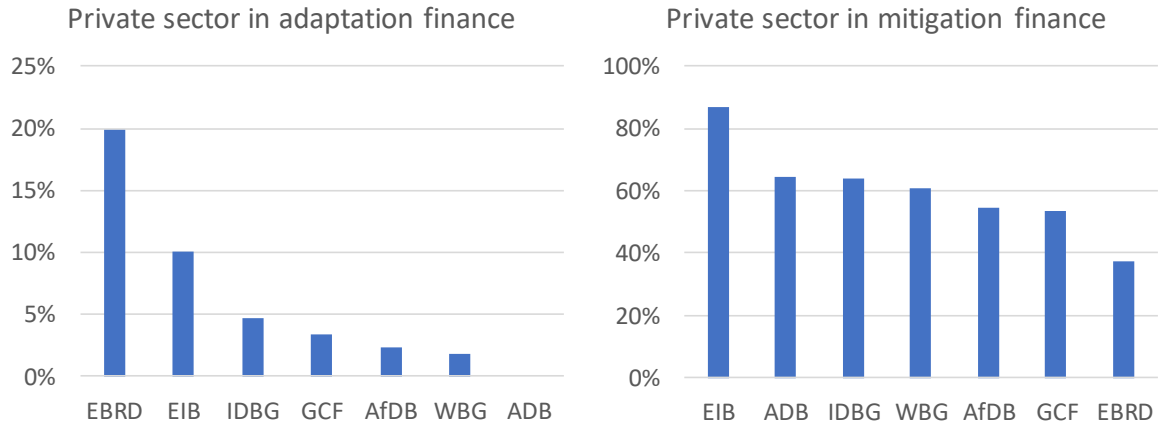
**Figure XI-5. Financial instruments of the GCF in adaptation and mitigation finance vis-a-vis multilateral development banks**

Source: GCF portfolio as per 19 February 2019 and Joint Report MDBs Climate Finance 2017 (EBRD, June 2018)

16. As shown in Figure XI-6, with 54 per cent private sector involvement<sup>213</sup> in mitigation finance, the GCF is behind most MDBs, although not by much. In adaptation finance, the GCF’s 3 per cent share of the private sector is well behind some MDBs, although none of them reaches a level above 20 per cent.

<sup>212</sup> GCF/B.21/Inf.03/Add.01: Approach and scope for providing support to adaptation activities – Addendum I: The GCF’s approach to adaptation: analysis and implications for the Fund.

<sup>213</sup> According to IRENA (2018), globally 92 per cent of the investments in renewable energy are coming from the private sector.

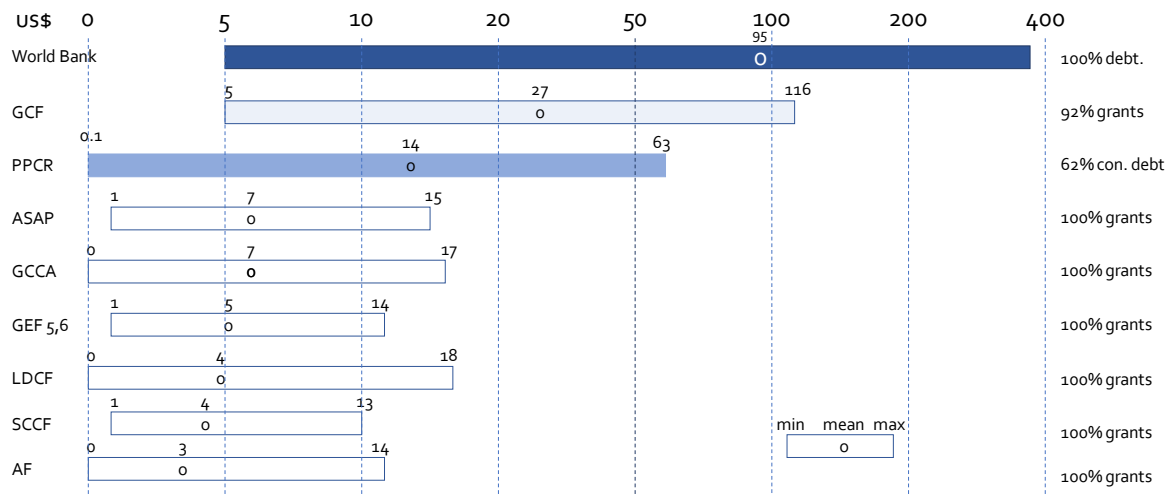


**Figure XI-6. Private sector involvement of the GCF in adaptation and mitigation finance vis-a-vis multilateral development banks**

Note: For the GCF we have assumed that all mitigation finance provided by the PSF (USD 1.291 billion, out of USD 2.399 billion for all of the GCF) is directly or indirectly provided to the private sector. Direct financing of private sector entities is USD 270 million, and USD 1.021 billion is to public entities such as MDBs but may flow to private entities.

Source: Source: GCF portfolio as per 19 February 2019 and Joint Report MDBs Climate Finance 2017 (EBRD, June 2018)

17. Except for the WBG, no publicly available information has been found on the average size of adaptation financing provided by MDBs. Keeping that in mind, Figure XI-7 shows the GCF's unique ability to provide grant financing at a scale that no others can or do. The diagram also shows that it ought to be possible to put other instruments such as (concessional) debt at work, which points to the presence of public or private return flows.



**Figure XI-7. Adaptation finance size and instruments of World Bank and multilateral climate funds**

## C. FINDINGS

18. The key findings of the chapter are as follows:

- Adaptation and mitigation needs in developing countries are estimated to be USD 220 billion and USD 1,200 billion per year respectively.
- Based on conservative estimates, adaptation and mitigation financing in developing countries are estimated to be USD 22 billion and USD 249 billion per year respectively, or 10 per cent

and 21 per cent of identified needs. The financing gaps in adaptation and mitigation are thus 90 per cent and 79 per cent, respectively. The unmet needs of developing countries are relatively larger in adaptation, and the GCF's scale in that market is substantially larger than in mitigation.

- In developing countries, the GCF's 2.2 per cent share of adaptation finance is more than five times larger than its share in mitigation finance (0.4 per cent).
- DFIs are losing "market share" in renewable energy financing in developing countries, from 3.4 per cent in 2013 to 2.3 per cent in 2017, due to a significant increase of domestic and commercial financing.
- The GCF's sustainable annual commitment rate of USD 1.5 billion represents 2.7 per cent of the international climate finance flows of USD 57 billion.
- The GCF is by far the largest international climate fund: its USD 2.1 billion in commitments in 2018 represented 73 per cent of total commitments of international climate funds.
- The GCF's mix of instruments used in mitigation financing is similar to those of MDBs, although it provides more equity for mitigation, which reflects its higher risk appetite; in adaptation, the instruments have not been combined in innovative ways.
- In adaptation, the GCF provides mostly grants, whereas the MDBs provide mostly debt and guarantees. In contrast, the CIF's PPCR fund use primarily (concessional) debt instruments in their adaptation financing.
- Although the participation of the private sector in adaptation finance is below 20 per cent for all MDBs, some report higher participation of the private sector than the GCF.

## D. CONCLUSIONS AND RECOMMENDATIONS

19. The findings clearly show that the needs of developing countries for climate finance far outstrip the public and private supply of it. The GCF's finance in this scheme is, therefore, both crucially important as well proportionally limited. Also, assuming that the GCF's long-term ability to commit capital will likely not reach the levels of other private and public financial institutions, the FPR team opines that the GCF should more clearly focus its financing priorities on those areas where it can bring about a paradigm shift in line with its mandate and catalyse other sources of finance. The analysis in the chapter identifies, albeit at a high level, the potential for those markets. The GCF may want to conduct further analysis along the lines of the one conducted here.
20. Like any organisation, the GCF should work in areas where it has or can develop a clear comparative advantage and show impact. The GCF's potential comparative advantage, partly revealed but largely unrealised, can be summarised as follows:
  - The GCF's climate-change adaptation and mitigation mandate allows for a more *sharply defined investment focus* than MDBs.
  - The GCF has the mandate to deliver the principle of "common but differentiated responsibility and respective capabilities" mentioned by the COP in implementing the objectives of the UNFCCC while meeting needs of developing countries.
  - The GCF is by far the largest of the multilateral climate funds and thus potentially has the *largest convening power in climate finance*.
  - The GCF, with its ability to involve public and private sector actors with the full range of financial instruments needed, ought to *finance highly innovative deals* that require a broad set of different actors with different needs and risk appetites.

- The GCF has its largest “market share” in adaptation among the international climate funds, the area where financing needs are least met.
21. **Based on this potential comparative advantage, the GCF should increase its focus on adaptation.** Also, as argued before, the financing paradigm in renewable energy in developing countries is shifting (or has shifted already). **The FPR team, therefore, believes the GCF ought to focus more on the other results areas in mitigation (notably transport, buildings, cities, forestry and land use). Moreover, it should participate in renewable energy projects only when its additionality is beyond any doubt.**<sup>214</sup>
22. Some specific conclusions and recommendations coming from the analysis are as follows:
- **The unmet needs of developing countries are relatively larger in adaptation, and the GCF’s scale in that market is substantially larger than in mitigation.** Given the very limited involvement of the PSF and the private sector in adaptation finance, increasing its role may be a logical but by no means easy way to get there. The lack of easily identifiable return flows in adaptation is a substantial hurdle to this, but therein lies the potential for the GCF to shift the paradigm. It is beyond the scope of the FPR to recommend particular market niches, but several possibilities were mentioned in the Board paper /B.21/Inf.03/Add.01, such as de-risking capital structures in agricultural supply chains; adaptation-focused private equity funds; and insurance solutions for countries and communities. The GCF can offer almost most all financial instruments, but they have not been combined in innovative ways in adaptation. It may also be useful to look at MDBs that have achieved more participation of the private sector in adaptation.
  - Such a change requires a concerted effort from the Board and the Secretariat. **It requires that ambitious**<sup>215</sup> **targets be set for adaptation and the involvement of the private sector.** For example (and very indicatively), 50 per cent of nominal (not grant-equivalent) GCF finance could be for adaptation, as well as (for example) one third of PSF finance. It will likely also require that DMA and PSF staff are incentivised to interact much more closely and that operational units organise themselves around more sectors and results areas, as teams that provide the best solution for the highest impact on country needs.
  - **Given that most of the approaches to private sector involvement in adaptation need to be developed, it is important the GCF is prepared to accept that a considerable number of smaller-scale projects may not succeed. The GCF is advised to change its review of adaptation projects and focus in greater detail on the implementation of investments,** thereby enabling the GCF to experiment and learn quickly. The GCF could benefit by permitting the presence of “failed projects” that transparently and openly report on what works and what does not. Learnings from unsuccessful projects must be considered a valuable return and prerequisite for developing innovative and scalable adaptation solutions. This tolerance for “failure” should only be permitted for projects that experiment with innovative approaches; the GCF should not compromise its standards in rejecting projects that have a potentially high risk of implementation failure. **In other words, the GCF should adopt a portfolio approach rather than a project approach to adaptation.**<sup>216</sup> A portfolio approach fits the GCF’s appetite

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<sup>214</sup> One may think of projects in very small or very underdeveloped states, where the de-risking of market, operational, currency and/or political risks is needed to bring in other players or where the cost of capital is extremely high.

<sup>215</sup> Ambitious targets should not be unrealistic and should be based on a thorough understanding of the adaptation needs of public and private markets and sectors.

<sup>216</sup> A portfolio approach is not synonymous with a programmatic approach. Whereas projects in a programmatic approach share a common objective and synergies, a portfolio approach is meant as projects that experiment with different approaches to solve comparable problems. A portfolio approach is much more focused on experimentation and the scaling up of the best identified solutions.

for taking on higher risk. Although the GCF already provides riskier financial instruments than similar organisations, this portfolio approach would also mean the GCF finances higher-risk innovative projects.

- Because adaptation and sustainable development are so intertwined, the GCF needs to increase its conceptual clarity on what separates the two (if at all). It is unlikely that a rule-based approach to project review will yield reliable answers. Rather, as mentioned in the previously noted Board information paper, several different (costing) approaches may be applied,<sup>217</sup> depending on the context. Arguably more important is that the GCF leverages adaptation knowledge and experience gained in other MDBs and other funds focused on adaptation.
- A government-centric approach to country ownership makes it less likely that projects that are amenable to private sector involvement will enter the GCF project or AE pipeline. Because most entities behind the GCF adaptation pipeline had no relationship with one of the other adaptation funds, there must be potential for the GCF to tap successful innovations from other funds and help them to replicate or scale up. Because 85 per cent of the USD 4.0 billion capital in the adaptation funds has been committed, this is even more important as the GCF is increasingly a dominant force in adaptation among international climate funds.
- The analysis in this chapter and its conclusions should not be interpreted to mean that the GCF has no more role to play in mitigation. However, the renewable energy space, where most of the GCF's private sector involvement is located, is increasingly occupied by private sector players operating under commercial terms and not concessional terms. Although there may still be some small-country-specific niches where the GCF has a role to play, it is unlikely that the GCF will be able to play a paradigm-shifting role here: the paradigm shift is already under way, and the GCF is too small to be a provider of finance at scale other than in some very small markets.

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<sup>217</sup> The paper mentions total activity cost, incremental cost and beyond incremental specifically.





## Chapter XII. CONCLUSION

1. This chapter compiles the key conclusions from the research areas that the FPR explored according to the key questions in the evaluation matrix (see Annex 1). The chapter also coalesces opportunities that the FPR team identified that the GCF may find helpful going forward. These opportunities are not necessarily recommendations but observations for solving a particular problem or shortcoming, or that were identified as potential areas that the Fund may move into. Separately, recommendations are presented with two time frames. Recommendations marked “urgent” are presented for the Board to consider immediately, either because they can be considered easy wins and require limited effort or because they have the potential to mitigate an important and urgent challenge for the Fund. Recommendations marked “two years” are for the Board to consider in the relative long term (two years or more) while considering the climate emergency the world is facing. These may take longer consultations or longer preparation to develop.

### A. KEY CONCLUSIONS AND OPPORTUNITIES

2. The GCF represents a promise to this generation and all generations to come. Since its establishment, and considering its relative youth, the Fund has achieved much over the ensuing four years (2015 to early 2019). The FPR provides evidence on these achievements. The following pages provide a summary of key findings and conclusions across the report and identify a few opportunities for the Fund to consider.
3. In providing these findings and conclusions, the FPR recognises that the world has changed tremendously since the GCF was conceived, in terms of needs, urgency, challenges and actors in climate finance. All these highlight the need for urgency and speed of action. **Going forward, it is imperative that the GCF develops and incorporates fit-for-purpose policies, procedures and organisational ability to act speedily, deliver rapidly and address developing country climate needs transparently, predictably, significantly and with larger impact.**

#### 1. WAS THE GCF FIT FOR THE PURPOSE IT WAS SET UP FOR?

4. The GCF was founded to fill specific gaps in international climate finance present at the time it was established. Its mandates are ambitious: to contribute to achieving the objectives of the UNFCCC in the context of sustainable development and promoting paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries. At its conception, the Fund was expected to respond to the urgency and seriousness of climate change. Accordingly, the GCF’s aims and operational architecture were outlined in the GI, approved by the UNFCCC, and its overall design and business model were informed by many lessons and experiences from other climate-related funds.
5. The GCF is still a young organisation; its management systems and processes are still maturing, and the workforce is still being built. Simultaneously, global climate finance is evolving rapidly. One of the chief challenges facing the GCF is to simultaneously strengthen and improve the management of its operations while learning from the long years of experience of other organisations so it can advance more quickly, enabling it to contribute globally to a significant, visible and widely recognised paradigm shift in climate change. In certain result areas, this paradigm shift is manifesting itself already: for example, globally, there are seismic shifts in the mix of global energy production profiles in favour of renewable energy (although this varies largely at the country level). At the same time, the needs of developing countries with respect to adapting to climate variability, and increased uncertainty as a result, have meant that adaptation needs have grown exponentially. These changes and others mean that all climate funds will have to course-correct and build their

potential for leveraging, managing, operationalising, monitoring and assessing large amounts of financial and operational capacity if they are to make an impact on the increasingly worrisome trends in climate-induced variability and unpredictability. More specifically, climate funds will have to become faster, better and smarter at meeting the needs of developing countries, who are far more vulnerable to these changes.

6. **In this context, overall the FPR finds that the GCF was fit for purpose at the time it was founded. However, significant management and operational changes and strategic focus will be required if the GCF is to deliver its ambitious mandate.**

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*Box XII-1. Opportunities for the organisational structure and learning*

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At its inception, the GCF was envisioned to be an ambitious organisation that would mitigate the perceived gaps in global climate finance. This ambition needs to be sharpened, recognised and emphasised, especially given the new context of climate finance and climate urgency. Specifically:

- The GCF should embrace the possibility of accelerating its own development by further learning from other agencies.
  - The Board could consider clarifying lines of supervision and management and delegating additional authority to the Secretariat, while explicitly recognising the role of key actors, when GCF policies are being formulated and guidance is developed.
  - The Secretariat should consider analysing the consequences of new policies on all GCF stakeholders, as well as on existing policies, standards and guidelines, and on existing portfolios, staffing, capacities and legal agreements.
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## 2. DID THE GCF'S INITIAL STRATEGIC PLAN SERVE THE GCF?

7. The key elements of the ISP emanate directly from the GI. The ISP was ambitious and fully responsive to the aspirations of the GI at the time it was approved. It was designed as a living document, with flexibility and overall coherence to enable quick commencement of operations and disbursements. The ISP fulfils its role to jump-start an institution. As implementation progressed, some aspects of the ISP reflected high aspirations that were not always practical or clearly defined. For example, its action plan and operational principles articulated a long list of diverse principles but with few performance indicators and targets. **This has contributed to ad hoc interpretation within the Secretariat, lack of clarity on how the principles of the Fund should be prioritised operationally, and manifest tensions between various priorities and principles.** Presently, the GCF's operations are *reactive* to what AEs bring to the Board (responding to country needs as discussed earlier) and less globally strategic (given the limited financial resources of the Fund). Given the early stages of the organisation, it tends to give precedence to compliance with policies and procedures through its accreditation and project cycle processes, rather than to *innovation* or *impact* on developing country needs.
8. The GCF's investment criteria as originally crafted served their purpose to signal intent and to enable the review of diverse potential projects that span results areas, spatial scales and levels of operations, while ensuring that key aspects of the ISP were reflected in investments. In this sense, the investment criteria have served the GCF well. However, there are also important weaknesses, particularly when they are used as an investment prioritisation tool. The concepts and indicators behind these investment criteria are not well defined, and their application at the project level does not make it possible to effectively distinguish between strong and weak proposals. This means that investment proponents must rely on informally communicated rules and guidelines on eligibility and reigning priorities in the Secretariat. This has contributed to a perception of the Fund being insufficiently transparent or predictable.

9. In theory, the Fund should be able to support all investment proposals that come to it, as long as they are aligned with the principles and priorities of the Fund. In practice, however, the Fund has resources that are limited given the needs of developing countries. In the face of overwhelming need, and in the absence of clear and well-understood guidelines and strategies as well as differences in country exposure and investment profiles, investment proposals have rarely been refused. This means that the Secretariat has to use an ‘informal’ pipeline, where many proposals wait, to manage the project cycle by given unclear or inconsistent signal to proponents. This signals that **the Fund would do well if it had a transparently defined results-based approach for capital allocation. Insofar as this may have implications for countries that are not ready, the FPR team also recommends the consideration of an overall long-term phased strategy that openly signals the changing priorities of the Fund beforehand, and enables entities and stakeholders to plan, while not excluding any viable and eligible proposals over the long run.**
10. Importantly, a diverse set of groups employ these investment criteria at different points of the project cycle. These include the AEs, the GCF Secretariat, iTAP and Board members. The absence of clear guidance means that different groups interpret these criteria differently, increasing the unpredictability of the process. Meanwhile, some criteria, such as country ownership and needs, serve more as minimum-condition or prerequisite (i.e. portfolio eligibility) principles rather than as a basis for incisive review. FPR analyses show that GCF partners seem to be learning how to “package” proposals better, without this necessarily contributing to the quality of proposals or processes. The FPR also recognises that the climate dimension is not given adequate weight in the investment criteria.

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*Box XII-2. Opportunities for future strategies and investment criteria*

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- The GCF’s processes and current strategy need to adapt quickly going forward, and this also needs to be reflected in the new strategic plan.
- The Fund can address the potential tensions of addressing all its priorities by considering a phased strategy. The Secretariat should examine the opportunity to have a well-socialised long-term plan that lays out changing priorities and strategic impact areas for focus over a 15–20 year period, so that these focus areas exhaustively cover the priorities of the Fund yet enable it to strategically concentrate on a few sectors, programmes, results areas or geographies at a time.
- In particular, the Fund might consider some principles as basic and minimum for proposals to be considered eligible. In GCF proposals, country ownership, recipient needs, and sustainable development are rated medium or higher for at least 90 per cent of the projects that received a score from iTAP and the Secretariat. This creates an opportunity for the Fund to consider these as minimum requirements for projects and programmes, while sharpening the role and definition of the other criteria as a way to transparently accept or provide feedback on FPs.

### 3. DO THE GCF POLICIES SUPPORT AND ENABLE THE FUND’S OPERATIONS AND MANDATE?

11. The GCF’s aspirations have been operationalised through various Board-approved policies. The approval of about 50 policies, frameworks and procedures based on global best practices has been a significant achievement. For some partners, these policies have built capacity and improved standards. The approval of rights-based policies, such as ESS, IPP and the Independent Redress Mechanism procedures and guidelines, represents emerging best practices within climate finance.
12. However, key concerns remain. **The suite of policies has not confronted important gaps in important topics and has created overlaps in other areas.** This has also compromised the efficiency and effectiveness of the Fund. Some policy gaps include those related to evaluation,

termination of the Fund, and financing issues such as incremental costs, co-financing and concessionality. **Notably, while climate change is the GCF's *raison d'être*, frequently the implications for these policies on climate change and uncertainty is not explicitly laid out.** This climate value of policies is clearly an important gap for the GCF, whereas a key role of the Fund should be to emphasise the inclusion of climate-related considerations in policies, procedures and guidelines *globally*.

13. A few other concerns merit mentioning. First, the current body of policies **tilts too far towards risk mitigation** and is not conducive to AEs bringing their most innovative projects. Second, a consequence of new policies that do not adequately consult and engage partners, while analysing implications, and that are retrospectively applied, is that GCF partners and staff frequently have to update their own agreements and expectations. As witnessed in the long post-Board-approval period for reconciling GCF legal requirements, this contributes to an ecosystem where **changes are abrupt, unpredictable and disruptive, contributing to a perception of unpredictability.** Third, individual policies may be sensible and sound, but collectively **they have become difficult and burdensome** for several (potential) partners. In some cases, there is duplication: a subset of themes is addressed by multiple overlapping policies, without clarity on whether a new policy complements versus replaces an earlier iteration. Several policy directives are relatively insensitive to the fact that the business model relies on a diverse network of AEs, each having their own mandates, policies, operations, and ways of working and implementation in also diverse country situations. Fourth, the current suite of policies is **not sensitive to capacities and needs.** DAEs have particularly articulated concerns with the capacities required to be compliant with GCF policies. IAEs, on the other hand, have commented that their long experience, policies and procedures should be considered instead of modifying them to comply with the GCF, in particular when not fully related to the implementation of climate projects. Last but not least, the current suite of policies have unfortunately also contributed to a **compliance-driven culture** within the Fund.

**Box XII-3. Opportunities for policies**

- GCF policies need to be rationalised and made commensurate with the capacities/context of countries, AEs and the Secretariat to truly contribute to a paradigm shift.
- Consider how policies may assist in creating structures and incentives for innovation and impact.

#### **4. IS THE GCF'S ACCREDITATION FRAMEWORK FIT FOR PURPOSE?**

14. The accreditation process serves a critical and important role in the GCF. Accreditation has a narrow scope, defined in the GI itself, which focuses on reviewing a specific set of project management capacities – that is, fiduciary standards, ESS and gender policy. It was not designed to review an entity's potential for effective climate action, nor would such a review fully fit its modality.
15. **The FPR found that currently the accreditation process is not fit for purpose for the GCF's needs.** The process is slow, demanding and non-predictable, and the pipeline is backlogged, compromising the GCF's reputation, operations and ability to forge partnerships with promising entities. The GCF aspires to process applications within six months (three months for fast-tracked entities), but this is not currently realistic. The accreditation team is struggling with the untenable expectation that it should simultaneously review *all* applications on a rolling basis, but without the resources to do so efficiently. Currently, accreditation is considered a bottleneck in the GCF since it is the essential element to access resources. The upcoming reaccreditation of some of the initial entities is likely to exacerbate this bottleneck.

16. One key issue is that accreditation currently **lacks a coherent operational strategy** that could address specific internal stumbling blocks, set clear targets for processing applications and the number of institutions to be accredited, align aspirations with the team’s resources, and explore overarching questions of accreditation’s role within a maturing institution. A strategy has been prepared for but not approved by the Board. In addition, the Secretariat has proposed additional recommendations to tackle some of the issues identified in the FPR.

**Box XII-4. Opportunities for accreditation**

- The accreditation process was designed and implemented to mainly assess institutions on how they can manage projects, but it does not review their intent on climate change. The GCF could take the lead in accrediting entities focused on responding to climate change. The vision for this could be explored in the GCF’s new strategy and the Fund may consider bringing in institutional partners that can contribute to its ambitious, significant and urgent mandate through their own portfolios and investment.

## 5. HOW HAS THE GCF PERFORMED DURING THE ISP?

17. The GCF has committed 83 per cent of its available capital to projects, programmes and administrative expenses. Its operations have been cost-efficient to date, and this is expected to continue. As of B.22, the GCF Board had approved 102 projects in 63 per cent of developing countries, and in 67 per cent of LDCs/SIDS/African States. In each region, over half of the developing countries now have a project funded by the GCF. More than four fifths of adaptation funding is directed to LDCs/SIDS/African States, well above the 50 per cent minimum. **The GCF’s investments have targeted sectors and results areas that are consistent with priorities in NDCs/NAPs/NAMAs.** GCF investments are largely aligned with the sectors identified for mitigation and adaptation among LDCs, SIDS and African States.
18. **The GCF has responded to most UNFCCC requests in a timely manner.** During the IRM, it has become increasingly capable of responding to these requests; this demonstrates that its institutional structures and capacities have matured.
19. **However, the GCF’s portfolio has not been commensurate with many of its principles and priorities:**
- In nominal terms, balance between adaptation commitments and mitigation is still to be achieved: currently, nominal adaptation commitments are half the nominal commitments made to mitigation (63 per cent of funds are committed to mitigation and 37 per cent to adaptation).
  - The GCF portfolio is not as balanced in terms of expected types of access entities. Over 80 per cent of GCF funding (USD 4.193 billion) is committed through IAEs. There was an expectation that there would be more DAEs participating in the GCF.
  - Resource allocation is still unbalanced within the eight results areas, with a concentration on mitigation, particularly in power generation and energy areas.
  - The GCF has an opportunity to leverage the range of the financial instruments at its disposal better, because a majority of investments rely on grants and/or loans. Co-financing is lower than expected.
  - The current GCF portfolio is delivering little to no support to low-emission transport needs in 64 developing countries, which are all LDCs, SIDS and African States, in which the GCF currently operates.
  - Less than 0.6 per cent of adaptation financial needs are met by the GCF in these specific 64 countries, and it meets 0.3 per cent of their mitigation financial needs.



20. **The project cycle is a central element of the GCF operational processes, set of policies and governance arrangements.** It aims to ensure that the projects that meet the Fund’s investment criteria move from the initiative of individual countries, regions or entities through the Fund’s analysis and approval processes and towards effectiveness and implementation. The project cycle has delivered projects and programmes but is experiencing several delays.
- Project approval: The project cycle is generally perceived as bureaucratic, lengthy and insufficiently transparent. Factors contributing to delays include strict application of policies in the design stage, retroactive application of newly approved policies, and weak internal coordination within the Secretariat leading to duplicative reviews. The absence of a GCF MIS decreases the transparency of the cycle that would otherwise make it possible for entities to check the status of their proposals. Project decision-making is perceived as unpredictable because concerns that may be voiced at the point of Board approval are not communicated beforehand.
  - Project initiation: The period after Board approval, when approved FPs must negotiate an FAA with the GCF, are lengthy and currently constitute a barrier to project implementation. There are two reasons for this delay: frequently, FPs are approved but the AE does not have an effective AMA; at other times, it is during FAA negotiation that the AE realises the full implications of complying with GCF policies and procedures.
  - Attempts at improving the project cycle are not producing this effect yet. While it is too early to tell if the SAP will improve timelines, the average approval times for six approved SAP projects were similar to FPs. A key reason for this is that while project preparation time has been reduced due to better guidance developed for AEs, the review, approval and legal steps of the project cycle have not been simplified.
21. **Other aspects that have reduced the performance of the GCF are as follows:**
- The RfPs have not satisfactorily generated viable FPs, and approval and disbursements remain extremely low for those that have been approved under this scheme.
  - Result-based payments are used in only a few projects, even though this is a provision that the GCF could use to emphasise its vision for realising impact.
  - Country programming: The development of country work programmes is still a challenge for NDAs, despite increased access to the RPSP, although a few have been prepared.

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***Box XII-5. Opportunities for performance***

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- The GCF has an opportunity to more effectively leverage the range of the financial instruments at its disposal: equity, guarantees and result-based payments are only utilised in nine projects. The GCF’s mix of instruments used in mitigation financing is very much like that of MDBs, although it provides a few examples of equity capital for mitigation, which reflects a higher risk appetite; in adaptation the instruments have not been combined in innovative ways.
  - The project cycle is perceived as unpredictable by AEs and potential partners, due to the lack of business standards and the real-time status of applications, the large numbers of comments and questions on proposals, and the perceived lack of guidance on the eligibility of projects.
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## 6. IS THE PSF EFFECTIVELY AND EFFICIENTLY LEVERAGING PRIVATE SECTOR RESOURCES AND STIMULATING INNOVATION?

22. Of all the multilateral climate funds, the GCF has the **clearest mandate to pursue partnerships with the private sector** using a range of financial instruments, and consequently has the opportunity to leverage large volumes of capital. The Board has approved 23 projects financed through the PSF (representing 41 per cent of GCF committed funding), of which eight are effective and have disbursed USD 283 million. The PSF projects have an expected co-financing ratio of 2.9 (vs. the 2.2 ratio of DMA).
23. **The GCF's actual engagement with the for-profit private sector has been limited considering that most of the private sector AEs are publicly owned or funded.** So far, PSF has co-invested mostly in climate projects with DFIs (in some cases on the same financial terms) and the MDBs, rather than leverage the private sector. The PSF's mandate and potential for concessional financing has not been tapped fully to work with private sector entities and finance more innovative, riskier projects where the PSF can be a market leader/shaper.
24. **In the PSF portfolio, co-financing from the actual private sector has been limited.** Almost 70 per cent of co-finance in PSF projects is leveraged from other publicly owned or funded international organisations and development banks, and only 29 per cent is co-financed by private sector entities. This means there is a 0.83 expected private sector co-finance ratio for the PSF projects. This is insufficient to meet the GCF's mandate of maximising private sector engagement and catalysing new and additional finance to reach the scale required to combat climate change. Despite the availability of financial instruments that enable high-risk investments, the GCF has only partially embraced this opportunity.
25. **It has been a challenge for the GCF to get the private sector involved in adaptation projects.** Only 2 per cent of PSF funding is for adaptation projects. Currently, PSF projects are predominantly focused on mitigation, hard currency debt and larger, more developed markets, with a concentration on energy production and/or energy efficiency.

### *Box XII-6. Opportunities for private sector engagement*

To achieve scale, much of the financial leverage for climate change will have to come from the private sector. The GI clearly underscores the crucial role of the private sector in climate and therefore in the GCF. The GCF's private sector engagement is currently constrained for several reasons that need to be addressed by the Secretariat through improvements in how it implements the business model:

- The GCF needs to better leverage the private sector for innovative projects, especially in (income-generating) adaptation projects.
- The GCF could explore the opportunity and feasibility of engaging more with non-MDB or other DFI sector actors.
- The Fund has not yet used its mandated ability to directly fund projects with the private sector.
- Private sector actors perceive long timelines and a lack of predictability in project appraisal and GCF decision-making that do not align with their own.
- There is a lack of private sector (D)AEs.
- The GCF could explore the possibility of creating and using financial instruments in adaptation.



## 7. HAS THE BUSINESS MODEL BEEN APPROPRIATE FOR THE GCF?

26. **The FPR concludes that the essential elements and mandate of the business model are valid. The GCF, through implementing its business model, has achieved several expectations set up in the GI in less than four years. Several of the GCF's current challenges can be traced to challenges in how the business model is *implemented and operationalised*.**
27. One of the key challenges is that the business model has translated into a compliance-driven culture within the Secretariat that is characterised by a low appetite for risk-taking. Both the accreditation and project cycles are heavy, compliance-driven processes.
28. The GCF's requirements for accessing its resources have become burdensome because its policy-compliance-related requirements are cumulative. **Any entity wishing to access GCF resources has to experience the long and intense process of accreditation, negotiating the AMA (until effectiveness), submission and meeting the criteria of the project cycle, and then negotiating the FAA (to effectiveness) before it is able to access any funds.** Although there are provisions for it, in practice, the GCF's accreditation and project cycle processes do not differentiate between the experiences and capacities of entities that have experience in climate change or have experience with project management and fiduciary due diligence. Compliance levels for project processing are the same across entities and countries (differences are related to the type of project, particularly ESS categorization).
29. **There are two important consequences of these burdensome processes:** First, it has created a portfolio of effective agencies and investments that make the GCF portfolio much like that of other organisations (specifically, MDBs and other international development organisations). The long and costly processes to get an AMA and FAA negotiated and signed has discouraged a few institutions from engaging with the GCF, including institutions that would likely add value to the achievement of the GCF. Second, the portfolio is skewed towards mitigation (in nominal terms), the public sector, and grants and (some) loans that are mostly implemented by international development entities. There is limited mix of instruments and few innovative uses of instruments.
30. **Furthermore, the business model has delivered limited resources to countries.** The GCF's overall efficiency of operations does not reflect the urgency that characterises the climate problem today. Some causes for this are as follows:
  - There is a lack of clarity of roles and responsibilities of key actors in the wider GCF business model including Secretariat staff, NDAs and AEs.
  - Implementation of the business model has been mostly as one-size-fits-all, and this does not sufficiently consider the heterogeneity of the GCF partnership.
  - The business model has been implemented to be reactive rather than proactive.
  - Solutions for meeting country needs are frequently provided on the basis of available financial instruments and products rather than with an ambition to realise the greatest impact.
  - There are currently no (internal) incentives and structures to induce a one-GCF solutions-driven approach.
  - At the country level, the implementation of the GCF is centrally managed and operated by the national government. There is inconsistency in quality and delivery at the country level. Some key stakeholders are not consistently participating in the GCF.
31. **At the country level, the business model has been implemented as a capital-city, government-centric model.** NDAs have been a strong partner for the GCF at the country level. However, there is a large variance in their capacities. In most of the countries visited by the FPR teams, the NDAs have developed procedures and processes to integrate the GCF within their government's tasks. Nonetheless, there has been limited interaction between the NDAs and the GCF Secretariat or

Board. A lot of this is also a consequence of language barriers. Most information is either not clear or in English, making it more difficult for the NDAs to fulfil their roles as representatives of the GCF at the country level. One other key element missing from the business model is the formal (and required) participation of CSOs/PSOs, indigenous peoples and vulnerable communities affected by climate change and potential beneficiaries of the GCF.

*Box XII-7. Opportunities for the GCF business model*

- The Fund may consider a model that makes access and delivery mechanisms differentiated by capacity and purpose of investments.
- The design of the model is valid, but the Secretariat has used it to mostly be reactive rather than be proactive in soliciting and targeting areas that may help it to contribute to paradigm shift.
- Formalise the participation of CSOs/PSOs, indigenous peoples and representatives of vulnerable communities within the business model of the GCF.

## 8. HOW EFFICIENT AND EFFECTIVE IS THE CURRENT STRUCTURE OF THE GCF?

32. **In the space of five years, the GCF has rapidly built decision-making and operational structures.** Key features include a Board that represents both recipients and contributors to the Fund, an independent Secretariat, three independent units and a permanent trustee. It has also nurtured an impressive network of 84 AEs and 147 NDAs and focal points worldwide. Most importantly, the Board committed just over USD 5 billion in 102 funding projects reaching 97 countries and in a series of programmes to improve readiness at the country and institutional levels reaching 120 countries (out of 154 eligible). Some of them are already under implementation. The financial instruments offered by the GCF (grants, loans, guarantees and equity) are more diverse than other climate funds. The GCF offers a wide variety of funding programmes for its investments, including spontaneous proposals, RfPs and the SAP.
33. **While underscoring these accomplishments, the FPR finds that the GCF has the potential to reap enormous gains in its effectiveness and efficiency.** This may be accomplished by clarifying roles and responsibilities between different members of the institution, adapting processes, rationalising policies, and reducing policy and procedural burdens while adapting them more to the capacities of entities and country contexts. This will also help address important concerns of stakeholders who are asking for more predictability and transparency on what the GCF's role is, what it will support and how to access it.
34. The GCF's effectiveness would be improved by greater clarity around roles and responsibilities, and the transparency and predictability of processes. This should entail greater authority over operational management to the Secretariat and enable the Board to more appropriately focus on overarching strategy, policy, leadership and supervision. The FPR has identified significant overlap between the management and supervision of different functions within the GCF between Board and Secretariat – and also between different divisions within the Secretariat – across the project cycle and accreditation.
35. **A key feature of the GCF business model is its strong reliance on NDAs and AEs for in-country activities, supplemented by the involvement of PSOs and CSOs.** Its model of working with and through empowered DAEs is matched by few other agencies. However, this has not been realised in practice. Additionally, NDAs' capacities are diverse and often remain low, particularly

since these focal points have many other functions and tasks and the GCF assumes that they have expertise in both climate change and in the private sector.

36. At the global level, the contribution of external stakeholders consists mostly of the role of CSO and PSO representatives as Board observers, a position that is limited, largely informal and advocacy oriented. Country ownership is thus too often conflated with *central government* ownership, rather than reflecting diverse local stakeholders.

## 9. WHAT IS THE LIKELIHOOD OF RESULTS OF GCF INVESTMENTS?

37. A key issue about estimating the likelihood of results is the design of projects and their preparedness to measure expected and actual results. The FPR assessed the quality of GCF FPs using two measures: their investment criteria ratings and the ability of FPs to report credibly and rigorously.
38. When FPs' documents are reviewed, they report on expected results, particularly regarding the GCF core indicators. The current portfolio of investments is projected to reduce 1.5 btCO<sub>2</sub>eq, manage over 2 million ha of land or forest areas, and directly benefit over 120 million people. As the portfolio is new and disbursements are slow, it is premature to meaningfully calculate results. GCF projects are partly targeting the adaptation and mitigation needs identified in the NDCs of 64 SIDS, LDCs and African States.
39. The FPR found that the investment criteria are a good signalling tool to communicate the Fund's priorities but not a very good tool to estimate quality at entry for two reasons: first, projects that have reached the final stages of the project cycle (when iTAP and the Secretariat conduct their reviews) are, for the most part, considered to be of high quality, and therefore there is limited variation in the ratings of the criteria across the projects. So, they are not a good tool to differentiate good- or bad-quality projects. Second, the analysis of the quality of M&E frameworks revealed that their quality is generally low. The FPR found that half of the investments did not include plans for baseline data collection, two thirds do not have theories of change and a majority of the investments (more than 90 per cent) will overstate their results because they do not have realistic assumptions or the ability to measure their results credibly. The conclusion is that although the GCF's RMF represents a flexible menu of indicators, there are no guidelines or protocols for how the indicators are defined and measured. Consequently, the current GCF investment portfolio does not have adequate ability to report credibly on its impacts and robustly indicate the extent to which it has helped reduce GHGs and assisted people in adapting to climate change.
40. **FPs are ambiguous in their treatment of paradigm shift**, in large part because of the lack of GCF guidance on it. Numerous projects have paradigm shifting elements expected or projected at the national level; however, a common barrier to this potential is the policy environment. There is not yet reliable evidence that suggests the GCF portfolio is set to achieve a paradigm shift at either the global or national levels or that it has achieved it.

**Box XII-8. Opportunities for the results reporting**

- The Secretariat needs to help entities report credibly on results areas. Having a full set of operational guidelines, standards and procedures for reporting credibly against the results framework should be a key focus of the Secretariat.
- The GCF can potentially contribute to paradigm shifts in two distinct ways. First, the GCF can support innovative projects that provide learnings to be applied elsewhere and/or can be scaled up. Second, the GCF can steer AEs in a more climate-sensitive direction.
- Given its mandate in the GI for results-based approaches for capital allocation, it may be reasonable for the Secretariat to consider different strategic ways to demonstrate results and, consequently, impact and paradigm shift. This could, for example, occur if the GCF could consider focusing its strategy on achieving large demonstrable impacts in results areas/portfolios, programmatic areas, geographies or indeed other subportfolios.
- Consider using some guidelines for what may constitute paradigm-shift programmes. These may include identifying some necessary (but not sufficient) conditions for paradigm shift, including the ability to make a difference at scale, deeply, over the long term and effectively through policy change both nationally and globally.

## 10. WHAT IS (COULD BE) THE ROLE OF THE GCF IN CLIMATE FINANCE?

41. Climate adaptation and mitigation needs in developing countries are estimated to be USD 220 billion and USD 1,200 billion per year respectively. The adaptation and mitigation finance in developing countries is estimated to be USD 22 billion and USD 249 billion per year respectively, or 10 per cent and 21 per cent of the identified needs. **GCF capital is new, partially additional but not adequate given estimated developing country needs.** The GCF remains relatively small in terms of the total volume of climate finance beyond multilateral climate funds.
42. One expectation for the GCF was that it will leverage sufficiently at scale to be able to respond to the tremendous needs from developing countries. The FPR concludes that the GCF has not generated the significant scale needed, so far. There are several reasons for this, they have been identified and analysed throughout the FPR, and they include structural issues (a project-by-project approval approach rather than a programmatic approach where scale could be incentivised), procedural issues (heavy compliance and a generally slow accreditation process and project cycle) and limited co-financing. These are all attributes of the current processes and in their current form are constraining the Fund's ability to create impact at scale and support innovative investments. The GCF's expected co-financing ratio is low (compared to other multilateral climate finance funds) at USD 2.5 for every USD 1 of GCF funding.
43. **The climate change financing market is changing.** In this context, the GCF should engage with the actual private sector more but consider coming on board to take on the riskier tranches in investments, so it can crowd-in investments. On the other hand, it should steer clear of distorting otherwise well-functioning markets where the private sector is working well and concessional finance may crowd investors out. In adaptation, the GCF provides mostly grants, whereas the CIF's PPCR fund use primarily (concessional) debt instruments in their adaptation financing. The GCF should consider moving into adaptation while taking advantage of its ability to take on risky opportunities and take on opportunities through combining/using/innovating with financial instruments.

*Box XII-9. Opportunities for improving the GCF's role in climate finance*

- Currently the GCF's ability to bring scale in the adaptation market is larger than in mitigation. The GCF's share of developing countries' adaptation needs (at 2.2 per cent) is five times larger than its share in their mitigation finance needs (0.4 per cent). The GCF can contribute far more significantly to the adaptation financing gap. The financing gap in adaptation (90 per cent) is larger than in mitigation (79 per cent).
- The GCF needs to establish its niche: one that is responsive to the current climate finance landscape and developing country needs. A potential niche for the GCF may be to leverage the private sector far more in adaptation. Another potential niche may be to integrate and phase grants and non-grant instruments better, especially if the Fund wants to demonstrate both innovation and impact.

## B. RECOMMENDATIONS

44. The FPR makes many recommendations for different aspects of the GCF's operations, structure, strategy, policies and business model. These are aggregated into four main recommendations, with a few sub recommendations for clarification and ease of action. These recommendations are also prefixed by a proposed time period for consideration. Urgent recommendations could be considered by the GCF Board in the very near term. Others might require a longer term to discuss, consult, absorb and implement within the institution.
45. **Overall Recommendation 1. Strengthen criteria, business processes and implementation structures that are likely to better address differentiated developing country needs and capacities with a focus on disbursing through DAEs.** Develop KPIs to track transparency, predictability, speed, impact and innovation.

***Urgent. Recommendation 1a: Consider revising the accreditation framework and process.***

Develop a strategy for accreditation that will bring in institutions that have capacities and strategies commensurate with those of the GCF and that will help it achieve its mandate and strategic plan. It will be important to ensure that the strategy articulates what an institution will help the Fund achieve, as well as how and when. To the extent possible it should also set yearly targets for accreditation, specifically for DAEs, and direct itself at creating a portfolio of entities that mirror the Fund's new strategy and priorities. To achieve greater participation and disbursement of GCF investments through DAEs, also consider integrating readiness far more closely into accreditation (to create GCF-ready entities). Also, consider announcing business standards and clear expected requirements for processes to improve transparency, predictability, expectation and communication.

***Two Years. Recommendation 1b: Consider building a solutions-driven structure in the Secretariat that encourages a one-GCF approach and in which staff are incentivised for providing solutions and meeting the needs of countries in effective ways, including by using innovative financial solutions and leveraging other institutions for the greatest impact of GCF investments on countries' needs.*** Additionally, build teams that are custodians of GCF investments from beginning to end and that are incentivised for innovation in providing advice/selecting and for using financing instruments, and for realising impact and results.

***Two years. Recommendation 1c: Consider incorporating processes in the business model that are sensitive to different needs of countries, entities and investments.*** In the business model, view accreditation and the project/investment cycle in an integrated way so that entities can expect reasonable turnaround times and clarity in expected requirements, from their first engagement with the GCF to realising disbursements. One way in which the Secretariat may consider this is to build processes that ensure high scrutiny during accreditation *or* during project appraisal, but not both (a



differentiated model that is sensitive to needs and objectives of entities, capacities of countries and purposes of investments). Ensure that project investment sizes are also differentiated *in practice*, in the overall compliance structure of the GCF (with a special focus on fast-track entities in the accreditation process, and SAP and private sector projects for types of projects).

***Urgent. Recommendation 1d: Consider revising the investment framework and making it a true prioritisation tool.*** In the longer run, consider moving some criteria to minimum criteria, while ensuring that the remaining criteria are well understood and transparent and can be used as a prioritising tool that may be used for investment selection or timely feedback. Ensure that the investment criteria reflect the basis of what is supported by the Fund and consider mainstreaming “climate value” into the investment criteria by giving climate considerations greater weight. While doing this, it will be critical to ensure that the investment criteria and the results management framework are aligned and that while the investment criteria may help provide indicators of quality, the results framework is usable without contradiction for effective management and delivery by the Secretariat.

***Two years. Recommendation 1e: In the longer run, lead a dialogue across the GCF ecosystem to underscore the “climate dimension” of GCF policies.*** Consider articulating this into a single “climate policy” document that establishes the climate dimension and additionality of GCF policies over and above an AE’s own policies. This might be used by some entities as a communication tool. Others might use it so their own management can gauge the merit of GCF policies, thereby creating a culture of climate value in these institutions while positioning them towards including climate considerations in their own portfolios in a significant and manifest way.

***Urgent. Recommendation 1f: Clarify roles and responsibilities across the GCF business model, including those of AEs and NDAs and within the Secretariat, to ensure management and delivery for greatest impact.*** This should take into consideration changes in the strategy.

***Urgent. Recommendation 1g: Learn from the experiences of other organisations in project management in order to advance more quickly, and focus attention on managing the current portfolio of projects for results.*** Additionally, ensure that the RMF is operationalised and applied to the current portfolio and that projects are provided tools and guidance for credible monitoring and results reporting.

***Urgent. Recommendation 1h: Support an active network of in-country and international CSOs/PSOs, and representatives of indigenous peoples and vulnerable communities, both financially and operationally, so they are able to provide much-needed support, voice and guidance for climate projects and investments that by themselves are likely to have repercussions for a vast cross-section of people and households in countries, with disproportionate effects on the vulnerable.***

46. **Overall Recommendation 2. Develop a strategic plan that focuses the GCF on being a global thought leader and a policy influencer and establishes its niche commensurate with innovation and impact.**

***Urgent. Recommendation 2a: The following is a non-exhaustive list of attributes the Board could consider for the new strategic plan.***

- The Secretariat could consider leveraging influence through building knowledge-based and policy-driven enabling environments in-country and globally. This means it will need to staff for and create capacity for being a climate-finance knowledge hub, providing on-demand advisory services and playing an influential role in international policy.
- To be a solutions-driven institution that provides advice to maximise the global impact of its resources, and for securing additional finance, as recommended by the GI, the Board could consider the Secretariat taking on the role of a broker for appropriate climate finance opportunities (and not just as a disburser of resources).

- Recognise that structure and incentives induce behaviour. Accordingly, incentivise staff in the Secretariat using a variety of approaches to create a culture of risk-taking, innovation and management for impact. Incentives should be put in place, especially to innovate in creating, combining or using a diversity of financial instruments. This could include creatively phasing grants/non-grants so that they are applied to create a rich, innovative and climate-driven portfolio that maximises the impact of GCF resources for countries. In other cases, the Secretariat could play a key leadership role as a financing convenor to bring in-country or international actors to support and partner on innovative projects.
- Take on board the GI's recommendation to have a results-based approach for allocating resources. This may take the form of emphasising impact, replication and scaling up, while still keeping some room in the portfolio for innovative, risky investments that may not succeed but that represent new thinking and the potential to learn from what might work and what might not. To accommodate this, the Board could consider including some "stretch goals" in the investment portfolio, as well as in the entities profile, and consider implementing an "innovation hub" as an internal programme that uses the GCF's ability to create an ecosystem of academics, government and inventors to innovate with ideas and products.
- Recognise that much of the "scale and additional finance" that the GI mandates will only be possible through leveraging the private sector. Include KPIs in the strategy for private sector investments (those that use high-risk instruments and those that support high-risk opportunities); for non-grant instruments for adaptation; and for disbursements through DAEs. Also consider including ambitious goals for mitigation-related investments linked to a paradigm shift in the short term. These KPIs should supplement KPIs on commitment and disbursement that are reported annually to the Board.
- Consider developing a longer rolling plan (over 15–20 years) that indicates how the overall priorities of the GCF will be achieved in a phased way, while ensuring that the Secretariat is able to concentrate on a shorter list of priorities organised by strategy period. This will enable the Secretariat to realise its full mandate, as specified in the GI, over a longer but predictable period and without sacrificing quality or predictability.

**Two years. Recommendation 2b: Consider informing the GCF's niche after a review of evidence, including that from science, evaluations and market assessments.** The GCF should define the niches in which it will be active. This entails a careful assessment of country needs along the lines of the results areas, the associated financing needs and the availability of finance. Together these will inform in which market niches the GCF can most complement existing finance and programmes or achieve a relevant scale.

47. **Overall Recommendation 3. Re-emphasise adaptation while recognising (and leveraging) the role of new actors in mitigation. Strengthen the role of the private sector in an overall symbiotic ecosystem of financial instruments and modalities** that enable better transparency, predictability and access for entities, and innovative solutions and global climate impact for countries. This recommendation will move the institution forward into finding its focus or niche, as recommended previously.

**Two years. Recommendation 3a: Rationalise current allocations to mitigation and adaptation to balance them in the nominal portfolio, and specifically consider goals related to the creation and use of innovative private sector financial instruments in adaptation that are able to better serve developing country needs.** Alongside this, define, after careful assessment, a potential niche for investing in mitigation projects that are innovative and directed in either programmatic, results area or geographic settings that are likely to contribute to a paradigm shift in mitigation in the *nearer term* (while providing for a grace period for adaptation projects).



*Two years. Recommendation 3b: Consider reviewing the current compliance-driven culture in the Fund and provide incentives for increased innovation.*

48. **Overall Recommendation 4. Clarify and re-examine the separation of supervision and management in the GCF and consider delegating authority to the Secretariat to highlight agency, responsibility and urgency in delivering developing country climate needs** (predictably, transparently, speedily, innovatively and with impact).

*Urgent. Recommendation 4a: Consider delegating authority to the Secretariat for developing procedures, guidelines and standards for Board-approved policies and for some investments, while taking stock of the ability of Secretariat staff to deliver these and report these appropriately and regularly.*

*Two years. Recommendation 4b: Emphasise the strong, influential and trend-setting structure of the GCF Board, but also consider current dissatisfaction in some quarters with access, transparency and the predictability of GCF decision-making processes. Support a review of processes that may help to mitigate these dissatisfactions. In particular, in such a review, consider the source of delays in the post-approval phases of funded projects as well as causes for slow and limited disbursement, while requesting the Secretariat to clarify different staff roles to overcome redundancies and clarify responsibilities during different phases of the project cycle.*

*Urgent. Recommendation 4c: Build a robust and transparent tracking, monitoring and information system that is publicly accessible and enables entities, CSO/PSOs, NDAs and other stakeholders to view the status of their proposals.*

*Urgent. Recommendation 4d: Consider clarifying policy overlaps, filling policy gaps and identifying delegated authorities associated with them in the current set of GCF policies. Also consider including as a requirement in all new policies that come for Board consideration, an analysis of the repercussions on Secretariat staff, budgets and the current set of entities and investments.*

*Urgent. Recommendation 4e: Consider having a regular, well-announced, predictable replenishment cycle so that the Fund can plan and prepare adequately for it. This will entail setting up internal structures for fundraising and advocacy and aligning these plans with the Fund's schedule for informing and reporting and undertaking performance reviews.*



## ANNEXES

# ANNEX 1. APPROACH PAPER AND EVALUATION MATRIX

## A. APPROACH PAPER

### 1. BACKGROUND ON THE GCF

This Approach Paper includes an overview of the background, aims and objectives, scope of work, the approach and methods as well as the deliverables and the associated timeline for the preparation of the Forward-Looking Performance Review (henceforth FPR) of the Green Climate Fund (henceforth GCF or ‘the Fund’). The FPR is expected to be formative, critically assessing the experiences and lessons coming from the evolution and current development of the Fund, to develop a set of recommendations to strategically guide and inform future directions of the Fund. The FPR will provide independent, credible, unbiased analysis about the performance of the GCF during the first replenishment period of the GCF. The FPR will strike a balance between learning and accountability: from a learning point of view, the FPR will assess how fit-for purpose the Fund has been in delivering its main objectives and from an accountability point of view, the FPR will provide evidence on emerging performance and the likelihood of impacts of GCF investments, operations, and activities.

The scope of the FPR, as approved by the Board at its 21st meeting (Decision B.21/17, October 2018), will be to assess:

- (i) Progress made by the Green Climate Fund so far in delivering on its mandate as set out in the Governing Instrument for the Green Climate Fund as well as in terms of its core operational priorities and actions as outlined in the initial Strategic Plan of the Green Climate Fund and the Green Climate Fund’s business model, in particular, the extent to which the Green Climate Fund has responded to the needs of developing countries and the level of country ownership;
- (ii) The performance of the Green Climate Fund, including its funded activities and its likely effectiveness and efficiencies, as well as the disbursement levels to the funded activities; and
- (iii) The existing Green Climate Fund portfolio and pipeline, the application of financial instruments, and the expected impacts of funding decisions and other support activities, including in terms of mitigation and adaptation, on both a forward- and backward-looking basis.

The Board also decided at that meeting that the FPR and the Board’s consideration of the performance review will be shared with the replenishment process.

The FPR will review all activities supported by the Fund (e.g. policies, strategies, business model, systemic and emerging corporate topics, organizational structure and partnerships, processes, and the performance of GCF’s programs and initiatives) during the Initial Resource Mobilization (IRM) phase, lasting from 2015 to 2018. During this period, the Fund raised USD 10.3 billion in pledges from 43 countries including developed and developing countries<sup>218</sup>. So far, the Board has committed USD 4.6 billion for projects from which USD 2.03 billion are under implementation.<sup>219</sup> Thus, the FPR recognizes that the GCF is at an early stage of implementation and will consider how critical elements defined from inception have influenced the design, evolution, and the current functioning

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<sup>218</sup> 75 per cent of the pledges come from 5 countries: US (29 per cent), Japan (15 per cent), UK (12 per cent), France (10 per cent) and Germany (10 per cent) contributing between USD3 and 1 billion; 10 countries pledged amounts between USD500 and USD100 million; 6 between \$10 and 100 and the rest below \$10 million. Developing countries having pledged funds are Chile, Colombia, Mexico, Mongolia, Panama, and the Republic of Korea. (GCF, Status of Pledges and Contributions made to the Green Climate Fund, 8 May 2018: [https://www.greenclimate.fund/documents/20182/24868/Status\\_of\\_Pledges.pdf/eef538d3-2987-4659-8c7c-5566ed6afd19](https://www.greenclimate.fund/documents/20182/24868/Status_of_Pledges.pdf/eef538d3-2987-4659-8c7c-5566ed6afd19))

<sup>219</sup> Data as of end of February 2019

of the Fund. In summary, the FPR will explore whether the Fund is doing things right and whether it is doing the right things.

The review will analyse the performance of the GCF to date, including its funding activities, by looking at the likely efficiency and effectiveness of various financial instruments (e.g. loans, grants, equity, guarantees) and access modalities<sup>220</sup>. Furthermore, the FPR will assess the extent to which the Fund has been able to deliver against its mandate, in line with international practices. The scope of the FPR will cover all activities that have been approved by the Board decisions. This includes for example, project and administrative commitments and fees as of December 2018, (USD 5.267 billion, as presented in Table A - 1 below), plus those that will be committed at the twenty second meeting of the Board (B.22/February 2019).

**Table A - 1. Commitments made by Board decisions as end of December 2018**

TYPE OF COMMITMENT	AMOUNT (USD BILLION)
Project commitments	\$4.599
Project fees	\$0.101
Readiness Program	\$0.1615
PPF	\$0.040
GCF Administration Fee	\$0.365
<b>Total</b>	<b>\$5.267</b>

Source: GCF/B.22/Inf.05: Status of the initial resource mobilization process (February 1, 2019)

### a. GCF key elements and characteristics

The Fund was set up as a new global fund to support the efforts of developing countries to respond to the challenge of climate change. It is a multilateral fund that was created to make significant and ambitious contributions to the global efforts to combat climate change<sup>221</sup>. The GCF aims to contribute to achieving the objectives of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. It is designated as an operating entity of the financial mechanism under Article 11 of the UNFCCC and as such it is accountable to and functions under the guidance of the Conference of the Parties (COP). The GCF is governed and supervised by a Board, composed of 24 members, with an equal number of members from developing and developed countries, that has full responsibility for funding decisions. Representation of developing countries also includes representatives from small island developing states (SIDS) and least developed countries (LDCs). The Board established a Secretariat that is accountable to the Board. The Secretariat is headed by an Executive Director appointed by and accountable to the Board. Paragraph 60 of the GCF Governing Instrument mandated the Board to establish an operationally independent evaluation unit (IEU) to conduct periodic independent evaluations to inform decision-making by the Board and to identify and disseminate lessons learned. It also established two independent accountability mechanisms: an independent integrity unit to investigate allegations of fraud and corruption and an independent redress mechanism unit to receive, evaluate, and make recommendations regarding complaints related to the operation of the Fund.

<sup>220</sup> Access modalities are: Funding Proposals; Readiness and Preparatory Support Program; Project Preparation Facility; RFPs; Enhanced Direct Access; Simplified Approval Process; Micro, Small and Medium-sized Enterprises; Mobilising Funds at Scale conducive to the business model.

<sup>221</sup> Governing Instrument for the Green Climate Fund, approved by the UNFCCC/COP17, December 2011 (Durban, South Africa) and is annexed to Decision 3/CP.17 presented in UNFCCC document FCCC/CP/2011/9/Add.1 and GCF website: About the Fund, February 2018.

The following paragraphs outline the key elements that define the Fund as it is today and differentiate it from other development and environment funds. These include its Governing Instrument, Initial Strategic Plan, operational priorities, action plan, and business model. The section also introduces the GCF portfolio of projects as of December 2018.

## **b. GCF objectives and guiding principles**

The GCF Governing Instrument was approved by the UNFCCC/COP17 in December 2011. According to this Governing Instrument, the GCF is set to contribute to the achievements of the ultimate objective of the UNFCCC<sup>222</sup>. In the context of sustainable development, the Fund will promote a paradigm shift to low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, considering the needs of developing countries most vulnerable to the adverse effects of climate change.

The GCF is guided by the principles and provisions of the UNFCCC. The Governing Instrument states that the Fund should:

- Operate in a transparent and accountable manner guided by efficiency and effectiveness;
- Play a key role in channeling new, additional, adequate and predictable financial resources to developing countries;
- Catalyse climate finance, both public and private, and at the international and national levels;
- Pursue a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders;
- Be scalable and flexible as a continuously learning institution guided by processes for monitoring and evaluation; and
- Strive to maximize the impact of funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach.

Regarding operations, the Governing Instrument instructs the Fund to provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach and to encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects. The Fund will provide financing in the form of grants and concessional lending, and through other modalities, instruments or facilities as may be approved by the Board. The Board was also mandated by the Governing Instrument to develop methods to enhance complementarity between its activities and the activities of other relevant mechanisms and institutions. The Fund will promote coherence in programming at the national level.

All developing country Parties to the UNFCCC are eligible to receive resources from the Fund. It will finance agreed full and agreed incremental costs for activities to enable and support enhanced action on adaptation, mitigation, technology development and transfer, capacity building and preparation of national reports by developing countries. The Fund will provide resources for readiness and preparatory activities and technical assistance.

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<sup>222</sup> « The ultimate objective of this Convention and any related legal instruments that the Conference of the Parties may adopt is to achieve, in accordance with the relevant provisions of the Convention, stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.

The Governing Instrument also mandated the establishment of a private sector facility that enables it to directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international levels.

Access to Fund resources will be through national, regional and international implementing entities accredited by the Board through an accreditation process developed by the Board. Recipient countries will determine the mode they will access the Fund and which access modality they will use simultaneously. Recipient countries can designate an agency to apply for accreditation.

### *i. Initial Strategic Plan*

The Board decided to set out a strategic plan to guide the GCF as a continuously learning institution with a view to achieving its overarching objective outlined in its Governing Instrument. The strategic plan sought to articulate externally the Board's strategic vision for the GCF and the operational priorities of the GCF. These are substantiated by an action plan to be implemented during the IRM. The Board endorsed the GCF's Initial Strategic Plan (ISP) at its 12th meeting (Decision B.12/20, March 2016).

Building on GCF's mandate, the Board's strategic vision for the GCF was developed in the ISP, with two key aspects:

- Promoting a paradigm shift towards low emissions, climate-resilient development pathways. The GCF will support developing countries to implement the Paris Agreement, namely to hold global average temperature increases to well below 2°C above pre-industrial levels and enhance adaptive capacity. Based on its mandate defined in the Governing Instrument, GCF will do so by promoting said paradigm shift<sup>223</sup> within the context of sustainable development. The GCF is therefore challenged to turn this abstract vision into practice.
- Supporting the implementation of the Paris Agreement within the evolving landscape of climate finance. Developing countries' Intended Nationally Determined Contributions to the Paris Agreement are an important reference point for the Fund's programming, as are other national documents (e.g. National Adaptation Programmes of Action (NAPAs), National Adaptation Plan (NAPs), etc.). The Fund's approach is comprehensive yet flexible; participating partners can choose from a menu of access modalities and financial instruments. The GCF aims to be a global leader in climate finance and to facilitate effective climate action worldwide. To achieve these aims, the GCF should build on its comparative advantages and operate in coherence with the existing climate finance institutions. These include its ability to:
  - Programme and manage financing at scale;
  - Engage in partnerships with both public and private actors at various levels;
  - Take on risks that other funds/institutions are not able or willing to take;
  - Pilot and potentially scale-up and replicate innovative approaches;
  - Deploy the full range of financial instruments at its disposal;
  - Leverage additional financial inputs from innovative and alternative sources;
- Leverage its status as an operating entity of the financial mechanism of the UNFCCC to set new standards for country ownership, direct access, and ambition in impacting global climate finance.

The Board also indicated in the ISP decision that it intended to review the ISP as part of each replenishment process with a view to revising the strategic vision if and as needed and to update the

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<sup>223</sup> The ISP did not strive to provide a further definition of the concept of paradigm shift, other than the already provided in the GCF's Initial Investment Framework (Decision B.07/06).



core operational priorities and underlying action plan for the coming replenishment cycle taking into account evolving priorities including COP guidance.

### *ii. Operational priorities*

According to the ISP, the GCF established the following operational priorities for the IRM period:

1. Scale up investments in developing countries;
2. Maximize impact by supporting scalable and replicable projects and programmes;
3. Programming and investing the full amount pledged for the 2015-2018 programming period, while balancing adaptation and mitigation investments;
4. Ensuring that the GCF is responsive to developing countries' needs and priorities, including by enhancing country programming and direct access;
5. Proactively communicating GCF's ambition in terms of scale and impact, as well as its operational modalities to enhance access.

### *iii. Action plan*

To implement these operational priorities, the GCF's action plan, as laid out in the ISP, lists the required strategic measures. Most measures are expected to contribute to the achievement of more than one operational priority. The measures are:

- **Prioritizing pipeline development:** The Fund will develop a pipeline<sup>224</sup> of country-driven, high-impact projects/programmes to be scaled up to support the achievement of strategic objectives, through enhanced, more accessible readiness support. The Project Preparation Facility (PPF) will support the development of proposals by Accredited Entities (AEs), and engage with national designated authorities (NDAs). The Fund consults with AEs and developing countries to identify national and regional investment priorities or opportunities to partner with other agencies such as the Global Environment Facility (GEF), the Adaptation Fund, and multilateral development banks. The GCF will make increased use of Requests for Proposals (RfP) aimed at the public and private sectors and develop replicable approaches to allow rapid rollout in new locations.
- **Strengthening the Fund's proactive and strategic approach to programming:** This is key to ensuring that investments meet the objectives and needs of developing countries. To achieve this, the GCF will request all AEs to submit annual or multi-annual work programmes, prepared in consultation with developing countries (via their NDAs or focal point). These work programmes will then be submitted to the Board, for planning purposes. The Fund will carry out a market survey of what is needed to support climate action, and track successes or innovations that could be built upon.
- **Enhancing accessibility and predictability:** The Fund will engage with stakeholders to promote accessibility and enhance understanding of GCF's operations and processes. It will survey stakeholders to gain a better understanding of where the barriers to engagement are, and more clearly signal the kinds of projects and programmes it is looking to finance by providing guidance on the Fund's investment criteria, risk appetite, standards and processes. It will also revise and simplify the proposal approval process and will streamline and simplify its processes and templates particularly for micro-scale activities in LDCs and SIDS.
- **Maximizing engagement of the Private Sector:** The Private Sector Facility (PSF) of the Fund, enables engagement with the private sector to support the Fund's aim of driving a paradigm

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<sup>224</sup> Decision B.08/13 (Annex XIX, para. 27)

shift to low-emission, climate-resilient development pathways. Building on existing work, GCF aims to crowd-in and maximize the engagement of the private sector at national, regional and international levels. The Board will analyse barriers to crowding-in and engagement and re-consider the recommendations of the Private Sector Advisory Group (PSAG) including on enhancing GCF capacity, the accreditation procedures for private sector entities, enhancing private sector involvement with readiness, and reducing currency risks.

- Building adequate institutional capabilities: The Fund needs to have adequate institutional capabilities to achieve its operational priorities. The Board will continue to build and maintain a well-staffed Secretariat that can deliver its functions. The independent accountability units will be staffed and resourced so that they can be operationalized. The NDAs will be strengthened by providing support through the Readiness and Preparatory Support Programme (RPSP) and the GCF will facilitate dialogue between NDAs and AEs by offering a platform for knowledge-sharing and a market-place for ideas.

#### *iv. Business model framework*

At the March 2012 Board meeting (Decision B.01-13), during the Board discussion on the GCF business model, the Board noted that the Fund should be ambitious, flexible and scalable, have a country-driven and owned approach, employ direct access and other access modalities, and leverage additional public and private resources through the operational modalities of the Fund, including through the PSF. The business model framework of the GCF (GCF/B.01-13/13, Annexes XIV and XV) encompasses several Board approved policies and frameworks that were considered necessary by the Board to successfully operationalize the Fund. These (visually summarized in Figure A - 1 below) cover the Fund's:



**Figure A - 1. The GCF business model**

Source: [www.greenclimate.fund/how-we-work/tools/infographics](http://www.greenclimate.fund/how-we-work/tools/infographics)

- Principle of country ownership, which requires investments to be consistent with national strategies and plans (Decision B.04/04, paragraph b) and that countries identify their priority result areas;
- Structure and organization (GCF/B.04/08);
- Financial instruments, terms and conditions (GCF/B.04/06);
- PSF: institutional model, objectives, results and performance indicators, and financial instruments;

- Financial inputs (GCF/B.05/04) including the investment framework (GCF/B.07/06), Results Management Framework (RMF) (GCF/B.05/03) and initial results areas of focus, objectives, results and performance indicators (GCF/B.04/03);
- GCF’s evolving processes for approval of funding proposals and guidelines for allocation of resources under adaptation, mitigation or the private sector facility (GCF/B.04/07, GCF/B.05/05), and in line with the risk management framework (GCF/B.07/05) and several policies (gender, indigenous peoples, environment or social policies, etc.) as well as administrative instructions;
- The access modalities (GCF/B.04/05) – which include international AEs and Direct Access Entities (DAEs) – and programs that facilitate direct accreditation (GCF/B.05/08) are at the core of GCF’s business model.

### **c. Current review processes of the Initial Strategic Plan**

The Board and Secretariat have initiated several processes to review the ISP in preparation for the development of a new strategic plan for the new replenishment process, in addition to the FPR. According to the 2017 Annual Portfolio Performance Report<sup>225</sup> and the 2017 report on the implementation of the ISP<sup>226</sup> prepared by the GCF Secretariat for the Board, the Secretariat concluded that the GCF has progressed in implementing several aspects of its ISP, including adjusting along the way. Some of its observations were as follows:

- Overall progress of GCF operations: GCF operations have matured since the endorsement of the ISP and the strategic vision remains durable although operational priorities have been recalibrated;
- Scaling up GCF investments: GCF has delivered investments at scale, programming for the IRM is on track, and experiences with programming at scale have highlighted the need for business model corrections (e.g. accreditation framework, results frameworks, etc);
- Maximizing impact, quality of GCF projects and improving the commitment to country ownership: through the use of country programming for pipeline development, increase country engagement and programming and review the RPSP; focus on the development of accredited entity work programmes and support to direct access entities; the strategic role of RfPs in pipeline development; and greater complementarity and coherence with other financial sources;
- Maximizing impact, quality of GCF projects and improving the commitment to country ownership: through the use of country programming for pipeline development, increase country engagement and programming and review the RPSP; focus on the development of accredited entity work programmes and support to direct access entities; the strategic role of RfPs in pipeline development; and greater complementarity and coherence with other financial sources.
- Enhancing accessibility and predictability through direct engagement with a wide range of stakeholders, maintaining visibility in international forums, minimizing the transaction cost of dealing with the GCF, and proactively communicating to build on an understanding of GCF operations and processes.
- Growing engagement with the private sector by crowding-in and maximizing private-sector engagement in GCF financing. Some policy adjustments may be required to capture their full benefit (e.g. review of accreditation procedures, unlocking broader benefits of private sector investments in the adaptation areas, etc.).

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<sup>225</sup> GCF/B.21/Inf.12. Annual portfolio performance report (2017). (25 September 2018)

<sup>226</sup> GCF/B.19/10. Implementation of the Strategic Plan: 2017 report. (4 February 2018)

- Institutional capacities have improved in the GCF: there has been increases in the Secretariat staff, the establishment of the Independent Units, and improvements in the Board decision-making, including decision-making without a Board meeting.
- Forward focus on delivery and results: effective implementation and results management have become core principal.

Through Decision B.21/18, the members of the Board were invited to submit inputs on the update of the ISP. The Secretariat produced a synthesis of issues brought up by the submissions to be considered by the Board at its twenty second meeting (February 2019)<sup>227</sup>. Suggestions for the new Strategic Plan provided by Board members include:

- Continuity of the Strategic Vision since it is still relevant and should be fit for the purpose of the implementation of the Paris Agreement and the paradigm shift of directing financing towards low-emission and climate resilient development pathways;
- Updating the Strategic Vision to consider the operational maturity of GCF, the scientific findings and evidence contained in the Intergovernmental Panel on Climate Change (IPCC) Special Report<sup>228</sup> to improve how the GCF is contributing to halve CO2 emissions within the next 10 to 15 years;
- Ensuring that the process for updating the Strategic Plan considers the outcome of the FPR, and that it is open and interactive with a wide variety of stakeholders;
- Updating the operational priorities and action plan for a more mature phase of operations;
- Scaling up investments and programming resources, shifting focus towards the impact and quality of GCF investments;
- Responding to developing country needs, including scaling up support for countries through readiness, direct access and country programming;
- Enhancing accessibility and predictability, in particular through further simplification of access modalities and accreditation reform;
- Maximizing the engagement of the private sector;
- Consolidating GCF governance and institutional capabilities: strengthening governance through a more efficient, strategic and better functioning Board,, and finding efficient and reliable way to conduct business between meetings. Also necessary are a, clearer division of responsibilities between Board and Secretariat, improving the efficiency and effectiveness of GCF processes, advancing implementation, embedding lessons learned and managing results;
- Improve complementarity and coherence in the climate finance landscape.

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<sup>227</sup> GCF/B.22/17. Synthesis of Board submission on the update of the Strategic Plan of the Green Climate Fund (February 1, 2019)

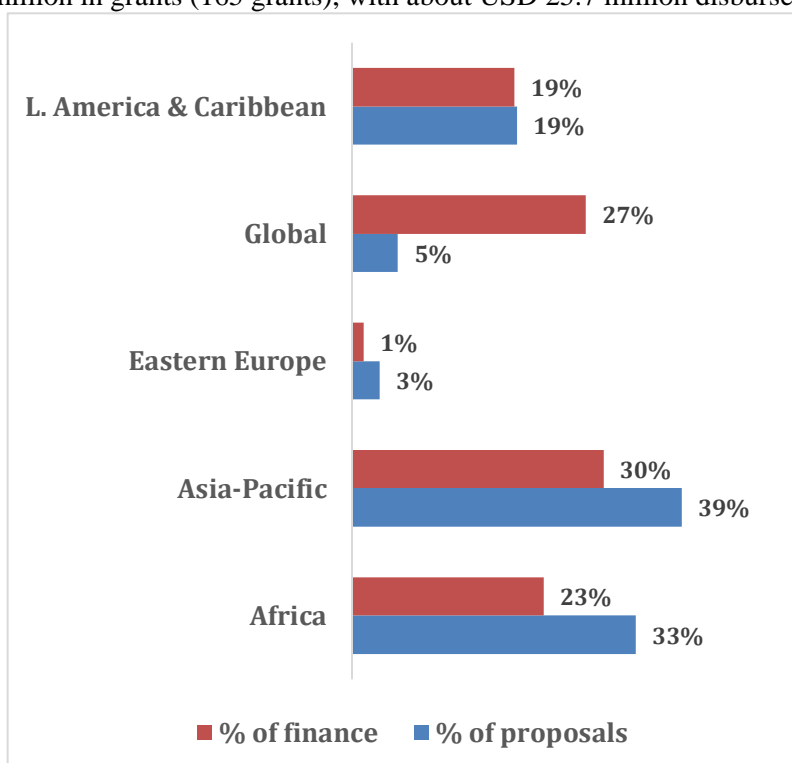
<sup>228</sup> IPCC, 2018: Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development and efforts to eradicate poverty.

#### d. The Fund’s portfolio<sup>229</sup>

The number of projects under implementation has increased significantly from 2017 to 2018, and as of the end of December 2018, 93 projects have been approved for a total of USD 4.6 billion. At that time, USD 1.62 billion (from 35 projects) was under implementation. There were 10 new proposals brought to the 22<sup>nd</sup> meeting of the Board ( to February 26-28 2019) (B22/10).

The Fund provides four types of financial instruments: concessional loans, grants, guarantees and equity, that can be employed under 11 financial modalities<sup>230</sup>. As of the end of 2017, there were no non-performing loans and all interest payments due were received on time.

The GCF’s RPSP initiated its activities in 2014 “to help countries strengthen their institutional capacities to engage effectively with the GCF over the long term”.<sup>231</sup> As of July 13, 2018, the RPSP, under which each GCF developing country may request up to USD 1 million, had approved a total of USD 93.4 million in grants (165 grants), with about USD 25.7 million disbursed<sup>232</sup>.



**Figure A - 2. Geographical distribution of projects, as a percentage of total number of projects and of total funds approved (December 2018)**

The 93 projects approved at B.21 are expected to avoid 1.4 billion tonnes of CO2 equivalent and to increase resilience of 272 million people.

As of December 2018, the Asia-Pacific region benefited from the largest number of projects and total amount of investments, as illustrated in Figure A - 2, while 27 per cent of the funds were allocated to global projects.<sup>233</sup> The GCF identifies three geographic priority areas for its investments,

<sup>229</sup> Unless otherwise specified, the information provided in this section is based IEU DataLab.

<sup>230</sup> Adaptable programme loans (APL); development policy loans (DPL); sector investment loans (SIL); credit lines, concessional financing for waterfall payment mechanisms; debt swaps; performance-based payments; public-private partnerships; blending with finance from multilateral development banks; bilateral agencies and market sources; advance market commitments; discounted grants. GCF/B.04/06

<sup>231</sup> IEU, Independent Evaluation of the Green Climate Fund’s Readiness and Preparatory Support Programme, November 2018

<sup>232</sup> Op. cit.

<sup>233</sup> Defined as projects that target several geographic regions.

namely LDCs, African States and SIDS. Currently, 37 per cent of projects target LDCs, 38 per cent target African States and 22 per cent target SIDS.

In terms of focus, 45 per cent of projects, representing 25 per cent of budget are adaptation projects, while mitigation projects represent 29 per cent of the portfolio and 39.8 per cent of the funds allocated (Table A - 2). Private sector projects represent 22 per cent of the portfolio and 78 per cent of funds allocated and public sector the rest.

**Table A - 2. Proportion of projects and of GCF committed amounts per focus area (January 2019)**

FOCUS	# OF PROJECTS	% OF PROJECTS	AMOUNT \$	# OF BUDGET
Adaptation	42	45.2	1,174,464,085.3	24.5
Cross-cutting	24	25.8	1,705,843,324.7	35.6
Mitigation	27	29.0	1,905,033,840.2	39.8
Total	93	100.0	4,785,341,250.2	100.0

Source: IEU Database

Approximately 53.8 per cent of the projects approved by December 2018 were considered to have moderate environmental and social risks and impacts (Category B and medium level of intervention), while 16 per cent were considered to have likely negligible to no risks and impacts. Approximately 9.7 per cent (nine projects) of the projects in this group were considered Category A, with three of them being large projects.<sup>234</sup>

## 2. OBJECTIVES AND PURPOSE OF THE FPR

The GCF Board, at its 21st meeting, having considered document GCF/B.21/27: “Performance review of the Green Climate Fund”, and recalling paragraphs 59 to 62 of the Governing Instrument for the Green Climate Fund, decided (Decision B.21/17, Appendix 2) to initiate a review of the performance of the GCF in ways that are appropriate to the current stage of the Fund’s operations and with a view to the GCF being a learning institution. The Board decided that the review should also consider the outcomes of the cited existing reviews by the GCF and by the IEU, that it should validate them and synthesize the key outcomes to draw implications for the GCF’s strategy in the future. The Board requested the FPR to have three areas of focus: progress to deliver the Fund’s mandate, performance of the Fund’s funded activities, and its portfolio and pipeline.

To achieve this, the Board asked the IEU to undertake the performance review and present an initial report with emerging areas of recommendations by 28 March 2019 and then finalize the review by 30 June 2019.

The overall purpose of the FPR is primarily to learn how fit-for-purpose the Fund has been so far in delivering its main objectives. The review of the performance of GCF will also contribute to accountability by reviewing emerging evidence on the performance and the likelihood of impact of GCF investments. In doing so the performance review will be sensitive to the current (early) stage of evolution of the GCF and account for context. The FPR will also examine the past performance of

<sup>234</sup> Category A: Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented; Category B: Activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively are few, generally site-specific, largely reversible and readily addressed through mitigation measures; Category C: Activities with minimal or no adverse environmental and/or social risks and/or impacts (GCF/B.19/06: Environmental and social management system: environmental and social policy (4 February 2018))



the GCF to make inferences regarding the future likelihood of impact of the Fund’s investments. The FPR will be constructive as it will inform the next phase of the Fund. In this sense, the review will be backward-looking as well as forward-looking.

### 3. REVIEW FRAMEWORK AND PROPOSED FPR REPORT STRUCTURE

The framework to be used by the FPR in responding to the three areas of inquiry requested by the Board (Decision B.21/17, October 2018) will be organized around seven areas of research and analysis, as presented in Table A - 3 below:

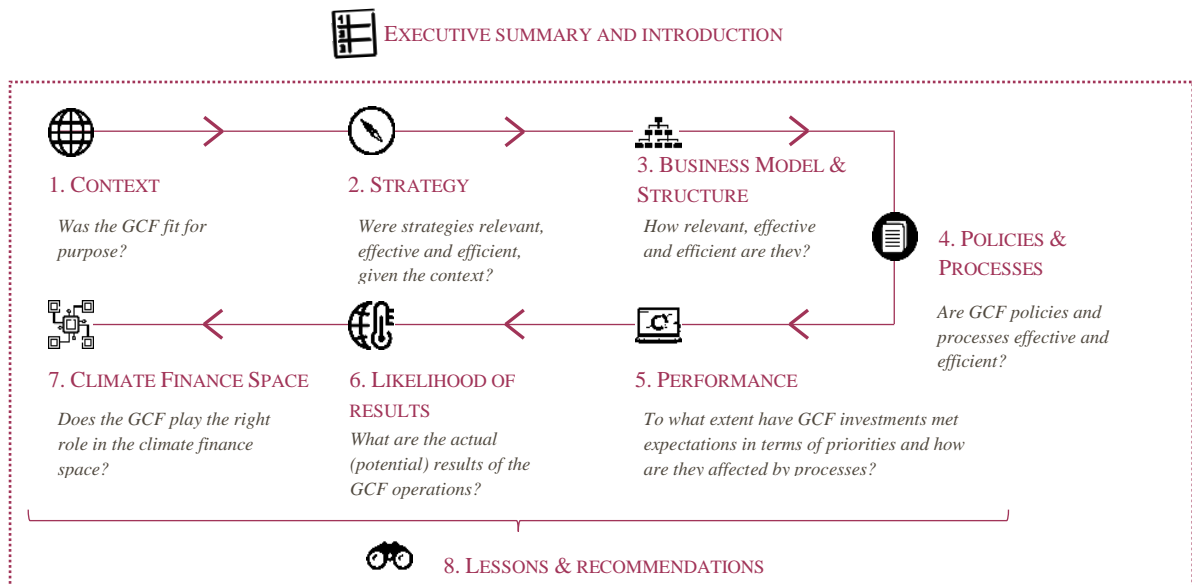
**Table A - 3. Areas of research selected for the FPR and their correspondence with the focus areas in the Board decision regarding the FPR**

BOARD DECISION	AREAS OF RESEARCH AND ANALYSIS
<div style="border: 1px solid #800000; padding: 5px; margin-bottom: 10px;"> <p style="color: #800000; margin: 0;"><b>PROGRESS</b></p> <p style="margin: 0;">Delivering on its mandate</p> <p style="margin: 0;">Initial Strategic Plan</p> <p style="margin: 0;">Business model</p> <p style="margin: 0;">Needs of developing countries</p> <p style="margin: 0;">Country ownership</p> </div> <div style="border: 1px solid #800000; padding: 5px; margin-bottom: 10px;"> <p style="color: #800000; margin: 0;"><b>PERFORMANCE</b></p> <p style="margin: 0;">Performance</p> <p style="margin: 0;">Likely effectiveness and efficiencies</p> <p style="margin: 0;">Disbursement levels</p> </div> <div style="border: 1px solid #800000; padding: 5px;"> <p style="color: #800000; margin: 0;"><b>PORTFOLIO</b></p> <p style="margin: 0;">Portfolio and pipeline</p> <p style="margin: 0;">Application of financial instruments</p> <p style="margin: 0;">Expected impacts</p> </div>	<p><b>1. Context of the GCF.</b> Was the GCF fit for purpose when it was established? What were the conditions, context and assumptions that led the UNFCCC to establish the GCF? What was the process for developing the Governing Instrument? Were there any lessons from other institutions incorporated in the establishment of the Fund?</p>
	<p><b>2. Initial Strategic Plan.</b> How is the ISP supporting the fulfilment of the GCF mandate? What are its links (if any) to the Governing Instrument, to the Business Model and the RMF?</p>
	<p><b>3. GCF Business Model.</b> How is the GCF Business Model (e.g. organizational structure, the PSF, the access modalities and financial instruments) supporting (or not) the fulfilment of the GCF mandate?</p>
	<p><b>4. Policies and processes.</b> Are the different policies approved by the Board (particularly risk management, gender, indigenous people, disclosure, Environmental and Social Safeguards) effective/sufficient for the operations of the GCF? How is the accreditation process supporting (or not) the GCF?</p>
	<p><b>5. Performance of the GCF.</b> What are the key strengths and weaknesses, achievements, challenges and opportunities of the GCF project cycle; the roles of the Independent Technical Advisory Panel (iTAP) and PSAG; the current GCF portfolio; the different access modalities and non-grant financial instruments; and the operation of the PSF? Has the GCF been responsive to UNFCCC guidance?</p>
	<p><b>6. Likelihood of (and actual) results.</b> What are the actual or expected results from the GCF investments? How are the GCF investments contributing to the paradigm shift to low-carbon emission economies and increase resilience pathways of sustainable development?</p>
	<p><b>7. Climate finance space.</b> What is or should be the niche of the GCF in the climate change architecture of today and in the future?</p>

These seven areas of research encompass all elements that make the GCF a unique financial institution and provide the framework for discussing the backward- and forward-looking characteristics of the FPR. The Evaluation Matrix further elaborates on these areas of research. The matrix includes sub-questions to be explored as well as the sources of data and methods to be used during the FPR which are explored in section on Methods.



The seven areas of research presented above will be used to develop the final FPR report. The following diagram (Figure A - 3) depicts how the different areas of the FPR will flow in the report. The report will begin by exploring the context in which the GCF was established, the expectations of the Fund as it was created and how these expectations were translated into the current GCF. Following this section, the report will assess the relevance, efficiency and effectiveness of the key elements that makes the GCF what it is today: its ISP (including the operational priorities and action plan), the business model (including the organization structure and important topics like the accreditation process) and the policies and processes that have been established by the Board. The following section will assess the performance of the GCF measured by the GCF portfolio and the project cycle processes that have delivered it. The final report will also include an assessment of the initial results that the GCF investments are generating as well as their potential in the future. The final section of the report will discuss the role that the GCF serves today, and how it could act in the future within the climate change finance architecture. The report will include a concluding section with key lessons identified and recommendations for the Board to consider. The Evaluation Matrix presents a more detailed outline of the FPR report.



**Figure A - 3. Structure of the FPR report**

## 4. KEY STAKEHOLDERS OF THE FPR

The GCF functions as a large network organization (in contrast to a stand-alone hierarchical organization) in which independent or at least semi-autonomous entities work together to achieve a common goal. Understanding how the network functions and who its members are will be an important aspect of the FPR. The FPR team identified the following stakeholder groups that will participate in the FPR through consultations using tailored interview methods. In essence, the groups were chosen to obtain their points of view on the Fund and on other topics relevant to the performance review of the Fund.

**Table A - 4. GCF Stakeholders of the FPR**

STAKEHOLDER	MAIN AREAS OF INTEREST FOR THE FPR
UNFCCC/COP/Secretariat representatives	Expectations for the Fund; responsiveness to feedback and guidance
GCF Board	Strategic vision and management of the Fund; governance; expectations for the Fund.
GCF Secretariat	Key source of information on all aspects of the Fund.
Independent Units (Integrity, Redress and Evaluation)	Role in the implementation of the GCF Business Model; accountability and learning.
Accredited Entities (international and direct access) (and those entities that are in the process to be accredited)	Key source of information about operations and accreditation processes; key members of the delivery business model; responsible for the day-to-day execution and monitoring of projects; sources of co-financing/leveraging effect.
Developing country representatives (from countries that have been successful in accessing the Fund and countries that have not)	Expectations and experience with accessing the Fund and its governance; fulfilment of their climate change needs; views will be sought according to different types of countries (e.g. emerging economies, LDCs, SIDS, etc.).
Executing Entities	Responsible for the day-to-day execution of projects, on the ground; key members of the delivery business model in practice.
Developed Countries (those not eligible for accessing the Fund)	Expectations from and experience with the Fund; mobilization and governance.
Civil Society Organizations (CSOs - global and local), including those who are official Board observers	Expectations and experience working with and accessing the Fund.
Private Sector Entities (working with projects and those observers to the Board)	Expectations and experience working with and accessing the Fund; partnership for paradigm shift and/or financing and scaling up climate change investments.
Other climate change financial organizations (potentially including multilateral, bilateral, national climate and development partners)	Fund's context, benchmarking and comparison, niche, critical partnerships, and leveraging effect.
Academia and research institutions (global and local)	Expectations of the Fund, its role in the complex climate finance landscape, and their participation as a source of scientific information for GCF operations and for benchmarking.
Communities and individuals (impacted by GCF activities)	How the GCF activities, especially through funded projects and other modalities, have affected these individuals and communities.

## 5. METHODOLOGIES, TOOLS AND TASKS

The FPR will adopt a mixed-method approach that includes quantitative portfolio analysis, an online stakeholder survey, qualitative interviews, “deep dives” into selected countries and core topics, and a document/literature review. The team will incorporate data, including the data generated by the IEU DataLab, information and analysis across methods and stakeholders following the workplan presented below. Data will always be verified, validated and triangulated. If and when a finding is confirmed by one or more sources, it will be identified as such so that it can be used in the appropriate way in the analysis (either as a general statement at the Fund level or as a particular case

for a programme, country or stakeholder). The team will seek to triangulate the information and evidence from different sources and consider different perspectives. A diversity of sources of information will be reviewed, appraised and validated. These will include internal documents prepared for the Board by the Secretariat; Board decisions; project documents; relevant external documents about the GCF; previous studies, reviews and evaluation conducted by the IEU, commissioned and prepared by the GCF Secretariat and other institutions; reports from interviews conducted with stakeholders from across the GCF network; and field observations by evaluation team members.

An integral part of the FPR will be to examine the overall perceived Theory of Change and to build a retrospective; one that assesses how and why the GCF was created and what it is currently delivering. This process will also include the identification of key bottlenecks that exist and challenge the Fund in delivering its overall mandate. The process tracing work will start early and continue during the process of the FPR.

### **a. The FPR as a participatory process**

Given the Fund's extensive network and considering resource and timetable constraints, it is essential that the consultation process is effective, efficient and focused. The team will collect a considerable amount of data through consultations with stakeholders. The purpose of this participatory approach will be twofold and in sequence: (1) to collect perceptions, experiences and lessons on the past, current and future performance of the Fund (and any evolution); and (2) to contribute to the validation and triangulation of the data collected, as well as to the initial and final findings, conclusions and recommendations. The team will use several methods to collect information from individuals, such as face-to-face and phone interviews, focus groups and online surveys. For each stakeholder, the most appropriate approach will be prioritized: for example, face-to-face or phone interviews will be used for consulting with representatives of the GCF Secretariat, its Independent Units, Board members or advisors, and observers from the CSO and PSO networks to the Board. Online surveys will be used to reach out to the large constituency of the Fund, such as GCF staff, NDAs and members of the CSO and PSO networks. Focus groups, either through online webinars or in person, will be used to allow for interaction between members of similar or different groups of stakeholders.

In addition, consultations will be used to maintain a constant communication process with key members of the GCF network to consult and assist in validating key findings and conclusions, and, towards the end of the process, to discuss and assist in validating recommendations. This consultation process should not interfere with the independent nature of the FPR but will facilitate the feedback processes and ownership of the report.

Several instruments for data collection among stakeholders have been developed, including interviews and focus groups guides and an online survey. They are presented in Annex 2.

The FPR team will take advantage of international events, meetings and other fora conducted by the GCF or in the international climate change community, to gather views from Board members, and from the advisors, observers, GCF Secretariat and Independent Units so as to expand the number of interviews taking place during main events and gatherings. The FPR will host webinars to introduce the global GCF audience to key concepts used or reviewed, and to obtain feedback when the preliminary findings are made available.

An integral part of this process will also be to examine the overall perceived Theory of Change and build a retrospective one – given the focus of current activities, structure and efforts – and to examine the extent to which Fund structure and processes are fit for purpose. The process will also include identifying key bottlenecks that exist and present challenges for the Fund in delivering its

overall mandate. Process tracing work will start early and continue throughout the formulation of the FPR.

### **b. Literature review**

The team will review documentation coming from a diverse range of sources and produced for different purposes. The depth of the many research papers will vary, so each document will be reviewed first from the standpoint of the credibility of the data and the robustness of the paper's methodology, analysis and conclusions. One set of documents will be those produced for and by the Board, and those coming from the COP regarding guidance to the Fund. Another key set of documents and data are those produced by the IEU and other independent evaluation organizations on topics relevant to the Fund and the FPR. A Synthesis Study of existing reviews and evaluations (introduced below) will also constitute a valuable source of information for the FPR. Finally, the team will scrutinize documents at the project level, from the documents presented to the Board for project approval to technical documents produced by the project themselves, and documents used for the monitoring of project progress, such as Annual Performance Reports (APRs). The team will develop a template to be used when reviewing documents that will improve the efficiency of collecting data according to the key questions of the FPR.

### **c. Synthesis study of existing reviews and evaluations**

As part of the decision by the Board on the FPR, the IEU has commissioned a Synthesis Study of evaluative evidence from a series of documents to draw lessons from past and current evaluations, reviews and studies etc., conducted by the IEU and by the GCF (see part C of this annex)<sup>235</sup>. This study focuses on the findings, conclusions, recommendations and scenarios presented in these documents to draw the overall lessons learnt and highlight key patterns emerging from this evaluative work.<sup>236</sup>

The main purposes of the Synthesis Study are to:

- Critically appraise documents on GCF programmes/projects, frameworks, modalities, themes, processes and policies, and insights from IEU evidence reviews;
- Provide a synthesis of the patterns related to the results of reviews and evaluations done both by the IEU, the GCF Secretariat, Independent Units, auditors, and other players in climate finance;
- Draw lessons that can be useful at this juncture of GCF evolution, and to inform the improved preparation, consideration and implementation of GCF funding proposals in the future;
- Indicate knowledge gaps regarding the effectiveness and efficiency, and further (evaluation) criteria defined by the terms of reference of the IEU, of processes, policies, frameworks and interventions; and
- Review factors that have influenced the overall performance and impact of GCF thus far.

### **d. Analysis of the GCF portfolio**

Based on data collected by IEU DataLab and expanded through the FPR, the team will conduct quantitative and qualitative reviews of the approved portfolio. Some analysis will also include operations in the pipeline. Databases and information sources to be used in the analysis include FLUXX, the integrated Portfolio Management System (iPMS), country and entity portals, financial and procurement records, APRs and other information from different divisions of the GCF

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<sup>235</sup> Annex XVI: Green Climate Fund review documents within Decision B.21/17 of the GCF Board

<sup>236</sup> Rastogi, A. (December 2018). Synthesis Study: Approach Paper

Secretariat. The IEU DataLab is collecting data and developing the IEU database, which will be an essential source of information for several parts of the FPR, as indicated in the *Evaluation Matrix*. Project and portfolio related data used for the analysis will be as of the end of February 2019 to include the approved projects at B.22. One important aspect of analysis using these databases will include an assessment of the extent to which the different funding modalities are able to deliver on the mandate of the Fund. The FPR team will also search the portfolio to find indications of country ownership of projects, expected impacts of projects and to assess the extent to which projects are scalable and engage the private sector as indicated by the GCF Strategic Plan.

In addition, the portfolio analysis will include an examination of the efficiency and value added of the project cycle from the point of view of time and resources that it takes to process a project from inception to approval to effective implementation. First, who participates in the project cycle? Second, what are the key bottlenecks?

#### **e. GIS analysis**

The IEU's DataLab is currently undertaking work on creating geospatial assessments of the Fund's active portfolio. This work will also contribute to the FPR. It will likely further strengthen the evidence base for selected countries through investigating questions such as (i) the efficiency and effectiveness of targeting of projects; (ii) the underlying baseline trends along climatic, biophysical, and socioeconomic variables of the project locations; and (iii) the likelihood of results based on underlying trends and coherence and complementarity with other initiatives.

#### **f. Country visits and analysis at country level**

Data will be collected from all countries eligible to receive GCF projects using different types of data collection tools: the DataLab dataset, online surveys, ad hoc interviews by phone or Skype, document review, country visits, etc. As part of the IEU work program, the IEU visited and collected data from 16 countries as case studies during recent or other ongoing evaluations and reviews by the IEU (the evaluations for the RPSP, RMF, and done as part of the Learning-Oriented Real-Time Assessment programme of the IEU (LORTA). Findings and lessons from these countries have been documented and will be part of the existing evidence that is reviewed as part of the Synthesis Study. Some of these countries will be visited again as the FPR will be asking different and broader questions to different sets of stakeholders and beneficiaries.

Specifically for the FPR, the Review team will visit a sample of 12 countries within the global GCF portfolio to conduct in-country data collection and to meet key stakeholders such as the NDA, in-country representatives from accredited entities and executing agencies, project developers, and potentially other stakeholders from civil society, private sector, and academia and other donors active in the climate change financing. The information and analysis coming from these country visits will complement, validate and triangulate the data and information gathered from countries by other methods. The FPR's analysis rests heavily on these country visits as key inputs. The country visits will also allow validating evidence with some of the beneficiaries, especially in cases where there has already been project implementation on the ground.

The selection of country visits was made systematically. This purposive and strategic sample was completed based on which countries – individually and as a suite – were most likely to yield insight into the larger research questions that the FPR is exploring. The purpose of the country visits is not to evaluate the GCF country programmes themselves, but rather gather data which lends insight into the larger learning questions being addressed in the FPR. The team will, however, immerse itself in the experiences of the selected country and in the context of other climate change programs and sustainable development. This will generate insight and core data that is essential for exploring GCF's potential for impact and transformation.

The following sampling criteria were applied to select the countries:

1. Geographic Representativeness of the current GCF portfolio: To ensure that every region is represented, and that the sample mirrors the actual portfolio – in terms of number of countries as well as total funding (see Figure A - 2);
2. Representativeness of GCF country priorities including Africa, LDC and SIDS. The sample has a higher representation of countries from these regions than in the current portfolio as they are priorities from the GCF.
3. Number and maturity of GCF portfolios at the country level: The sample has countries with a higher number of projects as well as project that are more mature (under implementation for at least one year, represented with the existence of at least one APR).
4. Balance between different key parameters of the portfolio:
5. Focus on adaptation, mitigation, or both (cross-cutting);
6. Sector: private, public and mixed sector investments (there is an emphasis on countries with significant private sector projects);
7. Funding modalities: grants, loans, equity (there is an emphasis on countries where various modalities are used);
8. Presence of regional or global projects in the countries selected.
9. Accredited Entities lens. The sample of countries includes a diverse type of accredited entities (there was an emphasis of countries with Direct Access Entities);

This has resulted in a sample of the 12 countries which are presented in Table A - 5. This table also includes data about some of the evaluation criteria used to select this sample and a list of “alternative” countries (selected using the same criteria) that could be visited in case the field visit cannot take place to any of the selected countries.

*Table A - 5. Sample of countries for field visits and country portfolio profiles*

#	COUNTRY	REGION	LDCs	AFR.	SIDS	TOTAL FUNDING (USD)	# PROJECTS <sup>237</sup>	2018 APR <sup>238</sup>	PROGRAM <sup>239</sup>	PRIVATE SECTOR <sup>240</sup>	TYPE OF AE	ALTERNATIVE
1	Egypt	Africa		✓		186.085.000	2	2	A, M	Yes	International/ Regional	Morocco
2	Mauritius	Africa		✓	✓	28.210.000	1	1	M	Indirect*	International	Comoros
3	Rwanda	Africa	✓	✓		32.794.000	1	0	CC	Indirect***	DAE	Uganda
4	Namibia	Africa		✓		28.800.000	3	2	A	Indirect**	DAE	Zambia
5	Senegal	Africa	✓	✓		36.116.000	3	1	A	Indirect*	International/ Regional/ DAE	Gambia
6	Mongolia	Asia				183.650.000	4	2	M/CC*	Yes	Regional	Indonesia
7	Solomon Islands	Asia			✓	86.000.000	1	0	CC	No	International	Samoa
8	Bangladesh	Asia	✓			84.980.000	3	2	A/CC	No	International	India
9	Guatemala	LAC				42.000.000	2	0	CC	No	International/ Regional	El Salvador
10	Grenada	LAC			✓	43.568.000	1	0	A	No	Bilateral	Barbados
11	Ecuador	LAC				41.172.000	1	1	M	Indirect*	International	Brazil
12	Georgia	EE				27.054.000	1	1	A	No	International	Armenia
	TOTAL					820.430.000	23					

<sup>237</sup> Excluding multi-country projects. With the exception of Solomon Islands and Bangladesh, all selected countries are also covered by at least one multi-country project.

<sup>238</sup> Number of national projects that should be submitting APRs for 2018

<sup>239</sup> A: Adaptation; M: Mitigation; CC: Cross-cutting

<sup>240</sup> \* Through global project Transforming Financial Systems for Climate (FP095) by Agence Française de Développement; \*\* Through regional project DBSA Climate Finance Facility (FP098); \*\*\* Through Acumen's KawiSafi (FP005) and Acumen Resilient Agriculture Fund (FP078)



This sample of countries represents nearly a quarter of all GCF-approved projects, and 17 per cent of GCF committed funding.

It is expected that the relevant AEs and the NDAs will provide logistical support to the FPR team to prepare for these country field visits, including help in preparing agenda, the stakeholder outreach, and scheduling. An agenda for each of the field visits will be prepared by the FPR team and commented by the key stakeholders. Part C of Annex 2 provides the country visit protocol, including the process, logistics, key stakeholders and questions as well as the outline of the report that the FPR team will prepare upon return. The teams participating in these visits will comprise a staff member from IEU and a member of the firm, hereafter referred to as the ‘firm’, either from the core team or a regional/national expert.

### **g. In-depth analysis on special topics**

Several in-depth analyses will be produced to synthesize and triangulate different types of sources of data around special topics of interest for the FPR. These are key building blocks of the FPR that will help inform and complement other sources of information in the FPR report. Some of these products may also be made public by the IEU after the final report is prepared. The topics identified are the following:

#### ***i. Evolution of the GCF during the IRM***

The FPR will include a retrospective, backwards-looking mapping of how the GCF evolved during the IRM, to analyse how different parts of the GCF led to its main goals, and to assess the extent to which the GCF responded to the UNFCCC guidance and needs of developing countries and ensured country ownership. In particular it will analyse what were the expectations of the Fund when it was established as well as the conditions and anticipated risks and assumptions, how it evolved during the IRM and how the expectations compared with the current delivery and implementation of the Fund. This in-depth analysis will support the focus areas of the (1) Context and (5) Performance (see Figure A - 4).

#### ***ii. Accreditation***

This is a key element of the GCF business model for delivering results and implementing projects. Since AEs play a crucial role in the delivery model, it is imperative that the proper accreditation process correctly selects reputable agencies that have robust execution capacities. Given the GCF commitment to foster country ownership, it has developed different tiers of (“fit for purpose”) accreditation that specifies the size and type of operations that entities can execute. Two specific aspects of the current accreditation process that will be analysed pertain to how accreditation affects the participation of private sector entities and of DAEs. This in-depth analysis will support the focus area on (4) Policies and Processes (see Figure A - 4).

#### ***iii. Role of the private sector and of the GCF Private Sector Facility (PSF)***

This analysis will focus on the set-up and key achievements of the PSF as well as the role of the private sector in the GCF. Specific focus areas will be whether the Fund is successful in engaging with private sector parties, such as pension funds, insurance companies, corporations local and regional financial intermediaries that can provide the necessary financial means required to finance projects relating to mitigation and adaptation activities at all levels. The analysis will explore how effective GCF is in mobilizing and crowding funds at scale, any hurdles to further effectively engage and cooperate with private sector actors, if the Fund is supporting the right private-sector climate projects; and if the investment actually requires support from the GCF in the first place (including if the project investment criteria are adequately assessed and if the GCF Business Model

enhances private sector to identify and develop bankable projects). This in-depth analysis will support the focus areas on (4) Policies and Processes and (7) Climate Change Space (see Figure A - 4).

#### ***iv. Non-grant financial instruments***

This is a key innovative component of the Fund, when compared with other climate financial organizations. This analysis will build upon the findings of the analysis of the PSF, and specifically seek to assess efficiency and effectiveness of these instruments. It will explore whether these non-grant instruments that have been used in projects were adequate in the financing structure, whether the instruments were sufficiently additional, if they are expected to achieve the results, including potential for scale and whether they have been effective in leveraging financial resources from third parties. The Review should consider whether the mix between non-grant and grant is sufficient/optimal. This in-depth analysis will support the focus areas on (3) Fund Business Model and Structure and (5) Performance (see Figure A - 4).

#### ***v. Review of the Independent Units***

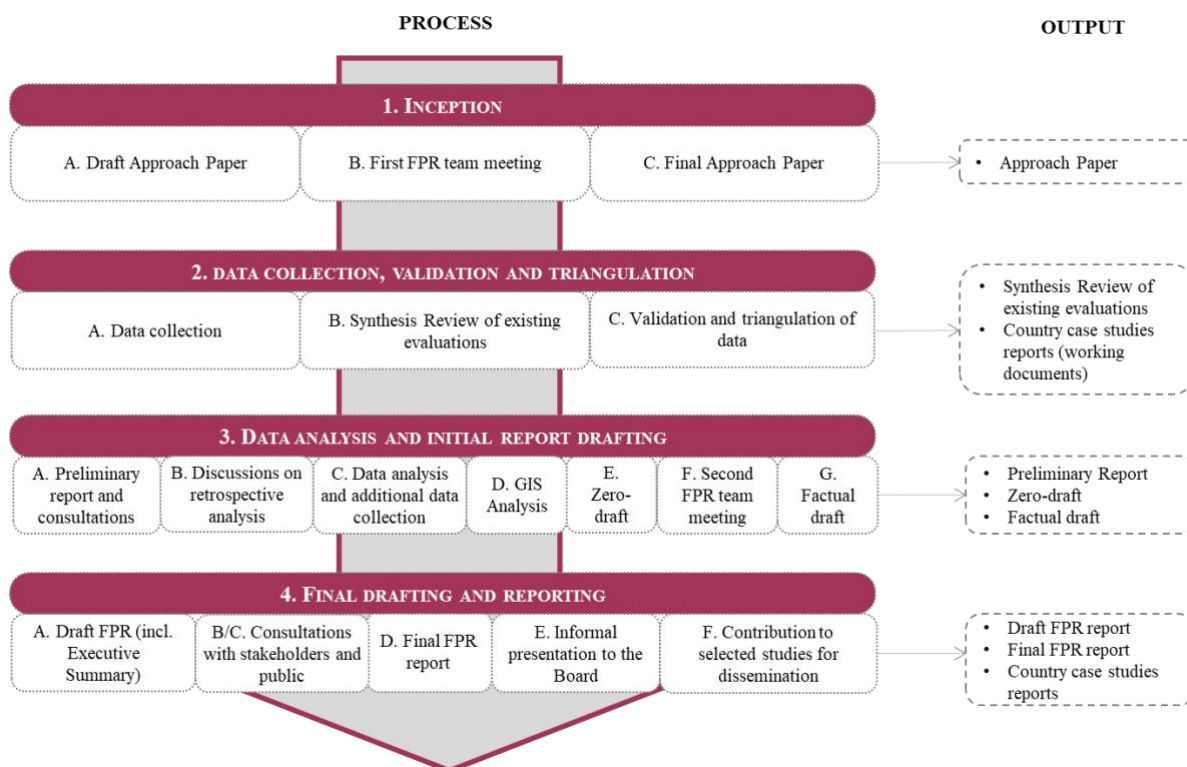
The Fund has established three Independent Units to fulfil different aspects of accountability and learning: Integrity, Redress mechanism and Evaluation Units. Although the three Independent Units are functioning, their work is too recent to conduct a full assessment. The FPR team will review their functions, including policies and standards, and identify some of the major accomplishments and shortcomings. This in-depth analysis will support the focus areas on (3) the Fund's Business Model and Structure and (4) Policies and Processes (see Figure A - 4).

#### ***vi. Comparison and benchmarking performance of the GCF with other comparable climate finance agencies***

This in-depth analysis will be critical to understand the niche that the GCF occupies in the global architecture of climate financing and specifically to assess the extent to which the GCF has taken advantage of opportunities for partnering with other organizations. This Review will also provide information on the extent to which the GCF has learned from the experience of more than 20 years of global climate financing by other organizations, while acknowledging the special nature of the GCF. Finally, the analysis will explore important concepts in the GCF structure: complementarity and coherence. This analysis will draw from published reports on the performance of other institutions. This in-depth analysis will support the focus areas on (1) Context and (7) Climate Finance Space (see Figure A - 4).

## **6. WORK PLAN, TIMELINE AND DELIVERABLES**

The FPR will deliver according to the work plan summarized in the exhibit below. This approach is the roadmap used to collect, structure, validate and analyse information needed to be able to answer the evaluation's key questions.



**Figure A - 4. FPR process and key outputs**

The work plan and timetable presented below are very ambitious, especially with regards to the allocation of time to ensure high-quality products are delivered to inform the replenishment process on a timely basis. There are certain risks that the team will monitor and try to mitigate (see section below). One of the approaches to overcome this is to produce and deliver products in parallel. The process put forward for the FPR builds on two key principles from the outset: (1) a highly participatory evaluation process, with adequate time to conduct consultations with key stakeholders which should not compromise the independence of the FPR and (2) high standards of quality at all levels, from data collection to analysis and drawing of conclusions and recommendations.

**a. Inception phase (January 2019)**

**i. First draft Approach Paper (January 23)**

The Approach Paper (this paper) is essential for the success of the evaluation. It is the document that will guide the FPR and clarify all responsibilities from the start. It is also designed to remain flexible enough to accommodate unexpected events. It is the product of the FPR team. Above all, it is based and responds to the Board decision on the FPR (part C of this annex) and preliminary consultations with some key stakeholders (e.g. GCF Secretariat staff, GCF Independent Units).

**ii. First FPR team meeting (week of 28 January – 1 February)**

The first FPR team meeting was the first face-to-face meeting of the core FPR team. It took place in Songdo and aimed to discuss key areas of focus posed by the FPR and serve as a means to introduce the team to the GCF Secretariat and Independent Units staff. This was a crucial multi-day meeting during which the FPR team agreed on fundamental aspects of the FPR including methods, timelines, deliverables, roles and responsibilities, interview guidelines, and selection of country visits and protocols. The team also identified key risks factors and mitigation plans as well as potential unexpected events and how to tackle them. During this visit, the FPR team took advantage of its presence at GCF headquarters to conduct the first face-to-face interviews with representatives from the GCF Secretariat and the Independent Units, including the IEU.

### ***iii. Final Approach Paper (end of February)***

The Approach Paper (this paper) was reviewed after the inception meetings in Songdo and shared with the IEU for comments. Comments are incorporated into this final version.

#### ***Inception Phase Deliverables***

Draft and Final Approach Paper

### **b. Data collection, validation and triangulation phase (January – April 2019)**

#### ***i. Data collection (January – April)***

In the initial period of the Review, and in preparation for the Preliminary Report, the data collected will focus on primary and secondary data and on lessons and experiences. The FPR will use various methods to collect these data. The six primary forms will be:

1. Document review: The review of existing evaluations, reviews and assessments from IEU and the GCF Secretariat, and other knowledge products;
2. Country visits and analysis: The FPR aims to complete gathering data on the ground from 12 country field visits, and fully report on all of the country studies, by the end of April 2019;
3. Portfolio data analysis: Focused analysis of available portfolio data, including but not limited to all projects approved during the IRM period plus those in the pipeline. It is expected that the FPR team will use and expand, when necessary, existing data collected by IEU (including DataLab) and the GCF Secretariat;
4. Survey: An online survey to reach a wide list of GCF stakeholders with quantitative and qualitative questions to collect factual and perceptive information (the analysis of the answers will provide information that will be used for conducting more structured interviews). This survey will be prepared in English and translated into French and Spanish;
5. Interviews: The firm will undertake 50 to 60 interviews – additional to those occurring in countries and through the online survey - with key actors (e.g. representatives of GCF Secretariat staff, independent accountability units, Board members and advisors, UNFCCC Secretariat, AEs, CSOs and PSOs, selected NDAs and executing agencies and independent experts from academia and think tanks); and
6. Workshops/Seminars: The FPR team will conduct three-four webinars with a wide set of stakeholders to collect information on specific topics but also to encourage interaction between stakeholders that may not normally interact.

Participation at B22: The FPR team will take advantage of the presence of many key stakeholders at B22 (Feb 25-28, 2019) and conduct interviews and focus groups. In particular, the team will target Board members, alternates and advisors, CSOs and PSOs observers, representatives of AEs and of GCF Secretariat.

#### ***ii. Synthesis study of existing evaluations, reviews and assessments (end of March)***

This Synthesis Study was introduced earlier. The approach paper for this study was submitted in December 2018, and the report from the study is expected at the end of March 2019. This will be a first product of the performance review and will be critical to fully understand the kind of evidence that is already available and emerging areas of findings. The FPR team will conduct a quality review of the evidence as most of these assessments and reviews were not conducted independently.

### ***iii. Validation and triangulation of data (March)***

The FPR team will validate the quality of the data and analysis and then triangulate the information against different sources to identify preliminary findings; this may also help establish if the Approach Paper needs to be revised (e.g. with regard to identifying key questions for the FPR, adjust methodologies, tasks and timetable). If the Approach Paper needs revision, the matter will be raised directly with the IEU.

### ***iv. Draft retrospective ToC for the GCF (end of March)***

The FPR team will develop a draft retrospective ToC for the GCF to assess how and why the GCF was created and to the current deliverables. It is proposed that the FPR team will work with the GCF Secretariat to analyse and compare what was initially expected from the GCF and conditions at the time in the climate change finance discussions, what was agreed to be provided during the IRM and what the GCF is currently delivering. This exercise will contribute to the full understanding of how the GCF evolved during the IRM period as well as identifying key bottlenecks that exist and present challenges for the Fund to deliver its overall mandate.

#### ***Data Collection, Validation and Triangulation Phase Deliverables***

Review of Existing Evaluations, Reviews and Assessments

Country case studies report (working documents)

## ***c. Data analysis and initial report drafting phase (February – May 2019)***

### ***i. Preliminary report and consultations (28 March)***

This report will be based on the synthesis review that will be completed by the end of March. This report will also present a progress report on the overall FPR. The firm will prepare and submit this report although the rest of the FPR team will provide comments during its preparation.

### ***ii. Discussions with GCF Secretariat on a retrospective analysis of the GCF (week of April 29)***

The team will meet with the GCF Secretariat and IEU to discuss the retrospective ToC (or logical overview) for the GCF.

### ***iii. Data analysis and additional data collection (end of May)***

Validated and triangulated data will be used to distil findings and progressively draw conclusions to the evaluation questions. Both deductive and inductive analysis will be used. Any data gaps will be identified and addressed to the extent that is feasible given resource constraints. New and updated findings and analysis will inform overall conclusions. The team will complete data analysis by the end of May 2019.

### ***iv. Zero draft of the FPR (May 20)***

The Zero Draft will include initial key findings and conclusions in the draft version, but it will be an internal working document of the FPR team. No recommendations are to be included at this point. It will be used for the second FPR Team meeting (see below) and as the basis for preparing a factual draft (see below). The FPR team will then update the Zero Draft by the end of this team meeting.

### ***v. Second FPR team meeting (May 20-25)***

The FPR Team will meet for five days to review the Zero Draft, refine analysis, consult with the GCF Secretariat on factual issues and agree within the FPR team on the key messages and



recommendations of the FPR. The team will discuss and elaborate the key findings and lessons, and also start drafting recommendations as well as preparing the Review's Executive Summary. The process should also identify any remaining analysis that will need to be rapidly conducted. The team will present the factual draft findings to the Secretariat on May 22.

***vi. Factual draft of the FPR (May 22)***

Based on the Zero Draft report and the discussions during the first part of the 2nd FPR team meeting, the Team will prepare a preliminary and exclusively factual version (key findings and conclusions) of the FPR for GCF Secretariat review. After sharing the factual draft with Secretariat, the IEU will collect and consolidate all feedback on factual errors or omissions into one compendium of comments.

***Data Analysis and Report Drafting Phase Deliverables***

Preliminary Report (by the IEU)

Zero Draft

Factual Draft

***d. Final drafting and reporting phase (May – June 2019)***

During this period, the final FPR report will be prepared, incorporating comments received on the Zero Draft.

***i. Draft FPR, including Executive Summary (June 13)***

The Draft FPR will be prepared by June 13 including an Executive Summary. It will be presented to key representatives of stakeholders (June 14-18) and then to the public (June 21-25). The consultation will include webinars for representatives from different stakeholders to be fully involved and to provide for their factual review of the draft and how, from their perspective, this may impact the FPR conclusions and recommendations. Given the tight timeline to receive and incorporate comments on factual errors or omissions into a final report, it will be necessary to provide stakeholders with advance notice about these consultations.

***ii. Final FPR Report (June 28)***

The final draft will consider all relevant comments received on the earlier draft. The document will include key findings and actionable recommendations, including those that reflect the key strategic and learning messages. The team will give due consideration and incorporate feedback, as and if relevant, on the proposed recommendations from key stakeholders, such as Board members and advisors and GCF Secretariat. This is a good practice to ensure ownership of the recommendations and follow up. The final paper's primary audience is the GCF Board as well as the replenishment group and process. The FPR team is committed to preparing a final product which is sharp and concise, and aimed at an executive audience.

***iii. Informal presentation to the Board (July 5-8)***

One member of the FPR team will present during the informal sessions at the next meeting of the Board (B23) that will take place during the first week of July.

***iv. Contribution to selected studies for public dissemination (July 31)***

During the FPR, the team will make deep dives on several topics (country-level and in-depth analyses on special topics). These analyses should provide substantial evidence on findings that could be made available to the public through the IEU website, once the FPR is completed. In

particular, the country visit reports should be considered for publication. The evaluation team's primary focus is preparing the final FPR report.

#### ***Final Drafting and Report Phase Deliverables***

Draft FPR, including an Executive Summary

Final FPR Report

Country case studies reports

#### **e. Assumptions in delivering the FPR**

The scope and timetable of the FPR are ambitious with fixed deadlines and constraints in the budget. There are various assumptions that are considered necessary (and should be monitored and mitigated) to deliver the FPR in a timely manner:

- **Availability of data:** The FPR team intends to draw heavily from ongoing data collection, compilation, and analysis which is already underway within (or commissioned by) the IEU such as the projects database and the systematic document review or from other sources (for example, from country visits). If there are delays in any of them, for reasons outside the FPR team control there may be a need to adjust the scope of the FPR accordingly.
- **Logistical challenges:** There are several logistical challenges that may cause changes in the proposed plans. The FPR team is committed to visiting twelve countries in a short period of time. Complications with national circumstances to schedule all these trips in parallel may facilitate the need to deviate from the intended sample of countries, thus the inclusion of alternatives countries. The FPR team will need full support from the GCF Secretariat to deploy the online survey, which will represent a crucial tool to collect data across the GCF network, by providing the survey platform and some of the distribution email lists. The availability of both will affect the response rates which influence the confidence in the survey findings.
- **Data management:** The team is dependent on several secondary data sources, including written documentation (e.g. project APRs) and the DataLab large dataset. If there are gaps in data coming from key secondary sources, the analysis will be limited accordingly. The team will be working closely with the IEU DataLab to process and analyze this data. The team will also need to ensure that the large body of interviews and discussions are documented in a timely manner and analyzed appropriately. It is critical that rigorous but practical internal tools and protocols be put in place.
- **Timely and practical feedback:** The FPR team is committed to conducting this Review in a participatory and transparent manner, and in presenting early findings to key audiences for feedback. However, consultation processes are not always speedy, and given the tight timeframe and fixed deadlines, it is essential that feedback be prompt, aligned with the scope and intentions of the Review, and (reasonably) consistent.



**Table A - 6. Timetable**

TASKS <sup>241</sup>	JAN.					FEB.				MARCH				APR.				MAY					JUNE				JULY						
	1	2	3	4	5	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	5	1	2	3	4	1	2	3	4			
<b>I. Inception Phase</b>																																	
A. Draft Approach Paper					D																												
B. 1st FPR Team Meeting in Songdo																																	
C. Final Approach Paper										D	C	D																					
<b>II. Data Collection, Validation and Triangulation Phase</b>																																	
A. Data collection (interviews, online survey, country visits, desk reviews)																																	
B. Synthesis Review of Existing Evaluations, Reviews and Assessments																																	
C. Validation and triangulation of data																																	
D. Draft retrospective ToC for the GCF																																	
<b>III. Data Analysis and Initial Report Drafting Phase</b>																																	
A. Preliminary Report and consultations (by IEU)																																	
B. Discussion with GCF Secretariat on a retrospective ToC of the GCF																																	
C. Data analysis and additional data collection																																	
D. GIS analysis																																	
E. Zero Draft (internal to team)																																	
F. Second FPR Team Meeting																																	
G. Factual draft (shared with GCF Sec)																																	
<b>IV. Final Drafting and Reporting Phase</b>																																	

<sup>241</sup> Legend: Letters: D for Deliverable; C for comments; Colors: Blue: Baastel/SRQ; Orange: Independent consultant; Green: IEU; Dark grey: jointly by IEU and Baastel/SRQ

FORWARD-LOOKING PERFORMANCE REVIEW OF THE GREEN CLIMATE FUND  
FINAL REPORT – ANNEXES

TASKS <sup>241</sup>	JAN.					FEB.				MARCH				APR.				MAY					JUNE				JULY			
	1	2	3	4	5	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	5	1	2	3	4	1	2	3	4
A. Draft of FPR, including Executive Summary																								D						
B. Consultation on Draft FPR with Stakeholders																														
C. Consultation on Draft FPR with the Public																														
D. Final FPR Report																														
E. Informal presentation to the Board																														
F. Selected studies for public dissemination																														

## f. Organization and staffing

The evaluation team that will work on the FPR will be led and managed by IEU senior staff, under the direction and overall responsibility of the Head of the IEU. As previously mentioned, there will be only one FPR team, comprised by IEU staff, an external consultancy firm (a consortium of Baastel and Steward Redqueen). The team will also collaborate and coordinate closely with other ongoing efforts by (or commissioned by) the IEU. The team is particularly committed to building upon the parallel synthesis study of existing evidence from GCF documents. The firm is expected to add significant value in terms of lessons to be learned and the strategic, formative aspects of the FPR that will derive from evidence gathered.

Following the plan laid out in this report, the firm will:

- In full collaboration with the IEU, conduct 50 to 60 interviews, up to 12 country visits, attend Board meetings B22 and B23, conduct and analyse an online survey, review key documentation from GCF and external sources. The firm will have responsibility to collect, validate through triangulation and report on the data throughout the Review. The firm is staffed by a team of senior-level experts who will collaborate across the study; themes and/or research methodologies are assigned to particular individuals who will lead that section and ensure methodological protocols are followed.
- Prepare internal working papers which synthesise data and findings on particular issues (e.g. country case studies, accreditation, retrospective Theory of Change of the GCF, private sector and findings from different parts of the Review).
- Deliver a Zero Draft that includes factual information, findings and conclusions; and
- Deliver a final FPR report that also include recommendations and comments from stakeholders.
- The consultant working on the synthesis will:
  - Prepare a report that reviews, appraises and synthesizes findings, lessons and recommend already coming from existing reviews, studies or evaluations conducted by the IEU, by other GCF units, and by others. This study will constitute the first of the FPR deliverables (28 March) and will incorporate into the overall FPR providing early lessons learned to GCF.
  - The IEU DataLab will collect and process information related to the GCF portfolio. It will collaborate with the FPR team to extract quantitative information to help the FPR team build an in-depth understanding of the portfolio and present this information within the FPR report. The FPR team will work on analyzing this data and provide analytical rigour and insights and will collaborate closely with the IEU Datalab.
  - The IEU Datalab will work on a geospatial assessment of the Fund's active portfolio. The DataLab team will prepare protocols to collect data and analysis as well as create project-level geospatial assessment reports.
  - An advisory group has also been set up by the IEU to inform the process and add quality and credibility to the Review. This will be constituted by experts in the field of evaluation, evidence, environmental science and methodology. It will also include members from developed and developing countries, SIDS, the private sector and CSOs, to be set at during the inception phase, to guide the process and enhance overall quality.

## B. FPR EVALUATION MATRIX

### Context: Was the GCF fit for purpose?

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
1.1. Rationale			
1.1.1. Why was the Fund established?	N/A (descriptive)	Interviews with past and current Board members, representatives from UNFCCC, GCF Secretariat, AEs Literature review	Interview reports GCF, UNFCCC and external documents In-depth study on “the evolution of the GCF during IRM”
1.1.2. What were the gaps in the existing climate finance architecture at the time of its establishment?			
1.1.3. How has the GCF evolved during the IRM (e.g. approval of policies, strategies, business model)?		Interviews with Board members and observers; representatives from UNFCCC, GCF SMT AEs; other operating entities of the UNFCCC financial mechanism	Interview reports GCF and UNFCCC documents In-depth study on “the evolution of the GCF during IRM”
1.2. Lessons			
1.2.1. At the time of its establishment, did the GCF effectively identify and incorporate key lessons from the international experience of the global climate change financial architecture?	Effectiveness and efficiency	Interviews with Board members and observers; representatives from UNFCCC, GCF SMT, AEs, other operating entities of the UNFCCC financial mechanism	Interview reports GCF and UNFCCC documents In-depth study on “the evolution of the GCF during IRM”
1.3. Governing Instrument			
1.3.1. How did the Governing Instrument come about?	N/A (descriptive)	Interviews with Board members and observers; representatives from UNFCCC, GCF SMT, AEs	Interview reports GCF and UNFCCC documents In-depth study on “the evolution of the GCF during IRM”

**Strategy: Were Strategy and Targets Relevant, Effective and Efficient, Given the Context?**

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
2.1. Strategy			
2.1.1. Is the GCF’s strategy adequately defined in the Initial Strategic Plan (ISP)?	Effectiveness and Efficiency	Interview with Board members and observers; GCF SMT and Secretariat staff Literature review	Interview reports Documents: ISP Board and GCF documents
2.1.2. Is the ISP sufficient and appropriate for implementing the Governing Instrument?			
2.1.3. Is the Fund sufficiently committed to evidence-based strategy?	Paradigm shifting potential	Interview with Board members and observers; GCF SMT and Secretariat staff, AEs Literature review	Interview reports Board and GCF documents; external documents (i.e., Global Risk Report 2018, IPCC and UNFCCC documents; from independent evaluation units of other financial institutions)
2.2. Investment criteria			
2.2.1. Are the investment criteria appropriate and reflective of the Fund’s mandate?	Effectiveness and efficiency Impact potential	Literature review Interviews with GCF Board and observers, GCF Sec, AEs	GCF documents on investment criteria Interviews reports
2.2.2. How do the investment criteria connect to the ISP?			
2.3. Management for Results			
2.3.1. Are GCF’s ISP’s targets realistic?	Effectiveness and efficiency Impact potential	Review and building on IEU RMF evaluation Interviews with GCF Sec, Board members and observers	IEU RMF evaluation Interview reports
2.3.2. Do GCF’s current frameworks help to manage for results (RMF, investment criteria, ISP, Risk Framework)?			
2.4. Learning			
2.4.1. How well is the GCF using learning to inform strategy?			

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
	Effectiveness and efficiency Impact potential	Interviews with GCF Sec, Board members and observers	Interview reports

**Fund business model and structure: How relevant, effective and efficient are they?**

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
3.1. Core Principles			
3.1.1. How do country ownership, country needs, climate rationale and the objective of paradigm shift influence the Fund’s business model and structure?	Country ownership Effectiveness and efficiency	Interviews with GCF Board members and observers, GCF Sec and AEs representatives Literature review	Interview reports GCF documents
3.2. Organizational Structure			
3.2.1. How is the Fund’s organisation structured?	N/A (descriptive)	Review of GCF documents	GCF documents
3.2.2 What are the key roles, responsibilities and processes of all actors in the organisation?		Interviews with GCF Sec, Independent Units and AEs	Interview reports
3.2.3 To what extent has the GCF put in place an effective implementation structure with a clear definition of roles, robust capacities and additional and sufficient finance?	Effectiveness and efficiency	Interview with GCF SMT, Secretariat staff and AEs Literature review	Interview reports Documents: GCF Board decisions, Dalberg review; GCF Secretariat reviews.
3.3. Secretariat			
3.3.1. Is the GCF Secretariat structure fit for purpose to respond to the mandate and to the Board decisions?	Effectiveness and efficiency	Validation of reviews conducted by GCF Sec	Reviews conducted by GCF Sec Interview reports

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
3.3.2. Is the current structure of Secretariat allowing GCF beneficiaries to access / fund activities in sufficiently efficient ways?	Needs of recipients	Interviews: GCF Sec, Board members and observers, recipient country representatives, AEs	Country visits reports
3.3.3. What are the accomplishments and key challenges? How have these affected the GCF?			
3.3.4. Is the Secretariat adequately preparing for replenishment?			
3.4. Independent Units			
3.4.1. Have the three established units fulfilled different aspects of accountability: Integrity, Redressing Mechanism and Evaluation?	Effectiveness and efficiency	Interviews: Board members and observers; IAUs; AEs Desk review of Board and IAUs documents Validation of documents	Interview reports In-depth review of IAUs Board and IAUs documents
3.4.2. Do they have the right policies, standards and structure?			
3.4.3. What are accomplishments?			
3.4.4. What are the challenges and shortcomings?			
3.5. Delivery Partners			
3.5.1. What is the role of NDAs and AEs in the Fund's business model?	N/A (descriptive)	Interviews with Board members and observers; GCF Sec; AEs; NDAs and other relevant country representatives; other international climate change funds	Interview reports Country cases Documents from the Board, Secretariat, IEU RPSP and country ownership evaluations; AEs
3.5.2. How effective and efficient are NDAs and AEs in executing the Fund's mandate?	Needs of recipient Effectiveness and Efficiency		
3.6. Access modalities <sup>242</sup>			

<sup>242</sup> Funding Proposals; Readiness and Preparatory Support Program; Project Preparation Facility; RfPs Enhanced Direct Access; Simplified Approval Process; Micro, Small and Medium-sized Enterprises; Mobilising Funds at Scale conducive to the business model



THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
3.6.1. To what extent are the GCF's access modalities conducive to the business model?	Effectiveness and efficiency Impact potential Country needs	Interview with Board members and observers; GCF Sec; AEs, country representatives	Country cases Documents from the Board, Secretariat, IEU RPSP and country ownership evaluations

**Policies and processes: Are GCF policies and processes effective and efficient?**

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
4.1. Policy Framework			
4.1.1. Are current policies necessary, sufficient, coherent, effective to support the GCF plan and strategy (special focus on risk, country ownership, needs, climate rationale, ESS, gender)?	Effectiveness and efficiency	Interviews: Board members and observers, GCF Sec, UNFCCC Sec, country recipient, AEs. Literature review Review of UNFCCC documents Online survey	Systematic review GCF and UNFCCC documents Interview reports
4.1.2. Are there any policy gaps? Or is there a policy overload?	Coherence in climate change finance Effectiveness and efficiency	Interviews: Board members and observers, GCF Sec, UNFCCC Sec; AEs Literature review Online survey	Systematic review Interviews reports Climate change literature GCF and UNFCCC documents
4.2. Policy Implementation			
4.2.1. Are policies implemented effectively (role of ITAP, Secretariat, PSAG, structure of the Secretariat and the business model, etc.)?	Effectiveness and efficiency	Interviews Board members and observers, GCF Sec, UNFCCC Sec; AEs; NDAs and project proponents Literature review	GCF documents: reviews of ITAP for Board
4.3. Policy coherence			

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
4.3.1. How do policies and Administrative Instructions affect the efficiency and value of GCF operations?	Effectiveness and efficiency	Interviews: GCF Sec, AEs, recipient countries, Board members and observers GCF portfolio analysis	Interviews reports IEU data lab
4.4. Accreditation			
4.4.1. Is the accreditation process as it is, credible, necessary, and sufficient to support the GCF strategy and plan?	Effectiveness and efficiency Country needs	Interviews with AEs (both accredited and those applying); accredited panel; GCF Sec; NDAs	FPR Accreditation in-depth analysis
4.4.2. Is the accreditation process as it is efficient to support the mandate and operations of the GCF (e.g. supporting the paradigm shift with specific focus on public and private sector access)?			
4.4.3. What are the common limitations / barriers encountered during the accreditation process?			
4.4.4. Does the current accreditation process meet recipients' needs? To what extent has it produced a set of reputable partners that have robust execution capacities (to address both public and private sector projects and investments window needs under the GCF)?			
4.4.5. How does the current accreditation process affect the country-drivenness approach of the Fund?			
4.4.6. To what extent has GCF enhanced Direct Access? Is Direct Access responsive to the needs and priorities of developing countries during accreditation? (including entities still in the process)			

**Performance: To what extent have GCF investments met expectations in terms of volume and quality?**

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
5.1. Project Cycle			
5.1.1. Is the project cycle conducive to deliver towards mandate of the GCF (public and private sector)?	Effectiveness and efficiency	Interviews with GCF Board members and observers; GCF Sec; AEs GCF Portfolio analysis Validation of GCF Sec documents	IEU database Documents: Board, Sec; AEs; review of iTAP for Board Country studies
5.1.2. What criteria are used to make investment decisions? Are they used consistently?			
5.1.3. To what extent do the iTAP/PSAG assessments help to ensure quality of funding proposals?			
5.1.4. What is the quality of delivery (e.g. requirements, timelines, communication) and how has this impacted the portfolio?			
5.2. Project Portfolio			
5.2.1. To what extent is the current project portfolio living up to the GCF's mandate and targets (in terms of regions, priority countries, adaptations/mitigation, co-financing, public vs. private, direct vs. international access, additionality etc.)?	Effectiveness and efficiency	Interviews with Board members, GCF Sec, AEs; country representatives GCF portfolio analysis	IEU database Documents: Board, SEC, AEs,
5.2.2. What is the mix of financing instruments and is it appropriate in view of the GCF mandate? And what consequences does that have for the GCF's financial sustainability?			
5.3. Responsiveness to the UNFCCC			
5.3.1. To what extent has the GCF responded to the UNFCCC guidance?	Effectiveness and efficiency	Interviews with UNFCCC Sec; Board members and observers; GCF Sec	Interview reports Review of UNFCCC decisions on GCF

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
		Literature review of UNFCCC decisions on GCF; evaluations from other financial mechanisms	FPR Synthesis Review GEF and Adaptation Fund Independent evaluations
5.4. Access modalities <sup>243</sup>			
5.4.1. To what extent are the GCF's access modalities effective and efficient?	Effectiveness and efficiency	Interview with GCF Sec; AEs reps; country stakeholders; project proponents	Interview protocol Reports from country studies
5.4.2. To what extent do the GCF's financial instruments meet the demand of countries?	Country ownership	Country studies Literature review Portfolio analysis	GCF documents IEU portfolio database
5.5. PSF and non-grant instruments			
5.5.1. To what extent are PSF processes and modalities effective, efficient, and innovative?	Effectiveness and efficiency	Interview with GCF Sec; AEs reps Portfolio analysis	Interview protocol GCF documents
5.5.2. To what extent does the PSF bring innovation to GCF financing?	Effectiveness and efficiency Paradigm shift	Literature review Country studies	IEU portfolio database Reports from country studies
5.5.3. Were investments sufficiently new and additional?	Coherence in climate finance delivery		
5.5.4. Have they been effective in leveraging financial resources from third parties?			
5.5.5. Are the instruments expected to achieve the results, including potential for scale?	Impact potential	Portfolio analysis Country studies	IEU portfolio database Reports from country studies

<sup>243</sup> Funding Proposals; Readiness and Preparatory Support Programme; Project Preparation Facility; RfPs; Enhanced Direct Access; Simplified Approval Process; Micro, Small and Medium sized Enterprises; Mobilising Funds at Scale conducive to the business model.

**Likelihood of (and actual) results: What are the actual or expected results from the GCF investments?**

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
6.1. Quality			
6.1. What has been the quality of design of GCF-funded projects in responding to investment criteria?	Effectiveness and efficiency	Interview with GCF Sec, iTAP/PSAG, AEs Literature review Portfolio analysis	Interview reports GCF/IEU documents IEU portfolio database
6.2. Results Measurement			
6.2.1. What is the quality of results measurement frameworks of GCF-funded projects?	Effectiveness and efficiency	Interview with GCF Sec, iTAP/PSAG, AEs Literature review Portfolio analysis	Interview reports GCF/IEU documents IEU portfolio database
6.3. Actual results			
6.3.1. What are the early indications that the Fund’s supported projects and programs have delivered planned results (or are on their way to)?	Impact potential Gender equity Sustainable development potential	Interview with GCF Sec, iTAP/PSAG, AEs Literature review Country studies Portfolio analysis GIS analysis	Interview reports GCF/IEU documents Reports from country visits IEU portfolio database
6.4. Expected results			
6.4.1. What are expected results of funding decisions and other support activities, and of the mitigation and adaptation portfolio?	Impact potential Gender equity Sustainable development potential	Interview with GCF Sec, iTAP/PSAG, AEs Literature review Country studies Portfolio analysis GIS analysis	Interview reports GCF/IEU documents Reports from country visits IEU portfolio database
6.5. Paradigm Shift			

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
6.5.1. To what extent did funded activities contribute to a paradigm shift, increased resilience, and change that is transformational?	Paradigm shift Impact potential Sustainable development potential	Interview with GCF Board members and observers, GCF Sec, iTAP/PSAG rep, AEs rep. Literature review Country studies	Interview reports GCF documents Reports from country visits
6.5.2. What lessons can be derived so far that can help position the GCF to promote the paradigm shift?			

**Climate finance space: Does the GCF play the right role in the climate finance space?**

THEME (GCF SUB AREA) SUB-QUESTIONS	GCF EVALUATION CRITERIA	PRIMARY DATA COLLECTION METHODS	KEY DATA SOURCES
7.1. Global Architecture Role			
7.1.1. What role does GCF play in the climate finance space? What is its niche?	Coherence in climate finance delivery	Interviews with GCF Board members and observers, UNFCCC, AEs, GCF Sec reps; other CC funds Literature review Country studies	Interview reports GCF and external reports and analysis on climate finance Reports from country visits.
7.1.2. How effectively has GCF filled the roles and gap it was intended to? To what extent is it complementary to other funds, and operating in coherence?			
7.1.3. Does the Fund sufficiently take the role of an international thought leader in climate finance?			
7.1.4. What should be niche(s) of the GCF going forward?			

## C. DECISION B.21/17 OF THE GCF BOARD

Decisions of the Board – twenty-first meeting of the Board, 17 – 20 October 2018 GCF/B.21/34 P. 18

Agenda item 18: Performance review of the GCF for the initial resource mobilization period  
“55. The Board took note of the document GCF/B.21/27 titled “Performance review of the Green Climate Fund”.

56. The Board adopted the following decision:

The Board, having considered document Green Climate Fund/B.21/27 titled “Performance review of the Green Climate Fund”:

- (a) Recalls paragraphs 59 to 62 of the Governing Instrument for the Green Climate Fund;
- (b) Decides to initiate a review of the performance of the Green Climate Fund, in a manner appropriate to the current stage of the Green Climate Fund operations and with a view to the Green Climate Fund being a learning institution;
- (c) Decides that the review should take into account, but not be limited to, the outcomes of existing Green Climate Fund review documents, including those listed in annex XVI\*;
- (d) Agrees that the scope of the review will be to assess:
  - (i) Progress made by the Green Climate Fund so far in delivering on its mandate as set out in the Governing Instrument for the Green Climate Fund as well as in terms of its core operational priorities and actions as outlined in the initial Strategic Plan of the Green Climate Fund and the Green Climate Fund’s business model, in particular, the extent to which the Green Climate Fund has responded to the needs of developing countries and the level of country ownership;
  - (ii) The performance of the Green Climate Fund, including its funded activities and its likely effectiveness and efficiencies, as well as the disbursement levels to the funded activities; and
  - (iii) The existing Green Climate Fund portfolio and pipeline, the application of financial instruments, and the expected impacts of funding decisions and other support activities, including in terms of mitigation and adaptation, on both a forward- and backward-looking basis;
- (e) Decides that the outcome of the performance review and the Board’s consideration of the performance review will be shared with the replenishment process;
- (f) Requests the Independent Evaluation Unit, drawing on relevant external expertise, as appropriate, to undertake the review as early as possible and present an initial report with emerging areas of recommendation no later than 28 March 2019, and to finalize the review no later than 30 June 2019;
- (g) Approves a budget allocation of USD 500,000 for the review to be added to the Independent Evaluation Unit budget effective immediately and available for the remaining part of 2018 and for 2019, and requests the Budget Committee to review the budget allocation with the head of the Independent Evaluation Unit.”

Annex XVI: Green Climate Fund review documents

### A. Reviews by the UNFCCC

- i. The technical summary of the fifth (FCCC/CP/2014/10/Add.2) and sixth reviews of the financial mechanism of the UNFCCC (FCCC/CP/2017/9, Annex II) and decisions 9/CP.20 and 11/CP.23;



B. Reviews by the Green Climate Fund Secretariat

- i. The review on the operation and structure of the Secretariat (Annex III, GCF/B.18/10);
- ii. The performance review of the Accreditation Panel (GCF/BM-2017/10);
- iii. The review of the Accreditation Framework (GCF/B.21/08);
- iv. The review of the financial terms and conditions of the Fund's financial instruments (GCF/B.21/05 and Add.01);
- v. The review of the structure, performance and capacity of ITAP (GCF/B.18/Inf.11, GCF/B.21/04);
- vi. The Secretariat's initial review of the Readiness and Preparatory Support Programme (GCF.B19/32/Add.01);
- vii. The forward-looking roadmap on the Green Climate Fund's private sector work; and
- viii. The first annual portfolio performance report (GCF/B.21/Inf.12).

C. Reviews by the IEU

- i. The independent evaluation of the Readiness and Preparatory Support Programme (GCF/B.21/28 and Add.01);
- ii. The independent evaluation of the implementation of the results management framework (GCF/B.21/20).

## ANNEX 2. INSTRUMENTS AND TOOLS FOR COUNTRY MISSIONS

### A. QUALITATIVE DATA MANAGEMENT GUIDELINES

Everyone must:

- Take detailed notes of every interview; audio record if possible/polite;
- For archival purposes, save copies of interview notes (scanned and/or typed + audio recording) into Dropbox → Interviews → Interview Notes plus Dropbox → Interviews → Interview Audio Files;
- Update the spreadsheet which lists every interview (Dropbox → Interviews → List of FPR Interviews.xls);
- Prepare the Interview Summary Report in Word;
- Upload into Dedoose software; and
- Code in Dedoose software.

#### 1. INTERVIEW NOTES

Interview notes should be as detailed as possible, reflecting the respondents' own words and perspectives (i.e., not 'filtered' or editorialized by the interviewer). In other words, your notes should aim to be a *transcript* – not a report.

Interview notes are your own and do not have to be submitted or used by anyone other than you (although we should all have a saved copy!). You may use your own method, and either typing or handwriting is okay. The following is simply “good advice” on taking notes:

- Ideally, you should record the interview on your phone if they agree to it and/or an assistant types the interview verbatim while you speak. However, this might not be feasible in many cases and is not required;
- It is a good idea to make an audio recording of interviews if the person you are speaking to is comfortable with that. You can save those in Dropbox → Interviews → audio files;
- If you are able to type interview notes, please save a copy in Dropbox → Interviews → Interview Transcripts. If you only have interview notes, please scan and save a copy there. If you are scanning and each page is a separate file, make a subfolder;
- If you have only handwritten notes, you are *not* required to type up the transcript. However, I do recommend that you take detailed notes on one side of a notebook page only, and the facing page is for reviewing, processing and commenting on them in a different coloured ink;
- Please save a copy of your transcript or interview notes in Dropbox → Interviews → Transcripts. Filenames should be: City interviewee name YYYY\_MM\_DD. For example: Songdo Rohillah 2019\_01\_15 or Dakar Laka 2019\_02\_02. If you interview more than one person, select one, or you can do something like “Lee&Gomez”. (The main point here is to be consistent and distinctive from filenames for the interview summaries, which are more important.) If you are scanning and have several pages of notes, please make a subfolder; and
- If you type your notes during interview, please make sure the heading is neatly labelled.

#### 2. INTERVIEW SUMMARY REPORT

Please *summarize* key insights and findings from each individual interview.

If your notes are *handwritten*, please type in key findings in the template provided.

Please label your interview summary report in this way: country agency YYYY.MM.DD. For example: Korea OED 2019.02.07 or Senegal EnvironmentMinistry 2019.03.27.

### 3. UPLOAD AND CODE IN DEDOOSE

Please download the Dedoose app from [www.dedoose.com](http://www.dedoose.com), or you can log in via web browser. However, here is fair warning that launching Dedoose from a browser can be problematic.

Login to Dedoose. Username: Colleen\_McGinn and password: shuriken.

Code the interview summary into Dedoose as per video training. [Normal style]: Times New Roman 11pt regular black left, Indentation 0/0/none, Spacing 3/3/multiple 1.15>.

## B. STAKEHOLDER CONSULTATION GUIDELINES

This document includes the main guidelines for all FPR consultations. It includes:

- An in-depth interview guide with Key Informants: main guidance points to conduct an effective interview;
- Specific tips for in-country interviews; and
- Note-taking and data.

### 1. IN-DEPTH INTERVIEW GUIDE WITH KEY INFORMANTS

Each of the stakeholder groups identified in the Approach Paper will be interviewed either by individual or focus groups, using a semi-structured approach. A set of questions have been selected for the different types of stakeholders since their knowledge and thus type of feedback on the GCF will vary. The questions are a guide for the interviews/focus groups, and the lead conducting the interview or facilitating the focus group should accommodate to the extent of the questions. Nevertheless, it is expected that the reports from each of the interviews/focus groups will follow the structure of the interviews. As explained in the Approach Paper, there will be between 50 and 60 interviews that will follow these guidelines. As several team members will be conducting interviews separately, these guidelines are essential to maintaining consistency in approach. Please note that interviews for the country visits are discussed in a separate annex.

#### a. Purpose

Using good listening and probing skills, conduct open-ended, in-depth interviews with stakeholders about the progress, performance and portfolio of the GCF, to explore whether and how the GCF is doing things right, and doing the right things. The inquiry should span all key areas of the FPR with different degrees of depth, depending on the type and knowledge of the interviewee.

#### b. Length of activity

Approximately 45 to 60 minutes. The length of an in-depth interview should be long enough to answer the key questions of the research project. It is important to stop an interview if the interviewee is tired or wishes to withdraw from the interview process at any point.

#### c. What is an in-depth interview?

An in-depth interview is an intensive exploration of an individual's perspective or experience of the key questions of a research project.

#### d. What are the characteristics of an in-depth interview?

**It is unstructured:** This means it is guided by a set of questions, but it is not administered as a questionnaire. It is more flexible than the formal, structured format of the questionnaire. The questions are there to guide the conversation and to gather the information relevant to the purpose of the research. It is important to clarify and translate the key questions to make them understandable, while keeping them intact.

**It is controlled by the participant:** It follows the lead of the participant. Allow the interviewee to choose the place of an interview and to determine how he or she will respond, while the interviewer pays attention to the key questions of the research project. The goal is to give the participants a lot of room to express themselves and to go in-depth about their views, perceptions and knowledge. Make use of good interviewing techniques such as listening actively, using prompts and asking follow-up questions to elicit nuanced and thoughtful responses.

**The interviewee's responses have depth:** Simple yes or no answers are not adequate in an in-depth interview. Ask questions in such a way that the respondent offers rich, complex answers. This can be achieved by asking good open-ended questions. A closed question only has a yes or no answer, whereas an open-ended question gives the respondent the opportunity to fill in the content of his or her answer. Probes should be used as much as possible to clarify issues or to understand more, and to elicit adequate answers from respondents. They help to structure and direct the interview and reduce irrelevant and ambiguous answers.

**The interview is confidential:** The interviewer should clarify that the information discussed and provided is kept fully confidential without direct attribution to the respondent in the report (unless it is fully agreed prior to the releasing of the report). Recording the interview is an option, but the interviewee should agree to that.

#### e. What are the key questions of the Review?

The key questions of this Review are listed **in the Evaluation Matrix** and should guide interviews. These research questions can and should be selected and adjusted to fit the participant. The questions are not a questionnaire and should not be administered as such. Phrase the questions in the best way possible and adjust them so the interviewees understand them and are able to offer details.

The questions below are research questions. The questions should be translated into everyday speech, and adjusted to the level of education and experience of the person being spoken to.

Select which topics/themes/questions the interviewee is knowledgeable about. For example, if they are unfamiliar with the business model, then do not pursue that line of inquiry. The purpose of the interview is to learn from the participant, and that means focusing on topics that they can speak to.

One of the methodological advantages of qualitative interviews is to uncover surprises. If the participant has rich insight into something pertinent to the evaluation but not precisely included in the questions below, the topic should be pursued.

#### f. Beginning the interview

**Find a comfortable place to talk.** The interview should take place in a quiet place, or in an environment in which both are comfortable and can speak without fear or hesitation. Avoid secluded places.

The first tasks of an interviewer are ethical. Following the ethical protocol will help to build trust in the interviewee.

**Informed Consent:** Inform the interviewee about the purpose of the Review. Ensure that the interviewee understands the aims and limits of the Review.

**Confidentiality:** Inform the interviewee that anything shared during the conversation will be kept confidential and will be used only to meet the goals of the research project.

**Permission to record:** Some interviewees may be uncomfortable about being recorded. If so, honour their request, ensuring that very detailed notes are taken.

### **g. During the Interview**

The success of the in-depth interviews relies on good and effective interviewing techniques. The most effective techniques are active listening skills and knowing how to ask good questions, particularly the use of probing questions.

**Active listening skills:** An active listener is an alert and engaged listener who communicates interest in and respect for what an interviewee has to say. Active listening also communicates empathy for the interviewee and builds a relationship of trust.

**Be attentive and alert:** While the participant is speaking, use verbal and non-verbal expressions that are linguistically and culturally appropriate for the setting. Non-verbal cues often use body-language such as nodding the head, having an open facial expression and not crossing the arms.

**Use silence to listen effectively:** The interviewer should not overdo the expressions of attention. Silence can allow space into the communication and give the interviewees room to hear themselves and to think more clearly. While being silent, remain engaged and attentive by using open and friendly facial expressions and body language.

**Do not interrupt the flow of your interviewee's responses:** Allow the speaker to get to the end of his or her sentence. Jot down an interesting or important question and ask it later.

**The personal opinions of the interviewer should not be introduced:** Sharing personal opinions takes the focus from the Review and the goals of the Review, which are the views and opinions of the people in the interview.

#### **Asking good questions**

**Ask open-ended questions:** Open questions do not have yes or no answers. An example of a closed question is, "Is the Readiness Programme doing a good job?" An open question would be, "How effective is the Readiness Programme?"

**Do not ask leading questions:** Leading questions contain the answers in the question and do not give the respondent a choice in the answer. For example, a leading question would ask, "It sounds like the Readiness Programme is terrific, yes?" A non-leading question would be, "Can you tell me whether and how the Readiness Programme is enabling direct access for LDCs?"

**Ask probing or exploratory questions:** This is useful when the information has been left out of a respondent's answer. For example, "Tell me more about that." "Anything else?" "What do you mean?"

**Use prompts:** Expressions like "Really?" can communicate that the interviewer is listening. They can also help the interviewee to continue their train of thought and deepen it.

**Use repetition as a form of feedback:** Repeat the last word or phrase of the interviewee's answer. This can encourage them to say more, and it indicates that you are listening.

**Don't editorialize** i.e. the interviewer should not add comments to the key questions that express his/her opinion about said questions.

**Ask naïve questions:** Naïve questions allow participants to set aside prior assumptions about the subject under research. They are basic questions that can lead to in-depth answers with information you may not get otherwise. For example, a naïve question is, "What makes a project 'count' as adaptation?"

### Working with difficult informers

**Be patient:** The most effective response to difficult interviewees is patience. Be patient and communicate empathy.

**Show respect** for their time and opinions even if you disagree with them.

**What are their concerns?** If their concerns are about a particular project itself, give them some room to discuss their concerns. It could be helpful information, and it will be easier to segway into the focus of your research if they have a chance to speak their minds on what to them is the most pertinent issue.

**If an interviewee is resistant or unresponsive:** Ask them questions about another topic that is easier to talk about, or ask them to showcase specific events or achievements. Another approach is to ask them to use a practical example, such as telling the story of how specific officers of EEs are dealing with response mechanisms.

#### h. Other things to consider

**Power dynamics:** Some people may hesitate to be frank if they perceive the interviewer to be judgmental, influential, likely to “tattle”, to be in a position of power over them, more educated than them, etc. It is the responsibility of the interviewer to be sensitive to this potential dynamic and to deflect it to the extent that is possible.

#### i. Concluding the interview

Thank the interviewee for his or her time.

## 2. SPECIFIC TIPS FOR IN-COUNTRY INTERVIEWS

**Start with** a very few broad questions about the person’s own role/job/relationship with GCF. You will then know who you are talking to, and get a sense of which of our topics they are most likely to be knowledgeable about. Also, asking them about their jobs is something they will definitely know about, so this warms them up and gets them talking freely and easily. After the general overview questions, please follow up with more focused/targeted questions. The **Country Visits Interview Protocols** highlight which items from our Evaluation Matrix are likely to be most pertinent to which stakeholder group; however, this is not a questionnaire and the best interviews are likely to rest on active listening to the interviewee, targeted follow-ups and probes to elucidate which topics they are knowledgeable about and also related to the research questions of the FPR.

In-country stakeholders are likely to be very knowledgeable about a particular GCF project or process (for example THEIR experience with the Readiness Programme, rather than the Readiness Programme in general or globally). The key is to frame questions in a way that targets their own knowledge and experience, but bridges to our global research questions.

Good interviewing tips and techniques include:

- Use conversational, everyday language (especially if interviewees have limited education or are not speaking their native tongue);
- Ask questions that are concrete and grounded in interviewees’ own knowledge and experience. Avoid abstract or academic questions if an interviewee cannot fully participate at that level;
- Focus on topics that the interviewee is most knowledgeable about. This may mean “translating” our broader evaluation questions into ones that are more targeted towards the in-country track record of the GCF;
- Listen actively, and use follow-up questions and probes to elucidate more details;

- Let the conversation flow naturally. It is perfectly acceptable to “skip around” the matrix or interview guide to ask questions which are out of order. It is also acceptable to switch from your intended focus (e.g. direct access) to another (e.g. environmental/social safeguards and grievance redress mechanism) if that is more salient. It is okay to improvise, but please do make sure that the interview stays within the scope of the FPR;
- It is acceptable to focus in-depth on a few selected topics; do not feel under pressure to superficially touch upon many dimensions of our study. Meanwhile, if the interviewee does not know about something (e.g. the business model of the GCF), then skip to another topic into which they have more insight; and
- Feel free to ask novel questions which are very specific to the person, project or country at hand, so long as your own questions bridge to the overall scope of the FPR.

Good starting point questions for all interviews include:

- Tell me about your role in relation to GCF here;
- How smoothly/effectively/efficiently have things gone with the GCF here? Why?
- How smoothly have things gone with the projects here? Why has this happened? Or why has this not happened?
- What has been your experience with the GCF itself? Do you think it is a good donor, and why?
- Segue to more targeted/specific questions. The following pages list items from the Evaluation Matrix of the FPR which are most likely to be relevant to particular stakeholders.

### 3. NOTE-TAKING AND DATA PROCESSING

Please refer to the document *FPR Qualitative Data Management Guidelines* for detailed guidance on how to take notes, prepare summaries and process them with Dedoose.

Below are a few key guidelines:

- Please summarize key insights from an interview under each topic heading (this will make Dedoose coding quick and easy);
- Any direct quotes should be marked with quotation marks “ ”;
- Feel free to add your own comments or analysis from the interview (e.g. the interviewee did not seem to know what the business model was, so just babbled vaguely about it being good). However, if you do so please mark it with your initials and make it absolutely crystal clear that this is YOUR interpretation, not the interviewee’s viewpoints; and
- If you have typewritten interview notes, you have two choices:
  - Interview notes: Neaten up your notes (no typos, etc.) and leave your interview notes largely intact, from the beginning of the notes to the end. Neatening up the notes will be quick and easy; however, it will take more time to code into Dedoose;
  - Interview summary report: Alternatively, you may cut-and-paste key passages/insights from your notes into the appropriate interview guide/interview summary template. While this takes more time than simply tidying up your notes, coding into Dedoose will take longer. The choice is yours.



## C. COUNTRY VISIT PROTOCOLS

### 1. GUIDELINES FOR COUNTRY VISITS

The FPR team will visit up to 12 countries within the global GCF portfolio with the purpose of reviewing and understanding the experience of the GCF within the country. The team will identify key findings, experiences and lessons from GCF-supported activities in the country, which will be presented in a “Country Report” prepared in English. As indicated in the Approach Paper, the FPR will rest heavily on these country visits as key inputs.

The country visits are not intended to be evaluations of the GCF programme in the country, nor of any of the activities planned or under implementation. The reports will not contain recommendations. As a matter of good practice, the report will be shared with the relevant NDA for his/her review to identify factual errors. The reports will eventually be published as annexes to the FPR.

The selection of countries to be visited was done systematically. This purposive and strategic sample was completed based on which countries – individually and as a suite – were most likely to yield insight into the larger research questions that the FPR is exploring. The country visits will be an important opportunity for the FPR team to conduct in-country data collection and meet key stakeholders such as NDAs, accredited entities based in the country, representatives from private, civil society and academic sectors as well as those impacted by the GCF projects. These discussions will collect information that will complement and validate the data and information gathered by other methods. In countries with projects under implementation, a visit to at least one project site is to be conducted.

The purpose of the country visits is to gather data which lends insight into the larger learning questions being addressed in the FPR. The team will, however, immerse itself in the experiences of the countries visited as a whole and in the context of other climate change and sustainable development programmes currently under implementation. This will generate insight and core data that is essential for exploring the potential for impact and transformation. The findings, analysis and final conclusions of each country visit will also be used to provide more depth and context to the overall evaluation.

It is expected that the country visits will mainly address four of the seven key areas of the:

**3. Fund business model and organizational structure:** How is the GCF business model (e.g. organisational structure, the Private Sector Facility, access modalities and financial instruments) supporting (or not) the implementation of the GCF at country level?

**4. Policies and processes:** Are GCF policies and processes effective and efficient enough for the country to access the GCF? Are the different policies approved by the Board (particularly risk management, gender, indigenous peoples, disclosure, ESS, etc.) effective/sufficient for the operations of the GCF at country level? How is the accreditation process supporting (or not supporting) country needs?

**5. GCF performance at the country level:** What are the key strengths and weaknesses (achievements, challenges and opportunities) with the GCF project cycle, as applied at country level? What have the roles of iTAP and PSAG been in the country’s portfolio? Is the GCF portfolio country driven? How are different access modalities and financial instruments being used in the country? How is the private sector facility operating within the country?

**6. Likelihood of (and actual) results:** What are the actual (and expected) results from GCF investments in the country? Any specific examples of how projects have contributed (or will) to

the paradigm shift to low-carbon emission economies and have helped to increase resilience in the country?

Each country visit will be conducted by a team composed of one IEU staff member and one Baastel/SRQ consultant. It is expected that the GCF/IEU, the relevant accredited entities and the NDAs will provide full support to the FPR team in the preparation of country visits. An agenda for each of the field visits will be prepared by the FPR team and comments will be provided by the relevant national stakeholders. Each country visit will adhere to the following protocol.

The following guidelines will define country visits. Flexibility will be needed due to the varying availability of individuals to be consulted, and any needs for in-country travel outside the capital city.

**Schedule:** All country missions will take place between early March and mid to late April 2019;

**Duration:** Country visits will typically take five working days. The specific number of days per country may vary depending on the size of the country, the availability of key stakeholders and any needs for in-country travel;

**Team composition and roles:** The country visits will be conducted by teams comprising IEU staff/consultants and team members from the firm. The roles for each country-visit team member are generally as follows:

The firm's team member and the IEU staff/consultants will make up one team representing the IEU, since the evaluation has been commissioned by the IEU and is managed by the unit;

Both the firm team member and the IEU staff/consultants will share responsibility for ensuring that the country visit is properly prepared for and executed, and that the visit meets mission objectives. Both will contribute to scheduling and coordination; provide expertise in evaluation to advance the mission objectives; pose questions during stakeholder interviews; participate in post-interview discussions to verify what was heard; and share the writing of reports after each meeting. However, the firm team member will take primary responsibility for preparing the country case study report;

**Travel:** team members will be responsible for booking their own travel and accommodation. They should arrive in the country at around the same time and find accommodation in the same area of town; and

**Country case study report:** Each of the country teams will prepare a country case study report. This report will be used initially as an internal document, as a key input to the FPR. Once the FPR report is finalized then country reports may be published. The report should be shared with the NDA for a factual check only. Do not attach any of the individual interview reports when sharing with the NDA.

The field visits will have three distinct phases: (a) pre-visit; (b) visit and (c) post-visit.

#### **a. Pre-visit phase: agreement on dates, agenda, key documents and stakeholders**

The planning should start at least three weeks before missions. This phase will include the following items:

- Initial communication with NDA to announce visit and purpose and agree on dates. Communication will be initiated by IEU. Confirmation from the NDA is necessary before continuing. Without its agreement on the date, the mission should be postponed. After confirmation, the team member from the firm will take the lead in setting up the agenda for the field mission, in close collaboration with the IEU member;
- The team should have an initial phone/Skype call with the NDA to provide her/him with an update about the FPR, to explain the purpose of the mission and to request information about

climate change and GCF in the country. This call will also be an opportunity to develop an initial sense of the project(s) status and situation in-country, and to obtain initial input on key stakeholders to be consulted;

- Review the GCF portfolio, including all access modalities and financial instruments: The team will review approved and pipeline funded projects, RSP, PPF, etc. in the country. The team should consider not only nationally approved projects but other regional/global projects in which the country is participating;
- Identify and review key documents, such as (not all will be applicable in all cases): GCF Country Programming, project documents (e.g. approval, APRs, AE documents referring to the project), national and/or sub-national climate change strategies or plans, climate-related projects being supported by other multilateral and bilateral development partners, etc. The IEU will provide in advance a four-page country brief with links to all relevant contact information in the country. It is the country team's responsibility to consult, print and read in advance these and any other documents;
- Identify key stakeholders: Stakeholder consultations will be broad-based to cover various experiences and perspectives. Groups consulted may include government representatives from the NDA and other line ministries relevant to the GCF projects; the ministry of finance and/or planning (i.e., institution responsible for receiving and channelling GCF funding); members of climate change committees; in-country representatives of AEs responsible for the GCF portfolio; environmental focal points for other funding mechanisms; civil society; and the private sector and academia, as relevant and appropriate. If the country includes a project visit, relevant stakeholders during the project site visits will vary from representatives of local government authorities to the private sector, civil society and academia, as well as affected and involved populations with an emphasis on those that are most vulnerable and/or targeted by the project(s). The project visits will have to be coordinated closer with the relevant AEs; however, the overall coordination rests with the NDAs. Around 15 to 20 stakeholders will be consulted per country, in some cases through focus groups. The focus will be on the quality rather than the quantity of stakeholders consulted;
- The IEU will prepare a country profile with all relevant key GCF documents (project documents, APRs, etc.) as well as contact information about the NDAs and other key documents such as NDCs; and
- At this point, the team should be familiar with the key climate change issues and the role of the GCF in the country. The team should have a second phone/Skype call with the NDA to develop the agenda to be prepared by the FPR visiting team (the agenda should be shared for comment with the NDA, key AEs, local CSOs and the GCF Secretariat country team). Comments and factual and logistical issues should be incorporated.

### **b. Visit phase: meeting the stakeholders**

The agenda will depend on the GCF activities and stakeholders to be visited.

A generic agenda should include the following elements:

- Each country visit should start with a visit to and an interview with the NDA, followed by meetings with the representatives of government agencies responsible for the project(s) and of the relevant AE implementing the project(s);
- The second part of the visit should include visits and interviews of other key government agencies (e.g. ministries responsible for the approval of projects and the disbursement/management of GCF funding) and with representatives from civil society, the private sector and academia;

- The third part of the visit should include a trip to at least one project site (applicable only for those countries with at least one project that has been active for at least one year); and
- All missions should end with a second visit with the NDA and other key government officials, as required to debrief on the mission and discuss the preliminary findings. The purpose of this meeting will be to fill any gaps in the data or documentation collected, to provide an opportunity for follow-up questions from the visit, ensure transparency and to promote a clear understanding of the next steps following the mission. The team should not provide direct recommendations at this point.

The team will conduct interviews and focus groups following standard practices of confidentiality and following guidelines and templates on how to conduct interviews and record them. Questions in the interviews will depend on the type of stakeholder present. The team will be provided with templates tailored to different stakeholders. The Evaluation Matrix maps the key questions in the FPR given to the different stakeholders. The team may record the conversations only with prior consent from the interviewee. Pictures of events and meetings are highly recommended (with the prior consent of participants), especially when focus group discussions take place.

Team members are expected to take interview notes and prepare typed interview summaries for each interview, following the FPR Qualitative Data Management guidelines (it will not be necessary to type transcript notes, but the team should scan any handwritten notes for documentation/archive purposes). Team members should ensure they do so before leaving the country. They should also make sure that information and comments received during the interviews are inserted into the correct places in the summaries/notes, the outline of which follows the Evaluation Matrix. These summaries must remain confidential. Team members will upload their summaries/notes into Dedoose and code them as soon as possible (and before preparing the country report).

NB: Independent Evaluation Unit team members who are part of the field team should set aside time with the NDA and with the AE, to gather geospatial information and map relevant data related to projects, following the protocol below:

<https://docs.google.com/document/d/1XxMJWVmARrUt3aMXzd3cE58KSpfHZ8wLdnDy5vU3Efo/edit?usp=sharing>

### **c. Post-visit phase: country visit reporting (ideally one week after completing the visit)**

The key product of the visit will be a report following the template provided in the section Template for country visit reports below. The report should be prepared immediately after the visit and should contain all the annexes (including the reference list, the list of people met and interviewed, supporting evidence, etc). The report should include key findings from the mission that are pertinent to the Evaluation Matrix questions. It should be organized according to chapter headings in the final evaluation report and include a narrative which presents findings and evidence.

In addition to country reports, a one-page trip memo led by the IEU team member, with inputs from the other team member, should be prepared to summarize the key outcomes of the missions and reflect on what worked well and what could be improved upon to promote learning for subsequent missions.

A draft version of the country report will be shared with the relevant NDA so they can check factual errors. The NDA should be informed during the visit that the document will be shared and included as annexes in the draft evaluation report that will be circulated for review and comments, and that it will eventually be published. A short turnaround will be expected for comments from the NDA. If comments are not received within the agreed period, the report should be considered final. No recommendations are expected for the country itself, although the country visit report should include

suggested recommendations that could be applicable at the Fund level. Ultimately, all country reports are due before or at the end of April.

## **2. TEMPLATE FOR COUNTRY VISIT REPORTS**

The final country visit report will have the following sections:

### **a. Presentation of the country and GCF role**

*This section provides an introduction of the country's main climate change risk issues as presented in the key available reports (e.g. the national climate change strategy, reports from NDCs, NAPs and the GCF country programme, etc.) and a description of the history of GCF support through national and global/regional projects in which the country participates. This section should also include a short presentation of the key actors in climate change in the country, those that are involved with the GCF but also others, such as other donors, civil society, the private sector, national and subnational government organizations, academia, etc. This section should also introduce the country's institutional arrangements for engaging with the GCF, the existing country strategies, policies and programmes for addressing climate change, and the activities of other multilateral and bilateral development partners supporting climate action in the country.*

### **b. Objectives of country visit**

*This section should translate the overall objectives of the FPR and key questions specific to the country.*

### **c. Analysis section**

*This section should respond to the four sections of the FPR framework and the sub-questions. Responses should be produced in full sentences and paragraphs rather than bullets. Not all sections and questions will be applicable to all countries. When a section is not applicable, it will be explained (e.g. the section on PSF is not applicable because the country does not have a PSF project).*

## **Q3. Fund business model and structure**

### 3.1. Core principles

3.1.1. How do country ownership, country needs and the objective of a paradigm shift influence (or not) the Fund's business model and organizational structure? How do they support (or not) the implementation of [country]'s priorities?

### 3.2. Organizational structure

3.2.2 What are the key roles, responsibilities and processes of all actors in supporting the implementation of the GCF in [country]?

### 3.3. Secretariat

3.3.2. How and why is the NDA (and other national stakeholders) contacting the Secretariat? Is the current structure of the Secretariat allowing different stakeholders in [country] to access the Fund in sufficiently efficient ways? Who do stakeholders in [country] usually contact in the Secretariat? Why?

### 3.5. Delivery patterns

3.5.1. What is the role of the NDA and AEs in the Fund's business model (project cycle, portfolio identification, accreditation process, accredited entities, selecting/using different modalities to access the Fund (e.g. grants, loans, equities, guarantee; funding projects, readiness, PPF)?

3.5.2. How effective and efficient are NDAs and AEs in executing the Fund's mandate (e.g. providing access to the Fund to realize a paradigm shift in [country]'s climate change agenda)?

3.6. Access modalities (e.g. grants, loans, equities, guarantee; funding projects, readiness, PPF)

3.6.1. To what extent are the access modalities of the GCF supporting the access of GCF in [country]?

**Q4. Policies and processes**

4.1. Policy framework

4.1.1. Are current GCF policies (focus on risk, ESS, gender, indigenous peoples, etc.) necessary, sufficient, coherent and effective for [country] to access the GCF?

4.1.2. Are there any policy gaps? Or is there a policy overload? What are the key policies that have been applicable/relevant to the country/GCF projects?

4.2. Policy implementation

4.2.1. Are policies implemented effectively? Are they clear to the stakeholders in [country]?

4.4. Accreditation

4.4.4. Does the current accreditation process meet the needs for enabling the implementation of [country]'s climate change strategy? To what extent does the accreditation process deliver a set of reputable partners that have robust execution capacities (to address both public and private sector project and investment window needs under the GCF)?

4.4.5. How do the accredited entities active in [country] (and the process of selecting them) affect the country-drivenness approach of the Fund?

4.4.6. Direct Access: what is [country]'s experience with Direct Access? Is Direct Access more responsive to the needs and priorities of [country] than international AEs?

**Q5. GCF Performance at the country level**

5.1. Project cycle

5.1.1. How is the project cycle functioning in [country]? Is the project cycle supporting the delivery of projects that will fulfil the mandate of the GCF (public and private sector)?

5.1.2. What criteria are used to identify investment opportunities for GCF funding? Are they used consistently?

5.1.3. To what extent do the iTAP/PSAG assessments help to ensure the quality of funding proposals?

5.3. Responsiveness to the UNFCCC

5.3.1. To what extent has the GCF responded to UNFCCC guidance to the GCF and supported the fulfilment of the guidance to [country]?

5.4. Access modalities

5.4.1. To what extent are the access modalities of the GCF (e.g. funding projects, readiness, PPF) effective and efficient for [country]'s needs and ownership?

5.4.2. To what extent do the financial instruments of the GCF (e.g. grants, loans, equity, guarantees) meet the demands of [country]?

5.5. PSF and non-grant instruments

5.5.1. Has [country] had any contact with the PSF? Why (or why not)? If yes, to what extent are PSF processes and modalities (i) effective, efficient or innovative, and (ii) supporting [country]'s needs and ownership?



5.5.3. If applicable, were investments financed by the PSF sufficiently new and additional?

5.5.4. Have investments from the PSF in [country] been effective in leveraging financial resources from third parties?

5.5.5. Are the financial instruments utilized by the PSF (e.g. loans, equity, guarantees) expected to achieve the results, including potential for scale?

## **Q6. Likelihood of (and actual) results**

### 6.1. Quality

6.1.1. What has been the quality of the design of GCF-funded projects in responding to the GCF investment criteria?

### 6.2. Results measurement

6.2.1. What is the quality of the results measurement frameworks of GCF-funded projects?

### 6.3. Actual results

6.3.1. Are there early indications that the Fund's supported projects and programmes in [country] have delivered planned results (or they are on their way to doing so)? What are they?

### 6.4. Expected results

6.4.1. What are the expected results of funding decisions and other support activities, and of the mitigation and adaptation portfolio?

### 6.5. Paradigm shift

6.5.1. To what extent are funded activities contributing to a paradigm shift, to increased resilience and to change that is transformational in [country]?

6.5.2. What lessons can be derived so far that can help position the GCF to promote a paradigm shift in [country]?

Other areas: any other points to be made, specific to the country.

## **d. Arrangements and timeline for post-mission reporting**

*This section should include any next steps that the visiting team will take following the visit, including any follow-up interviews and the date for finalizing the report and supporting documentation.*

## **e. Appendices**

- Timeline and history of key events around the evolution of the climate change agenda in [country] and the role of GCF in this context (project approval, accreditation of Direct Access entities, funding disbursement for projects, Board membership, APRs, etc);
- Overview of project portfolio with key data (approved, pipeline, rejected);
- List of stakeholders consulted and their key role in the GCF and climate change agenda of the country;
- Visit agenda, including any pre-visit activities, interviews and meetings conducted prior to the visit; and
- Documents consulted.



## D. COUNTRY VISITS: INTERVIEW QUESTIONS BY STAKEHOLDER

The purpose of this document is to list the topics and questions (based on the FPR Evaluation Matrix) that are most likely to be relevant to specific stakeholders during in-country interviews.

The questions for each stakeholder should be used to build the interview summary that can be uploaded on Dedoose.

Please refer to the following two documents for detailed interview guidelines:

*FPR Stakeholder Consultation Guidelines*, for guidelines on how to conduct interviews

*FPR Qualitative Data Management Guidelines*, for note-taking and data processing instructions

### **Overview of stakeholder consultation guidelines:**

- Using good listening and probing skills, conduct open-ended, in-depth interviews with stakeholders about: progress, performance and portfolio of the GCF to explore whether and how the GCF is doing things right, and doing the right things. The inquiry should span all key areas of the FPR with different degrees of depth, depending on the type and knowledge of the interviewee;
- Although you have an interview guide, it is *not* administered like a strictly-structured survey questionnaire. Remember, qualitative interviewing is a skill much more than a tool! Your approach should be more open-ended and flexible. It is acceptable – indeed, encouraged – to let the conversation flow naturally and conversationally. Feel free to skip around the interview guide (or matrix), modify questions to fit local context and the interviewee’s own knowledge base, or otherwise improvise. The important point is to cover the key FPR *topics* about which the interviewee can speak;
- Use conversational, everyday language (especially if interviewees have limited education or are not speaking their native tongue). Ask follow-up questions when appropriate;
- Ask questions which are concrete and grounded in interviewees’ own knowledge and experience. Avoid abstract or academic questions if the interviewee cannot fully participate at that level. For example, they may not be familiar with the GCF commitment to “country ownership”, but you can rephrase it into something like, “Who was in the driver’s seat when the proposal was being drafted?”;
- Focus on topics that the interviewee is most knowledgeable about. This may mean “translating” our broader evaluation questions into ones that are more targeted at the in-country track record of the GCF; and
- Feel free to ask novel questions which are very specific to the person, project, or country at hand, so long as your own questions bridge to the overall scope of the FPR.

### **Overview of qualitative data management guidelines:**

- Please summarize key insights from interviews under each topic heading (this will make Dedoose coding quick and easy);
- Any direct quotes should be marked with quotation marks “ ”;
- Feel free to add your own comments or analysis from the interview (e.g. the interviewee did not seem to know what the business model was, so just babbled vaguely about it being good); however, if you do so please mark it with your initials and make it absolutely crystal clear that this is YOUR interpretation, not the interviewee’s; and
- If you have typewritten interview notes, you have two choices:
  - Neaten up your notes (no typos etc) and leave your interview notes largely intact, from the beginning of the notes to the end. In other words, it is *not* necessary or required to use

template below. Neatening up the notes will be quick and easy; however, it will take more time to code into Dedoose.

- Alternatively, you may cut-and-paste key passages/insights from notes into the template below.

## 1. NDAs

Name of interviewee(s):

Contact:

Institution:

Position:

Link to GCF:

FPR Team interviewer(s):

Date of interview:

Location:

Key points of interest of the interview:

### Introductory questions

1. What is your name and position?
2. How are you involved with the GCF?
3. For how long have you been in this position? (Were you involved with the GCF before that?)

### RESEARCH QUESTIONS – NDAs

3. GCF business model and organizational structure

3.1. Core principles

3.1.1. In your understanding, and in your context, what does country ownership, meeting the needs of the country and the objective of paradigm shift mean for the Fund's business model and structure?

3.2. Organizational structure

3.2.2 What is your understanding and assessment of the key roles, responsibilities and processes of the main actors in the organization (GCF)?

3.3. Secretariat

3.3.2. Is the current structure of the Secretariat allowing you as NDA, and the GCF beneficiaries in your country, to access/fund activities in sufficiently efficient ways?

3.5. Delivery patterns

3.5.1. What is your understanding of your role as NDAs in the Fund's business model?

3.5.2. The GCF works through NDAs. Has this arrangement been effective and efficient in executing the Fund's mandate? [How and why?]

3.6. Access modalities<sup>244</sup>

3.6.1. To what extent do you consider the current GCF access modalities to be conducive to the business model of the GCF?

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<sup>244</sup> Funding Proposals; Readiness and Preparatory Support Programme; Project Preparation Facility; Request for Proposals; Enhanced Direct Access; Simplified Approval Process; Micro, Small and Medium sized Enterprises; Mobilising Funds at Scale conducive to the business model.

RESEARCH QUESTIONS – NDAs
4. Policies and procedures
4.1.1. Do you consider the current policies necessary, sufficient, coherent and effective for supporting the GCF plan and strategy? (special focus on risk, ESS, gender)
4.1.2. Do you see any policy gaps? [Follow up: Is there a policy overload?]
4.2.1. Are policies implemented (role of iTAP, Secretariat, PSAG etc.) effectively?
4.4. Accreditation
4.4.4. Does the current accreditation process meet your [recipients’] needs? To what extent has it produced/is it producing a set of reputable partners that have robust execution capacities (to address both public and private sector project and investment window needs under the GCF)?
4.4.5. How does the accreditation process affect the country-drivenness approach of the Fund?
4.4.6. To what extent has GCF enhanced Direct Access in your context? Is Direct Access responsive to the needs and priorities of your country during accreditation? (Including entities still in the process) [if applicable]
5. Performance [in your understanding/in your country]
5.1. Project cycle
5.1.1. Is the project cycle conducive to delivering the mandate of the GCF (public and private sector)?
5.1.2. What criteria are used to make investment decisions? Are they used consistently?
5.1.3. To what extent do the iTAP/PSAG assessments help to ensure the quality of funding proposals?
5.2. Project portfolio
5.3.1. To what extent has the GCF responded to UNFCCC guidance?
5.4. Access modalities
5.4.1. To what extent are the access modalities of the GCF effective and efficient?
5.4.2. To what extent do the financial instruments of the GCF meet the demands of countries?
5.5.1. To what extent are PSF processes and modalities effective, efficient, and innovative? [if applicable]
5.5.3. Were investments in your country sufficiently new and additional?
5.5.4. Have investments been effective in leveraging financial resources from third parties?
5.5.5. Are the instruments expected to achieve the results, including potential for achieving impact at scale?
6. Likelihood of (and actual) results
6.1. Quality
6.1.1. What has been the quality of design of GCF-funded projects in responding to investment criteria?
6.2.1. What is the quality of the way in which the GCF measures results [the measurement framework] of GCF-funded projects?
6.3. Actual results
6.3.1. What are the early indications that the Fund’s supported projects and programmes have delivered planned results (or are on their way to doing so)? [if applicable]
6.4. Expected results
6.4.1. What are expected results of funding decisions and other support activities [referring to both mitigation and adaptation portfolios]?

## RESEARCH QUESTIONS – NDAs

### 6.5. Paradigm shift

6.5.1. To what extent did funded activities contribute/are contributing/are likely to contribute to a paradigm shift, increased resilience, and change that is transformational?

## 2. EXECUTING AGENCIES AND ACCREDITED ENTITIES

NOTE: An Executing Agency (EA) is the national agency (or company) which manages the implementation/operations of a funded programme. They may be more likely to be focused on practical project management matters.

Accredited Entities (AEs) are intermediary agencies responsible for oversight and the governance of a programme, such as the United Nations Development Programme (UNDP). An AE may be more likely to be able to associate more directly with global-level matters.

Overall, we expect a great deal of overlap between what EAs and AEs can speak about, and so these two stakeholder groups are combined in this interview guide. However, please do pitch “up” or “down” depending on the interviewee’s knowledge and perspective.

Name of interviewee(s):

Contact:

Institution:

Position:

Link to GCF:

FPR Team interviewer(s):

Date of interview:

Location:

Key points of interest of the interview:

### Introductory questions

1. What is your name and position?
2. How are you involved with the GCF?
3. For how long have you been in this position? (Were you involved with the GCF before that?)

## RESEARCH QUESTIONS – EXECUTING AGENCIES

### 3. GCF business model and organizational structure

3.5.1. What is your understanding of your role as AEs/AAs in the Fund’s business model?

3.5.2. How effective and efficient are the NDAs and AEs in executing the Fund’s mandate?

### 3.6. Access modalities<sup>245</sup>

3.6.1. To what extent are the access modalities of the GCF conducive to its way of doing business [business model]?

### 4.1. Policy framework

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<sup>245</sup> Funding Proposals; Readiness and Preparatory Support Programme; Project Preparation Facility; Request for Proposals; Enhanced Direct Access; Simplified Approval Process; Micro, Small and Medium sized Enterprises; Mobilising Funds at Scale conducive to the business model.

RESEARCH QUESTIONS – EXECUTING AGENCIES
4.1.1. Are current policies necessary, sufficient, coherent, effective for supporting the GCF plan and strategy (special focus on risk, country ownership, needs, climate rationale, ESS, gender)?
4.1.2. Are there any policy gaps? Or is there a policy overload?
4.2. Policy implementation
4.2.1. Are policies implemented effectively (role of iTAP, Secretariat, PSAG, structure of the Secretariat and the business model, etc.)?
4.3. Policy coherence
4.3.1. How do policies and administrative instructions affect the efficiency and value of GCF operations?
4.4. Accreditation
4.4.1. In your experience, is the accreditation process as it is, credible, necessary and sufficient?
4.4.2. Is the accreditation process as it is, efficient in supporting the mandate and operations of the GCF (e.g. supporting the paradigm shift with specific focus on public and private sector access)?
4.4.3. What are the common limitations/barriers encountered during the accreditation process?
4.4.4. Does the current accreditation process meet recipients’ needs? To what extent has it produced a set of reputable partners that have robust execution capacities (to address both public and private sector project and investment window needs under the GCF)?
4.4.5. How does the current accreditation process affect the country-drivenness approach of the Fund?
4.4.6. To what extent has GCF enhanced Direct Access? Is Direct Access responsive to the needs and priorities of developing countries during accreditation? (Including entities still in the process)
5. Performance
5.1. Project cycle
5.1.1. Is the project cycle conducive to delivering the mandate of the GCF (public and private sector)?
6. Likelihood of (and actual) results
6.1.1. What has been the quality of the design of GCF-funded projects in responding to their investment criteria?
6.2. Results measurement
6.2.1. What is the quality of the results measurement frameworks of GCF-funded projects?
6.3. Actual results
6.3.1. What are the early indications that the Fund’s supported projects and programmes have delivered planned results (or are on their way to doing so)? [if applicable]
6.4. Expected results
6.4.1. What are expected results of funding decisions and other support activities [in terms of both the mitigation and adaptation portfolios]?

### 3. GOVERNMENT AGENCIES

Name of interviewee(s):

Contact:

Institution:

Position:

Link to GCF

FPR Team interviewer(s):

Date of interview:

Location:

Key points of interest of the interview:

### Introductory questions

1. What is your name and position?
2. How are you involved with the GCF?
3. For how long have you been in this position? (Were you involved with the GCF before that?)

### RESEARCH QUESTIONS – GOVERNMENT AGENCIES

3. GCF business model and organizational structure

3.5. Delivery patterns

3.5.1. What is the role of NDAs and AEs in the Fund's business model?

3.5.2. How effective and efficient are NDAs and AEs in executing the Fund's mandate?

3.6. Access modalities<sup>246</sup>

3.6.1. To what extent are the access modalities of the GCF conducive to the business model?

5. Performance

5.1. Project cycle

5.1.1. Is the project cycle conducive to delivering the mandate of the GCF (public and private sector)?

6. Likelihood of (and actual) results

6.1. Quality

6.1.1. What has been the quality of design of GCF-funded projects in responding to investment criteria?

6.2. Results measurement

6.2.1. What is the quality of the results measurement frameworks of GCF-funded projects?

6.3. Actual results

6.3.1. What are the early indications that the Fund's supported projects and programmes have delivered planned results (or are on their way to doing so)?

6.4. Expected results

6.4.1. What are the expected results of funding decisions and other support activities, and of the mitigation and adaptation portfolios?

## 4. CSOs, PSOs AND ACADEMIA

Name of interviewee(s):

Contact:

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<sup>246</sup> Funding Proposals; Readiness and Preparatory Support Programme; Project Preparation Facility; Request for Proposals; Enhanced Direct Access; Simplified Approval Process; Micro, Small and Medium sized Enterprises; Mobilising Funds at Scale conducive to the business model.

Institution:

Position:

Link to GCF

FPR Team interviewer(s):

Date of interview:

Location:

Key points of interest of the interview:

NOTE: Some questions may need to be tailored to particular audiences; there may be differences between CSOs and PSOs, for example.

### Introductory questions

1. What is your name and position?
2. How are you involved with the GCF?
3. For how long have you been in this position? (Were you involved with the GCF before that?)

### RESEARCH QUESTIONS – IN-COUNTRY CSOS, PSOS, ACADEMIA

#### 3. GCF business model and organizational structure

3.5.1. What is your understanding of the role of NDAs and AEs in the Fund’s business model?

3.5.2. The GCF operates through NDAs and AEs. How effective and efficient is that arrangement here? Why?

#### 4. Policies and procedures

4.1.1. Are current policies necessary, sufficient, coherent and effective in supporting the GCF plan and strategy (special focus on risk, ESS, gender)?

4.4.4. Does the current accreditation process meet recipients’ needs?

To what extent has it produced a set of reputable partners that have robust execution capacities (to address both public and private sector project and investment window needs under the GCF)?

How can GCF more effectively support partners pursuing accreditation?

4.4.5. The GCF is committed to being “country-driven”. How does accreditation fit this approach?

4.4.6. To what extent has GCF enhanced Direct Access? Is Direct Access responsive to the needs and priorities of developing countries during accreditation? (Including entities still in the process)

#### 5. Performance

5.4.1. The GCF disburses funds either directly to NDAs, or through an accredited intermediary (usually a multilateral like UNDP). Is this approach sensible to you? In this country, is the arrangement suitable and fit for purpose? What improvements or changes would you recommend?

5.4.2. In your experience, do the financial instruments of the GCF make sense here? Do they fit local conditions and agencies?

#### 5.5. PSF and non-grant instruments

5.5.1. To what extent are PSF processes and modalities effective, efficient and innovative?

5.5.3. Were investments sufficiently new and additional?

5.5.4. Have investments been effective in leveraging financial resources from third parties?

5.5.5. Are the instruments expected to achieve the results, including potential for scale?

#### 6. Likelihood of (and actual) results



RESEARCH QUESTIONS – IN-COUNTRY CSOS, PSOS, ACADEMIA

6.3.1. What are the early indications that the Fund’s supported projects and programmes have delivered planned results (or are on their way to doing so)?

6.4. Expected results

6.4.1. What are the expected results of funding decisions and other support activities, and of the mitigation and adaptation portfolios?

## 5. COMMUNITY BENEFICIARIES

NOTE: This interview guide assumes that *community-level* beneficiaries are being interviewed. If you are speaking with another kind of beneficiary, please adjust based on the Evaluation Matrix and/or one of the other guides above.

Name of interviewee(s):

Contact:

Institution:

Position:

Link to GCF:

FPR Team interviewer(s):

Date of interview:

Location:

Key points of interest of the interview:

RESEARCH QUESTIONS – COMMUNITY BENEFICIARIES

Is this project benefitting your community [country]? How?

How did you first hear about this project?

How could this project be improved?

Have there been any serious problems or complaints about this project?

If there is (or was) a problem regarding this project, how do (or did) you solve it?

If there is (or was) a complaint about this project, do you (or did you) know whom to address or how to address it with the authorities?

Has the implementation of this project gone smoothly? How, or how did it not?

Were you involved with the needs assessment or design of the project?

How did women, youths or other disadvantaged (or indigenous) groups participate?

What advice or recommendations do you have for improving similar projects in the future?

Have you had any interactions with the donor (GCF)? What were these interactions, and what is your opinion of them?

What do you think they have been good at?

How can they be better?

## ANNEX 3. ONLINE SURVEY QUESTIONNAIRE

On behalf of the Independent Evaluation Unit (IEU) of the Green Climate Fund (GCF), welcome to the Online Survey for the Forward-Looking Performance Review (FPR) of the GCF.

The FPR is exploring how fit for purpose the Fund has so far been in delivering its main objectives. This survey is collecting your opinions and perspectives about the performance of the GCF.

All individual responses to this survey are confidential, and will only be received by (and be available to) the FPR team.

You are under no obligation to answer the survey. However, your candid responses are much appreciated and will be a highly valuable contribution to this Review. Your replies will influence recommendations that will help the GCF chart its way forward.

The survey should take up to 20 minutes to complete. **Please provide us with your answers by 25 March 2019.**

Feel free to contact us with further comments at [ieu@gcfund.org](mailto:ieu@gcfund.org) under heading: Online Survey for the FPR.

### I. Identification section

The purpose of this page is to collect basic information about our respondents to support our analysis.

1. How are you affiliated with the Green Climate Fund? (multiple)

Representative from Nationally Designated Authority

Representative from Accredited Entity

Representative from agency in the process of seeking accreditation

Focal Point for a project funded by the GCF

Civil Society Organizations network member

Private Sector Organizations network member

Member of the Independent Technical Advisory Panel

Member of the Private Sector Advisory Group

Member of the Accreditation Panel

GCF Secretariat Management Team

GCF Secretariat Technical Staff, Full-Time Consultant, or Full-Time Intern

Independent Units Staff, Full-Time Consultant, or Full-Time Intern

UNFCCC Secretariat

UNFCCC COP

Other, please specify

2. Which region of the world does your work focus on? (multiple choice)

Africa

Latin America and the Caribbean

Eastern Europe

Asia-Pacific

Developed countries

Work not focused on any single region

3. How familiar are you with the Green Climate Fund?

Not familiar

Somewhat familiar

Very familiar

**Main questionnaire**

4. Do you agree or disagree with the following statements? If you feel you are unfamiliar with the statement, please select “don’t know”.

	STRONGLY DISAGREE	DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
The GCF’s Initial Resource Mobilisation period (i.e., 2015 to 2018 IRM phase) went smoothly.					
The GCF’s Initial Strategic Plan (ISP) and targets are clear to me.					
The GCF’s business model is fit for purpose.					
The GCF has sound policies to guide operations.					
The GCF has too many policies.					
The GCF’s accreditation processes are effective.					
The GCF’s accreditation processes are efficient.					
The GCF’s use of accredited entities is an efficient way to operate.					
The GCF is effective in cooperating with the private sector.					
The GCF uses non-grant instruments effectively to achieve its aims.					
The GCF sets a high standard for what constitutes effective climate action.					
The GCF’s investment decisions reflect its mandate.					
The GCF responds to the needs of developing countries, particularly with regard to its commitment to country ownership.					
Country ownership facilitates the GCF’s other aims.					
The GCF’s investments are forging a pathway towards low-carbon growth.					
The GCF’s investments are forging a pathway towards climate resilience.					
The GCF is effectively leveraging private sector capital.					

	STRONGLY DISAGREE	DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
Investments funded by GCF are consistent with its investment criteria.					
The GCF's commitment to paradigm shift is clear to me.					
The GCF plays the right role among global institutions engaged on climate change.					
The GCF is the best partner for developing countries to address climate change (compared to other climate financial institutions).					

Please feel free to elaborate on any of the above statements.

5. Which of the Independent Units, if any, have you interacted with? (select all those that apply)

Independent Redress Mechanism

Independent Integrity Unit (IIU)

Independent Evaluation Unit (IEU)

SKIP PATTERN: Only those who indicated they had interacted with an Independent Unit are directed to further questions about that unit.

6. Do you agree or disagree with the following statements about the Independent Redress Mechanism? If you are unsure, please select "don't know".

	STRONGLY DISAGREE	DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
A. The role of the Independent Redress Mechanism suits the GCF's needs.					
B. The Independent Redress Mechanism is fulfilling its mandate.					

7. Do you agree or disagree with the following statements about the Independent Integrity Unit (IIU)? If you are unsure, please select "don't know".

	STRONGLY DISAGREE	DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
A. The role of the IIU suits the GCF's needs.					
B. The IIU is fulfilling its mandate.					

8. Do you agree or disagree with the following statements about the Independent Evaluation Unit (IEU)? If you are unsure, please select "don't know".

	STRONGLY DISAGREE	DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
A. The role of the IEU suits the GCF's needs.					
B. The IEU is fulfilling its mandate					

9. Do you think the GCF should make more, less or the same use of the following financial instruments?

	MORE	LESS	THE SAME	DON'T KNOW	COMMENTS IF ANY (OPTIONAL)
Grants					
Loans					
Equity					
Guarantees					

Please feel free to provide additional comments.

10. Which of the following aspects of the GCF do you think are working the best? (Please select up to three responses)

- Building capacity of partners in developing countries
- Country ownership and leadership
- Defining and setting high standards for effective climate action
- Financing innovation
- Funding high-quality proposals
- Operational management
- Private sector engagement
- Readiness and direct access processes
- Accreditation
- Reaching the most vulnerable
- Other (please specify)

11. Which of the following aspects of the GCF do you think are the weakest? (Please select up to three responses)

- Building capacity of partners in developing countries
- Country ownership and leadership
- Defining and setting high standards for effective climate action
- Financing innovation
- Funding high-quality proposals
- Operational management
- Private sector engagement
- Readiness and direct access processes
- Accreditation
- Reaching the most vulnerable
- Other (please specify)

12. What do you think are the GCF's top three achievements?

- 1.
- 2.
- 3.

13. What do you think are the GCF's top three challenges?

- 1.

2.

3.

14. What would be your top three recommendations for the GCF going forward?

1.

2.

3.

15. The FPR Team may conduct some targeted follow-up interviews. If you are willing to be contacted, please enter your name, organization and title, and email address. The Team assures that all responses will be kept confidential.

Name:

Organization and title:

Email address:

## ANNEX 4. POLICY REVIEW TOOL

NOTE to reviewers: complete the cells formatted in yellow. Please fill Sections 1 and 2. The majority of questions include a drop-down option. Please select the most suitable option. Please also provide your qualitative comments in as much detail as possible, but also succinctly.

### Section 1. IDENTIFICATION OF POLICY

Section 1. IDENTIFICATION OF POLICY			
Title of policy document		Board decision number (please note if more than one decision, or if the policy is not yet approved)	
Date of review		Board meeting of approval	
Initials of reviewer 1		Policy type	
Date of second review		Is the policy new, or does it update a previous policy?	
Initials of second reviewer		If new, what gap does it fill?	
		If an update, what changes does it make?	
What is the main topic of the policy? Please describe in own words			
What does the policy do? Please describe in own words			



## Section 2. POLICY REVIEW

Policy review		Criteria	Please describe the reasoning for your score in as much detail as you like
<b>Question A</b>	<b>Relevance</b>		
1.a.	Who does the policy mainly affect? Please select from the options, and please explain.		
1.b.	Are there any others whom the policy affects? Please explain.		
2.a.	Whose needs does the policy address. Please explain.		
2.b.	Are there any others whose needs the policy addresses? Please explain.		
3.a.	Which part of the GCF Governing Instrument does the policy cover primarily? How is it relevant?		
3.b.	Is there any additional part of the GCF Governing Instrument covered by the policy? How is it relevant?		
3.c.	Is there YET another part of the GCF Governing Instrument covered by the policy? How is it relevant?		
<b>Question B</b>	<b>Sufficiency</b>		
3	Which dimension of paradigm shift does the policy primarily address, and is it sufficient in doing so?		
4	Which part of the GCF Governing Instrument does the policy address, and is it sufficient in doing so?		
5	Does the policy identify specific roles and responsibilities? Please explain.		
6	In your view, are there areas or subjects that the policy does NOT cover, and should?		
<b>Question C</b>	<b>Complementarity (to be completed by Archi, but please feel free to provide insights)</b>		
7.a.	Does the policy align with policies of other similar multilateral organizations? Which policies?		
7.b.	In what ways?		
8	Are there gaps in the policy with respect to complementarity?		

## ANNEX 5. LIST OF PEOPLE CONSULTED FOR THE FPR

COUNTRY MISSION INTERVIEWS		
Name of the person	Affiliation	Country
Abu Sadat Moniruzzaman Khan	Building Resources Across Communities (BRAC)	Bangladesh
Abul Azad	ActionAid Bangladesh	Bangladesh
Amal K. Mandal	Ministry of Finance, Economic Relations Division (ERD)	Bangladesh
Anirban Kundu	KfW Office Dhaka	Bangladesh
Asgar Ali Sabri	ActionAid Bangladesh	Bangladesh
Ashaduzzaman Asad	BRAC	Bangladesh
Dwijen L Mallick	Bangladesh Centre for Advanced Studies (BCAS)	Bangladesh
Farhat Jahan Chowdhury	Asian Development Bank (Bangladesh Resident Mission)	Bangladesh
Farid Ahmed	Department of Environment	Bangladesh
Farzana Rahman	Infrastructure Development Company Limited (IDCOL)	Bangladesh
Fazle Rabbi Sadeque Ahmed	Palli Karma-Sahayak Foundation (PKSF)	Bangladesh
Iftekhar Zaman	Transparency International Bangladesh	Bangladesh
Jan-E-Alam	Ministry of Water Resources	Bangladesh
Jasim Uddin	Local Government Engineering Department	Bangladesh
KAM Morshed	BRAC	Bangladesh
Kazi Kamal Hossain	Southeast Bank Limited	Bangladesh
L.M. Sirajus	IDLC Finance Ltd. (Industrial Development Leasing Company)	Bangladesh
M.S. Zaman	Far East Spinning Industries	Bangladesh
Mafruda Rahman	IDCOL	Bangladesh
Mahfuzul Haque	Transparency International Bangladesh	Bangladesh
Mahmud Hossain	Department of Environment	Bangladesh
Mamunur Rashid	UNDP Bangladesh	Bangladesh
Mantu Kumar Biswas	Ministry of Water Resources	Bangladesh
MD. Abu Syed	BCAS	Bangladesh
MD. Golam Rabbani	BCAS	Bangladesh
Mehedi Ahsan	KfW Office Dhaka	Bangladesh
Mesbah Uddin Ahmed	IDLC Finance Ltd. (Industrial Development Leasing Company)	Bangladesh
Mirza Shawkat Ali	Department of Environment	Bangladesh
Mohammad Nazmul Hasan Chowdhury	Local Government Engineering Department	Bangladesh

COUNTRY MISSION INTERVIEWS		
Mohammed Javed Emran	IDCOL	Bangladesh
Mohammed Solaiman Haider	Department of Environment	Bangladesh
Mohammed Zhidul Haque	IDCOL	Bangladesh
Mohsina Akter Banu	ERD	Bangladesh
Mosleh Uddin	IDCOL	Bangladesh
Mostofa Meer Khaled Omar	Southeast Bank Limited	Bangladesh
Nazmul Haque	IDCOL	Bangladesh
Nur Ahmed	Formerly ERD	Bangladesh
Nurul Quadir	Ministry of Environment, Forest and Climate Change	Bangladesh
Sajedul Hasan	BRAC	Bangladesh
Saleemul Huq	International Centre for Climate Change and Development (ICCCAD)	Bangladesh
Serajul Hossain	IDCOL	Bangladesh
Shahanaj Rahman	Department of Environment	Bangladesh
Sultana Afroz	ERD	Bangladesh
Tanushka M. Billah	IDCOL	Bangladesh
Zakir Hossain Khan	Transparency International Bangladesh	Bangladesh
Ahmed Taha	Ministry of Environment	Egypt
Ahmed Abdelrehim	Centre for Environment and Development for Arab Region and Europe (CEDARI)	Egypt
Ahmed Elkhoully	Desert Research Centre	Egypt
Amal Adel El Araby	Commercial International Bank (CIB)	Egypt
Annachiara Scandone	UNIDO	Egypt
Dalia Saber	Ministry of Environment	Egypt
Emad Adly	Arab Network for Environment and Development (RAED)	Egypt
Eng. Saber Othman	Ministry of Environment	Egypt
Eng. Sherif A. Reheem	Ministry of Environment	Egypt
Ghada Ahmadein	RAED	Egypt
Hany Shalaby	Environment Climate Change Development	Egypt
Hashem Fouad	EBRD	Egypt
Hesham Elsafty	National Bank of Egypt (NBE)	Egypt
Mahmoud Shata	EBRD	Egypt
Mayar Sabet	CEDARI	Egypt

COUNTRY MISSION INTERVIEWS		
Maysoun Nabil	Egyptian Environmental Affairs Agency	Egypt
Mohamed Ahmed Ali	Adaptation to Climate Change in the Nile Delta	Egypt
Mohamed Ahmed Emara	Infinity Solar	Egypt
Mohamed Bashir	GAMA Construction	Egypt
Mohamed Bayoumi	UNDP	Egypt
Omar El-Arini	GCF	Egypt
Samy Al-Said Aly	Desert Research Centre	Egypt
Shady Sabet	AFD	Egypt
Wael Farag Keshk	Ministry of Environment	Egypt
Yasmine Fouad	Ministry of Environment	Egypt
Alexandra Garcés	PROAmazonia	Ecuador
Alia Hassan	UNDP Ecuador	Ecuador
Andrea Rodriguez	Fundación Avina	Ecuador
Andres Mogro Zambrano	Ministry of Environment Ecuador	Ecuador
Andrés Alvarado	Interview participant (unspecified)	Ecuador
Carla Pérez	FONAG	Ecuador
Carolina Cortes	Banco de Desarrollo de América Latina	Ecuador
Celine Bernadat	AFD	Ecuador
Claudio Shiguango	Wamini Cokiwa Community	Ecuador
Clotilde Bourtrolle	AFD	Ecuador
David Moreno	Tsatsayacu Centro de Acopio	Ecuador
Daysy Cardenas	Ministry of Environment Ecuador	Ecuador
Felipe Toledo	Fundación Avina	Ecuador
Fernanda Olmedo	FONGAG	Ecuador
Gabriela Izurieta	Ministry of Agriculture (MAG/ATPA)	Ecuador
Gabriela Vargas	Ministry of Environment Ecuador	Ecuador
Gabriela Aragón	CONAIE	Ecuador
Giovanny Romero	PROAmazonia	Ecuador
Jenny Domínguez	Cyuja School	Ecuador
John Preissing	FAO	Ecuador
José Luis Núñez	FONAG	Ecuador
Juan Calle	FAO	Ecuador
Juan Carlos González	PROAmazonia	Ecuador

COUNTRY MISSION INTERVIEWS		
Juan Chang	GCF Secretariat	Ecuador
Juan Shiguango	Wamini Cokiwa Community	Ecuador
Manuel Castillo	CONAIE	Ecuador
Manuel Simba	FONAG	Ecuador
Manuel Shiguango	PROAmazonia/Socio Bosque	Ecuador
Maria Fernanda Gonzalez	UNDP/Ecuador	Ecuador
María Elisa Jarrin	Ministry of Production, Foreign Commerce, Investment and Fisheries	Ecuador
Neptalí Espinosa	CONAIE	Ecuador
Pablo Tapia	BanEcuador	Ecuador
Patricio Pillajo	Interview participant (unspecified)	Ecuador
Paulo Velásquez	BanEcuador	Ecuador
Raúl Galeas	FONAG	Ecuador
Stephanie Avalos	Ministry of Environment Ecuador	Ecuador
William Erazo	MAG/ATPA	Ecuador
Wilson Shiguango	MEA, National Park Sumaco Galera	Ecuador
Dmitry Halubouski	EBRD	Georgia
George Abulashvili	EEC	Georgia
Ioseb Kinkladze	NEA	Georgia
Irakli Megrelidze	NEA	Georgia
Jan Engelman	GIZ	Georgia
Jan-Willem van de wen	EBRD	Georgia
Ketevan Bitskinashvili	TBC Bank	Georgia
Lutz Jarczyński	GIZ	Georgia
Maia Kacharava	TBC Bank	Georgia
Maia Tskhvaradze	MoEPA	Georgia
Marina Shvangiradze	Sustainable Development Centre Remissia	Georgia
Martina Kolb	GIZ	Georgia
Nino Antadze	UNDP	Georgia
Nino Cholokashvili	Partnership Fund	Georgia
Nino Lazashvili	UNIDO	Georgia
Nino Shavgulidze	CENN	Georgia
Nino Tandilashvili	MoEPA	Georgia
Nino Tkhilava	MoEPA	Georgia

COUNTRY MISSION INTERVIEWS		
Ramaz Chitanava	NEA	Georgia
Tea Melikadze	EBRD	Georgia
Abbie Castañeda	MARN	Guatemala
Aime Sosa	IDB	Guatemala
Alejandro Maeda	FCG	Guatemala
Alejandro Yakabalquiej	Comité Sheul	Guatemala
Alvaro Perez	Asociación Pacajá	Guatemala
Ana Gladys Calderón Mérida	Chamber of Industry of Guatemala	Guatemala
Antonia Xuruc	Asociación CDRO	Guatemala
Antonio Guoron	National Forest Institute (INAB)	Guatemala
Astrid Ibarra Búcaro	CABEI	Guatemala
Aurelia Sacalxot	Comité Sheul	Guatemala
Axel Gonzáles	INSIVUMEH	Guatemala
Carlos Acosta	CABEI	Guatemala
Carlos Walberto Ramos Salguero	MARN	Guatemala
Casimiro Cotton	Asociación Pacajá	Guatemala
Daniel Garcia	Chamber of Industry of Guatemala	Guatemala
Dilia Co Coy	Red de Expertos de Pueblos Indígenas y Finanzas del Clima de América Latina y El Caribe	Guatemala
Enriqueta Salanic colot	Comité Sheul	Guatemala
Felipe Cayax	Asociación Sinergias	Guatemala
Fernando García Barrios	UNDP	Guatemala
Flor de Maria Calderon	MARN	Guatemala
Gabriela Alfaro Marroquín	Universidad del Valle de Guatemala	Guatemala
Genners Barrios	MARN	Guatemala
Guillermo Monterrosa	INAB	Guatemala
Hori Salanic	Asociación Sinergias	Guatemala
Isabel Aguirre Stillman	Eco Negocios Occidente	Guatemala
Ivonne Ramirez	FCG	Guatemala
Jackeline Brincker	Universidad del Valle de Guatemala	Guatemala
Jenny Vásquez Palacios	MARN	Guatemala
Jose Narciso Lopez	FAO	Guatemala
Juan Carlos Díaz Contreras	MARN	Guatemala

COUNTRY MISSION INTERVIEWS		
Lourdes Castro	MAGA	Guatemala
Maria Betsabe Rosales	SEGEPLAN	Guatemala
Maria Juana Elias	Asociación CDRO	Guatemala
Maria Ximena Palmieri Asturias	MARN	Guatemala
Mariano Martinez	National Protected Areas Council (CONAP)	Guatemala
Mario Rodriguez	IUCN	Guatemala
Marvin Chirix	Asociación Sot'Zil	Guatemala
Maynor Estrada	FAO	Guatemala
Miguel Martinez Tuna	FAO	Guatemala
Miguel Mendez	CABEI	Guatemala
Mynor Perez	INAB	Guatemala
Ogden Rodas	FAO	Guatemala
Orsibal Ramirez	IUCN	Guatemala
Pedro Saquic	Asociación Pacajá	Guatemala
Rafael Avila	INAB	Guatemala
Ramiro Batzín	Asociación Sot'Zil	Guatemala
Regginaldo Ixquiac	Asociación Pacajá	Guatemala
Santiago Xicará	Asociación Pacajá	Guatemala
Santos Salanic	Comité Sheul	Guatemala
Silvia Janeth Zuñiga Orellana	MARN	Guatemala
Siria Milian	INAB	Guatemala
Ursula Parrilla	IUCN	Guatemala
Walter Albillo	INAB	Guatemala
Williams Alexander Chuc	Asociación CDRO	Guatemala
Zoé Bienvenue	IDB	Guatemala
Anand Batsukh	XacBank	Mongolia
Ananda Tsog	Ministry of Environment and Tourism	Mongolia
Ariuntuya Dorjsuren	Ministry of Environment and Tourism	Mongolia
Arnaud Heckmann	ADB	Mongolia
Batbold Dorjgurkhem	WWF Mongolia	Mongolia
Batjargal Zamba	Environment and Climate Fund	Mongolia
Bayarsaikan O.	Trade and Development Bank	Mongolia
Dagvadorj Damdin	Climate Change and Development Academy	Mongolia



COUNTRY MISSION INTERVIEWS		
Delgermaa D.	Trade and Development Bank	Mongolia
Enkhtuvshin Agvaan	Ministry of Construction and Urban Development	Mongolia
Enkhtuvshin Ganbaatar	Ministry of Energy	Mongolia
G. Enkhtaivan	Ministry of Energy	Mongolia
Ganpurev D.	Trade and Development Bank	Mongolia
Greg Zegas	XacBank	Mongolia
Irina Kravchenko	EBRD	Mongolia
Lkhagvatseden Orsoo	Ministry of Construction and Urban Development	Mongolia
Munkh-Erdene B.	Trade and Development Bank	Mongolia
Naidalaa Badrakh	Mongolian Banking Association	Mongolia
Saruul Dolgorsuren	Environment and Climate Fund	Mongolia
Sukhgerel Dugersuren	OT Watch	Mongolia
Suzanna Sumkhuu	National Development Agency	Mongolia
Urjinbadam Amgalan	EBRD	Mongolia
Achim Schaffert	EU	Namibia
Aina-Maria Iteta	EIF	Namibia
Benedict Libanda	EIF	Namibia
Gideo Corenlissen	Crop Incentive Solutions	Namibia
Karl Aribeb	EIF	Namibia
Maano Nepebe	Development Bank of Namibia	Namibia
Martha Nanda	UNDP	Namibia
Nigel Mubita	AgriBank Namibia	Namibia
Paulus Ashili	Ministry of Environment and Tourism	Namibia
Petrus Muteyali	Ministry of Environment and Tourism	Namibia
Silvia Sala Ginea	EU	Namibia
Sophie Lauer	KfW	Namibia
Teofilus Mutangeni	Ministry of Environment and Tourism	Namibia
Theo Uvanga	Development Bank of Namibia	Namibia
Uwe Stoll	KfW	Namibia
Willem Venter	Crop Incentive Solutions	Namibia
Rugamba Isaac	Ministry of Finance and Economic Planning (MINECOFIN)	Rwanda

COUNTRY MISSION INTERVIEWS		
Alain Ndoli	International Union for Conservation of Nature (IUCN)	Rwanda
Anecto Kayitare	Wildlife Conservation Society (WCS)	Rwanda
Bisaga Iwona	BBOXX	Rwanda
Bright Ntare	Rwanda's Green Fund (FONERWA)	Rwanda
Dorothy Uwera	Private Sector Federation (PSF)	Rwanda
Eng. Coletha Ruhamyia	Rwanda Environment Management Authority (REMA)	Rwanda
Faustin Munyakwiye	REMA	Rwanda
Innocent Bisangwa	Ministry of Agriculture and Animal Resources (MINAGRI)	Rwanda
Jacques Habimana	Rwanda Environment Non-Government Organization Forum (RENGOF)	Rwanda
Juliet Kabera	Ministry of Environment (MoE)	Rwanda
Madeleine Nyiratuza	UNDP	Rwanda
Malaika Ilibagiza Rousseau	Development Bank of Rwanda (BRD)	Rwanda
Marie Dalie Dukuze	REMA	Rwanda
Ntazinda Jean	Partnership Development Adviser	Rwanda
Oana Baloi	Global Green Growth Institute (GGGI)	Rwanda
Reina Otsuka	UNDP	Rwanda
William Mugabo	Green Economy Specialist	Rwanda
Abdou Aziz Diedhiou	CNCA	Senegal
Abdoulaye Ba	COSEER	Senegal
Adia Aïssa Gueye	APIX	Senegal
Ahmadou T. Barry	DEEC	Senegal
Aissata Boubou Sall	CSE	Senegal
Aissatou Diagne	CSE	Senegal
Anais Moraud	AFD	Senegal
Assane Ba	APIX	Senegal
Baba Ba	Direction des Eaux et Forêts	Senegal
Babacar Ndiaye	ANIDA	Senegal
Bassirou Sylla	SENELEC	Senegal
Boubacar Issoufou	WFP	Senegal

COUNTRY MISSION INTERVIEWS		
Capitaine Djibril Thioye	Ministere de l'Environnement et du Development Durable	Senegal
Cheikh Latyr Niasse	Solar Energy SN	Senegal
Cheikh Tidiane Ndiaye	Direction des Eaux et Forêts	Senegal
Désirée Zwanck	WFP	Senegal
Dibor Sarr Faye	DEEC	Senegal
Emmanuel Seck	ENDA Energie	Senegal
Fatma Niang	DEEC	Senegal
Faye Adama	SECNSA	Senegal
Francois Mendy	INP	Senegal
Gabriel Ndiaye	DEEC	Senegal
Hamidou Konate	MRUHCV	Senegal
Issa Fofana	ANIDA	Senegal
Khoudia Niang	INP	Senegal
Lena Savelli	WFP	Senegal
Libasse Ba	ENDA Energie	Senegal
Macoumba Loum	INP	Senegal
Madeleine Diouf Sarr	DEEC	Senegal
Mai Linh Cam	AFD	Senegal
Makhfousse Sarr	FAO	Senegal
Malick Ndiaye	CNCA	Senegal
Mamadou Alpha Sidibe	MRUHCV	Senegal
Mamadou Diop	IED	Senegal
Mamadou Fall	IED	Senegal
Mamadou Touré	IED	Senegal
Mamani Coulibaly	APIX	Senegal
Mame Ndiobo Diene	FAO	Senegal
Mandiaye Dieng	CRS	Senegal
Martin Bourillet	AFD	Senegal
Médou Lo	World Bank	Senegal
Mireille Afoudji Ehemba	GIZ	Senegal
Ndéye Coumba Diop	CSE	Senegal
Ndeye Kany Sarr	Direction des Eaux et Forêts	Senegal
Ndéye Rokhaya Sall	DEEC	Senegal
Nicole Marsis Monote	SECNSA	Senegal

COUNTRY MISSION INTERVIEWS		
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Papa Lamine Diouf	DEEC	Senegal
Papa Nékhrou Diagne	INP	Senegal
Pierre Maspoli	AFD	Senegal
Racine Kane	UICN	Senegal
Rokhaya Sy Gaye	Association Tournesol	Senegal
Samba Sow	INP	Senegal
Sanoussy Sane	INP	Senegal
Secou Sarr	ENDA ENERGIE	Senegal
Talla Gueye	INP	Senegal
Thierno Boubacar Diallo	APIX	Senegal
Youssef Ndiaye	COPERES	Senegal
Alison Ofotalau	World Bank	Solomon Islands
Atanasi Ata	Solomon Islands Chamber of Commerce and Industry	Solomon Islands
Barnabas Bago	Ministry of Environment, Climate Change, Disaster Management, and Meteorology – NDA	Solomon Islands
Dalcy Tozaka	Asian Development Bank	Solomon Islands
George Wagatora	Save the Children Australia	Solomon Islands
Guido Rurangwa	World Bank	Solomon Islands
Jaeil Ryoo	K-Water	Solomon Islands
Jihun Lee	K-Water	Solomon Islands
John Kanai Ta’amora	Solomon Islands Chamber of Commerce and Industry	Solomon Islands
John Korinihona	Ministry of Energy	Solomon Islands
John Rilo	Save the Children Australia	Solomon Islands
Louise Scott	Australian Department for Foreign Affairs and Trade	Solomon Islands
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Nick Ireland	Save the Children Australia	Solomon Islands
Nicola Kaua	Ministry of Development, Planning and Aid Cooperation	Solomon Islands
Paul Roughan	Tina River Hydropower Project Management Unit	Solomon Islands
Pradip Verma	Solomon Power	Solomon Islands
Robert Meyenn	Ministry of Finance	Solomon Islands

COUNTRY MISSION INTERVIEWS		
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Takafumi Kadono	World Bank	Solomon Islands
Tobias Bule	Ministry of Finance	Solomon Islands
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Walolyn Hamata	Ministry of Finance	Solomon Islands
Ahmad Iqbal Dreepaul	Central Electricity Board	Mauritius
Anand Buskalawa	Ministry of Social Security, National Solidarity, and Environment & Sustainable Development	Mauritius
Arnasalon Ponnusawmy	Ministry of Finance and Economic Development	Mauritius
Avinash Naeck	Outer Islands Development Cooperation	Mauritius
B.K. Rughooputh	Mauritius Ports Authority	Mauritius
Davetee Rajkoomar	Ministry of Social Security, National Solidarity, and Environment & Sustainable Development	Mauritius
Fabiani Appavou	Ministry of Finance and Economic Development	Mauritius
Fabiani Appavou	Ministry of Finance and Economic Development	Mauritius
Hemnish Ram Urdhin	Ministry of Finance and Economic Development	Mauritius
Kelly Serrano Manco	AFD	Mauritius
Mickaël Apaya	Business Mauritius	Mauritius
Nalini Naeck	Outer Islands Development Cooperation	Mauritius
Nirkita Seeburn	Ministry of Public Utilities – MARENA and URA	Mauritius
P.M.K. Soonarane	Ministry of Public Utilities – MARENA and URA	Mauritius
Patrick Karani	Ministry of Social Security, National Solidarity, and Environment & Sustainable Development	Mauritius
Prakash Ramiah	Solaris / LEAL Energy	Mauritius
Pratap Tirboonan	Outer Islands Development Cooperation	Mauritius
Prof. Soonil D.D.V Rughooputh	Ministry of Public Utilities – MARENA and URA	Mauritius
Rachna Ramsurn	Ministry of Finance and Economic Development	Mauritius
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Sadhna Appanah	Ministry of Finance and Economic Development	Mauritius
Sajid Mooniaruck	Central Electricity Board, UNDP	Mauritius
Sajid Mooniaruck,	UNDP	Mauritius
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Donniel Cain	CCCCC	Grenada
Elaine Henry-McQueen	Ministry of Social Development	Grenada
Elvis Morain (and 2 other associates)	Ministry of Agriculture	Grenada
Entire team PS Roxi Hutchinson	National Climate Committee / Department of the Environment	Grenada
Forsythe	National Water and Sewerage Authority	Grenada
Gregory Bowen	Ministry of Infrastructure	Grenada
Isha Abraham	Ministry of Finance, Planning, Economic Development and Physical Development	Grenada
Kendal Alexander	Ministry of Finance, Planning, Economic Development and Physical Development	Grenada
Kerry Pierre/ C. Britton	Ministry of Finance, Planning, Economic Development and Physical Development	Grenada
Kevin Andall	Ministry of Education	Grenada
Marion Geiss	GIZ	Grenada
Merina Jessamy	Ministry of Infrastructure Development	Grenada
Mervyn Lord	Grenada Development Bank	Grenada
Natasha Joseph	Grenada Development Bank	Grenada
Patricia Clarke	Ministry of Finance, Planning, Economic Development and Physical Development	Grenada
PS Kim Frederick	Ministry of Infrastructure	Grenada
Simon Stiel	Ministry of Climate Resilience	Grenada
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Wendy Francette Williams	Airports Authority/MBIA	Grenada
Willian Thompson	Ministry of Infrastructure Development	Grenada
Wyme Cox	National Water and Sewerage Authority	Grenada

SECRETARIAT		
Name	Position	Division
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Amanda Lomponda	Head of Human Resources	DSS
Andreas Biermann	Former Deputy Director of Mitigation	DMA
Ania Grobicki	Deputy Director for Adaptation	DMA
Ayaan Adam	Director of PSF	PSF
Babita Bisht	Deputy Director	External Affairs, DEA
Bonjung Goo	Portfolio Analyst	DMA
Carolina Fuentes	Secretary to the Board and Head of Governance Affairs	OGA
Clifford Polycarp	Deputy Director and Head of Programming	DCP
Daniel Buckley	Readiness Program Senior Specialist	DCP
Demetrio Innocenti	Simplified Approval Process (SAP) Manager	DMA
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Drazen Kucan	Urban Development and Energy Efficiency Senior Specialist	DMA
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Faith Choga	ESS and Gender Associate	DCP
Francesco Giuliano	Associate General Counsel – Operations	OGC
George Zedginidze	Knowledge Manager	OED
German Velasquez	Director of DMA	DMA
Gerrit Held	PSF Consultant	PSF
Gerry O’Donoghue	Former CFO of GCF until late 2018	DSS, GCF
Ibrahim Pam	Head, Independent Integrity Unit	IIU
Jack Nichols	Legal Counsel	OGC
Jason Spensley	Senior Specialist, PPF and NAPs	DCP
Javier Manzanares	Deputy Executive Director	OED
Jessica Jacob	Country Dialogue Specialist	DCP
Johann Elysee	Senior Portfolio Specialist	OPM
Jose Frazier Gomez	Environment and Social Specialist	DCP
Joseph Intsiful	Climate Information and Early Warning Systems Senior Specialist	DMA
Juan Chang	Principal Forest and Land-Use Specialist	DMA
Juan Hoffmaister	International Climate Policy Specialist	OGA



SECRETARIAT		
Juichiro Sahara	Head of Resource Mobilization	DSS
Kayla Keenan	Monitoring and Evaluation Senior Specialist	OPM
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Kilaparti Ramakrishna	Head of Strategic Planning	OED
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Lalit Dwivedi	Board Information Manager	OGA
Leo Park	FI Senior Specialist	PSF
Leonardo Paat	Senior Environment and Social Specialist	DCP
Lifeng Li	Support Programmes Coordinator	DCP
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Linus Ikpyo Hong	Portfolio Analyst	OPM
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Mark Jerome	Head of Internal Audit	Audit
Marta Simonetti	Senior Adviser	PSF
Mitch Carpen	Head of Risk Management, Compliance	ORMC
Olena Borysova	Accredited Entities Specialist	DCP
Oyun Sanjaasuren	Director	DEA
Pa Ousman Jarju	Head of Division	DCP
Pierre Telep	Renewable Energy Senior Specialist	DMA
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Ramona Calin	Outreach Associate	OED
Robert Dawson	CFO, Division of Support Services	DSS
Rouna A	Associate Professional – Accreditation	DCP
Sakhile Koketso	Climate Policy Specialist	OGA
Selina Wrighter	Senior Adviser to the ED	OED
Sergio Pombo	Head of Private Equity Funds	PSF
Simon Wilson	Communications Coordinator	DEA
Sohail Malik	Head of Portfolio Management	OPM
Stephanie Kwan	Senior Accredited Entities Specialist	DCP
Steven Chung	Enterprise Risk Senior Specialist	ORMC
Sunil Jhunjhunwala	Head of Financial Management	DSS

SECRETARIAT		
Susana Rodriguez	Compliance and Dispute Resolution Specialist	Independent Redress Mechanism
Timothy Breithbarth	Economic and Financial Analyst	DMA
Tony Clamp	Deputy Director	PSF
Yewon Kim	Senior Researcher – Readiness	OPM

AEs		
Name	Position	Division
Alexander Healey	Senior Associate	Acumen
Alexis Franke	Deputy Pillar Head – Donor Climate Funds	EBRD
Christian Ellermann	Climate Change Specialist	ADB
Claudia Croce	Senior Carbon Finance Specialist	World Bank
David Kuijper	Manager Public Investment and Blended Finance	FMO
David McCauley	Senior VP, Policy, Government Affairs	WWF
Dmitry Halubouski	Associate	EBRD
Elena Villalobos Prats	Climate Change and Health Unit	WHO
Elodie Loppe	Associate Manager (Donor Co-financing)	EBRD
Francesca Laursen	Director, Multilateral Relations	WWF
Ghita Benhaioun	Senior Manager	Attijariwafa Bank
Hemini Vrontamitis	Legal Officer, GCF Coordination Office, Corporate Services Division,	UN Environment
Jan-Willem van der Ven	Head of Climate Finance	EBRD
Jonathan Caldicott	Senior Financial Officer, Development Finance	World Bank
Lucas Black	Corporate Policy and Legal Adviser	UNDP
Matthias Borner	Principal Manager, Competence Center Environment & Climate	KFW
Miguel Morales	Vice President, GCF/GEF Agencies	Conservation International
Muhammed Syed	Climate Finance Unit Specialist	Development Bank of Southern Africa (DBSA)
Nigel Jollands	Associate Director	EBRD
Olympus Manthata	Head of Climate Finance Unit	DBSA
Paracha Saad	Regional Cooperation Specialist	ADB
Rudra Sachindra	Chief Information Officer	Acumen
Steven Panfil	Senior Director, Project Development and Implementation GCF Agency	Conservation International

AEs		
Tess Van der Zee	Business Development Officer	FMO
Yawar Arif Herekar	Head of Sustainable Finance	JS Bank
Yoshida Kentaro	Deputy Director, Office for Climate Change, Global Environment Department.	JICA

CSOs/PSOs		
Name	Position	Affiliation
Abe Sumalinog	CSO Representative	Transparency Int., Korea
Alexandra Boakes Tracy	Active Observer PSO	CMIA
Ben Barry	PSO Representative	Macquaire
Carolina Aguirre	CSO Representative	Center for Clean Air Policy
Courtney Lollback	PSO Representative	Macquaire
Daan Robben	CSO Representative	Both ENDS
Daniel Wortman	CSO Representative	CRS
David Kerkhofs	CSO Representative	Humana
Eve Tamme	PSO Representative	Global CCS Institute
Gavin Templeton	PSO Representative	Green Investment Group
Hwei Mian Lim	CSO Representative	Asian-Pacific Resource and Research Centre for Women (ARROW)
John Scowcroft	PSO Representative	Global CCS Institute
Laurence Blandford	CSO Representative	Center for Clean Air Policy
Liane Schalatek	Active Observer, CSO	Heinrich Böll Foundation North America
Lidy Nacpil	Active Observer, CSO	Asian People's Movement on Debt, Development, Global Campaign to Demand Climate Justice
Margaret-Ann Splawn	PSO Representative	CMIA
Maria Julia Tramutola	CSO Representative	FARN Argentina

CSOs/PSOs		
Marion Denantes	CSO Representative	Ecoltd Group
Raju Chhetri	CSO Representative	Prakriti Resources Centre (PRC)
Tara Daniel	CSO Representative	WEDO
Wanun Permpibul	CSO Representative	Climate Watch Thailand
Jasmine Hyman	CSO Representative	Eco Ltd.

BOARD MEMBERS		
Name	Position	Affiliation
Aissatou Ndiaye	Adviser to GCF Board	GCF Board
Ali Gholampour	Board Member	GCF Board
Ali Mohamed Ahmed Osman Mohamed	Adviser to GCF Board	GCF Board
Ayman Shasly	Board Member	GCF Board
Cheikh Sylla	Board Member	GCF Board
Cyril Rousseau	Board Member	GCF Board
Omar El Arini	Board Member	GCF Board
Ignacio Lorenzo Arana	Alternate Board Member	GCF Board
Jeremiah Garwo Sokan	Board Member	GCF Board
Josceline Wheatley	Board Member	GCF Board
José Delgado	Alternate Board Member	GCF Board
Kate Hughes	Alternate Board Member	GCF Board
Liesbeth Loddewyckx	Alternate Board Member	GCF Board
Maria Antonella Parodi	Adviser to Board Member	GCF Board
Nagmeldin Goutbi ElHassan Mahmoud	Board Member	GCF Board
Rachid Tahiri	Adviser to Board Member	GCF Board
Richard Muyungi	Board Member	GCF Board
Richard Sherman	Adviser to Board Member	GCF Board
Roelof Buffinga	Board Member	GCF Board
Shannan Murphy	Adviser to Board Member	GCF Board
Thou Emmanuel Ramaru	Alternate Board Member	GCF Board
Victoria MacDonald	Adviser to Board Member	GCF Board
Zac Bull	Adviser to Board Member	GCF Board

ITAP		
Name	Position	Affiliation
Ahsan Uddin Ahmed	ITAP Member	ITAP
Claudia Martinez	ITAP Member	ITAP
Daniel A. Nolasco	ITAP Member	ITAP
Felix Dayo	ITAP Member	ITAP
Joe Yamagata	ITAP Member	ITAP
Marina Shvangiradze	ITAP Member	ITAP

ITAP		
Accreditation Panel		
Name	Position	Affiliation
Anastasia Northland	Accreditation Panel	Accreditation Panel
Antonio Gabriel M. La Vina	Accreditation Panel	Accreditation Panel
Godfrey Tumusiime	Accreditation Panel	Accreditation Panel
Louise Grenier	Accreditation Panel	Accreditation Panel
Mark Alloway	Accreditation Panel	Accreditation Panel
Max Contag	Accreditation Panel	Accreditation Panel
Peter Maertens	Accreditation Panel	Accreditation Panel
Yogesh Vyas	Accreditation Panel	Accreditation Panel

OTHERS		
Name	Position	Affiliation
Ansgar Eussner	Consultant	Independent
Marjolein Geusebroek (during meeting with Board Member)	Policy Coordinator, Inclusive Green Growth	Netherlands Ministry of Foreign Affairs
Jacob Waslnader	Senior Associate	World Resources Institute
Marenglen Gjonaj	Team Lead, Climate finance policy & analysis Unit	UNFCCC
Hyunwoo Kim	Associate Programme Officer	UNFCCC
Yolando Velasco	Manager, Climate Finance, Finance, Technology and Capacity-Building	UNFCCC
Kevin M. Adams	Research Associate	Stockholm Environment Institute
Adis Dzebo	Research Fellow	Stockholm Environment Institute

Note: Due to legal confidentiality, we are not permitted to identify or list any agencies who have applied for but not yet received accreditation. These agencies are therefore not listed.

## ANNEX 6. STATISTICS AND DATA

### A. GCF POLICIES, FRAMEWORKS, ADMINISTRATIVE INSTRUCTIONS AND GUIDELINES REVIEWED BY THE IEU

	POLICIES	STATUS
1	Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) policy Standards for implementing the AML/CFT policy	Adopted in decision B.18/10 GCF/B.22/18, no decision
2	Options for Fund-Wide Gender-Sensitive Approach	Decision B.06/07 <sup>247</sup>
	Gender Policy and action plan <sup>248</sup>	Adopted in decision B.09/11 New draft at B.21: agenda item not opened
	Updating the GCF's Gender Policy, action plan <sup>249</sup>	Decision B.BM-2016/12
	GCF Gender Equality & Social Inclusion Policy and action plan 2018 – 2020	GCF/B.19/25; the Board took note
	Updated Gender Policy and action plan 2018–2020 <sup>250</sup>	Document: GCF/B.20/07; item not opened Document: GCF/B.21/02; item not opened
	Updated gender policy and action plan (2019-2021)	Decision B.22/17 <sup>251</sup>
3	Indigenous Peoples/Política de pueblos indígenas	Adopted in decision GCF/B.19/11 (Annex XI)
4	Environmental and Social Policy	Adopted in decision B.19/10 (Annex X)
	Environmental and Social Standards (interim safeguards),	Adopted in decision B.07/02 (Annex III)
5	Policy on ethics and conflicts of interest for the Executive Director of the GCF Secretariat	Adopted in decision B.10/13 (Annex XXVII)

<sup>247</sup> The Board requests the Secretariat to: (a) integrate gender considerations in the preparation of draft policy documents and documents containing operational modalities, in line with the Governing Instrument; (b) to prepare a draft gender policy and action plan for discussion at the seventh Board meeting, consistent with a country-driven approach, including through consultations with relevant bodies and observer organizations, for adoption at the eighth Board meeting.

<sup>248</sup> Reviewed by Secretariat at GCF/B.12/16 Annex XIII “Gender policy for the Green Climate Fund”; Annex XIV “Gender action plan 2015-2017.”

<sup>249</sup> On Terms of Reference for updating of GCF's Gender Policy, Action Plan approved.

<sup>250</sup> Update to original Gender Policy. The Board required further consideration.

<sup>251</sup> The Board considered document GCF/B.22/06; decides to keep considering the document at its next Board meeting.



FORWARD-LOOKING PERFORMANCE REVIEW OF THE GREEN CLIMATE FUND  
FINAL REPORT – ANNEXES

	POLICIES	STATUS
	Policy on ethics and conflicts of interest for external members of GCF panels and groups	Adopted in decision B.10/13 (Annex XXVI)
	Policy on ethics and conflicts of interest for Board appointed officials	Adopted in decision B.13/27 (Annex V)
	Policy on ethics and conflict of interest for active observers of the Green Climate Fund.	GCF/B.17/17; no decision
6	Initial accreditation framework <sup>252</sup> Guidelines for fit-for-purpose accreditation <sup>253</sup>	Adopted in decision B.07/02 (Annex I) Adopted in decision B.08/02 (Annex I) GCF/B.21/08; action item
7	Policy on fees for Accreditation to the Fund Interim policy on fees for accredited entities Revised policy on fees for accredited entities and delivery partners	Adopted in decision B.08/04 (Annex VI) Adopted in decision B.11/10e (Annex II) Adopted in decision B.19/09 (Annex VIII)
8	Information Disclosure Policy	Adopted in decision B.12/35, Annex XXIX
9	Initial monitoring and accountability framework for Accredited Entities	Adopted in decision B.11/10(a), Annex II
10	Risk Management Framework Investment risk policy, Non-financial risk policy, Funding risk policy Risk management framework: compliance risk	Adopted in decision B.17/11 Adopted in decision B.19/04 <sup>254</sup> GCF/B.22/12 item not opened, no decision taken
11	Policy on the protection of the whistle-blowers and of the witnesses	GCF/B.21/24 item not opened Adopted in decision B.BM-2018/21
12	Interim Policy on Prohibited Practices Policy on Prohibited Practices [“PPP”] <sup>255</sup>	Adopted in decision B.12/31 (h) (Annex XXVI) Adopted in decision B.22/19 (Annex XIV)

<sup>252</sup> “Framework for Accreditation Process”: The Fund’s initial guiding framework for its accreditation process.

<sup>253</sup> Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach (GCF/B.08/02).

<sup>254</sup> First set of components of risk management framework adopted in Decision 17/11; Second set of components adopted (Decision 19/04) as follows: Risk management framework component V: investment risk policy (Annex IV); Risk management framework component VI: non-financial risk policy (Annex V); Risk management framework component VII: funding risk policy (Annex VI).

<sup>255</sup> The Interim policy, adopted in Decision B.12/31, Annex XXVI, is replaced by the Policy on Prohibited Practices in Decision B.22/19 (Annex XIV).

	POLICIES	STATUS
13	Interim Policy: protection from sexual exploitation, sexual abuse, sexual harassment [“SEAH”] <sup>256</sup>	Adopted in decision B.22/18 (Annex XIII)
14	Policy on restructuring  Policy on restructuring and cancellation	GCF/B.19/15(i) no decision GCF/B.21/26/(b) not opened Adopted in decision B.22/14
15	Programmatic policy approach	Document: GCF/B.21/31/Rev.01; item not opened
16	Financial terms and conditions of grants and concessional loans <sup>257</sup>	Adopted in decision B.09/04 (Annex II)
17	Initial investment framework <sup>258</sup> of the Fund	Adopted in decision B.07/06 (Annex XIV) Adopted in decision B.09/05 (Annex III)
18	Initial RMF of the GCF  Further Development of the Initial Results Management Framework	Adopted in decision B.07/04 Adopted in decision B.08/07 Decision B.07/02 (Annex II <sup>259</sup> )

<sup>256</sup> The Board requests the Independent Integrity Unit, in consultation with the Secretariat, to present to the Board for its consideration as a matter of urgency and no later than its twenty-third meeting an updated policy on the protection from sexual exploitation, sexual abuse, and sexual harassment, which also concerns counterparties in GCF-related activities.

<sup>257</sup> Review of financial terms and conditions of the Fund’s financial instruments (GCF/B.21/05) and Add.01.

<sup>258</sup> The initial investment framework of the Fund, adopted in Decisions B.07/06 and B.09/05 with activity-specific sub-criteria, and indicative assessment factors.

<sup>259</sup> Annex II: Initial fiduciary principles and standards of the Fund”, and the further development of initial results management framework.

## B. ONLINE SURVEY RESULTS

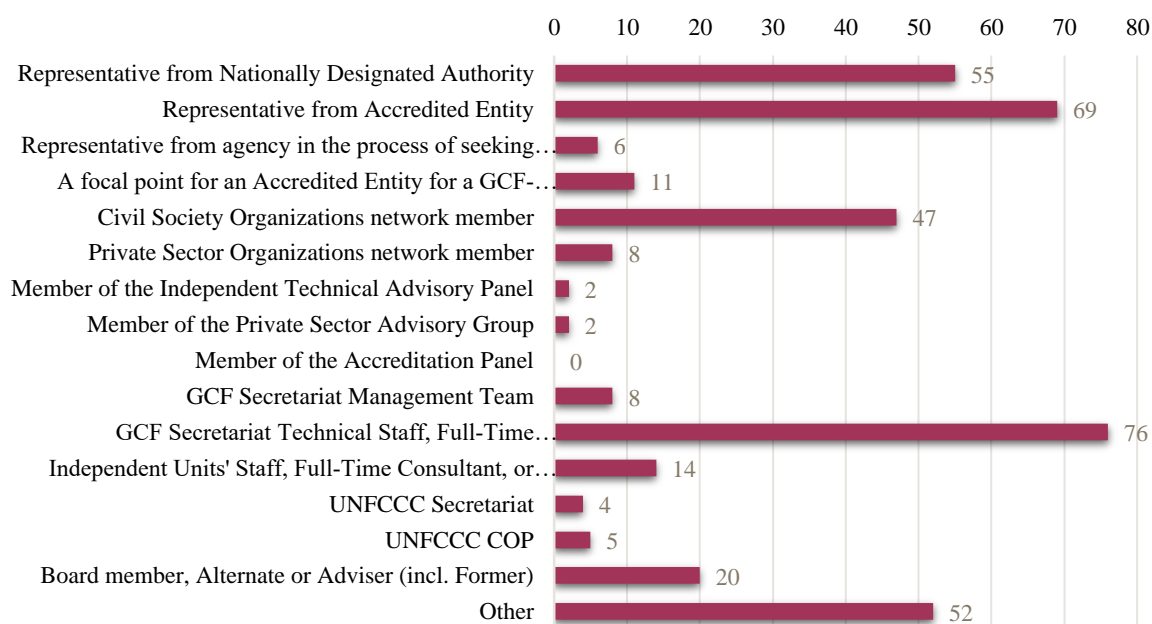
### 1. OVERVIEW OF SURVEY RESULTS

#### a. Respondents

A total of 455 respondents started the survey. Out of these, 95 were discarded as they only answered the identification questions. The total population of the survey is of 360 respondents. The profile of respondents was established through the three mandatory identification questions.

Their affiliation to the Board is as in Question 1 below.

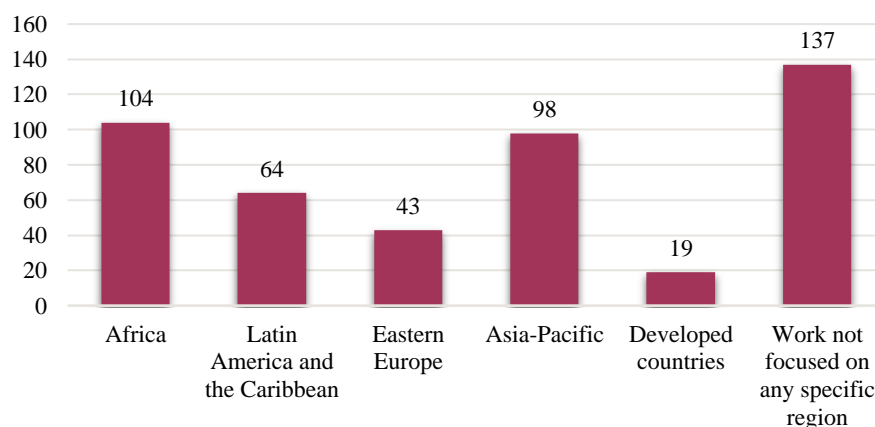
#### *Question 1. How are you affiliated with the Green Climate Fund?*



The respondents under the category “other” fit mostly in the following categories: part-time consultants, staff of executing entities, members of the evaluation community, government representatives (non-NDA), staff of several development agencies, staff of other climate funds, and members of the public. Multiple answers were possible.

In terms of geographic coverage, the respondent’s area of expertise is as illustrated in Question 2.

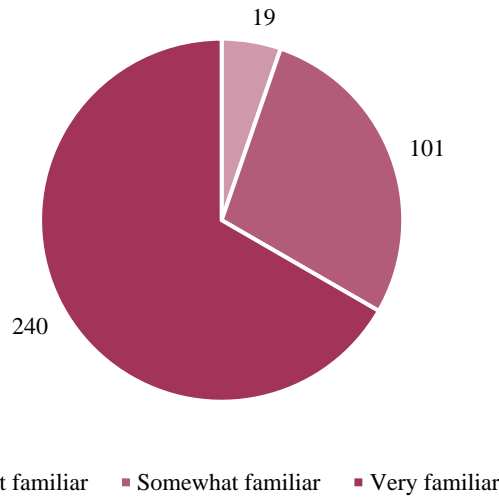
#### *Question 2. Which region(s) of the world does your work focus on?*



Multiple answers were also possible for this question.

Among the 360 respondents to the survey, 240 (67 per cent) considered themselves as very familiar with the GCF, 101 (28 per cent) as somewhat familiar and 19 (5 per cent) as not familiar with the GCF.

**Question 3. How familiar are you with the Green Climate Fund?**



**b. Data processing**

Preliminary cleaning of data involved the following processes:

- Excluding from the respondent’s population those who had only responded to the identification questions (95); and
- Creating a category of respondents for “Board member, Alternate or Adviser, including former” and recategorising relevant respondents from the “Other” category.

This was applied to data presented in the previous section.

Subsequently, the following filters were applied for data analysis:

- Respondents who answered “not familiar” to Question 3 (19 respondents) were not taken into consideration in the survey analysis;
- Respondents who answered “don’t know” to any given question were not taken into consideration for the specific question, so as to keep focus on those who expressed an opinion;
- Using responses to Question 1, respondents were categorised as either “Internal” or “External” stakeholders to the GCF. The categorisation was made as follows:

INTERNAL STAKEHOLDERS	EXTERNAL STAKEHOLDERS
Board member, Alternate or Adviser, including former	Representative from Nationally Designated Authority
GCF Secretariat Technical Staff, Full-Time Consultant, or Full-Time Intern	Representative from Accredited Entity
GCF Secretariat Management Team	Representative from agency in the process of seeking accreditation
Independent Units’ Staff, Full-Time Consultant, or Full-Time Intern	A focal point for an Accredited Entity for a GCF-funded project
Member of the Independent Technical Advisory Panel*	CSOs network member
Member of the Private Sector Advisory Group*	PSOs network member
Others (when relevant)	UNFCCC Secretariat
	UNFCCC COP
	Other (when relevant)

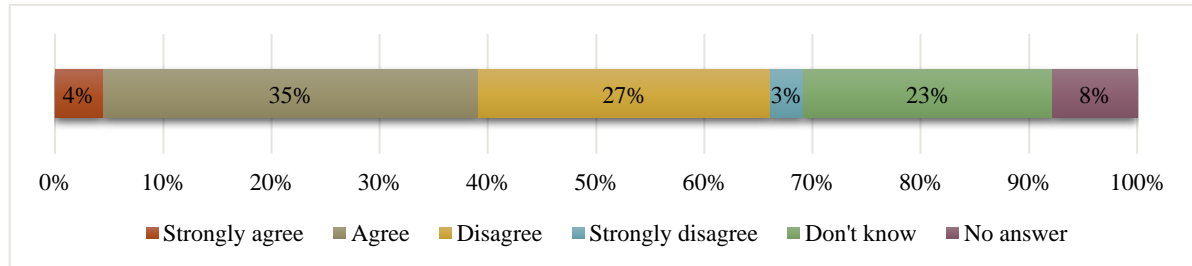
It should be noted that given the low number of respondents in the categories marked with a (\*), these are not presented individually in the survey results: the responses from iTAP and from PSAG are presented along with those of the independent units.

Furthermore, when more than one affiliation had been selected that covered both internal and external categories, the internal category was selected.

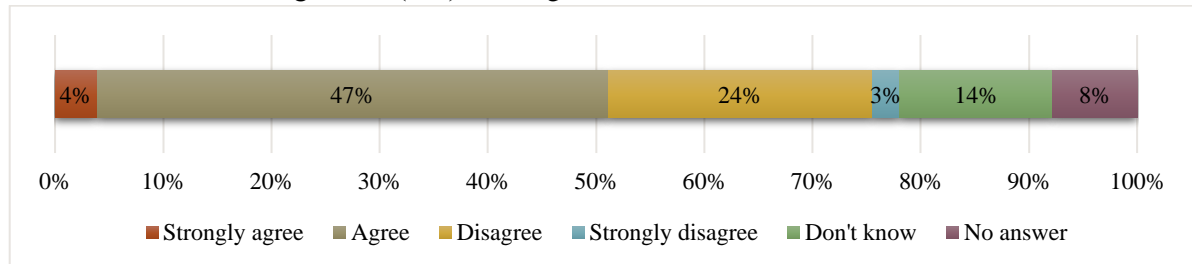
## 2. KEY SURVEY RESULTS

**Question 4.** *Do you agree or disagree with the following statements? If you feel you are unfamiliar with the statement, please select “don’t know”.*

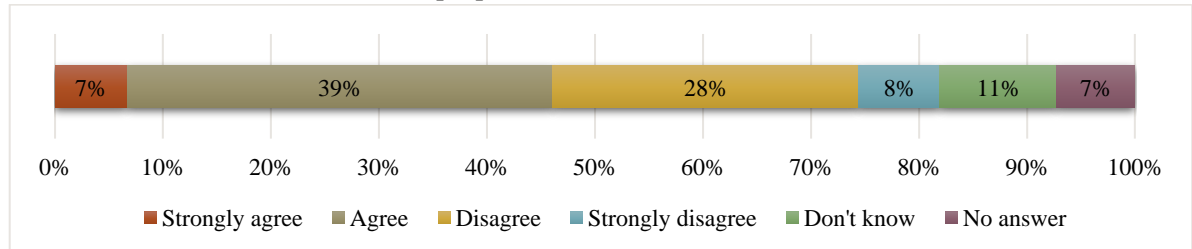
The GCF’s Initial Resource Mobilisation period (i.e. 2015–2018 IRM phase) went smoothly.



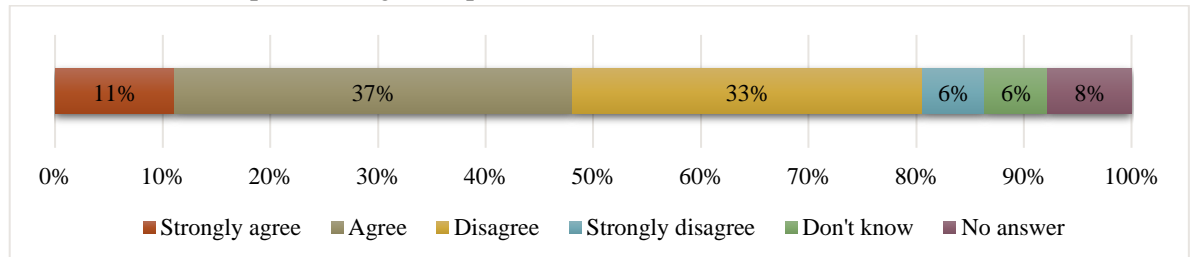
The GCF’s Initial Strategic Plan (ISP) and targets are clear to me.



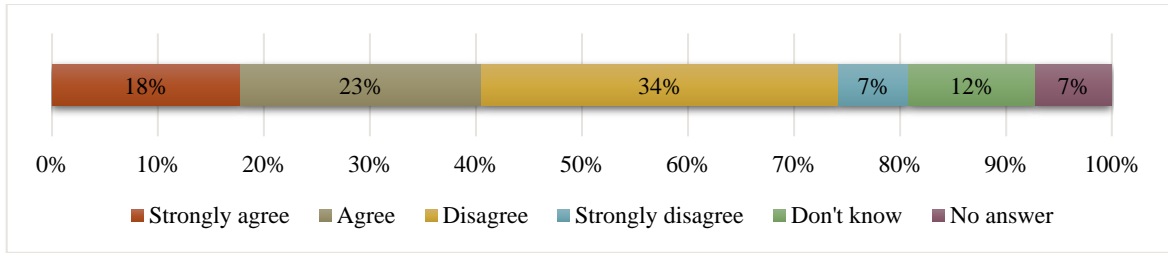
The GCF’s business model is fit for purpose.



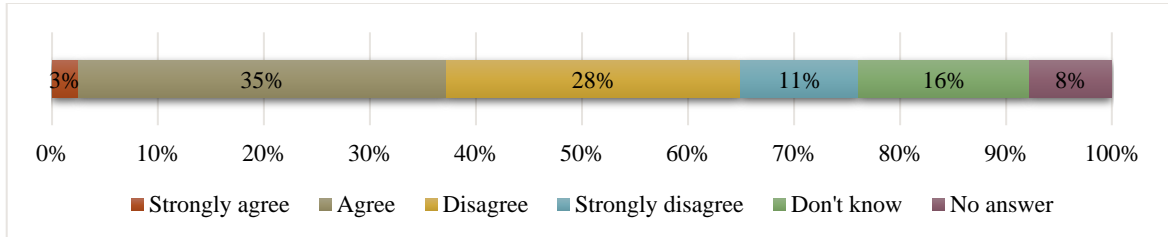
The GCF has sound policies to guide operations.



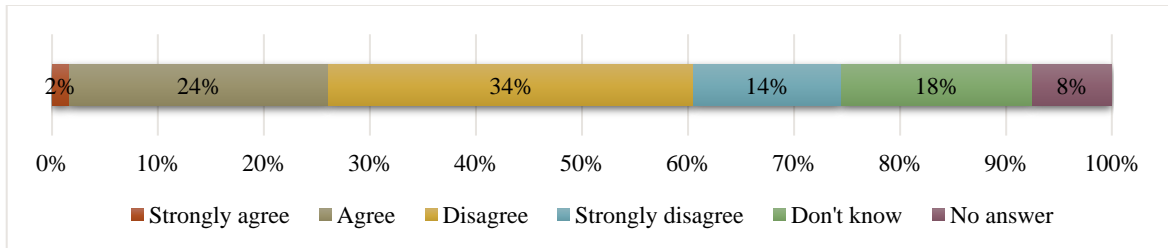
The GCF has too many policies.



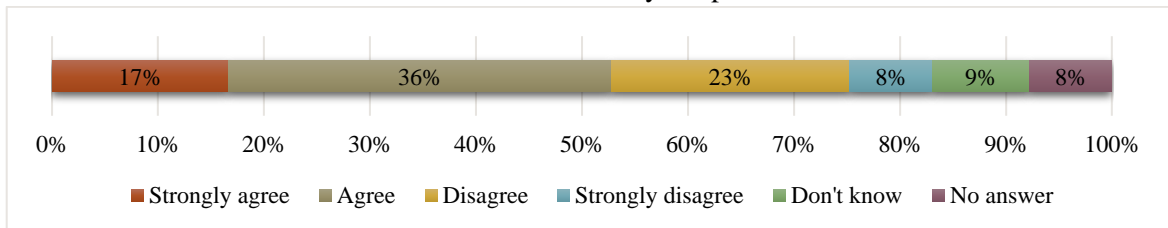
The GCF's accreditation processes are effective.



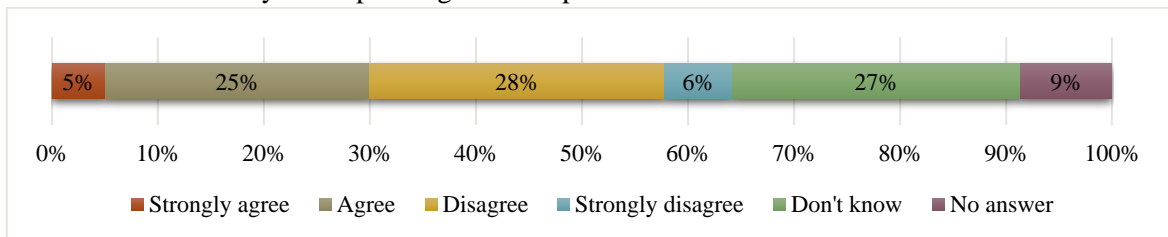
The GCF's accreditation processes are efficient.



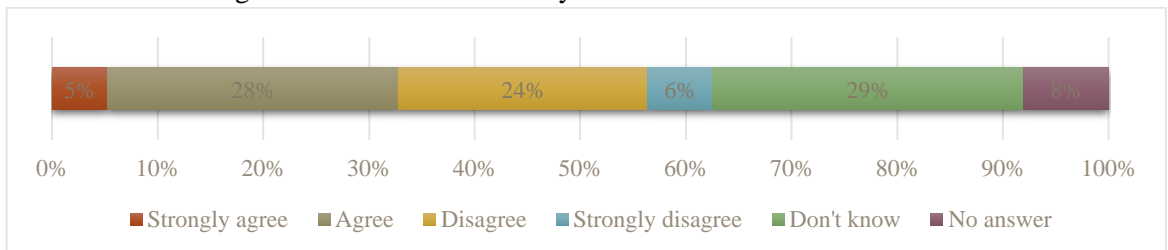
The GCF's use of accredited entities is an efficient way to operate.



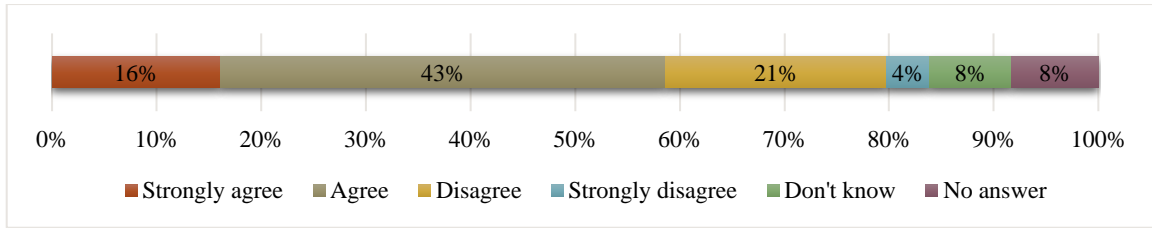
The GCF is effectively in cooperating with the private sector.



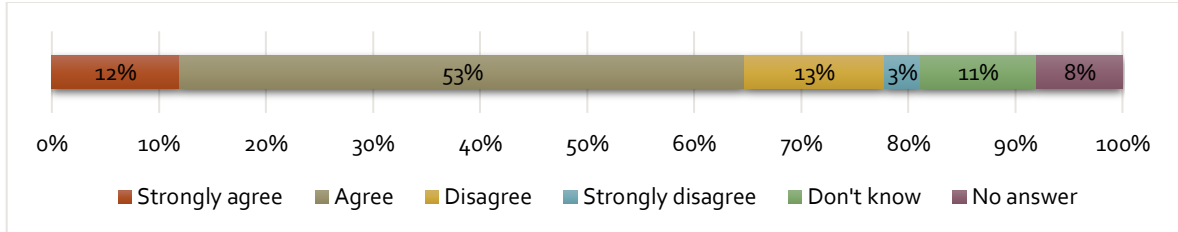
The GCF uses non-grant instruments effectively to achieve its aims.



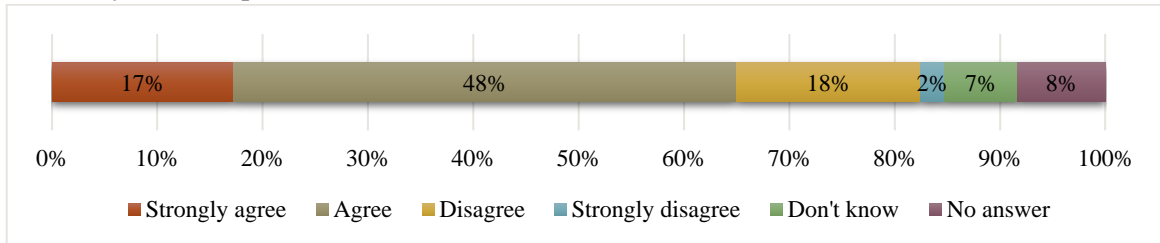
The GCF sets a high standard for what constitutes effective climate action.



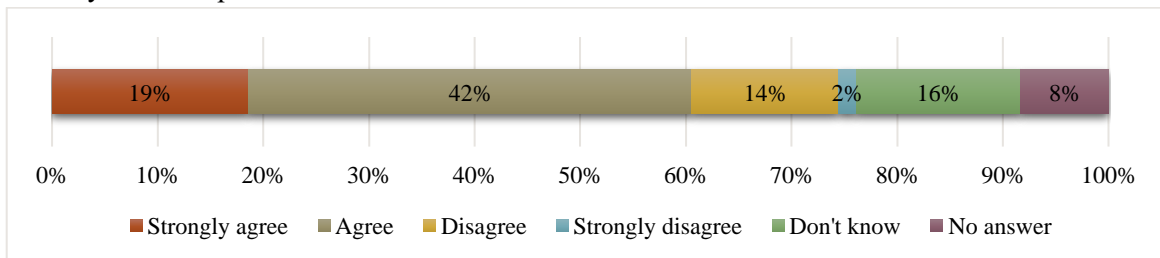
The GCF's investment decisions reflect its mandate.



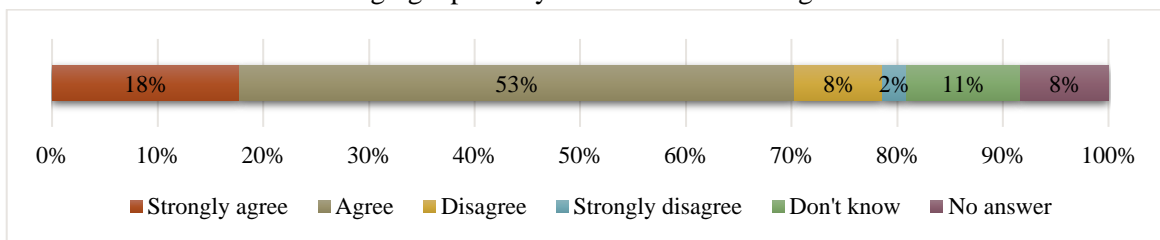
The GCF responds to the needs of developing countries, particularly with regard to its commitment to country ownership.



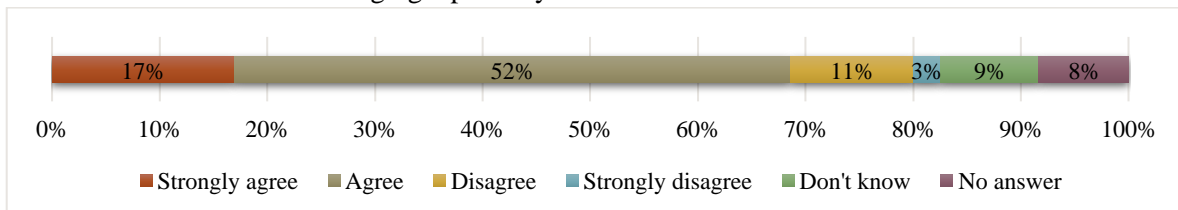
Country ownership facilitates the GCF's other aims.



The GCF's investments are forging a pathway towards low-carbon growth.

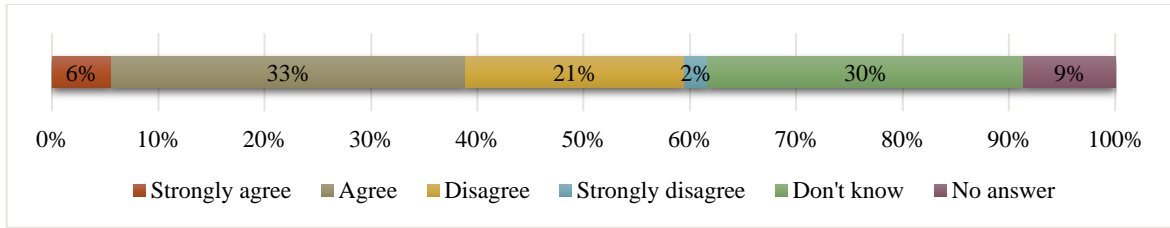


The GCF's investments are forging a pathway towards climate resilience.

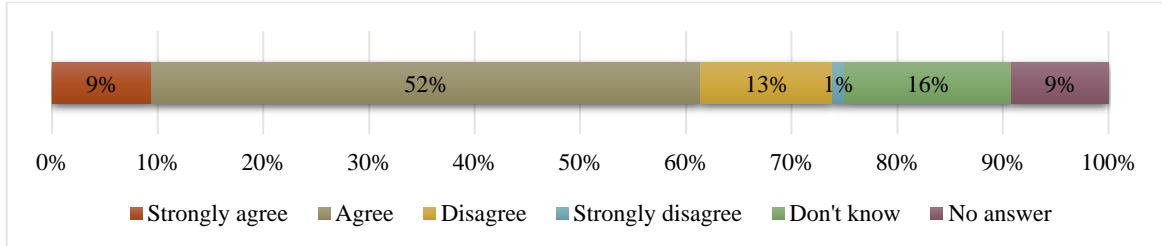


The GCF is effectively leveraging private sector capital.

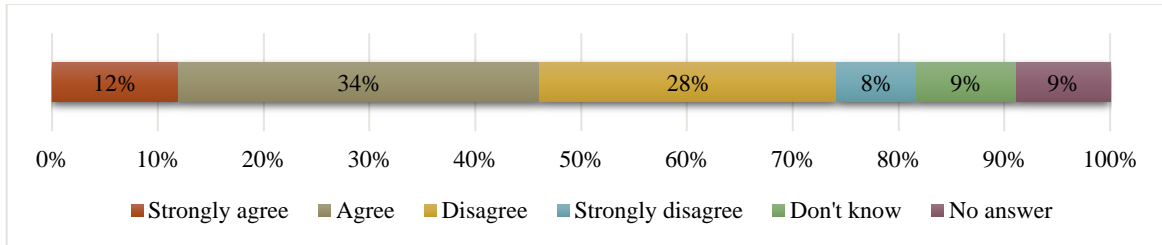




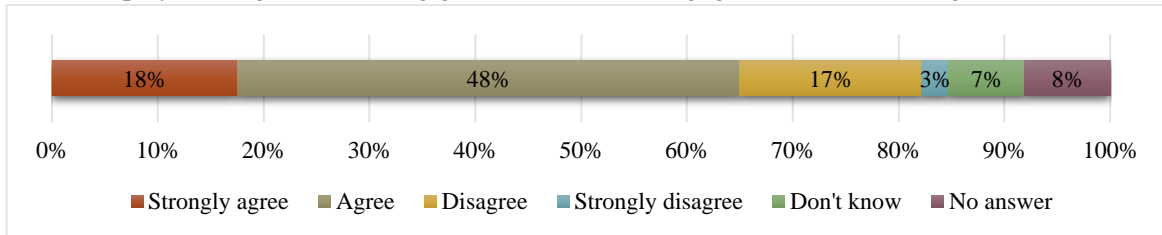
Investments funded by the GCF are consistent with its investment criteria.



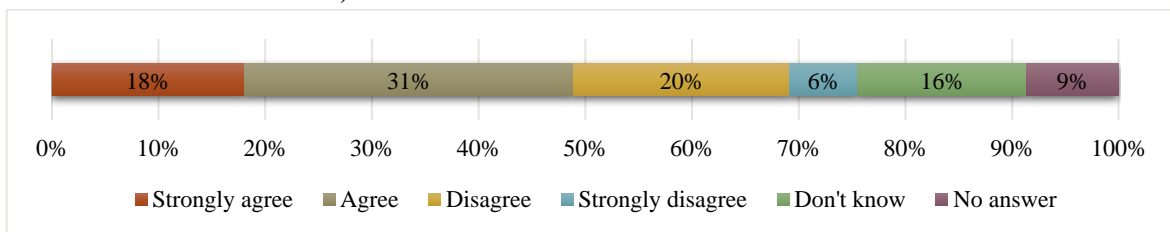
The GCF's commitment to paradigm shift is clear to me.



The GCF plays the right role among global institutions engaged on climate change.

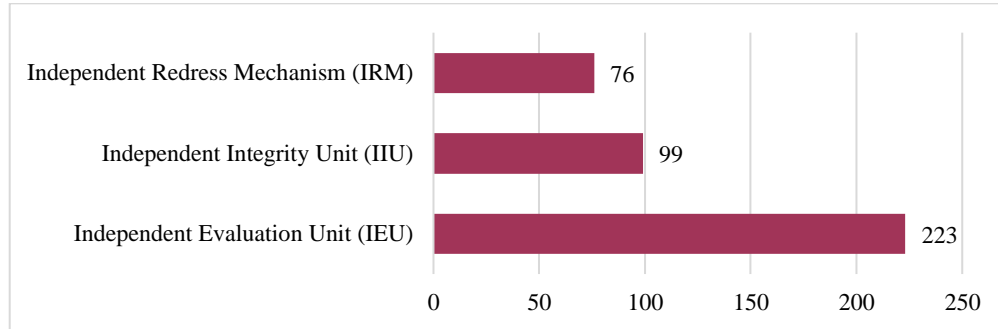


The GCF is the best partner for developing countries to address climate change (compared to other climate financial institutions).



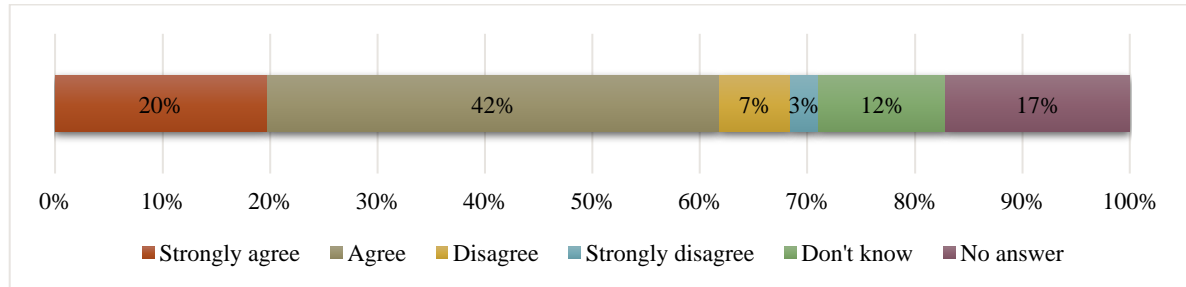
Questions about independent units

**Question 5.** Which of the independent units, if any, have you interacted with? (select all those that apply)

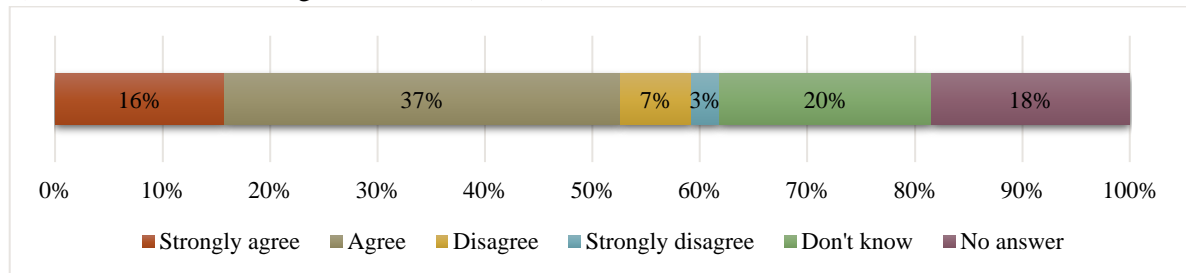


**Question 6.** Do you agree or disagree with the following statements about the Independent Redress Mechanism? If you are unsure, please select “don’t know”.

a) The role of the IRM suits the GCF’s needs (N=76).

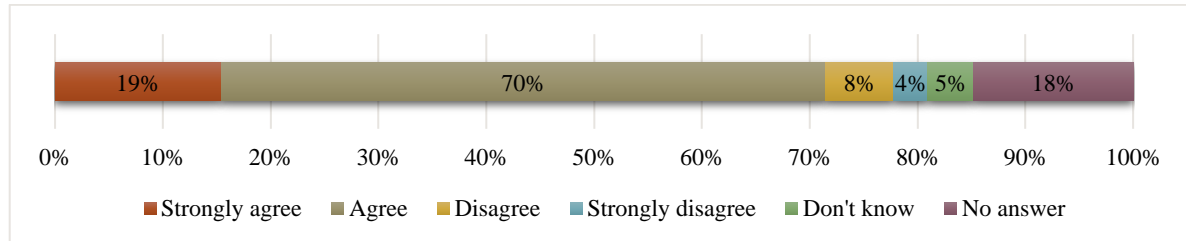


b) The IRM is fulfilling its mandate (N=76).

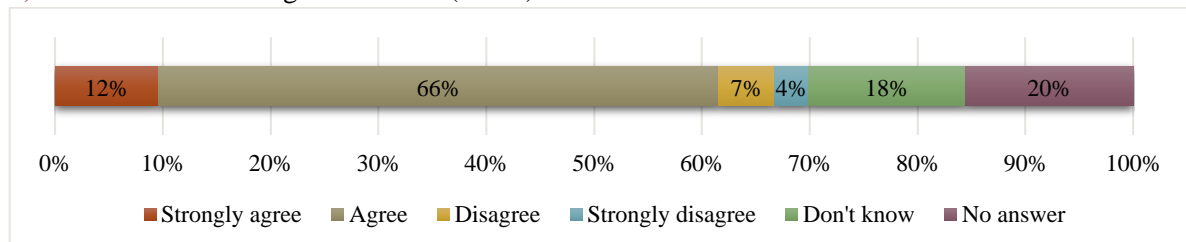


**Question 7.** Do you agree or disagree with the following statements about the Independent Integrity Unit? If you are unsure, please select “don’t know”.

a) The role of the IIU suits the GCF’s needs (N=99).

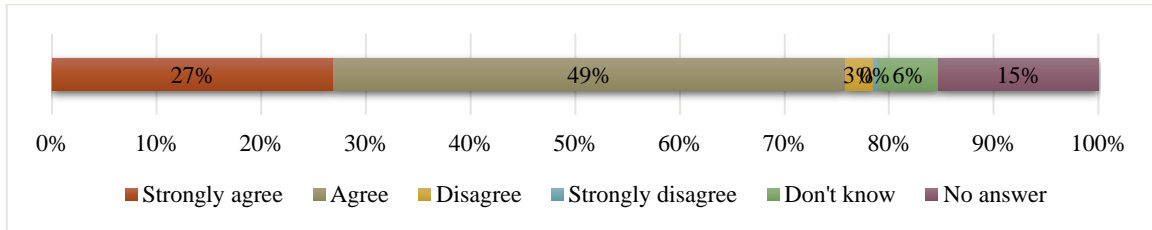


b) The IIU is fulfilling its mandate (N=99).

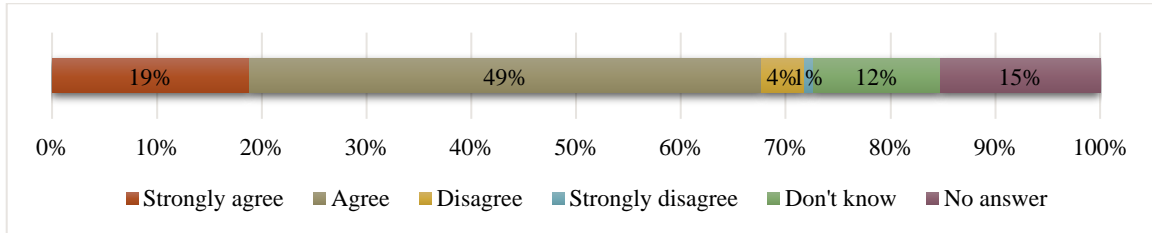


**Question 8.** *Do you agree or disagree with the following statements about the Independent Evaluation Unit? If you are unsure, please select “don’t know”.*

a) The role of the IEU suits the GCF’s needs (N=223).

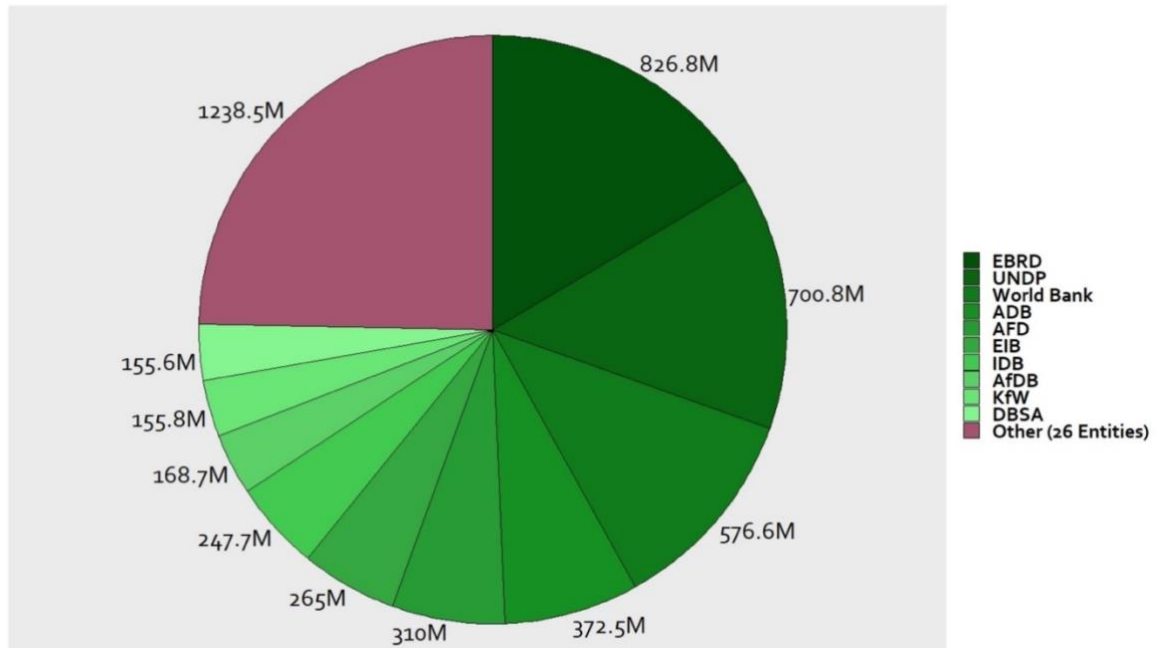


b) The IEU is fulfilling its mandate (N=223).



## C. SUMMARY STATISTICS AND FURTHER ANALYSES

### 1. PORTFOLIO OVERVIEW



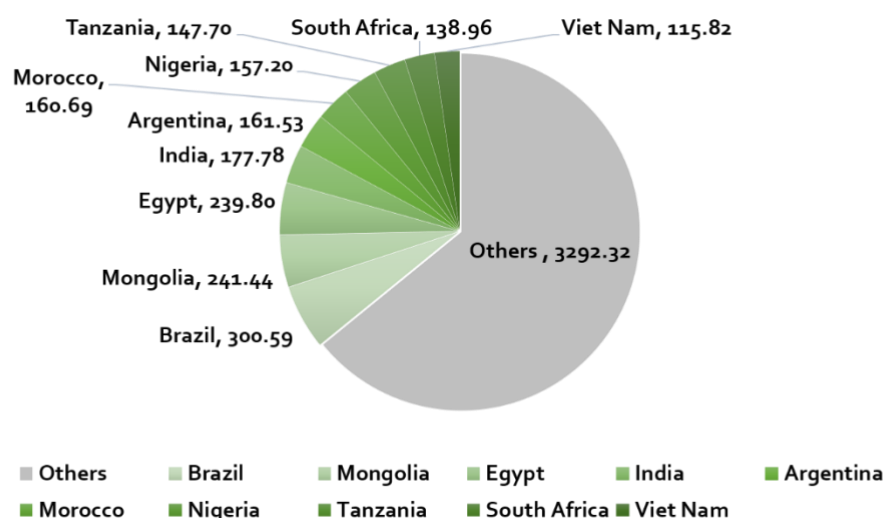
**Figure A - 5.** Breakdown in USD million of the USD 5.018 billion GCF funding to 36 AEs in its project portfolio, 28 February 2019

**Table A - 7.** Breakdown of top 10 AEs by amount of GCF project funding, 28 February 2019

ACCREDITED ENTITY	APPROVED GCF FUNDING AMOUNT (USD)	NUMBER OF APPROVED PROJECTS
EBRD	862.8 million	6
UNDP	700.8 million	20
World Bank	576.6 million	9
ADB	372.5 million	9
AFD	310 million	3
EIB	265 million	1
IDB	247.7 million	5
AfDB	168.7 million	5
KfW	155.8 million	2
DBSA	155.6 million	2

**Table A - 8. Breakdown of top 10 AEs by amount of GCF projects approved, 28 February 2019**

ACCREDITED ENTITY	NUMBER OF APPROVED PROJECTS	APPROVED GCF FUNDING AMOUNT (USD)
UNDP	20	700.8 million
ADB	9	372.5 million
World Bank	9	576.6 million
EBRD	6	826.8 million
IDB	5	247.7 million
Acumen	4	51 million
AfDB	4	168.7 million
EIF	4	37.7 million
XacBank	4	38.7 million
AFD	3	310 million

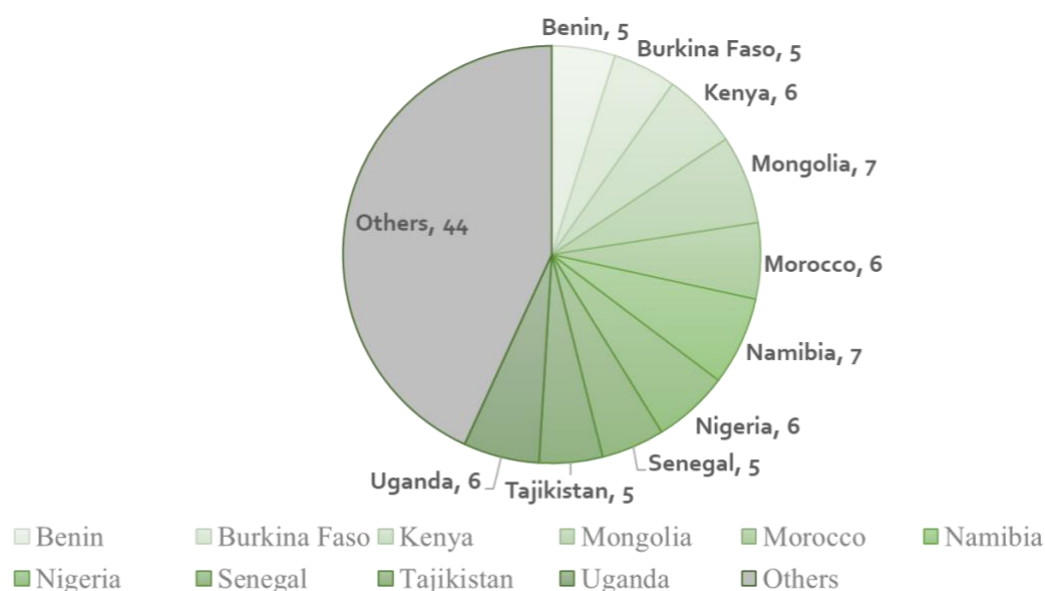


**Figure A - 6. Breakdown of the USD 5.018 billion GCF funding by the top 10 countries by funding amount against all other funded countries, 28 February 2019**

**Table A - 9. Breakdown of top 10 countries by amount of GCF funding, 28 February 2019**

COUNTRIES	APPROVED GCF FUNDING AMOUNT (USD)	NUMBER OF APPROVED PROJECTS
Brazil	300.59 million	3
Mongolia	241.44million	7
Egypt	239.80 million	4
India	177.78 million	3
Argentina	161.53 million	2
Morocco	160.69 million	6
Nigeria	157.20 million	6

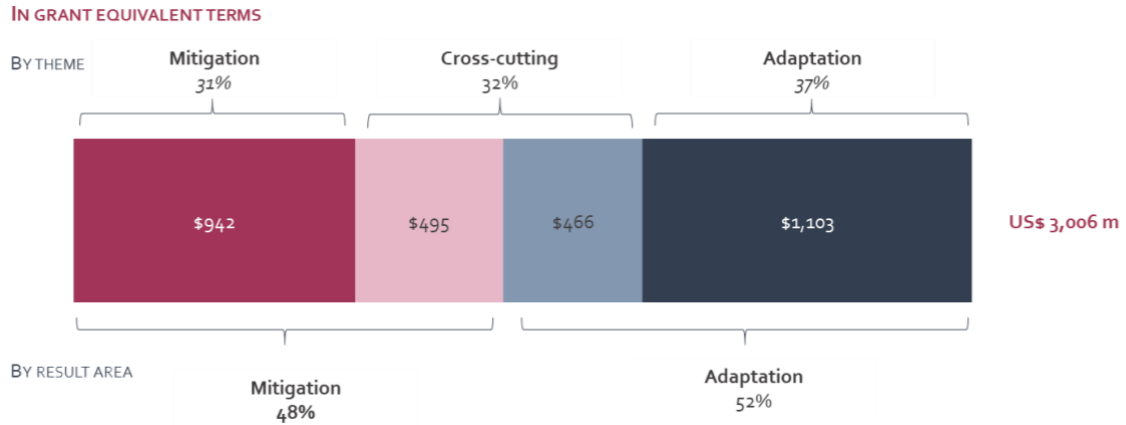
COUNTRIES	APPROVED GCF FUNDING AMOUNT (USD)	NUMBER OF APPROVED PROJECTS
Tanzania	147.70 million	3
South Africa	138.96 million	4
Viet Nam	115.82 million	2



**Figure A - 7.** Breakdown of the portfolio of 102 approved projects, by countries, 28 February 2019

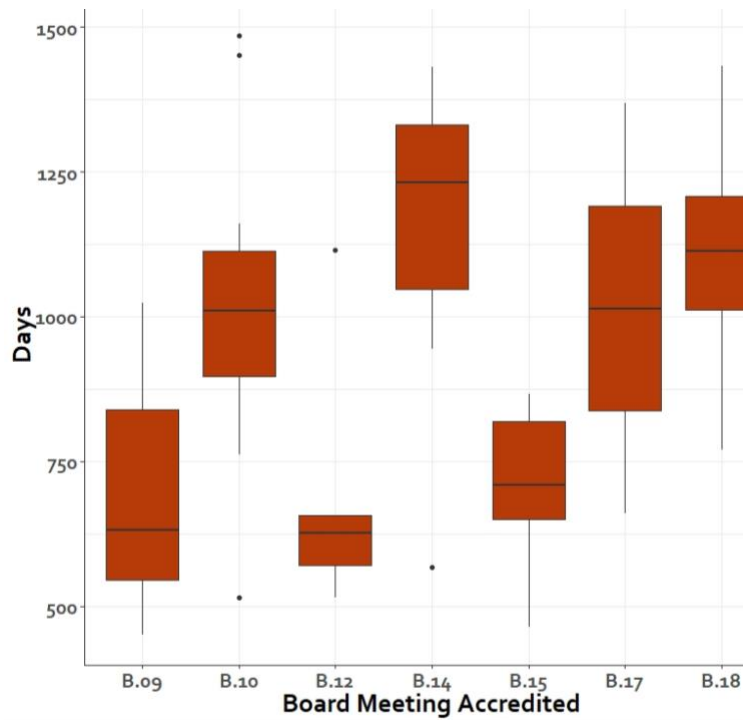
**Table A - 10.** Breakdown of top 10 countries by amount of GCF projects approved, 28 February 2019

COUNTRIES	NUMBER OF APPROVED PROJECTS	APPROVED GCF FUNDING AMOUNT (USD)
Mongolia	7	241.44 million
Namibia	7	83.52 million
Kenya	6	67.78 million
Morocco	6	160.69 million
Nigeria	6	157.20 million
Uganda	6	76.29 million
Benin	5	59.91 million
Burkina Faso	5	84.80 million
Senegal	5	59.73 million
Tajikistan	5	111.57 million



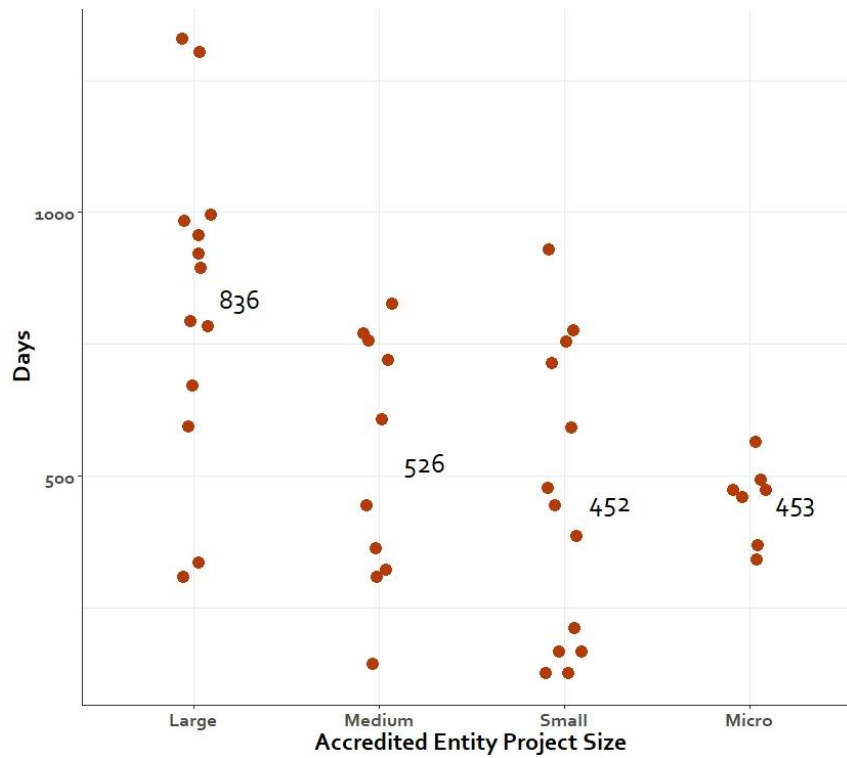
*Figure A - 8. Split of GCF funding for 102 approved projects by theme and results area in grant equivalent terms, 28 February 2019*

## 2. ACCREDITATION LIFECYCLE



*Figure A - 9. Duration from application submission to AMA effectiveness for 43 AMA effective entities according to their Board accreditation time, 28 February 2019*





*Figure A - 10. Duration from Board approval to AMA effectiveness for 43 AMA effective entities, 28 February 2019*

*Table A - 11. Breakdown of 84 board accredited entities by modality and sector, 28 February 2019*

84 BOARD ACCREDITED ENTITIES	PUBLIC INTERNATIONAL	PRIVATE INTERNATIONAL	PUBLIC NATIONAL	PRIVATE NATIONAL	PUBLIC REGIONAL	PRIVATE REGIONAL
	27	9	31	4	11	2

### 3. PROJECT CYCLE

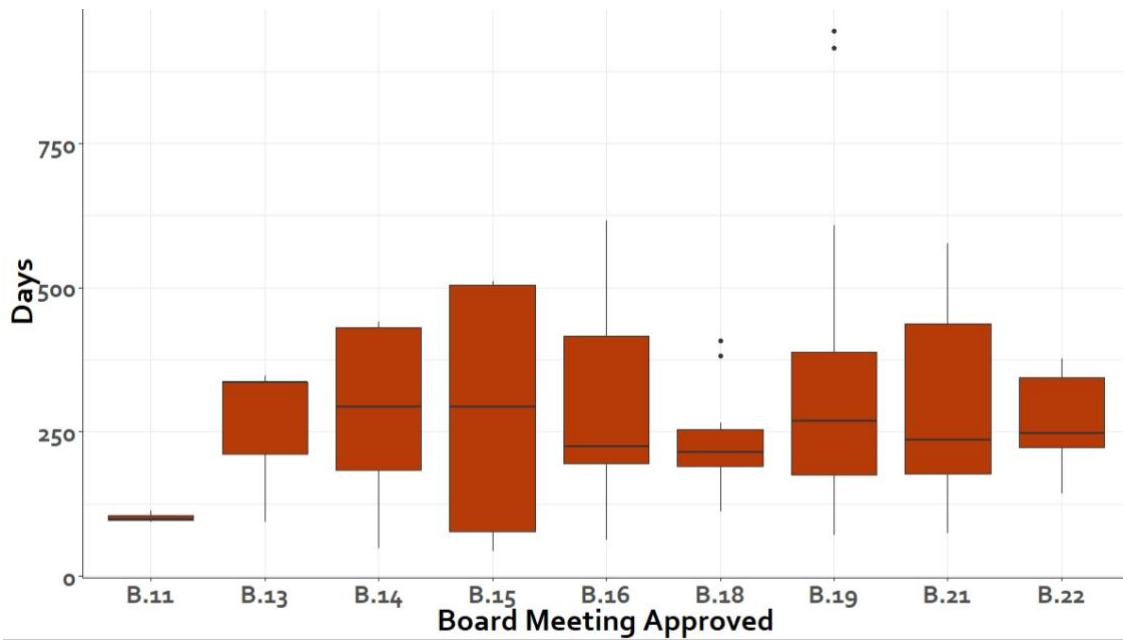


Figure A - 11. Duration from project submission to Board approval

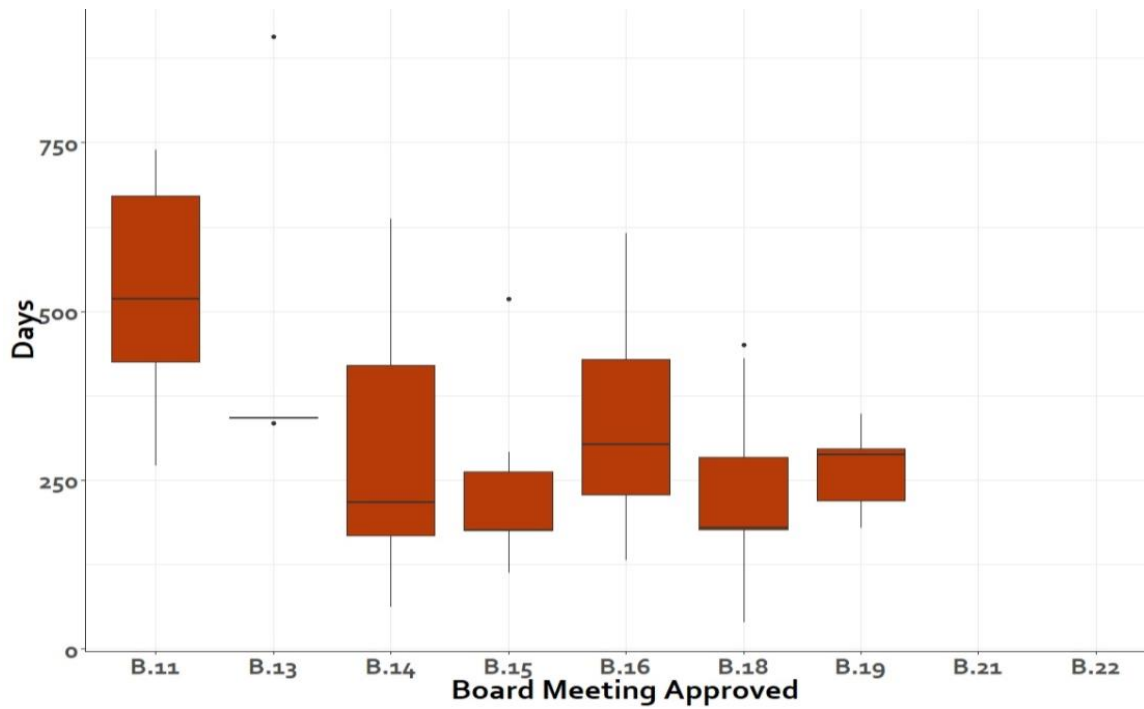


Figure A - 12. Duration from project approval to FAA execution for 55 projects with executed FAAs, according to their Board approval time, 28 February 2019

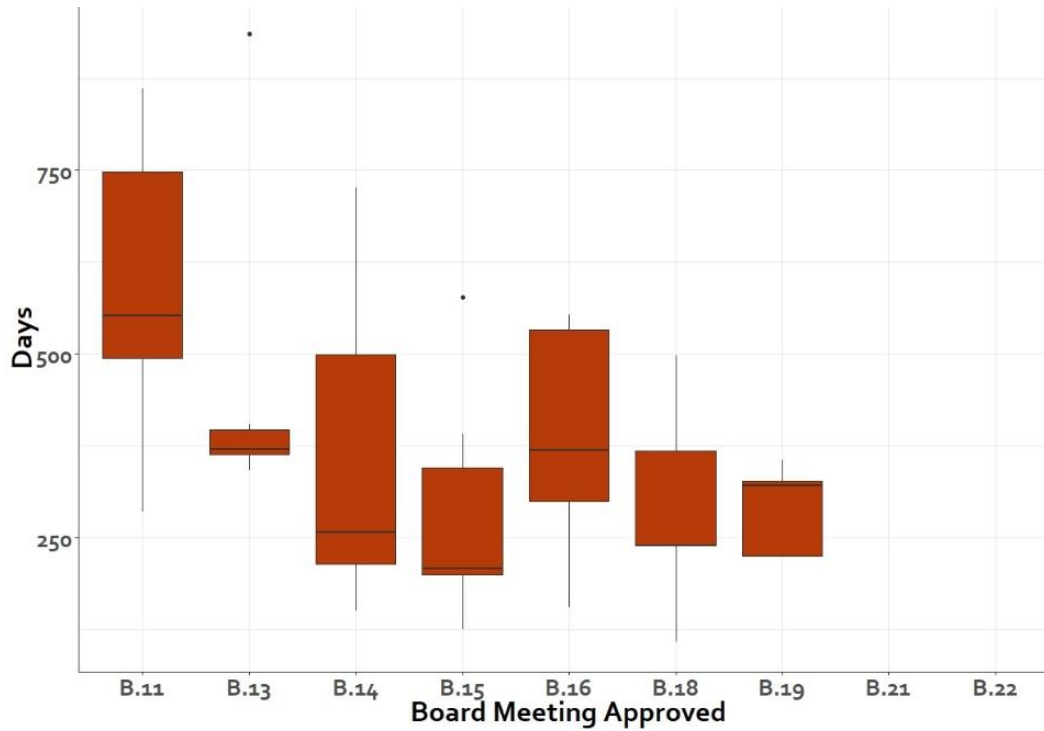


Figure A - 13. Duration from project approval to FAA effectiveness for 49 projects with effective FAAs, according to their Board approval time, 28 February 2019

#### 4. FAA PROCESS AND CHALLENGES

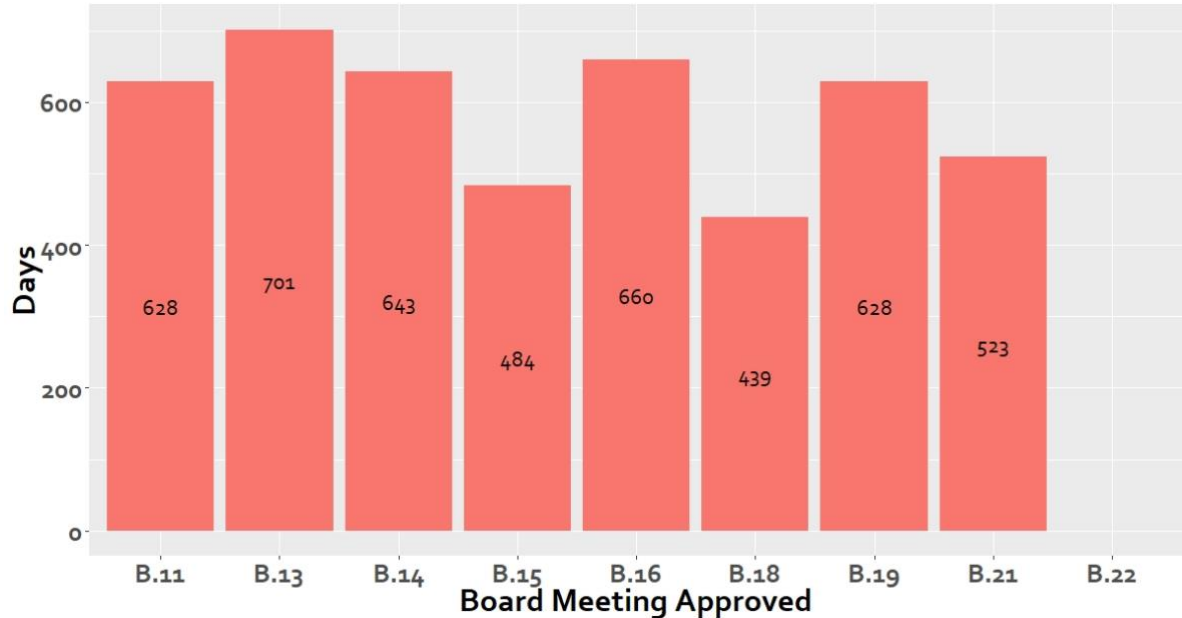
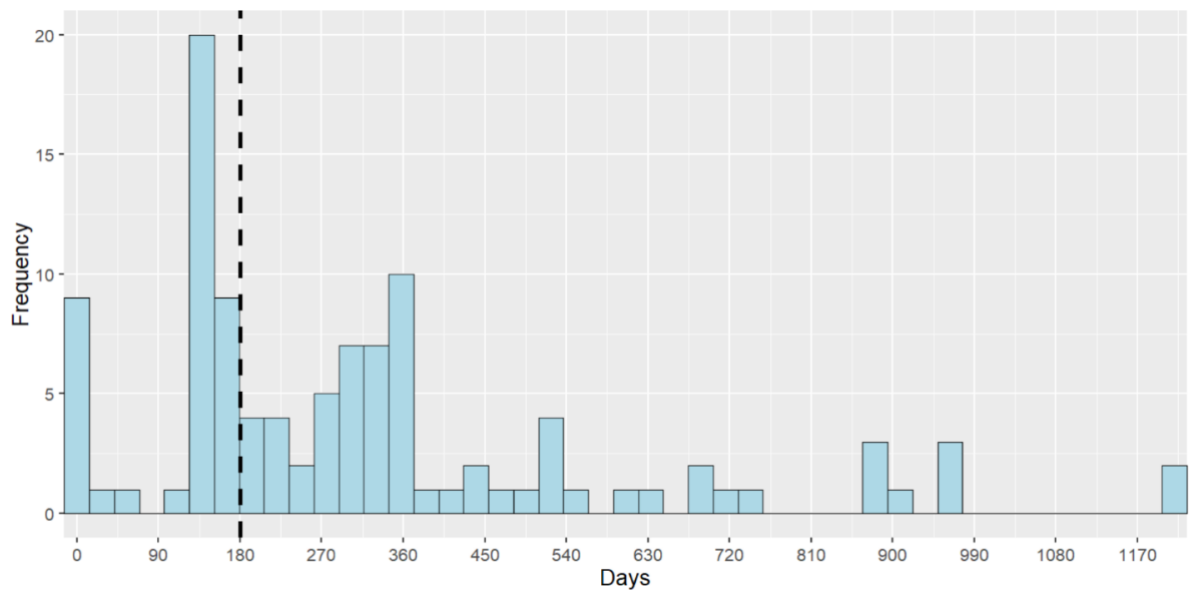


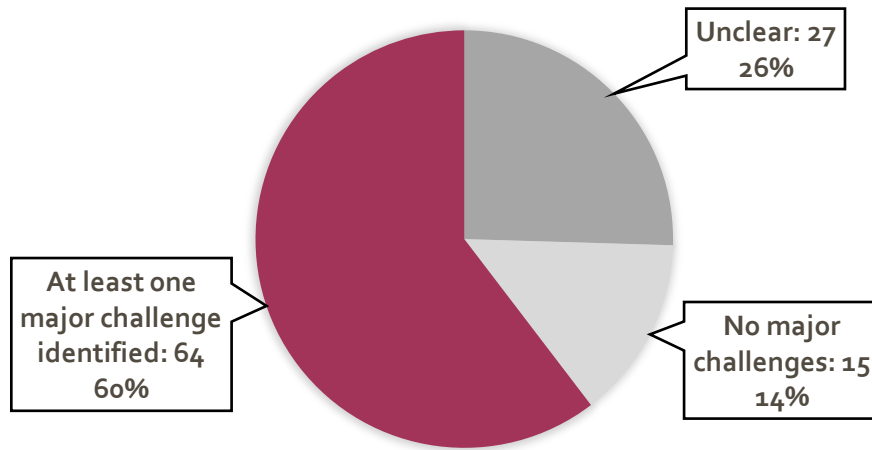
Figure A - 14. Average duration from project submission to FAA execution for 57 executed FAAs, 28 February 2019



*Figure A - 15. Average duration from Board approval to FAA effectiveness for 50 effective FAAs according to their FP's Board approval time, 28 February 2019*



*Figure A - 16. Distribution of time spent in post-approval, awaiting FAA execution by the 106 FAAs for the 102 projects in the GCF's portfolio, 28 February 2019*



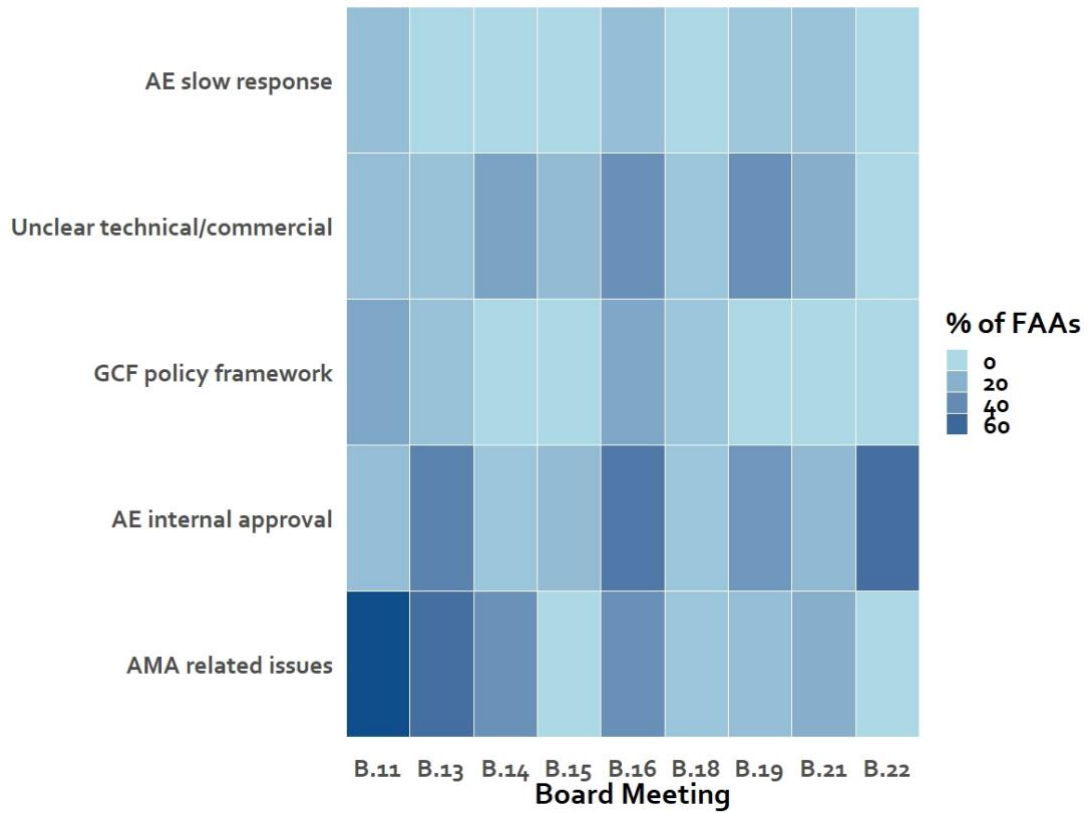
**Figure A - 17. Challenges identified by the Secretariat in FAA execution phase for 106 FAAs, 28 February 2019**

Note: The category “Unclear” means that the Secretariat has not provided information to the IEU DataLab on these FAAs.

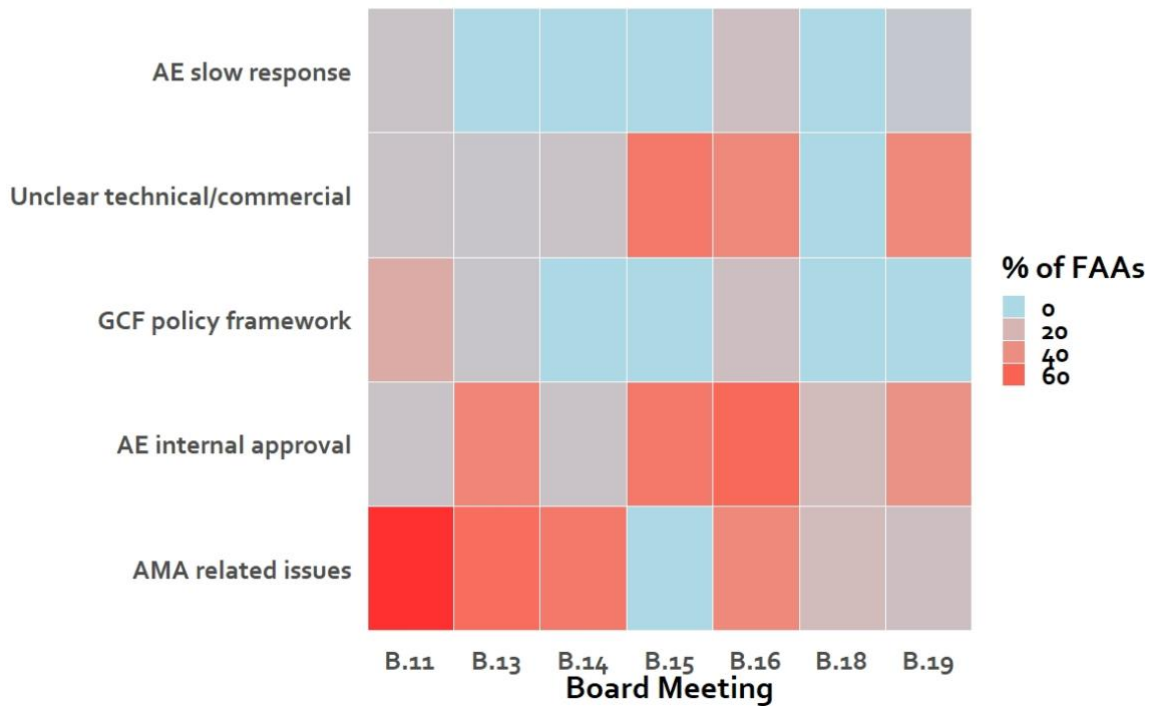


**Figure A - 18. Frequency of major challenges identified by the Secretariat in the FAA execution phase in the 64 FAAs, 28 February 2019**

Note: One FAA can face multiple of these challenges at the same time.



*Figure A - 19. Major challenges during FAA execution phase, identified by the Secretariat for 106 FAAs, by Board Meeting of project approval*



**Figure A - 20.** *Distribution of challenges across Board meetings for the 61 FAAs that spent more than 180 days from Board approval, while awaiting FAA execution, 28 February 2019*

**Table A - 12.** *The percentage of the FAAs encountering a major challenge out of the 79 FAAs, organised by execution length, 28 February 2019*

	LESS THAN 180 DAYS SPENT IN EXECUTION PHASE	MORE THAN 180 DAYS, BUT LESS THAN A YEAR SPENT IN EXECUTION PHASE	MORE THAN A YEAR SPENT IN FAA EXECUTION PHASE
AMA related issues	13.6	32.1	35.9
Conditions or technical or commercial matters	31.8	32.1	17.1
AE's internal approval	36.4	32.1	28.2
GCF policy framework	9.1	-	10.3
Slow AE response	9.1	3.6	7.7

Note: The Secretariat has provided the IEU DataLab with information on 79 FAAs out of the total of 106 FAAs, describing the challenges encountered during the execution phase.



## 5. INVESTMENT CRITERIA RATINGS

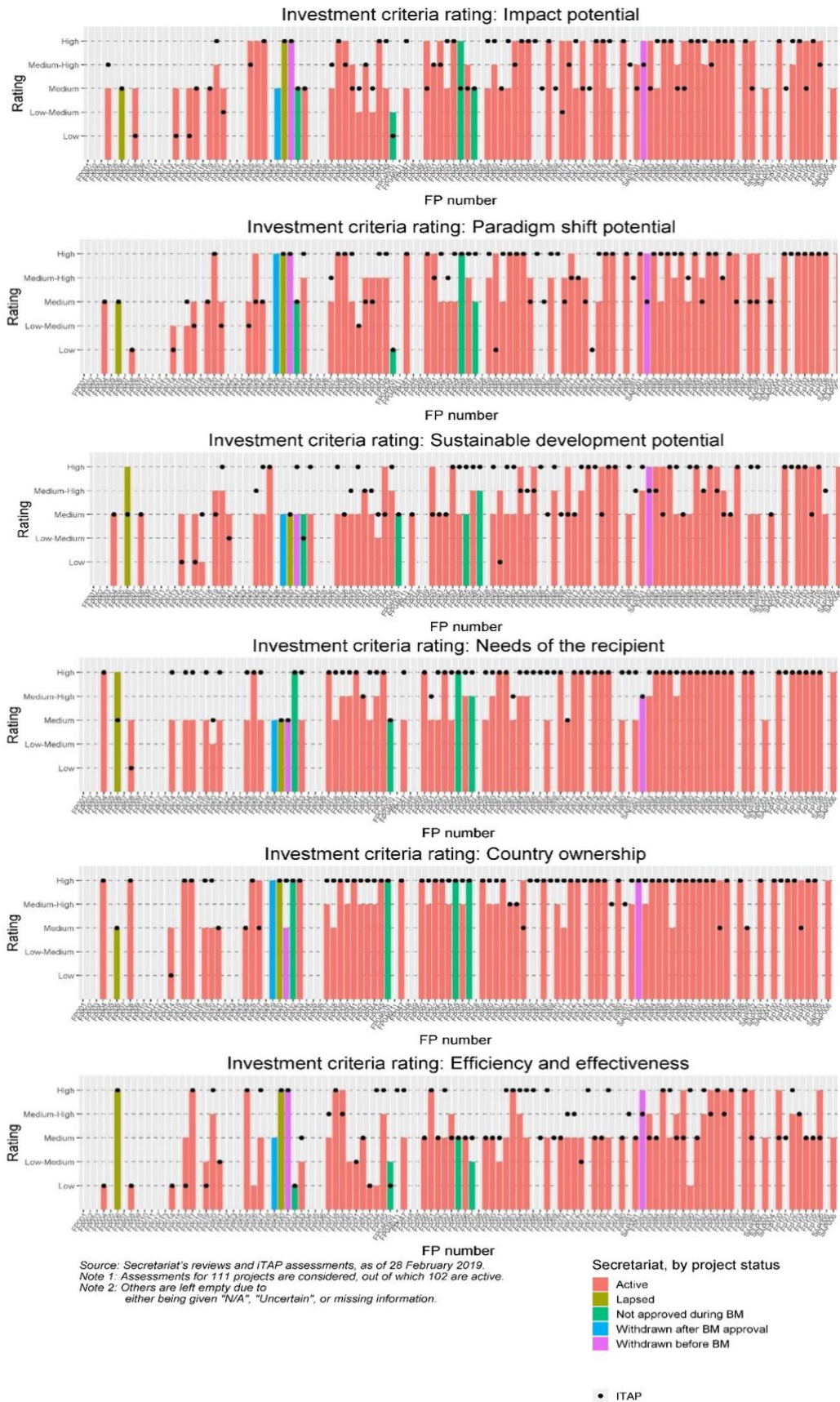


Figure A - 21. Comparison of Secretariat and iTAP ratings of projects across the six investment criteria, 28 February 2019

## ANNEX 7. GEOSPATIAL ANALYSIS OF GCF INVESTMENTS

### A. DESCRIPTION

The IEU DataLab uses geospatial information technology, mainly ArcGIS, to analyse the overall climate trend and its relationship with and effects on the countries and areas where GCF projects approved through to B.22 are currently operating. Geospatial information technology is a powerful tool for spatially visualising and statistically analysing climate trends and socioeconomic factors such as urbanisation. In this report, the DataLab primarily uses four indicators to examine whether GCF-approved projects are taking place in countries and areas facing the greatest levels of environmental vulnerability. The indicators employed in this evaluation are relative temperature deviation, relative precipitation deviation, deforestation and energy. The DataLab chose these four criteria because of their relevance to the current project portfolio.

### B. OBSERVATION

The DataLab, in close collaboration with AidData from the College of William & Mary (Williamsburg, Virginia), has extracted information from funding proposals regarding the locations where GCF projects can potentially take place. As many projects are still in the early phase of their development, not all projects have exact locations for where the projects will take place. In addition, there are projects that are spatially hard to pinpoint due to the nature of the activity. This is often the case with energy-related projects or institutional building projects. Except for these spatially challenging projects, the IEU DataLab has used a text-mining algorithm to extract information from funding proposals and has mapped it onto geographical locations. As for other ancillary data, including precipitation, temperature, energy and deforestation data, the DataLab has collected data from research institutions, international organisations including the World Bank, and universities (these are discussed later). These data and the resulting analysis have been verified and cross-validated with AidData.

### C. EVALUATION QUESTION

Does the GCF target countries and areas with the greatest environmental vulnerabilities with respect to temperature and precipitation deviation?

#### 1. RELATIVE TEMPERATURE DEVIATION FROM THE LONG-TERM CLIMATE TREND (1981-2011)

##### a. Summary

Out of 102 approved GCF projects, 62 projects have included “*Most vulnerable people and communities*” as one of their results areas. This raises the question of whether there have been severe temperature deviations in countries and areas where GCF projects are located. Temperature deviation can pose severe threats to livelihoods and can lead to droughts, flooding and other weather-related natural disasters. Severe temperature deviation is therefore a useful indicator for determining whether the GCF has targeted countries with the aforementioned threats. In this study, the IEU DataLab looked at 132 out of 154 developing countries. Twenty-two countries were exempted from the study due to a lack of data.

## b. Data

We have used temperature data from Willmott & Matsuura (2001), Delaware University. The temperatures in these data are measured by weather stations across the world. As the distribution of weather stations varies from country to country and region to region, the author of the data source has used a combination of spatial interpolation methods: digital-elevation-model (DEM) assisted interpolation;<sup>260</sup> traditional interpolation;<sup>261</sup> and climatologically aided interpolation (CAI).<sup>262</sup>

## c. Methodology

In this study, the DataLab defined temperature deviation from long-term climate trends through the following formula:

$$\frac{Avgtemp_{k,i}}{\sum_{t=1981}^{2011} Avgtemp_{t,i} / 31} \text{ for each } k = 2012, 2013, \dots, 2018 \text{ and } i = \text{spring, summer, } \dots, \text{winter}$$

Using the above method, the DataLab measured the relative temperature deviation. To control for the seasonality factor, the DataLab only divided each year into four sections: January to March, April to June, July to September, and October to December, as can be observed in the maps below. Furthermore, only the data points that fell within the boundaries of countries that are eligible for GCF funding were used in the study. As the temperature deviations in ineligible countries are not relevant to the GCF, data points from those respective countries were excluded. Lastly, the DataLab examined relative temperatures for the period 2012 to 2017. Because long-term temperature averages are commonly defined as the average of the past 30 years as identified by IPCC,<sup>263</sup> the DataLab set a long-term temperature average for the period 1981 to 2011.

<sup>260</sup> Willmott, C.J. and Matsuura, K. (1995). Smart interpolation of annually averaged air temperature in the United States. *Journal of Applied Meteorology*, 34, 2577–2586.

<sup>261</sup> Willmott, C.J., Rowe, C.M., and Philpot, W.D. (1985). Small-scale climate maps: a sensitivity analysis of some common assumptions associated with grid-point interpolation and contouring. *American Cartographer*, 12, 5–16.

<sup>262</sup> Willmott, C.J. and Robeson, S.M. (1995). Climatologically aided interpolation (CAI) of terrestrial air temperature. *International Journal of Climatology*, 15(2), 221–229.

<sup>263</sup> IPCC. (2018). “Summary for Policymakers.” In: *Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [V. Masson-Delmotte, P. Zhai, H. O. Pörtner, D. Roberts, J. Skea, P. R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J. B. R. Matthews, Y. Chen, X. Zhou, M. I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, T. Waterfield (eds.)]. World Meteorological Organization, Geneva, Switzerland.

### d. Maps

Figure A - 22 shows a map of relative temperature deviation in selected countries between January and March. Each panel shows the temperature deviation for each particular year, set against the 1981 to 2011 average temperature.

From January to March, one can see that, regionally, Africa experiences a large fluctuation in temperature from year to year. Parts of India and parts of upper western Latin America (approximately where Ecuador is) and the Greater Sunda Islands region have experienced a continuous rise in temperature deviation.

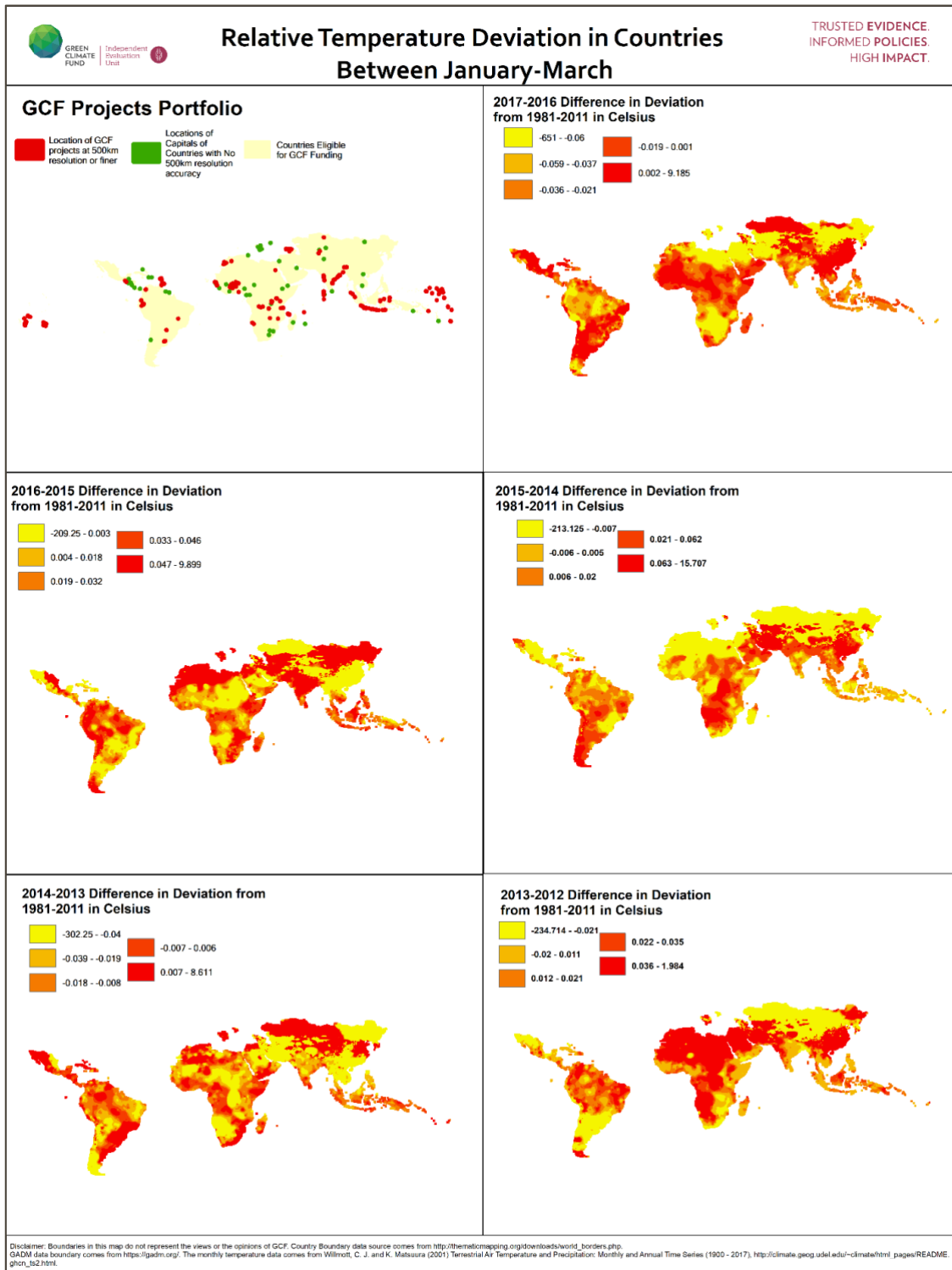


Figure A - 22. Relative temperature deviation between January and March

Figure A - 23 shows the relative temperature deviation between April and June for the years 2012 to 2017, set against the 30-year average temperature. From April to June, one can observe a heterogeneous pattern of fluctuation across regions. However, parts of western coastal Latin America, parts of Central Africa, the Greater Sunda Islands region, and parts of eastern Asia can be seen to have experienced a continuous rise in relative temperature deviation.

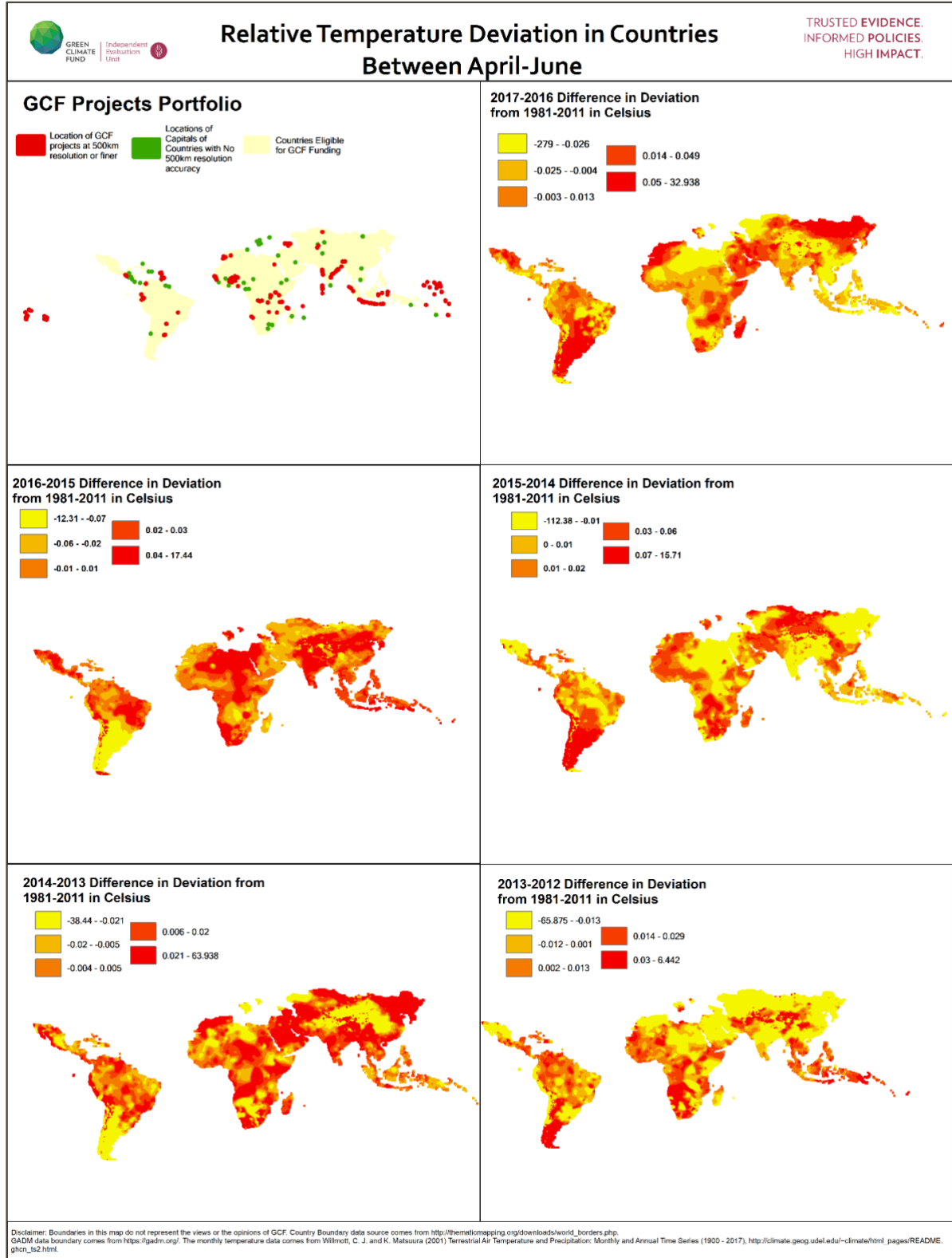


Figure A - 23. Relative temperature deviation between April and June



Figure A - 24 shows a map of relative temperature deviation from July to September. One can observe a continuous rise in relative temperatures over the sample years in many parts of the world. The southern tip of Africa, parts of the Greater Sunda Islands region, and Middle Eastern regions all experienced a continuous rise in relative temperature deviation from 2012 through 2017.

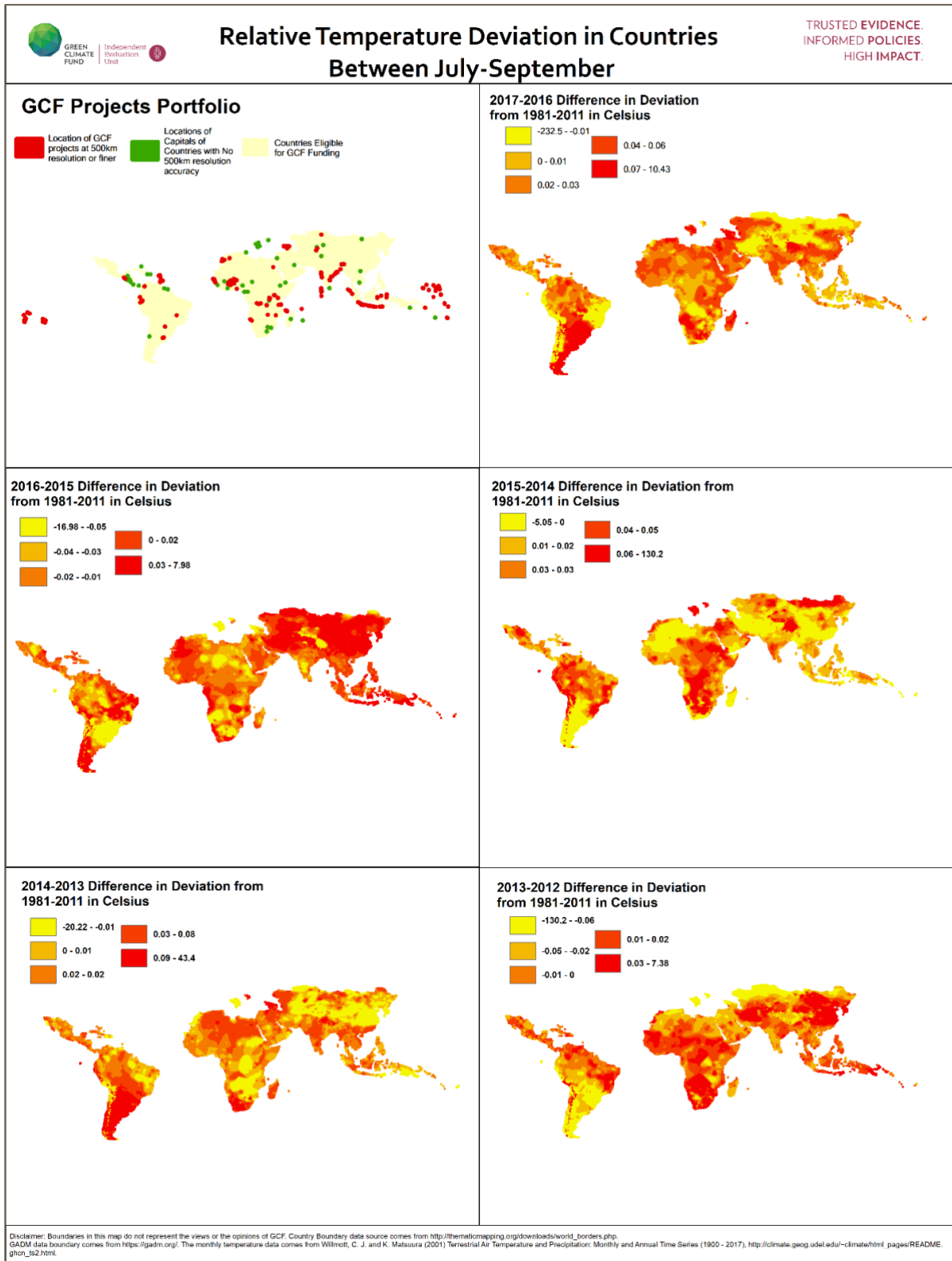


Figure A - 24. Relative temperature deviation between July and September

Figure A - 25 shows a map of relative temperature deviation for the months of October to December. The panels demonstrate how parts of Madagascar, parts of India, the Greater Sunda Islands region and parts of Central Asia experienced an increase in relative temperature deviation between 2012 and 2017.

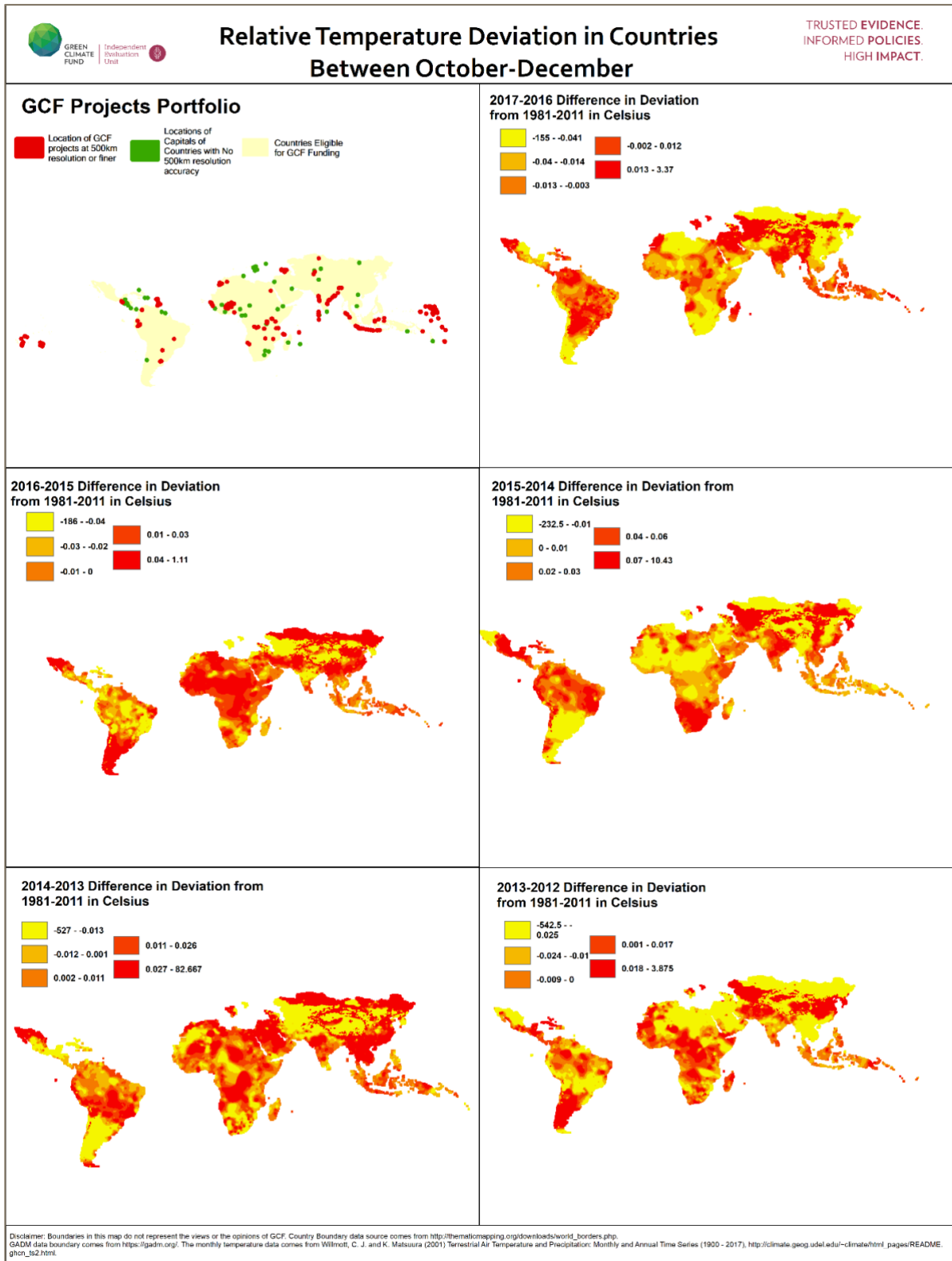


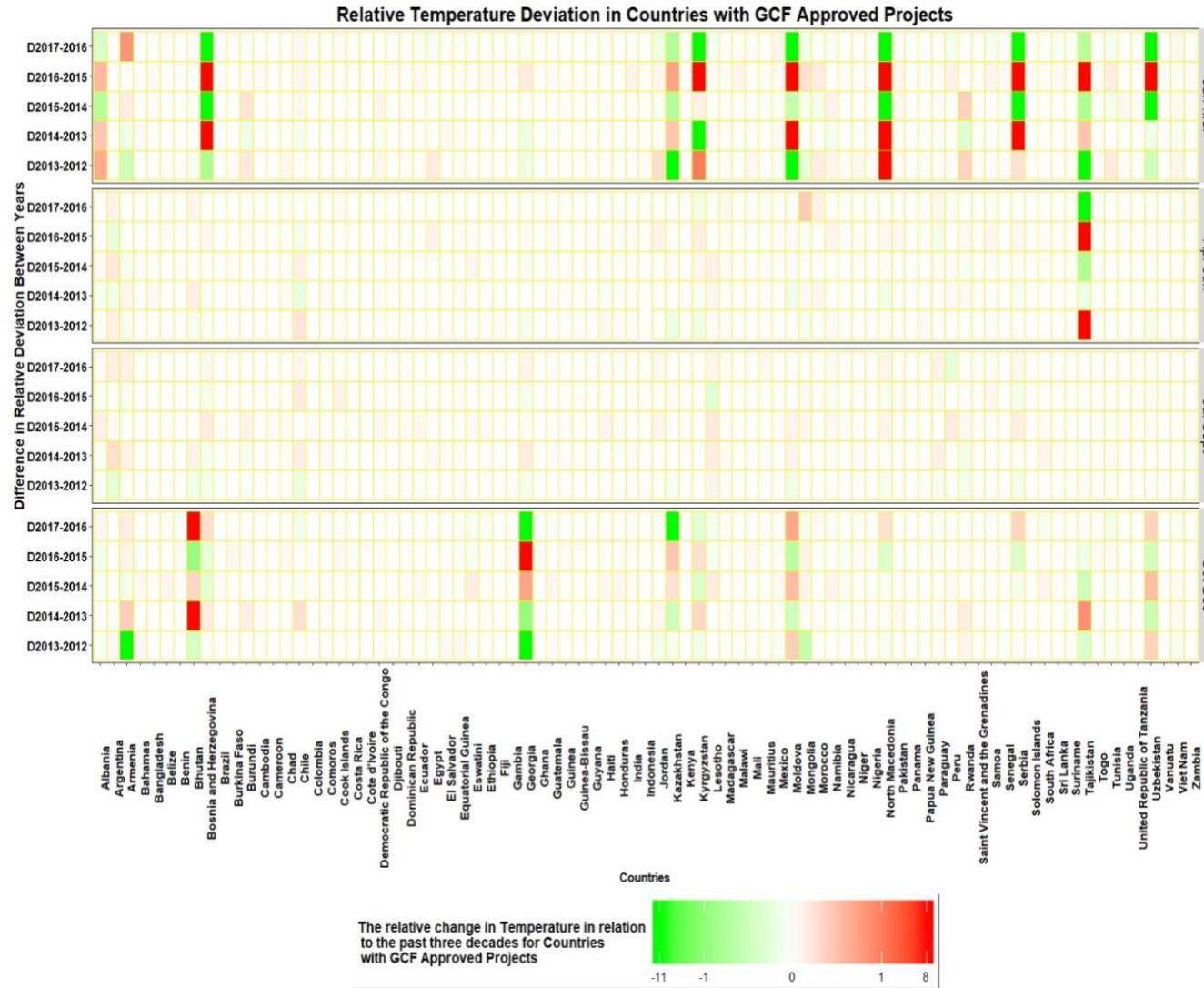
Figure A - 25. Relative temperature deviation between October and December



Figure A - 26, below, shows a graph of countries in which there is at least one GCF-approved project with respect to relative temperature deviation. The right-hand y-axis displays seasonal blocks (January to March; April to June; July to September; and October to December). The x-axis lists countries in alphabetical order and the left-hand y-axis shows difference in relative temperature deviation over the years 2012 to 2017. The redder the tiles are on the graph, the larger the relative temperature deviation is from the prior year; the greener the tiles are, the smaller the deviation from the previous year. As can be seen in Figure A - 26:

Countries that experienced a larger temperature deviation in the previous year are more likely to have experienced a smaller deviation the following year.

- The greatest temperature deviation from the previous year occurred between January and March for the period 2012 to 2017, while the smallest temperature deviation occurred between July and September. The next highest relative temperature deviation occurred between October and December.
- Out of the 132 countries examined in Figure A - 26, all experienced a higher temperature deviation from the prior year on at least **three** occasions in five years (in total, there are 20 seasonal breaks – four seasons per year over five years).
- Countries with at least one GCF project that most frequently experienced an increase in relative temperature deviation include South Africa, Panama, Guyana, Ghana, Ethiopia, Djibouti, Cote d'Ivoire, Comoros, Suriname, Kenya and Democratic Republic of Congo (on average 65 per cent of the time in five years, these countries experienced an increase in relative temperature from the previous year).
- The countries that experienced the largest magnitude of relative temperature deviation in comparison to that of the previous year are Bosnia and Herzegovina, Kyrgyzstan, Moldova, Uzbekistan, Republic of Korea, North Macedonia, Serbia, Georgia and Tajikistan.



*Figure A - 26. Countries with GCF-approved projects with respect to relative temperature deviation*

Note: To improve visual clarity, developing countries that do not have GCF projects are excluded.

Figure A - 27 shows the standard deviation of countries in respect to their temperature deviation between 2012 and 2017. The higher the standard deviation value, the more temperature deviation the country experienced between 2012 and 2017.

Compared to countries without GCF projects, countries with GCF projects have higher temperature deviation on average.

Countries where the GCF has a presence experienced high vulnerability to temperature deviation between 2012 and 2017.

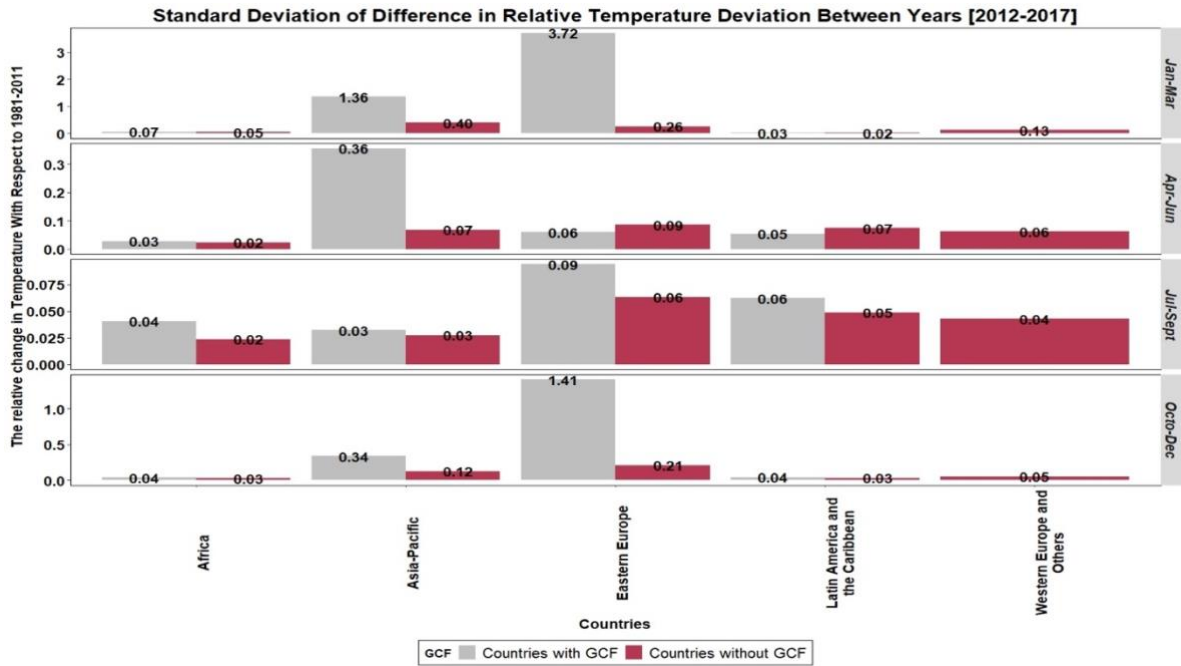


Figure A - 27. Standard deviation of countries with respect to their temperature deviation between 2012 and 2017

## 2. RELATIVE PRECIPITATION DEVIATION FROM THE LONG-TERM CLIMATE TREND (1981-2011)

### a. Summary

Out of 102 approved GCF projects, 62 projects included “Most vulnerable people and communities” as one of their results areas, raising the question of whether the countries and areas where GCF projects are located experience severe precipitation deviation from previous decades. Precipitation deviation can pose extreme threats to livelihoods through occurrences such as droughts, flooding and wildfires. One of indicators for determining whether the GCF targets countries facing such threats is the level of precipitation deviation. In this study, the IEU DataLab looked at 132 out of 154 developing countries. Twenty-two countries were exempted from this study due to a lack of data.

### b. Data

The DataLab used precipitation data from Willmott & Matsuura, Delaware University. The precipitation data is based on measurements from weather stations across the world. As the distribution of weather stations varies from country to country and from region to region, the author

of the data source has used a combination of spatial interpolation methods: DEM assisted interpolation;<sup>264</sup> traditional interpolation;<sup>265</sup> and CAI.<sup>266</sup>

### c. Methodology

In this study, the DataLab defined precipitation deviation from the long-term climate trend through the following formula:

$$\frac{Avgprecip_{k,i}}{\sum_{t=1981}^{2011} Avgprecip_{t,i}/31} \text{ for each } k = 2012, 2013, \dots, 2018 \text{ and } i = \text{spring, summer, } \dots, \text{winter}$$

Using the above method, the DataLab measured relative precipitation deviation. To control for seasonality, the DataLab divided each year into four sections: January to March, April to June, July to September, and October to December, as shown in the maps below. The study only used the data points encompassed within the boundaries of countries eligible for GCF funding. As the precipitation deviation of ineligible countries was not relevant to the inquiry, data from those countries were excluded. Lastly, the time frame of the relative precipitation that the DataLab looked at was the period 2012 to 2017; and since the long-term temperature average is defined by the IPCC<sup>267</sup> as the average of the past 30 years, the DataLab applied this logic to precipitation data and set the long-term precipitation time frame as the period between 1981 and 2011.

### d. Maps

There are 24 unique maps for examining relative precipitation deviation. Each panel of the below figures consists of five recent years of relative precipitation deviation for a set of months from 2012 to 2017. As the maps indicate, the bluer the areas, the larger the deviation is compared to the previous year, while the greener the area, the smaller the deviation from the previous year. If the value becomes negative, one can interpret that the deviation, compared to the previous year, is in fact smaller than that of the prior year.

<sup>264</sup> Willmott, C.J. and Matsuura, K. (1995). Smart interpolation of annually averaged air temperature in the United States. *Journal of Applied Meteorology*, 34, 2577–2586

<sup>265</sup> Willmott, C.J., Rowe, C.M., and Philpot, W.D. (1985). Small-scale climate maps: a sensitivity analysis of some common assumptions associated with grid-point interpolation and contouring. *American Cartographer*, 12, 5–16

<sup>266</sup> Willmott, C.J. and Robeson, S.M. (1995). Climatologically aided interpolation (CAI) of terrestrial air temperature. *International Journal of Climatology*, 15(2), 221–229

<sup>267</sup> IPCC. (2018). “Summary for Policymakers.” In: *Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [V. Masson-Delmotte, P. Zhai, H. O. Pörtner, D. Roberts, J. Skea, P. R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J. B. R. Matthews, Y. Chen, X. Zhou, M. I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, T. Waterfield (eds.)]. World Meteorological Organization, Geneva, Switzerland.

Figure A - 28 shows a map of relative precipitation deviation between January and March. Each panel shows a difference in relative precipitation deviation from the previous year.

From January to March, parts of Central Asia experienced an increase in relative precipitation deviation.

Globally, there is an overall trend of increasing relative precipitation deviation over the years.

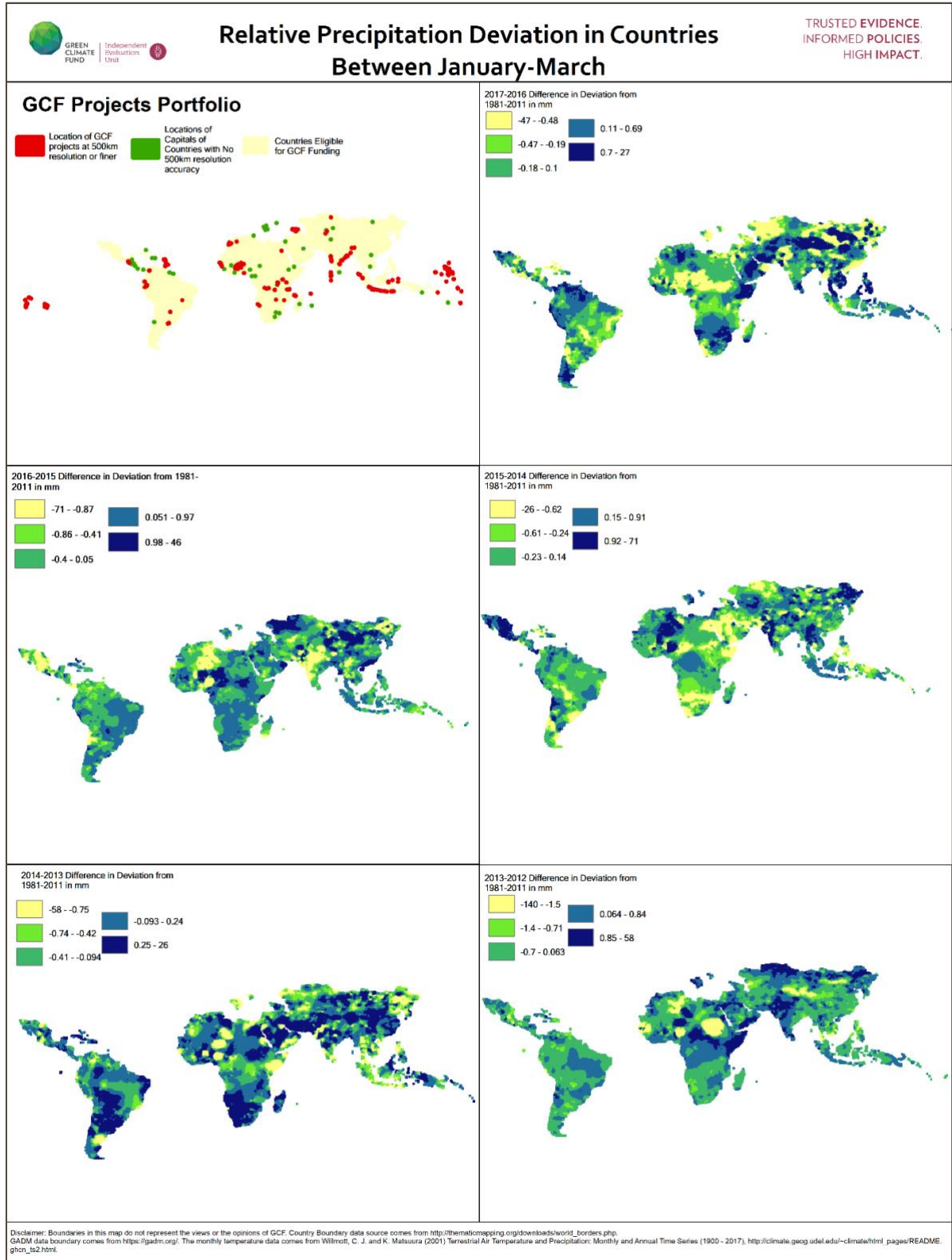


Figure A - 28. Relative precipitation deviation between January and March



Figure A - 29 below shows a map of relative precipitation deviation between April and June. Each panel shows the difference in relative precipitation deviation from the previous year. From April to June, during the period 2012 to 2017, relative precipitation deviation increased. For the period April to June from 2012 and 2013, there seems to be an overall global increase in relative precipitation deviation.

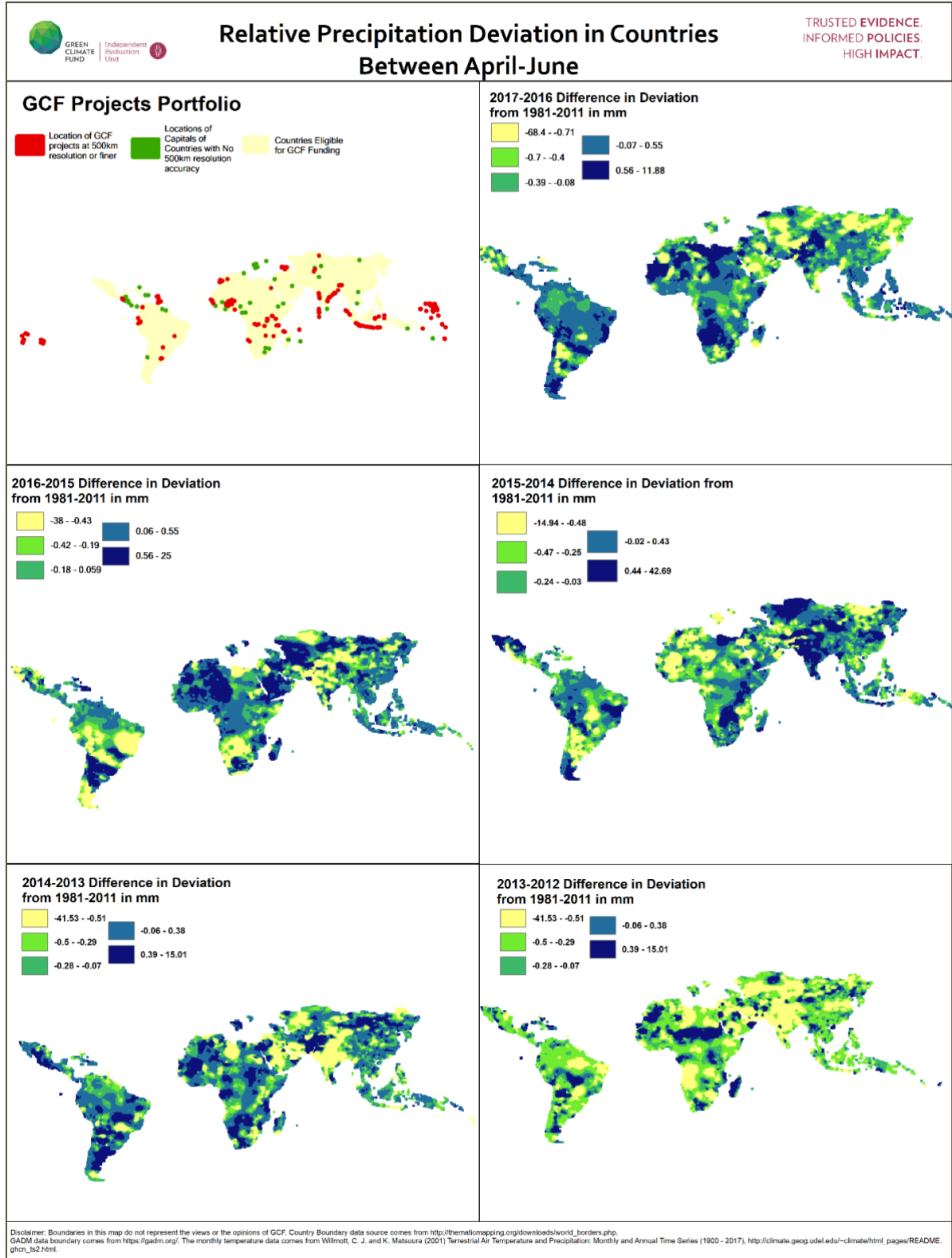


Figure A - 29. Relative precipitation deviation between April-June

Figure A - 30 shows a map of relative precipitation deviation from July to September. For the period 2012 to 2017, parts of Southern Africa experienced an increase in relative precipitation deviation.

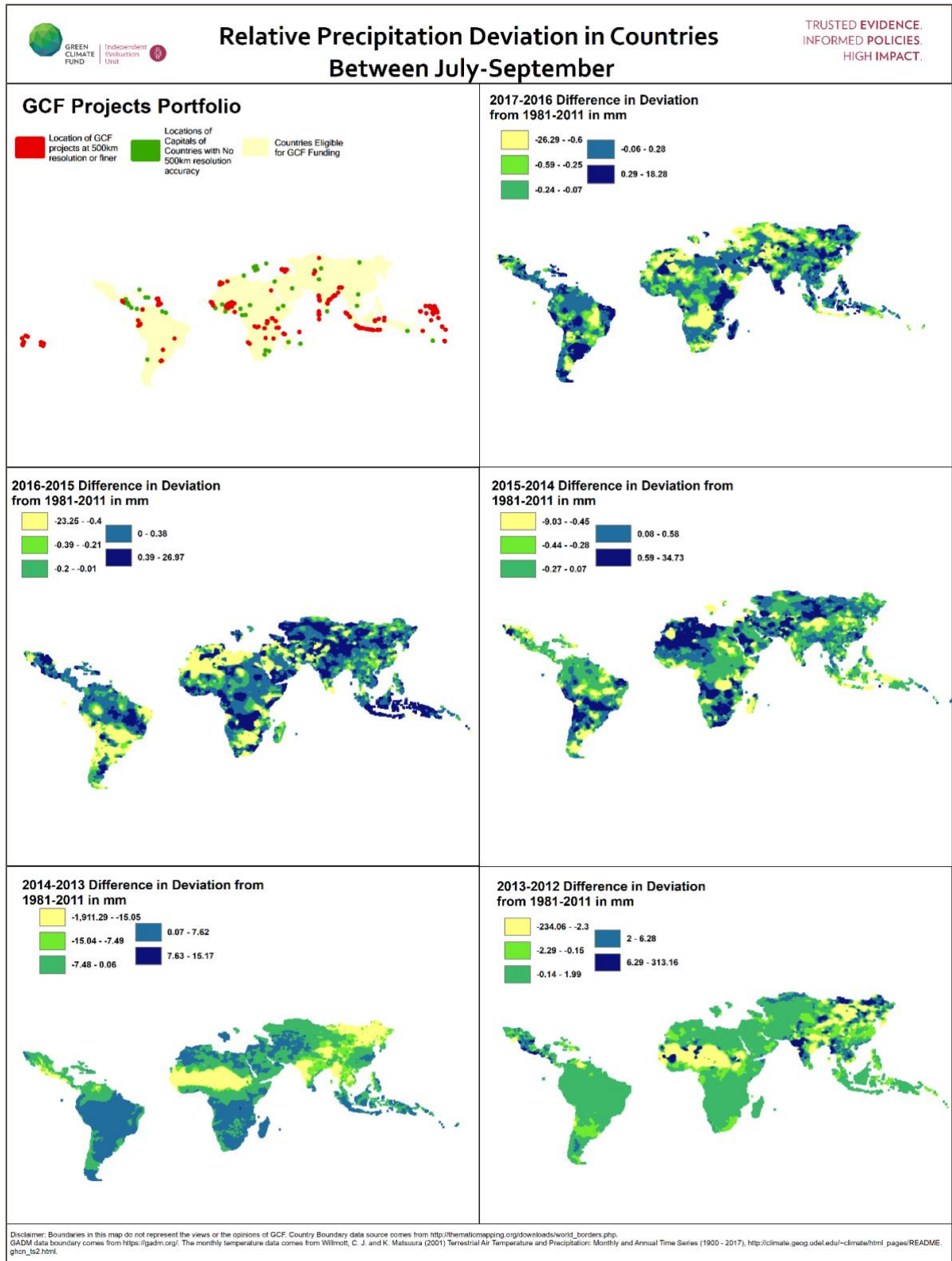


Figure A - 30. Relative precipitation deviation between July to September



Figure A - 31 shows a map of relative precipitation deviation from October to December. Each panel shows a difference in relative precipitation deviation from the prior year. From October to December, the variation of relative precipitation deviation across the globe can be seen to be smaller. Parts of East Asia experienced a continuous rise in relative precipitation deviation.

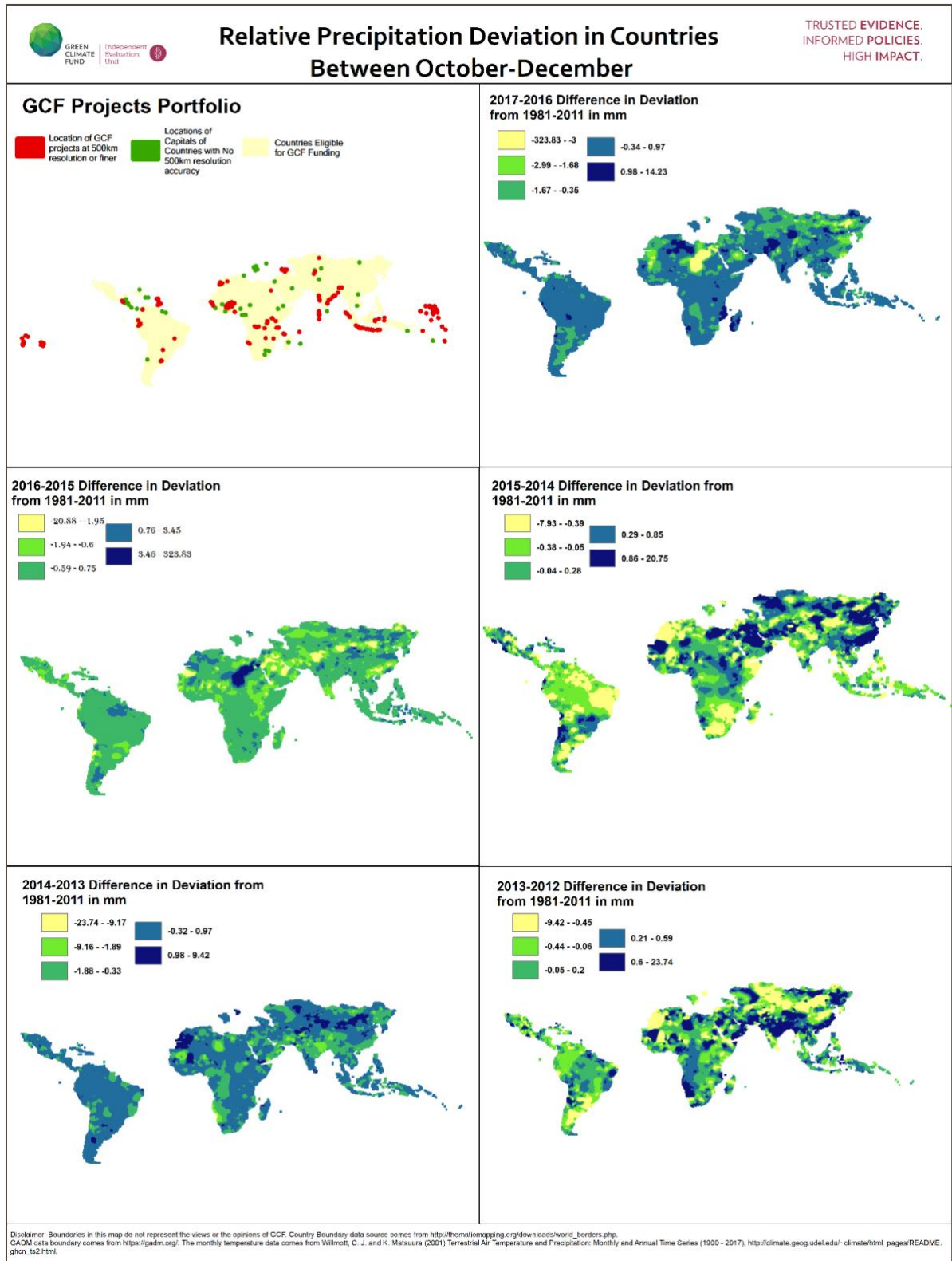


Figure A - 31. Relative precipitation deviation between October to December

Figure A - 32 below shows relative precipitation deviation in countries where there is at least one GCF-approved project. The right-hand y-axis is divided into seasonal breaks (January to March; April to June; July to September; October to December). The x-axis lists the countries in alphabetical order and the right-hand y-axis shows the difference in relative deviation from 2012 to 2017. The redder the tiles on the table are, the larger the relative precipitation deviation from the previous year; the greener the tiles, the smaller the deviation from the previous year. As can be seen from Figure A - 32:

- The greatest amount of precipitation deviation from the previous year over the 2012 to 2017 time frame occurred between July and September, whereas the smallest precipitation deviation occurred between April and June. The next greatest relative precipitation deviation took place between January and March;
- All of the 132 countries in Figure A - 31 experienced higher precipitation deviation from the previous year at least **six** times during a five year period (in total, there are 20 seasonal breaks (four seasons per year over five years));
- Countries that most frequently experienced an increase in relative precipitation deviation included Tanzania, Chile, Egypt, Mauritius, Nicaragua, Peru, Uganda and Burma (on average 65 per cent of the time in five years, these countries experienced an increase in relative precipitation from the previous year); and
- The countries that experienced the highest amount of relative precipitation deviation compared to the previous year were Niger, Chad, Nigeria and Armenia.

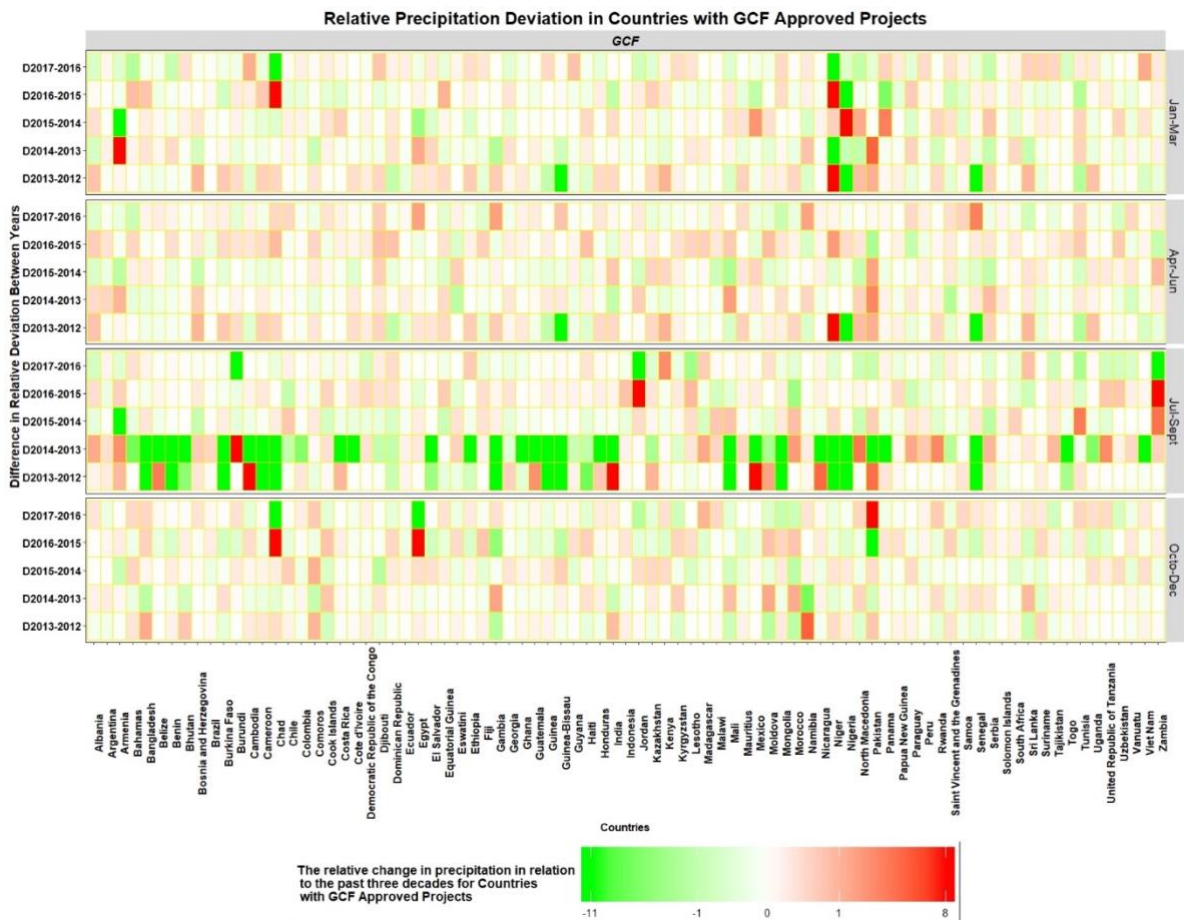
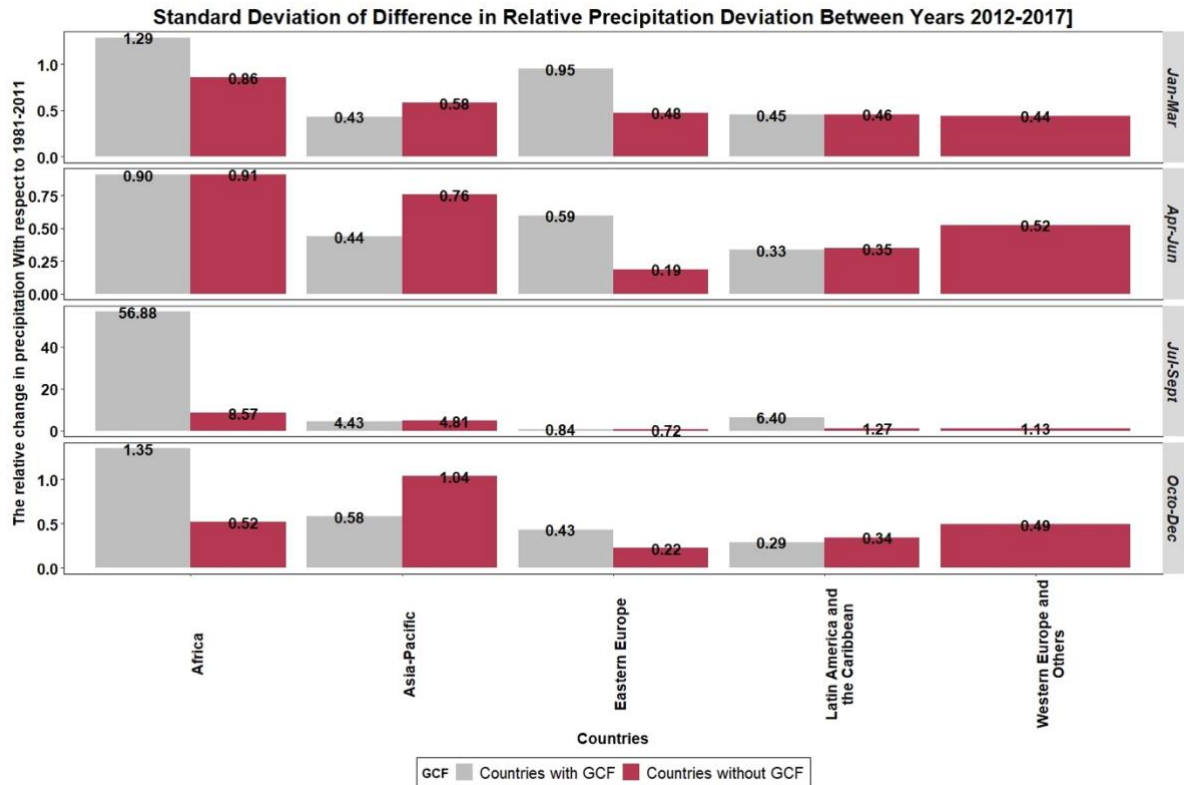


Figure A - 32. Countries having GCF-approved project with respect to relative precipitation deviation

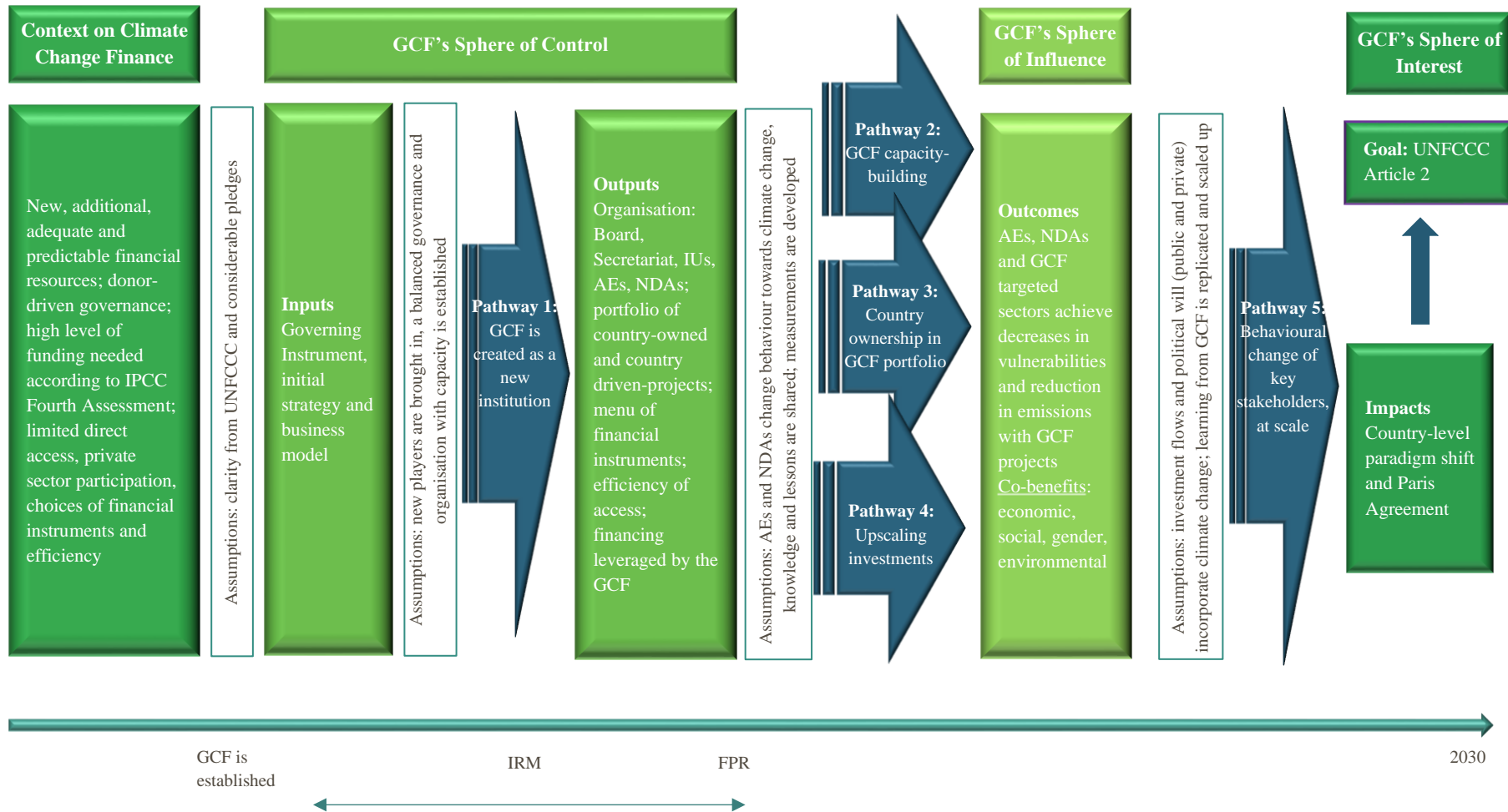
Figure A - 33 below shows the standard deviation of the difference in relative precipitation deviation for the selected regions between 2012 and 2017. The higher the standard deviation value, the greater precipitation deviation the country experienced over the time frame. As can be seen from Figure A - 33:

- The regions with GCF projects that have a considerably higher precipitation deviation than the regions without GCF projects are Africa and Eastern Europe.
- In Asia-Pacific and Latin America and the Caribbean, the variation is much less noticeable.
- Countries in Africa with GCF projects have a particularly large standard deviation between July and September.



**Figure A - 33. Standard deviation of countries with respect to their precipitation deviation between 2012 and 2017**

## ANNEX 8. PERCEPTIONS ABOUT THE THEORY OF CHANGE FOR THE GCF



## ANNEX 9. REFERENCES

### **Governing Instrument, Strategic Plan and business model framework, along with Board meeting reports**

GCF Governing Instrument

GCF Handbook: Decisions, Policies and Framework as Agreed by the Board of the Green Climate Fund from B.01 to B.20 2012-2018

GCF Rules of Procedure

### **Strategic Plan**

DECISION B.BM-2015/11: Decision of the Board on the Appointment of members to the ad-hoc group for the Strategic Plan for the Green Climate Fund

DECISION B.11/03: Strategic plan for the Green Climate Fund (progress report)

DECISION B.17/05: Implementation of the Initial Strategic Plan of the GCF

DECISION B.10/14: Development of Strategic Plan of the GCF

DECISION B.12/20: Endorsement of the Strategic Plan of the GCF

### ***Business model framework***

DECISION B.04/04 Business model framework – objectives, results and performance indicators

DECISION B.01-13/06 Development of the business model framework

### ***Access to Funding***

DECISION B.04/06: Business model framework: Financial Instruments

### ***Allocation of Fund Resources***

DECISION B.05/05: Business model framework: Allocation

DECISION B.06/06: Adoption of initial parameters and guidelines for allocation of resources

### ***Initial Investment Framework***

DECISION B.07/06: Adoption of the initial investment framework of the GCF

DECISION B.09/05: Initial investment framework sub-criteria and assessment factors

DECISION B.13/02: Deferral of consideration of indicative minimum benchmarks

DECISION B.19/07: Investment criteria indicators –Indicative Minimum Benchmarks

### ***Scaling Pilot***

DECISION B.10/17: Scaling Pilot – Applying scale in the assessment of funding proposals

DECISION B.12/18: Deferral of annual scaling review

### ***Result Area Indicators***

DECISION B.05/03: Adoption of the initial results area framework and performance indicators of the Fund

### ***Direct Access***

DECISION B.10/04: Approval of terms of reference for a pilot phase enhancing direct access

Document B.10/05: Additional modalities that further enhance Direct Access

DECISION B.18/02: Facilitating an increase in proposals from direct access entities

### ***Country Ownership***

DECISION B.04/05: Country Ownership/National Designated Authorities

DECISION B.05/06: Business model framework: Countries' Transparent No-objection Procedure

DECISION B.06/10: Further deliberations on Country Ownership



DECISION B.08/10: Country ownership/readiness including no objection procedure

DECISION B.10/10: Country Ownership

DECISION B.13/33: Development of Country Ownership Guidelines

DECISION B.14/06: Consultations on Country Ownership Guidelines

DECISION B.17/21: Adoption of guidelines for enhanced country ownership and country drivenness

***Proposal Approval Process***

DECISION B.07/03: Initial Proposal Approval Process, Including the Criteria for Programme and Project Funding

DECISION B.11/11 (a) to (p): Consideration of funding proposals” and its related addenda, as well as matters related to the proposal approval process

DECISION B.12/23: Request to review of the initial proposal approval process

DECISION B.17/09: Review of the initial proposal approval process

DECISION B.17/10: Strengthening and scaling up the GCF pipeline: establishing strategic programming priorities

DECISION B.19/06: Preparation of an integrated approach for addressing policy gaps

***Simplified Proposal Approval Process***

DECISION B.12/10: Compilation of submissions - simplified processes for approval of proposals for certain activities, in particular small-scale activities

DECISION B.13/20: Simplified processes for approval of proposals for certain activities, in particular small-scale activities

DECISION B.14/07 (a) to (h): Consideration of funding proposals and approval of the operational guidelines of the simplified proposal approval process

DECISION B.18/06: Approval of the Simplified Approval Process (Pilot Scheme)

***Independent Technical Advisory Panel***

DECISION B.09/10: Terms of reference of the independent Technical Advisory Panel

DECISION B.10/09: Independent Technical Advisory Panel

DECISION B.12/05: Appointment of additional experts to the independent Technical Advisory Panel

DECISION B.19/08: Review of the structure and effectiveness of the independent Technical Advisory Panel

DECISION B.BM-2017/12: Terms of reference of the performance review of the members of the Technical Advisory Panel

DECISION GCF/B.BM-2018/09: Updated terms of reference of the Technical Advisory Panel

***Financial Instrument / Financial Terms and Conditions***

DECISION B.04/07: Financial Instruments

DECISION B.05/07: Financial Instruments – adoption of principles and factors for the terms and conditions of grants and concessional loans

DECISION B.06/12: Further work on financial terms and conditions of grants and concessional loans

DECISION B.08/12: Use of other financial instruments

DECISION B.09/04: Adoption of the financial terms and conditions of grants and concessional loans

DECISION B.10/03: Further work on level of concessional terms for the Public Sector

DECISION B.12/15: Annual review of financial terms and conditions

DECISION B.12/17: Consultation on policy in public sector proposals demonstrating high-level concessional terms and the low-level concessional terms

DECISION B.15/05: Adoption of terms of reference for the review of the financial terms and conditions of the Fund's financial instruments

***Results Management Framework***

DECISION B.07/04: Adoption of the elements of the initial results management framework of the GCF

DECISION B.09/02: GCF investment opportunities and alignment of the portfolio with the results management framework

DECISION B.12/33: Consultation on indicators in the performance measurement of frameworks

DECISION B.13/34: Deferral of consideration of further development of indicators in the performance measurement frameworks

***Additional documents***

GCF/B.04/05: Business model framework: Access modalities

GCF/B.04/07: Private Sector Facility

GCF/B.04/08: Structure and organization

GCF/B.05/04: Financial inputs

GCF/B.05/05: Allocation of resources under adaptation, mitigation and the Private Sector Facility, with balance between adaptation and mitigation

GCF/B.05/06: Countries' Transparent No-objection Procedure

GCF/B.05/07: Terms and Criteria for Grants and Concessional Loans

GCF/B.05/08: Access Modalities – Accreditation

GCF/B.07/05: Financial Risk Management Framework

***Board Meeting Reports<sup>268</sup>***

GCF/B.01-12/10: Report of the First Meeting of the Board, 23–25 August 2012

GCF/B.01-13/13: Report of the Third Meeting of the Board, 13–15 March 2013

GCF/B.02-12/11: Report of the First Meeting of the Board, 23–25 August 2012

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GCF/B.04/18: Report of the Fourth Meeting of the Board, 26–28 June 2013

GCF/B.05/24/REV.01: Report of the Fifth Meeting of the Board, 8–10 October 2013

GCF/B.06/19: Report of the Sixth Meeting of the Board, 19–21 February 2014

GCF/B.07/12: Report of the Seventh Meeting of the Board, 18–21 May 2014

GCF/B.08/46: Report of the Eighth Meeting of The Board, 14–17 October 2014

GCF/B.09/24: Report of the Ninth Meeting of the Board, 24–26 March 2015

GCF/B.10/18: Report of the Tenth Meeting of the Board, 6–9 July 2015

GCF/B.11/25: Report of the eleventh meeting of the Board, 2–5 November 2015

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<sup>268</sup> Reports of the Board Meetings were primarily used to cross-reference and build an exhaustive review.



- GCF/B.13/33: Report of the thirteenth meeting of the Board, 28–30 June 2016
- GCF/B.14/18: Report of the fourteenth meeting of the Board, 12–14 October 2016
- GCF/B.15/25: Report of the fifteenth meeting of the Board, 13–15 December 2016
- GCF/B.16/24: Report of the sixteenth meeting of the Board, 4–6 April 2017
- GCF/B.17/22: Report of the seventeenth meeting of the Board, 5–6 July 2017
- GCF/B.17/22/ADD.02: Report of the seventeenth meeting of the Board, 5–6 July 2017 – Addendum II: Sixth report of the GCF to the COP to the UNFCCC
- GCF/B.18/24: Report of the eighteenth meeting of the Board, 30 September–2 October 2017
- GCF/B.19/44: Report of the nineteenth meeting of the Board, 26 February–1 March 2018
- GCF/B.20/26: Report of the twentieth meeting of the Board, 1–4 July 2018
- GCF/B.21/34: Report of the twenty-first meeting of the Board, 17–20 October 2018
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- GCF/B.19/12/Rev.01: Concessionality: potential approaches for further guidance, 24 September 2018
- GCF/B.20/18: An integrated approach for addressing policy gaps to ensure climate impact: An overview of policies presented to B.20, July 2018
- GCF/B.21/03: Incremental and full cost calculation methodology, 28 December 2018
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GCF/B.19/32/Add.01: Readiness and Preparatory Support Programme: Revised work

GCF/B.12/35: Compilation of submissions: Further development of indicators in the performance measurement frameworks, 20 April 2016

GCF/B.17/08: Operational Framework on complementarity and coherence, 21 June 2017

GCF/B.17/14: Guidelines for Enhanced Country Ownership and Country Drivenness, June 2017

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GCF/B.18/Inf.11: Review of the structure and effectiveness of the independent Technical Advisory Panel

GCF/B.19/15/Rev.01: Readiness and Preparatory Support Programme: progress report

GCF/B.20/05: Annual update on complementarity and coherence, 6 June 2018

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GCF/B.21/05 and Add.01: The review of the financial terms and conditions of the Fund's financial instruments

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GCF/B.21/22: Workplan and Budget of the Independent Integrity Unit for 2019, 26 September 2018

GCF/B.21/Inf.01: An integrated approach to addressing policy gaps to ensure climate impact: an overview of policies related to the consideration of funding proposals

GCF/B.21/Inf.12: The first annual portfolio performance report

GCF/B.22/08: Readiness and Preparatory Support Programme: Strategy for 2019-2021 and Work Programme 2019, 1 February 2019

GCF/B.22/13: Report on the Implementation of the Strategic Plan: 2015-2018

GCF/B.22/14: Matters related to accreditation, including the framework review, and matters related to the baseline of accredited entities: Accreditation framework review, 1 February 2019

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<sup>269</sup> GCF/B.21/34/Annex XVI: Green Climate Fund review documents.

GCF/B.22/17/ADD.01: Synthesis of Board submissions for the review of the Strategic Plan of the Green Climate Fund – Addendum I: Compilation of Board Submissions

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GCF/B.22/Inf.12: Strategic Programming for the Green Climate Fund First Replenishment, 1 February 2019

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Programme for 2018 – Addendum I Final report from Dalberg on the initial review of the Readiness Programme

Safeguarding Climate Finance, Independent Integrity Unit. (2017). *Annual Report*. Green Climate Fund, Songdo, South Korea

The forward-looking road map on the Green Climate Fund's private sector work

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GCF/B.08/38: Recommendations from the Private Sector Advisory Group: Private Sector Facility: Instruments to Mobilize Private Sector Resources

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GCF/B.20/12: Recommendations of the Private Sector Advisory Group on opportunities to engage the private sector in adaptation, 8 June 2018

PSAG recommendations on mobilization of private sector finance to progress the GCF forestry-related results areas

Review of initial modalities of the Private sector Facility: Appendix 1: Consideration of a Private Sector strategy and the GCF PSF Strategy Roadmap (PSF presentation)

UPDATE TO PSAG APRIL 2018 VOLUME. 01

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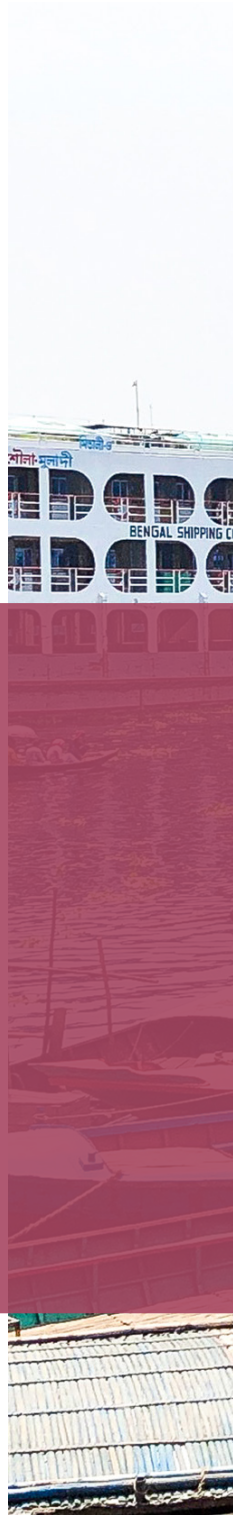
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## A NOTE ON EDITIONS

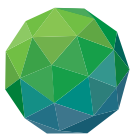
The first edition of the Forward-looking Performance Review was published on the 30th of June 2019. In its second edition (published on the 21<sup>st</sup> August 2019), the following changes were made:

- The report was copy-edited.
- The following corrections were made:
  - The affiliations of stakeholders interviewed for the FPR were corrected (in Annex 5).
  - A footnote was added on page 4 clarifying numbers reported by GCF's trustee.
  - An additional clause was added on page 34 to correctly represent the GCF Board decision on SAP.
  - The description for the Climate Investment Funds (CIF) was corrected on pages 165 and 173.
  - Table X-4 was clarified to indicate that it represents percentages not ratios.





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