GREEN CLIMATE FUND | Independent Evaluation Unit

Second performance review of the Green Climate Fund

Final report

Volume I

TRUSTED **EVIDENCE**.
INFORMED **POLICIES**.
HIGH **IMPACT**.

February 2023

GREEN CLIMATE FUND
INDEPENDENT EVALUATION UNIT

Second Performance Review of the Green Climate Fund

FINAL REPORT

02/2023

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First Edition

ISBN 979-11-982660-0-2

This evaluation is a product of the Independent Evaluation Unit at the Green Climate Fund (GCF/IEU). It is part of a larger IEU effort to provide open access to its research and work and to make a contribution to climate change discussions around the world.

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Citation
The citation details for this evaluation are as follows:
Independent Evaluation Unit (2023). *Second Performance Review of the Green Climate Fund*. Evaluation report No. 13 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

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PREFACE

In the Museum of Egyptian Antiquities in Cairo lie a number of historical objects from throughout the history of Egypt. Some are extraordinary objects, incredible riches of a time long gone. And most others are ordinary objects – combs, jewellery, pottery, tools and sundry everyday objects. Almost unassuming. I stop by the statue of Seneb and his family. Seneb was a dwarf man, who lived about 4,500 years ago. He was the chief of all the palace dwarfs and an important court priest. The roughly 2-foot-tall statue is relatively simple in this museum. After all, anything would appear humble in the company of Tutankhamun's eye watering riches. Seneb's statue was perhaps intended by the family to simply be an object of display. It was definitely not intended to last thousands of years and be regarded as a piece of one of the greatest civilizations by wide-eyed museum goers. A relatively ordinary object in an otherwise extraordinary civilization.

Are great things made up of grand components like the pyramids and the Sphinx, or are great things composed of ordinary things that survive and those that don't?

Regardless of how you might consider that question, it is clear that the future civilizations will judge us on the basis of how we handled the great collective challenge facing humanity: climate change. If you are reading this report, you are likely interested in climate change and climate finance. This report may be one of the ordinary pieces in the long term, but it serves an extraordinary effort of humanity – the Green Climate Fund (GCF). You, dear reader, have an important role in the performance of this institution. From among the various other interesting things you could read, you are spending time on this report because you have an interest in the performance of this institution. And with that interest, you help serve a crucial part of the evaluation function. At first, the authors of this report thank you for spending time on this report and helping us to deliver the evaluation function. We appreciate your indulgence.

The GCF is an extraordinary institution. The nature of multilateral cooperation has undergone a tectonic change in the twenty-first century, and the GCF was one of the first large institutions to be founded and established post this change. The institution is remarkable for a number of things. It gives equal weight to the voices of developing and developed countries. It privileges the stated needs of vulnerable countries, without the conditionality generally expected through traditional channels of development assistance. It was established under the United Nations Framework Convention on Climate Change and the Paris Agreement – themselves pinnacles of multilateralism. Here were virtually all the countries, together, willing to put aside major and minor differences to agree on the larger goals for the greater good. And the GCF is humble enough to accept that it is a learning institution.

Doubts about multilateralism are as old as multilateralism itself. But since the establishment of the GCF, and since the launch of this review, the conversation is again highlighted in the context of geopolitical change. Here is the thing: multilateral institutions require multilateral action. They are easy to give up. But persistence, patience and proactive action have given rise to many fruits of multilateral cooperation: global peacekeeping efforts, eradication of deadly disease and post-disaster reconstruction. The compromises it must need! The success of the GCF is important for the sake of climate action, but also for the health of multilateralism. While not explicitly stated in the report, we also wish to make the reader aware of a potential fragmentation of limited multilateral climate finance.

Taking this and other factors into account, this report finds that the GCF is still incredibly relevant. It offers large, concessional, public finance that focuses on adaptation and is available to contexts of vulnerability. But we find that – in countries and globally – the GCF is not quite greater than the sum of its parts yet. In fact, the GCF may even be somewhat smaller than the sum of its parts, with a possibility of being spread too thin. This report asks the GCF to address the strategic ambiguity, shun the "spray and pray" approach and provide clarity, make tough choices and face the trade-offs. The report asks the GCF to be deliberate, calculated, coherent and "put together". The clarity is essential for countries, partners and others, but also for the GCF itself. This change would need a few things: absolutely clear vision from the top (and it will not be an easy pathway to get to the vision), which is operationalized through a trusted and empowered workforce, with resources that match the vision in an iterative loop. The report recommends that this vision should consider several approaches: for countries that are not able to access the GCF, be the nurturer. For countries with limited planning, be the convenor. For countries that can access climate finance, be the provider. In each case, help the countries to make strategic choices. At the moment, it appears as though the institution is trying to achieve everything all at once. We are not recommending a trimming of the mandate but a slower and careful consideration that is realistic and achievable. And then, in this report, we address important questions related to access, implementation, risk and results. We hope to raise the profile of some of these topics in your subsequent GCF discourse.

Now a few words on some technical dimensions of the evaluation.

If it walks like a duck, and it talks like a duck, it is a duck. The trouble with evaluating the GCF is that it walks like one thing, talks like another, and works like yet another. Now a finance institution, now a capacity builder, the GCF is a shapeshifter that looks different from every vantage point. This leaves us evaluators with no fixed frame of reference except the GCF itself. To assess the performance, we have used the previous strategic period as a reference.

Also, as you go about reading the report, the evaluation team must clarify its normative position. If there is one normative direction that binds this report, it is that this institution has to work. We are convinced that this experiment of multilateralism will provide lessons not just for climate finance but for development assistance broadly. The public finance that this institution provides is not just capital. It is in fact a very important signal to governments, the private sector, investors and beneficiaries alike. The impacts could be far beyond the scope of the project itself. As evaluators, we also have to acknowledge that we are deeply invested in climate action and the role and welfare of this institution. We are also driven (or even biased, if you will) by several other dimensions of the mandate: direct access, country ownership, speed, impact, and even dimensions of climate justice and equity.

With that, we present to you the result of tremendous efforts by a very large team spread around the world, one that fanned out to project sites and a dozen countries and undertook more than 700 interviews over almost two years! In the grand scheme of things, this report may be an ordinary piece, not unlike Seneb's statue. To us, it was a special effort and contribution for this extraordinary institution. We hope that this report helps some of your reflections on the future path and informs your opinions and decisions. If to a future civilization this report may look like an interesting (even if ordinary) part of an extraordinary institution like the GCF, we should be able to sleep well.

The credit for the report goes to the teams mentioned in the next few pages. The errors are mine.

Archi Rastogi, Ph.D.

ACKNOWLEDGEMENTS

Members of the Independent Evaluation Unit (IEU) and the Second Performance Review (SPR) team have spent over two years on this report. It has been a massive undertaking beyond the scope of any one individual's efforts. It really does take a village. And in this case, the long time period has meant that many individuals walked in and out of the SPR journey, playing their part and departing after leaving an indelible print.

Besides the main authors, members of the SPR team also included Youn Soo Park, Tatiana Kan and Howard Marano, all of whom delivered precious analytical and administrative responsibilities.

At first, the authors want to thank colleagues who worked on data collection, analysis and reporting for different parts of the report. These have included former IEU members Mark Hopkins, Hellen Nassuna, Safaa Loukili Idrissi and Swati Saini. The SPR would not have been possible at all without the extensive work of the DataLab. Besides those already mentioned, special acknowledgement is due to Peter Mwandri, Laurene Torterat, Chenhao Liu, Byungsuk Lee and Junior Abdul-Wahab.

While the entirety of the IEU participated in the delivery of this report, we thank, in particular, the following colleagues for periodic comments and being our guardrails and thinking partners: Yeonji Kim, Susumu Yoshida, Martin Prowse, Prashanth Kotturi and Anastasia Aladysheva.

The SPR was also able to undertake case studies in 12 countries. These studies were led by Peter Weston, Anna Zucchetti, Laura Hammett, Colleen McGinn, Matthew Savage and Detlev Puetz (the latter three also being co-authors of the report). These country case studies were ably supported by our colleagues within the countries: S.M. Jakaria (Bangladesh), Tamar Antidze (Georgia), Nandi Nabaraj (India), Lucy Njigua (Kenya), Asiyath Ibrahim (Maldives), Dr. Khadija Hssaine (Morocco), Rose Uwagirisa (Rwanda), Osborn Cains (Solomon Islands) and Nghiem Thi Phuong Tuyen (Vietnam). Poonam Nagarkoti provided support to the India case study. We urge the reader to consider the rich details in the country case studies annexed to this report online.

In addition, the authors acknowledge the work of several other colleagues. Besides those mentioned elsewhere, other colleagues participated in deliverables of the SPR: Bruna Oliviera, Daniela Rey Christen, Leila Swan and Asha Warsame. Arlette Ayoroa, former IEU staff, provided support with interviews in Spanish and with the country case study in Peru. We also thank colleagues from the procurement unit who supported us through the process. Logan Pfeiffer and Audrey Magnuson have helped this and other products of the SPR with painstaking work on references – an often thankless and stressful but absolutely critical part of the undertaking. In addition, the authors owe a huge thanks to the editor and the designer for this report. This stage has the highest pressure for any written product, and the SPR has had several products. Our editor, Beverley Mitchell, and designer, Giang Pham, have been consistently reliable and always delivered with good humour. Thank you! Beverley, you did really work with us through sickness and health. We are grateful!

Finally, we also have to acknowledge the time and effort of the staff members of the Secretariat, those who made themselves available for interviews and reflections, and those who shared available data. We also thank all the respondents, all 700+ of them. And importantly, we thank the members of the Board, alternate members and advisers, many of whom were respondents on this work. We also thank them for entrusting us with this responsibility. We haven't taken this task lightly and hope to have done justice to your expectations.

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GUIDE FOR BUSY READERS

The IEU recognizes that its evaluation reports are distributed to a wide range of stakeholders with different objectives and timeframes for reading them.

The IEU makes the following suggestions on how you might approach reading this final report of the SPR:

- If you have **15** minutes: The Executive Summary.
- If you have **30** minutes: The Executive Summary and the first page of chapters III–VI.
- If you have **45** minutes: The Executive Summary and chapter VII.
- If you have **90** minutes: The Executive Summary, the first page of chapters III–VI and chapter VII.
- If you have **two hours**, the full report.

We appreciate your time and will also make available briefs on the website of the IEU. We also welcome feedback on how to continually improve efforts to ensure that evaluation products are suited to your needs.

ABBREVIATIONS

ADB	Asian Development Bank
AE	Accredited entities
AERU	Accreditation and Entity Relations Unit
AMA	Accreditation master agreement
APPR	Annual portfolio performance report
APR	Annual progress report
CIF	Climate Investment Funds
CN	Concept note
COP	Conference of the Parties
CP	Country programme
CSO	Civil society organization
DAE	Direct access entity
DCP	Division of Country Programming
DFI	Development finance institution
DMA	Division of Mitigation and Adaptation
DP	Delivery partner
DPM	Division of Portfolio Management
EBRD	European Bank for Reconstruction and Development
EDA	Enhanced direct access
EE	Executing entity
ESS	Environmental and social safeguards
EWP	Entity work programme
FAA	Funded activity agreement
FMO	Netherlands Development Finance Company
FP	Funding proposal
FPR	Forward-looking Performance Review
GAP	Gender action plan
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse gas
GI	Governing Instrument
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IAE	International accredited entity
IE	Interim evaluation
IEU	Independent Evaluation Unit
iPMS	Integrated Portfolio Management System

IRM	Initial resource mobilization
IRMF	Integrated results management framework
iTAP	Independent Technical Advisory Panel
IWRM	Integrated water resource management
KPI	Key performance indicator
LAC	Latin America and the Caribbean
LDC	Least developed country
MDB	Multilateral development bank
NABARD	National Bank for Agriculture and Rural Development (India)
NAP	National adaptation plan
NAWASA	National Water and Sewerage Authority
NDA	National designated authority
NDC	Nationally determined contribution
NGO	Non-governmental organization
OED	Office of the Executive Director
ORMC	Office of Risk Management and Compliance
PAP	Project approval process
P&I	Privileges and immunities
PPF	Project Preparation Facility
PSAA	Project-specific assessment approach
PSF	Private Sector Facility
PV	Photovoltaics
RFP	Request for proposals
RPSP	Readiness and Preparatory Support Programme
RRMF	Readiness results management framework
SAP	Simplified approval process
SIDS	Small island developing States
SPR	Second Performance Review
THL	Tina Hydro Limited
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
USP	Updated Strategic Plan

EXECUTIVE SUMMARY

OVERVIEW

The Governing Instrument (GI) of the Green Climate Fund (GCF or the Fund) provides for periodic independent evaluations of the performance of the Fund in order to provide an objective assessment of the results of the Fund, including its funded activities and its effectiveness and efficiency. The Independent Evaluation Unit (IEU) of the GCF undertakes evaluations according to Board-approved workplans and is responsible for the overall performance review of the Fund every programming/replenishment period. The GCF Board launched the Second Performance Review (SPR) through decision B.BM-2021/17.

The SPR covers the GCF-1 period and seeks to inform, among other things, the next update to the strategic plan (USP-2), currently being discussed for the GCF-2 period (2024–2027). The scope of the SPR includes (1) evaluating the GCF's progress in delivering on its mandate as set out in the GI and its strategic and operational priorities and actions as outlined in the USP, and (2) the performance of the GCF in promoting a paradigm shift towards low-emission and climate-resilient development pathways, including the effectiveness and efficiency of the funded activities. The review's approach paper[1] further clarified key areas for the SPR, including the institutional architecture and performance, translating mandate into policies and priorities, country needs and ownership, access to GCF funds, programming and results.

The SPR uses a mixed-methods approach for data collection and analysis. The findings are based on an extensive document and literature review; semi-structured interviews with more than 700 stakeholders; 12 country case studies and cross-case analysis; a survey administered to stakeholders with key perspectives on GCF governance and management issues; benchmarking with comparator organizations; and systematic portfolio data and document analysis led by the IEU DataLab. The SPR is also deeply informed by (a) a *Report of the Synthesis Study* (delivered for the thirty-first meeting of the Board [B.31]) that synthesized nearly 200 documents reviewed in detail, including eight evaluations and studies conducted by the IEU over the GCF-1 period, and (b) a *Rapid Assessment of the Progress of the Green Climate Fund's Updated Strategic Plan*, delivered in mid-2022 for B.32. At the request of the Board, the IEU also presented a summary report of the SPR at B.33, which represented an interim view on the findings and recommendations areas.

The primary limitations faced by the SPR were related to evaluative evidence, including weak monitoring and reporting data, the evolution of reporting requirements and formats over time, lags in the availability and review of data,[2] and the fact that much of the GCF portfolio is still in the early stages of implementation. These limitations were particularly challenging for evaluating results and were mitigated by constructing and developing new data sets to provide additional evidence, such as from interim evaluations and annual progress reports (APRs), as well as by an increased focus in the country case studies on results assessment. An additional limitation was related to the rapidly and incrementally evolving nature of the GCF, with Secretariat processes and efforts changing regularly throughout the evaluation period, along with the policy landscape and investment portfolio. The evaluation team made concerted efforts to update data to reflect the latest available Secretariat

[1] To access these documents, see https://ieu.greenclimate.fund/evaluation/second-performance-review-spr-green-climate-fund#key-docs.

[2] For example, only a small number of annual progress reports (APRs) for 2021 had been reviewed and cleared by the Secretariat at the time of writing, and thus the SPR had to rely on unreviewed APRs for 2021.

reporting and to conduct late-stage interviews with some key actors to capture the latest activities. Data collection concluded for the SPR in November 2022.

Quality assurance for the SPR main report has been supported by a review process with the Secretariat for comment on factual and analytical errors. In addition, the 12 country case study reports that inform the overall SPR have undergone a similar review process facilitated through national designated authorities (NDAs).

KEY FINDINGS AND CONCLUSIONS

The GCF has steadily evolved and matured as an organization over the first three years of GCF-1, as it works to deliver on its GI mandate and USP objectives. Critical work has been done to institutionalize policies and processes, building on the initial resource mobilization (IRM) period, and some benefits are starting to be realized, including through higher-quality funding and readiness proposals, increased programming volumes and modest improvements in process efficiency. The size of the portfolio doubled in the first two years of GCF-1 and now exceeds USD 11 billion as of B.34, with four fifths of approved projects under implementation. Readiness support has been delivered to 141 developing countries, and 128 countries have had projects approved and are working with 51 accredited entities (AEs). Yet there has been a tendency to focus on incremental improvements rather than clarifying the larger questions around objectives and priorities. Operational processes continue to be protracted, to the point of harming the GCF's reputation.

As the GCF considers updates to its strategic plan for GCF-2, it finds itself at a crossroads in its strategic development. The Board has an opportunity to set clearer strategic direction and provide a focus through the next USP that can clarify operational priorities and the operating model. If unaddressed, many of the current strategic and operational tensions and challenges may threaten the reputation and impact of the GCF, but they also present pivotal opportunities for the Fund to define its path forward in GCF-2. The GCF can learn from rather than repeat the experiences of other climate and development institutions, and it can forge its own way in delivering on its mandate to enable country-owned pathways towards a low-emission and climate-resilient future.

INSTITUTIONAL ARCHITECTURE AND PERFORMANCE

Governance and management

GCF governance has had many successes in GCF-1, despite the challenges associated with operating during the COVID-19 pandemic. The SPR does not identify any insurmountable challenges of governance, structural or otherwise. The Board is effective in its key functions of approving funding proposals (FPs) and approving entities for accreditation and is actively pursuing options to clarify and improve Board operations. Transparency and integrity are relatively strong in the GCF, which supports accountability, although the role of the Conference of the Parties is perceived as a weaker one in terms of an accountability function for the GCF. The GCF compares well to other international organizations in terms of non-state representation, with civil society organizations (CSOs) and private sector organizations (PSOs) institutionalized in the GCF governance structure from the start. However, some weaknesses in the observer function continue to constrain observers' ability to meaningfully influence GCF Board decision-making.

The GCF's novel governance design of parity between developed and developing countries brings legitimacy but compromises efficiency, especially given the Fund's proximity to the politics of the United Nations Framework Convention on Climate Change (UNFCCC). While policy decision-making has historically been slow and a few key policy gaps remain, it has accelerated in the second half of GCF-1, with several key policies approved, suggesting that the Board may be starting to resolve some of its growing pains. The bifurcated governance design has also posed a challenge for the Board in setting a strategic vision for the Fund. Stakeholders do not yet share a common vision for the Fund, leading to an overly broad "do it all" approach. In light of finite resources, the time has come to clarify the GCF's vision in certain areas, such as the balance between the urgency of the climate challenge and the long-term need to build climate finance capacity in countries and entities, the extent to which the GCF works through its partners or takes a more direct and strategic role (e.g., to influence climate finance flows or convene partners around nationally determined contribution (NDC) investment planning processes), and the extent to which countries' demand directs GCF programming compared to the GCF's orchestrating of larger strategic global or regional paradigm shifts.

While the formal rules of the Board are laid out and clear, the understanding of informal governance norms may differ across the Board and can set differing expectations (especially in the context of virtual meetings that reduce informal interactions), including for the roles of Co-Chairs and Advisers. Remaining policy gaps and blurred lines between governance and management functions and authorities are also now impeding progress.

The GCF and the broader partnership

The GCF has a privileged position within the climate finance landscape, by virtue of its size and status under the UNFCCC, and it sits at the hub of a global partnership network. However, the Fund has not yet developed a strategic approach to partnership that (a) more broadly considers NDA, AEs, delivery partners (DPs), civil society and the private sector and (b) mobilizes its network towards achieving strategic and coordinated programming opportunities. The GCF has not yet fully articulated the role that it wishes to play at the country level, nor the respective contributions expected of the Secretariat, NDA, AEs, DPs and other partners. The model generally implies a need for high-capacity NDAs and AEs – which many countries lack - to ensure that GCF projects underpin the delivery of national climate priorities, since the Secretariat lacks the capacity and resources for direct engagement. Furthermore, GCF readiness support and the DP function are not well designed to facilitate the type of long-term institutional relationship necessary to anchor the GCF as a core national partner, and limited incentives exist for AE and DP partners to engage on the GCF's behalf beyond project boundaries. While there is some evidence of coherence and complementarity, GCF efforts to mainstream greater policy alignment and institutional collaboration do not yet appear to have resulted in significantly more structured or strategic engagement at the national level.

At the same time, the needs of countries are evolving from core policy and target formulation towards the more complex process of sector-level investment planning and project delivery. In this context, the GCF is considering how to evolve its partnership role and exploring its potential role in supporting more strategic transformation, including just transitions, sectoral pathways and associated climate finance planning. The role that the GCF and its partners might play (e.g., convenor, capacity builder, strategic planner, financier) may differ depending on the level and type of need. However, all would require significant structural and resource changes for the Fund to play a more direct and central role in countries should the GCF have ambitions to facilitate transformational investment planning and programming. As a result, opportunities for strategic-level synergistic effects and transformational impact are being lost, not only within the GCF portfolio but also more widely.

ACCESS TO THE GCF

Through accreditation, the GCF has established a network of diverse AE partners – including many national and regional direct access entities (DAEs). This network needs strengthening to deliver on GCF and country priorities. In total, 115 AEs have been accredited to date. There are, however, continued programming gaps at the GCF and country levels due, in part, to too few private sector DAEs and weak policies, low staffing levels and lack of experience with climate finance among DAE candidates. The AE network needs to be strengthened to ensure that it comprises capable and diverse entities that are well positioned to deliver on future GCF and country priorities, high-quality project implementation and the GCF's fundamental goal of direct access.

Direct access is growing in the approved GCF project portfolio but does not yet reflect the Fund's ambitions. The approved project portfolio remains skewed towards international accredited entities (IAEs), and a relatively small number of DAEs have been successful in obtaining project funding via the GCF. Remaining challenges include that countries struggle to identify entities and that entities struggle with accreditation. The accreditation process remains protracted, inefficient and insufficiently transparent and is not linked to programming. Accreditation requirements and outcomes are also insufficiently differentiated by entity characteristics. DAE capacity also remains a major constraint for increasing the proportion of resources channelled through direct access. GCF capacity support through the Readiness and Preparatory Support Programme (RPSP) and Project Preparation Facility are yet to show major results at scale for DAE programming. A shift towards more focused support for DAE pipeline development is partly under way, but it is too early to observe the results. The expectation that IAEs will build the capacities of DAEs – without associated resources or incentives – has also proven false; related requirements would benefit from being modified.

Access and accreditation remain overburdened with multiple goals, some of which could be more effectively and efficiently met through other channels. This includes other forms of GCF partnerships, country capacity-building and access mechanisms. Alternative mechanisms for Fund access have either not been sufficiently effective or are underexplored and deserve more attention in the new strategy. This includes access as DP or executing entity, through subgrants or subloans, and in enhanced direct access and the project-specific assessment approach. Alternative models of direct access exist from other trust funds such as the Global Fund to Fight AIDS, Tuberculosis and Malaria; Gavi, the Vaccine Alliance; and the Global Partnership for Education. These models involve a country coordination mechanism, composed of relevant government and non-government actors, that determines programmatic priorities, identifies the implementing partners and oversees implementation. Such a model appears feasible within the provisions of the GI but has not been fully explored in the context of the GCF.

The GCF lacks a vision and strategy for a manageable AE network of capable and diverse entities that are well positioned for emerging GCF and country priorities. Without a clearer purpose for accreditation, the network of AEs continues to grow with limited consideration of the associated benefits, costs and risks – as well as the Secretariat's capacity to manage it. An ever-growing network may reduce the AE-to-project ratio, and thus the attractiveness of accreditation to potential AE partners, especially if the accreditation process continues to be protracted.

The pending finalization of the USP and strategic matters related to the accreditation strategy offer an opportunity to "reset" the GCF's approach to access, refine the Fund's vision and strategy for a manageable and priority- and needs-aligned AE network, and explore alternative access mechanisms. At the centre of future accreditation and access must be better ways to build DAE capacities for project development and implementation.

PROGRAMMING FOR RESULTS IN RESPONSE TO COUNTRY NEEDS

Robust upstream programming is critical, including readiness support and helping countries to prioritize activities and develop actionable investment plans, but the best pathways are still being established. Historically, country programmes, entity work programmes and RPSP grants have been insufficiently focused to efficiently utilize limited resources in ways that facilitate achieving the full potential of country programming.

Proposal review processes have improved significantly over time, and the quality at entry of projects presented to the Board is increasing. The GCF is processing an increasing and substantial volume of concept notes and FPs, even during the challenges of the pandemic. Internal processes have become more systematized, and requirements continue to be clarified both internally and externally, although these improvements are not yet producing meaningful changes in processing times and experiences from partner perspectives. Specific processes and requirements are also constantly evolving, which can make it challenging for partners to keep pace.

Despite the ever-increasing volumes, process improvements and increasing quality, partners continue to perceive the project appraisal and approval cycle as bureaucratic, lengthy, inconsistent and non-transparent. The forward-looking performance review of the GCF in 2018 found a clear need for the GCF to pursue streamlining and efficiency gains – a need that persists into GCF-1 with urgency now to further consider efficiency in terms of expectations of partners and to improve partners' experience when interacting with the GCF. The case studies reveal poignant on-the-ground stories of countries losing momentum as well as significant opportunities lost, such as by countries being too discouraged to further engage with the GCF for vital upstream support, AEs no longer willing to sponsor FPs, or where a project concept is no longer relevant because so much time has passed. Many stakeholders have argued for more clearly differentiated pathways for different entities and/or project types. Stakeholders also struggle with the lack of adaptive agility when changes are needed during implementation or for more tailored approaches for different contexts. The Secretariat continues to identify and address issues within its control, but also needs further clarity from the Board on a variety of matters (e.g., multi-country projects and programmatic approaches) to achieve deeper improvements.

GCF approaches for entity and project risk management remain underdeveloped and underresourced. Although first-, second- and third-level due diligence responsibilities have been named, which risks need to be managed by the GCF and which risks can be delegated to partners to manage is not fully clear. Moreover, the GCF has not fully reconciled its approach to its second-level due diligence responsibilities with the scale of its portfolio nor the diversity of its AEs and DPs. The accreditation and partnership approach, with its reliance on AEs and DPs, is a core pillar of the GCF's model, yet requires careful planning, ongoing support, and checks and balances at every stage to ensure sufficient access and quality throughout the programming and implementation cycles.

The current system of portfolio oversight does not appear to be readily scalable for a rapidly growing portfolio of funded activities. Many Secretariat divisions and independent units have responsibility for different aspects of risk management, but the interactions and ultimate accountabilities are not all well understood, often leaving risk ownership unclear and risk culture limited.

The GCF is in the early stages of its knowledge management practices, a stage that is broadly consistent with its organizational maturity but not yet sufficient to facilitate thought leadership. The GCF has a knowledge management strategy and action plan that is not yet fully implemented and institutionalized, but efforts are under way. Projects may have a wealth of information that is not yet being effectively or efficiently processed to support internal feedback loops or facilitate learning in support of developing further guidance to partners.

Results and impact of GCF investments

Progress towards delivery of the USP strategic objectives is mixed, due in part to the way that targets and benchmarks were set. According to IEU projections, the GCF is tracking towards targets and benchmarks as follows:

- Likely to exceed the revised IRM benchmark for mitigation but unlikely to meet its adaptation benchmarks in terms of portfolio-level results
- Expected to meet 0.6 per cent of the conditional mitigation needs and 3.2 per cent of the conditional adaptation needs stated in countries' new or updated NDCs
- Likely to meet targets for funding channelled through DAEs
- Unlikely to meet the adaptation allocation, although the adaptation pipeline is strong, and unlikely to meet the Private Sector Facility targets, although nominal Private Sector Facility funding has increased
- Making slight improvements in the speed and predictability of processes, with some variability

Climate impacts are modest to date, but there are indications that results are forthcoming. Given the long-term nature of climate impact, and the relatively young age of GCF projects under implementation, few projects already report significant actual achievements of greenhouse gas emissions reductions or adaptation impact for beneficiaries and asset resilience. All projects report of their ambition or potential towards paradigm shift, but pathways and actual results are often not clear. Country case studies offered some examples of projects showing early signals of contributing towards paradigm shifts.

Still, many projects are making good implementation progress, and three quarters of projects were rated as having an overall satisfactory performance at midterm. Mitigation projects are generally performing better than adaptation projects. Interim evaluations are optimistic that close to 90 per cent of evaluated projects will reach their ultimate development and climate objectives. Expected co-financing in approved FPs increased slightly in GCF-1, although interim evaluations suggest that realized co-financing is not consistent with expectations at midterm, due in part to COVID-19–related challenges.

Results management has been underdeveloped to serve the GCF's need to demonstrate results as its portfolio matures. The quality of results measurement and reporting has been poor to date; however, the approvals of the integrated results management framework (IRMF) and readiness results management framework (RRMF) are important steps in the right direction, and other retroactive improvements are also under way. Remaining conceptual gaps in measuring leveraged and mobilized private financing mean that the GCF is not able to fully demonstrate its contribution to shifting financing flows towards low-emission and climate-resilient development.

The GCF has been steadily and systematically positioning itself throughout GCF-1 to better address gender equality and social inclusion, including of indigenous peoples. Gaps still exist in terms of the quality of gender action plans and in implementation, which limit meaningful action on the ground.

RECOMMENDATIONS

The SPR makes seven recommendations aimed at informing the strategic direction of the GCF and improving its overall performance.

Recommendation 1. The GCF's strategic plan should clarify the Fund's strategic positioning, articulate programming and operational priorities, and address long-term and short-term trade-offs. The ambition and strategic direction should align with available resources.

1) **The update to the USP should clarify the vision for GCF-2, making critical choices**, including those related to the intended ambition and role of the GCF globally; programming priorities such as with respect to sectors, geographies and resourcing; how trade-offs between long-term and short-term priorities will be handled (e.g., between urgency and capacity needs, between catalysing and financing roles, and among possible in-country roles); and the extent to which the GCF will work through its partners or take a more direct and strategic role.
2) **Resource appropriately and in a timely manner**, matching the short-term strategic vision, choices and ambition in the USP with a realistic assessment of resources. Further, the Board should consider midterm resourcing reviews, recognizing that resourcing will continue to evolve even within a replenishment cycle.
3) **Develop a results framework for delivery of GCF-2 with targets and indicators**, covering outcomes and impacts expected from GCF-2, and coherent with the IRMF, as well as leading indicators and/or targets such as for investments, allocations and/or other key metrics at earlier stages that directly flow into anticipated outcomes.
4) **Ensure that the strategic vision is widely communicated throughout the broader GCF partnership,** including to countries and partners in a clear and transparent manner.

Recommendation 2. At the country level, the GCF should clarify its intended approach and possible roles, aligning with the available resources.

1) **Articulate the extent of the GCF's ambition to engage strategically in country and the role(s) it wishes to play, based on a clear assessment of opportunities, challenges and strategy.** The GCF could play various roles in countries – for instance, capacity builder, convener around investment planning, strategic adviser or simple funding partner. From among these and other roles, the GCF should consider differentiated engagement models depending on prevailing levels of capacity and access to other financial and technical support.
2) **Widen the GCF partnership definition and undertake a systematic mapping of partners' capacity and interest to engage strategically at country level, culminating in a strategic approach for GCF country partnership.** To identify the role in 2(a) the GCF should do the following:
    a) Expand the concept of partnership beyond simply AEs or institutional partners, to reflect all institutions that might play a role in climate action in the countries. Beyond the NDAs, DPs, CSOs and PSOs, these may include donors, philanthropies and development finance institutions.
    b) Undertake a structured and systematic mapping of its partner institutions to understand their capabilities, resources and alignment with GCF strategic objectives and country needs. The scope of GCF partnership may expand with changes in its own intended role.
    c) Exercise realism around the willingness and resources of partners to act as agents to deliver beyond project-funded objectives (e.g., representing the GCF in national dialogue, partnering with DAEs and private sector institutions to build capacity,

engaging in planning processes around NDCs, NAPs and sectoral strategy). If partners are to serve expanded mandates beyond project-funded objectives, adequate resourcing should be put in place.

d) On the basis of the above clarity, develop a country partnership approach aligned with recommendations 1(a) and 2(a), resulting in country programming that specifically responds to context and needs. In this way, whether as a finance provider or a convenor and whether directed at wholesale economies or sub sectoral change, GCF support should be driven by intention and suited to support a paradigm shift.

3) **Clarify any future role for country programmes and entity work programmes,** retaining the core elements – alignment and prioritization – but aligning these tools with the strategic approach to country partnership that the GCF determines (as per recommendation 2(a)).

4) **Clarify the role of readiness support, particularly in the context of strategic engagement**. The SPR recommends that readiness support should link to GCF goals – for example, NDC investment planning, GCF programming, private sector engagement and post-accreditation support. The vision and purpose of readiness should take into account the Secretariat's experience on needs in diverse contexts, practical intervention approaches, other actors that are better positioned to support readiness, and bottlenecks and inconsistences within the Secretariat's operations.

Recommendation 3. Review accreditation priorities. Support and explore other access mechanisms beyond accreditation. Build capacities for better access and country-owned FP development and enhance accreditation process efficiency and transparency.

1) **Identify the Fund's accreditation objectives and communicate them clearly, both internally and externally.**

   a) Overcome gaps in the accreditation strategy by defining primary accreditation objectives, in line with recommendations 1(a) and 2(b). In light of GCF limitations with managing, incentivizing and measuring multiple purposes, it is recommended that the principal purpose of accreditation should be lean, that is to say, focused on the quality development and implementation of FPs. Entity capacity development is a means to ensure accreditation for FP delivery.

   b) Fully communicate the accreditation role internally and to GCF partners and candidate AEs.

   c) Further tailor accreditation (processes and conditions) to entity types and capacities, especially for private sector, CSO and subnational entities.

2) **Identify and proactively support alternative and graduated pathways for developing country entities to access the Fund; explore long-term alternatives to the current AE model.**

   a) Identify and publicize ways to access the GCF, including engaging in programme subprojects, subgrants and subloans, including through the enhanced direct access process, or serving as executing entities for GCF funded activities or as DPs for RPSPs. The project-specific assessment approach is another emerging option.

   b) In the long-term, the GCF should fully explore alternatives to the current accreditation and access model, such as those practised by other international agencies, especially for country entity access.

3) **Manage accreditation and access to fit with GCF and country programming priorities and needs. Align them well with Fund project resources and Secretariat management capacities.**
    a) Consider the size of the AE network in terms of Fund project resources, Secretariat management capacities and other resources needed at global and national levels for accreditation and reaccreditation processes and building DAE capacities.
    b) When prioritizing entities for accreditation along GCF priorities, take into account advanced AE applicants that are prioritized by countries or already supported by the GCF.
4) **Target DAE capacity-building for country-owned project development and implementation.** The GCF should direct readiness and other capacity support more towards supporting accredited and nominated DAEs to develop country-owned and GCF-aligned concept note / FP pipelines, integrated with accreditation support where appropriate. IAEs could be incentivized to support DAE capacities and alternative access mechanisms (such as with accredited and nominated DAEs serving as executing entities or as co-AEs) – for example, through a favourable IAE fee structure, additional RPSP funds or prioritized access to the Project Preparation Facility.
5) **Enhance the efficiency and transparency of accreditation and reaccreditation processes and clarify benchmarks for reaccreditation.** The GCF should increase the transparency of the accreditation process with nominated DAEs through designated GCF relationship managers and communication management. AEs and NDAs should be systematically informed about changes to GCF policies, guidelines and programming priorities. On reaccreditation, AE benchmarks to qualify for reaccreditation should be clarified (based on the overall purpose of accreditation), such as on shifts of overall AE portfolios towards low-emission and climate-resilient pathways and IAE capacity support to DAEs.

Recommendation 4. Continually improve the efficiency, predictability and relevance of operational systems, ensuring they reflect policy priorities, strategic objectives and climate urgency, especially targeting the delays within the GCF's control.

1) **Continually streamline and refine operational modalities** to deliver the strategic priorities identified in recommendation 1(a). Refinements should seek to improve partners' experience – such as by increasing speed, clarity, predictability and overall relevance to context. The Secretariat should develop more robust mechanisms and conduct regular reviews to ensure systems and processes are, and continue to be, fit for purpose and appropriately resourced and that they survive staff turnover or other organizational challenges.
2) **Realign staffing, organizational structures and monitoring strategies to better facilitate reaching the same collective goals.** The Secretariat should further improve staffing strategies, to ensure sufficient staff with the appropriate skill sets, including appropriate staffing to proactively steer operations to minimize bottlenecks. This includes maintaining sufficient regional/local expertise as well as appropriately balanced technical skill sets to fully operationalize the vision set by the new USP and as processing volumes evolve at each stage. In another example, the Secretariat should review inter-division and inter-unit coordination to ensure alignment among those involved in partner engagement and upstream pipeline development. The Secretariat also should conduct regular reviews to ensure that individual staff, group and unit-level key performance indicators – as well as more qualitative incentives, communication structures and feedback loops – are mutually supportive and synergistic in operationalizing the USP priorities as the context evolves.

3) **Ensure modalities and operational structures are sufficiently nuanced to address the range of partner needs and experiences.** The Secretariat should build in sufficient flexibility so that modalities are sufficiently differentiated to reach and serve the totality of the targeted audience – such as entities and countries in Africa, the least developed countries and small island developing States – regularly soliciting feedback from partners as needs evolve. Any requirements placed on partners should be sufficiently practical, relevant and realistic for the context while efficiently and sufficiently meeting GCF needs. This also includes providing critical support or alternative approaches when a default pathway is unworkable.
4) **Continue to upgrade direct communication, as well as guidance documents developed to articulate GCF expectations, and share emerging lessons with partners.** The Secretariat should ramp up efforts to clearly communicate, beyond the GCF's general priorities, the specific ways partners can most efficiently engage with the GCF, including what it is and is not looking for, what support it does and does not provide, and the specific mechanisms for engagement. As partner needs and GCF priorities evolve, the best modes of communication, including level of detail and most-helpful examples, would be expected to evolve as well.

Recommendation 5. Pivot from an approval orientation towards one that emphasizes results and learning, with a coherent results architecture for GCF-2.

1) **Urgently operationalize the IRMF and RRMF.**[3] The Secretariat should expedite the operationalization of the IRMF and RRMF, to ensure high-quality monitoring and reporting of readiness and climate results. Methods for measuring catalysed, leveraged and mobilized private finance must be finalized and implemented to assess contributions to the Paris Agreement.
2) **Improve implementation management processes, with full examination of the received feedback that the GCF needs flexibility to adapt to the realities of implementation.** The Secretariat should make improvements in clarity, predictability, responsiveness and flexibility in project implementation management approaches to fit the diversity of the portfolio and reduce delays caused by GCF administrative issues. It will also be important to significantly improve the APR template and related tools to support results and risk management.
3) **Strengthen learning and feedback loops.** As the GCF solidifies its fundamental results and risk management systems, it should also start shifting towards a structure and resourcing that can encourage learning and feedback loops across projects, countries and agencies more systematically. The GCF should operationalize knowledge management practices to gather, synthesize and exchange knowledge that is generated through its RPSP grants and funded activities, in order to facilitate more effective and transformational programming and implementation. This includes systems to support internal exchange, within the GCF Secretariat, as well as external exchange with the broader GCF partnership and beyond.
4) **Enable efficient GCF oversight and learning during implementation, with resources aligned for this objective.** Efforts are under way to develop capacity for implementation oversight and knowledge management functions, but ultimately Secretariat resourcing needs to be commensurate as funds under management and project complexity increase.

Recommendation 6. Urgently clarify the GCF's approach to managing entity and project risks, for funded activities and RPSP grants.

[3] Some lessons for improvement and future modifications to the IRMF are beginning to emerge. The SPR assumes that these lessons will be used at the earliest available opportunity for revisions to the IRMF.

1) **Review the approach to due diligence of entities and projects.** The GCF should consider a differentiated approach to second-level due diligence for portfolio risks, in light of the diversity of the portfolio and AEs. This could include, for example, a portfolio-based approach to risk monitoring for some types of AEs and projects, as well as engaging third-party monitors for closer oversight for other types. A review of the GCF's approach to due diligence also needs to consider the extent of GCF oversight over subprojects in GCF programmes and the risks entailed.
2) **Match the evident risk appetite to stated risk appetite.** The Board should ensure that the current review of the GCF's risk appetite results in an updated risk appetite that is robust enough to encompass the diversity and character of GCF investments. The Secretariat should then update its operational processes, including internal review and monitoring approaches and feedback loops to fully operationalize the updated risk appetite statement. The GCF should ensure that the risk appetite is reviewed regularly to ensure appropriateness and relevance as both programming priorities and the context in which the GCF operates evolve.
3) **Clarify project risk ownership, including expectations and accountability mechanisms for partner entities and project implementation.** The Board should urgently and fully clarify the policy coherence relating to risk appetite, assessment and ongoing management, including what applies across all contexts and what may be context specific. For example**, t**he GCF should clarify whether AE or GCF policies apply in the event of a contradiction between the two. Any policy or operational updates as well as any change in expectations of partners should be clearly and proactively communicated to partners with active proposals and projects. The ownership of risks between the GCF and its partners as well as within the GCF should be consistently clear, with the ultimate objective of enabling projects to take risks corresponding to the risk appetite.
4) **Increase the robustness, coherence, continuity and consistency of risk management practices throughout the programme cycle and entity oversight processes.** The Secretariat should increase efforts to improve internal risk management practices already identified, incorporating any changes needed from the updated USP or other policy updates. This includes ensuring comprehensive coverage, clarity of roles, internal ownership, stronger coordination and feedback loops across all units. This likely also includes increased staffing for key roles – for example, in compliance, auditing and field monitoring – as well as ensuring these staff members have the appropriate skill sets and resources.
5) **Secure privileges and immunities (P&I) agreements.** With less than 20 per cent of the needed P&I agreements yet in place, the Secretariat should expedite P&I agreements with the remaining countries.

Recommendation 7. Strengthen governance processes to provide more effective and efficient leadership for the Fund.

1) **Improve governance efficiency.** The GCF Board and Secretariat should take steps to improve the efficiency of governance, such as through more effective use of Board committees to facilitate efficient consensus and decision-making, establishing stronger and commonly understood informal governance norms (such as through facilitation, informal exchanges, retreats, learning from best practices of the UNFCCC and of other multilaterals), developing more extensive and inclusive consultation processes to ensure that policy items are politically ready when they are brought to the Board floor, and other processes to build leadership and cultivate common understanding. The GCF should consider the provision of human resource support (for instance, dedicated resources to support adviser), particularly to Board members

from developing countries, to enable meaningful participation in Board affairs. Ultimately, the Board should be able to demonstrate collective leadership, while making strategic choices, even difficult ones, which will ultimately determine the effectiveness of the institution.

2) **Support trust-building and self-reflection among Board members.** Consideration should also be given to supporting mutual understanding and learning among Board members through establishing a regular process of self-assessment. This confidential process should facilitate honest and constructive reflection on the strengths and weaknesses of the Board as a whole, rather than individual members, seats or constituencies, and focus on integrating lessons from the experience into more effective leadership of the Fund. The GCF should emphasize cross-constituency informal meetings, onboarding and integration of new Board members, and informal exchanges with the Secretariat.

3) **Build the capacity of the Secretariat to support Board decisions.** In recognition of the Secretariat's important role in supporting decision-making, efforts should be made to build the capacity of the Secretariat staff members who support the Board with policy decisions. This could include, for example, training on facilitation, bias and communications.

4) **Continue working to update the policy suite.** Many existing action items relating to policy need further attention, such as identifying and closing strategically and operationally essential policy gaps, retiring outdated mandates, establishing a more coherent policy landscape, and further codifying policy implementation and review processes. The policymaking process would also be enhanced by clarifying the Fund's policy framework and classifications – along with the associated responsibilities.

5) **Clarify blurred lines between governance and management.** A stronger delineation of roles and responsibilities among governance and management bodies, including the Board and its committees, Secretariat and independent units – especially clarifying responsibilities to minimize overlaps, gaps and conflicts – would also reduce uncertainty and inconsistency and support more streamlined policymaking and decision-making. As the GCF continues to mature, the Board should seek to reduce its involvement in day-to-day operational functions and shift towards more oversight over strategy and policy implementation.

6) **Revisit the observer function to address weaknesses.** Revisions to the observer guidelines should be finalized, as has been planned for five years. Actions could include (a) clarifying processes for observer consultation to ensure that input is systematically sought at an appropriate time during deliberations and is consistently sought for policy and strategy documents, and (b) financially supporting the developing country CSO Active Observer to travel to Board meetings.

MAIN REPORT

Chapter 1. INTRODUCTION

A. PURPOSE AND SCOPE

1. The Governing Instrument (GI) of the Green Climate Fund (GCF or the Fund) provides for periodic independent evaluations of the performance of the Fund in order to provide an objective assessment of the results of the Fund, including its funded activities and its effectiveness and efficiency. The Independent Evaluation Unit (IEU) of the GCF undertakes evaluations according to Board-approved workplans. The IEU's terms of reference provide that the IEU will be responsible for the overall performance review of the Fund every programming/replenishment period. The IEU's Forward-looking Performance Review of the GCF (FPR) covered the initial resource mobilization (IRM) period, spanning from the GCF's first project approval in 2015 through to 2019, and informed the strategy and operations for the subsequent replenishment period (GCF-1), which runs from 2020 to 2023. The GCF-1 period is guided by the *Updated Strategic Plan for the Green Climate Fund: 2020–2023* (USP).
2. The GCF Board launched the Second Performance Review (SPR) through decision B.BM-2021/17. The SPR covers the GCF-1 period and seeks to inform, among other things, the next update to the strategic plan (USP-2), currently being discussed for the GCF-2 period (2024–2027). The scope of the SPR includes (1) evaluating the GCF's progress in delivering on its mandate as set out in the GI and its strategic and operational priorities and actions as outlined in the USP, and (2) the performance of the GCF in promoting a paradigm shift towards low-emission and climate-resilient development pathways, including the effectiveness and efficiency of the funded activities. The approach paper for the SPR further clarified key areas for the SPR, including the institutional architecture and performance, translating mandate into policies and priorities, country needs and ownership, access to GCF funds, programming and results.

B. PROCESS, METHODS AND LIMITATIONS

3. The SPR process involved several interim deliverables that contributed substantially to this final report. These interim deliverables included the following:
   - *Report of the Synthesis Study*, delivered in early 2022 for the thirty-first meeting of the Board (B.31). This synthesis report served to update the GCF Board on the SPR by synthesizing the key findings, conclusions and lessons of the documents and evaluations available in GCF-1, with nearly 200 documents reviewed in detail, including eight evaluations and studies conducted by the IEU over the GCF-1 period, complemented by a limited set of interviews and updated data analyses.
   - *Rapid Assessment of the Progress of the Green Climate Fund's Updated Strategic Plan*, delivered in mid-2022 for B.32.
   - *Approach Paper of the Second Performance Review*, delivered in mid-2022 for B.32.
   - *Summary Report*, which included evidence and findings with initial recommendations. This report came at a time when SPR data-collection and analysis efforts were advanced but not complete and thus represented an interim view on the findings and recommendation areas for the SPR. The summary report was presented by the IEU at B.33, and feedback received from

Board members and advisers, Secretariat staff, and observers was considered in the preparation of the final SPR report.

4. The SPR has used a mixed-methods approach for data collection and analysis, as established in its approach paper.[4] These methods include the following:

- **Literature and document review and synthesis.** As noted above, the synthesis study included an initial and extensive document and literature review. Additional documents were reviewed as they became available, including those associated with subsequent Board meetings in 2022. The document review also enabled benchmarking analysis on key areas of governance and management with comparator organizations such as the Global Environment Facility (GEF); Climate Investment Funds (CIF); Gavi, the Vaccine Alliance; and the Global Fund to Fight AIDS, Tuberculosis and Malaria (hereafter, the Global Fund) – representing some of the largest global partnership programmes providing financing for developing countries through multi-donor trust funds. For further details see the List of documents consulted for the SPR at the end of this report.
- **Semi-structured interviews**. Interviews were conducted with more than 740 stakeholders, including with developing and developed country Board members; Secretariat and independent unit staff; Active Observers; accredited entities (AEs); delivery partners (DPs); national designated authorities (NDAs); and a wide range of country actors, including involved ministries, departments and agencies, civil society organizations (CSOs) and private sector organizations (PSOs), other development partners, and beneficiaries, including local communities, women and indigenous peoples. For further details, see the List of interviewees for the SPR.
- **Country case studies and cross-case analysis.** Twelve countries were purposively identified for case studies: Bangladesh, Georgia, Grenada, India, Kenya,[5] Maldives, Mauritius, Morocco, Peru, Rwanda, Solomon Islands and Vietnam. These countries were primarily identified to represent those with more advanced implementation and results, as well as to provide balance across other portfolio attributes such as adaptation/mitigation, public/private, international accredited entities (IAEs) and direct access entities (DAEs), regional representation, and African States, least developed countries (LDCs) and small island developing States (SIDS). All country case studies involved in-person interviews and site visits, carried out by national and/or international members of the evaluation team. Draft country case studies were provided to the NDA for factual review, and all comments were considered in the finalization of the case study reports. A standard template for the country case studies enabled cross-case analysis that is reflected in the SPR report. See Volume III for the country case study reports.
- An **online survey.** This survey was administered to stakeholders with key perspectives on GCF governance and management issues, including current and former GCF Board members, alternate Board members and advisers serving during the GCF-1 period; select GCF Secretariat and independent unit staff; members of the independent Technical Advisory Panel (iTAP) and Accreditation Panel; and current and former Active Observers serving during GCF-1. Fifty

[4] To access these documents, see https://ieu.greenclimate.fund/evaluation/second-performance-review-spr-green-climate-fund#key-docs.
[5] Namibia was originally proposed but ultimately Kenya was substituted due to the inability of the team to elicit a response from the Namibia NDA.

responses were received,[6] for a response rate of approximately 30 per cent. The survey was launched in June 2022 and closed in July 2022. See Volume II for complete survey results.

- **Systematic portfolio data and document analysis**, led by the IEU DataLab. 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, annual progress reports (APRs), interim evaluations (IEs), and other information from different divisions of the GCF Secretariat. The analysis is based on data that were valid as of 20 October 2022 and includes projects approved through B.34. To utilize the full scope of the data, the SPR considers all APRs for 2021 submitted by AEs as of November 2022, including those not cleared by the corresponding divisions of the GCF Secretariat.
- **Benchmarking techniques.** Benchmarking was used to compare and contextualize GCF operations and governance with comparator funds.
- A **gender equality and social inclusion rating.** This rating methodology was used to examine the level of gender targeting across a sample of GCF programming, ranging from gender blind, to gender aware, gender specific and gender transformative.

5. The primary limitations faced by the SPR were related to evaluative evidence, including weak monitoring and reporting data, the evolution of GCF reporting requirements and formats over time, lags in the availability and review of data,[7] and the fact that much of the GCF portfolio is still in the early stages of implementation. These limitations presented challenges for evaluating results, in particular, as discussed further in Chapter 6. These limitations were mitigated by constructing and developing new data sets to provide additional evidence, such as from IEs and APRs, as well as by an increased focus in the country case studies on results assessment. Because of significant turnover among GCF Secretariat staff, the SPR also faced limitations in terms of the institutional memory of many interviewees. The evaluation team mitigated this challenge by specifically seeking out and interviewing former and outgoing Secretariat staff, where possible, and by interviewing a large number of Secretariat staff at both the management and technical levels. An additional limitation was related to the rapidly and incrementally evolving nature of the GCF, with Secretariat processes and efforts changing regularly throughout the evaluation period, along with the policy landscape and investment portfolio. The evaluation team made concerted efforts to update data to reflect the latest available Secretariat reporting and to conduct late-stage interviews with some key actors to capture the latest activities. Data collection concluded for the SPR in November 2022.
6. Quality assurance for the SPR main report has been supported by a review process with the Secretariat for comment on factual and analytical errors. The evaluation team also organized workshops and webinars at different stages of the evaluation process with relevant GCF staff, Board members and other potential users of the evaluation to gather feedback on emerging observations. In addition, the 12 country case study reports that inform the overall SPR have undergone a similar review process facilitated through NDAs.

[6] Including 16 developing country Board members or advisers and 26 developed country Board members or advisers.
[7] For example, only a small number of APRs for 2021 had been reviewed and cleared by the Secretariat at the time of writing, and thus the SPR had to rely on unreviewed APRs for 2021.

C. ORGANIZATION OF THIS REPORT

7. The remainder of the report is organized as follows:
   - Chapter 2 provides additional background on the Fund, its portfolio in GCF-1, and the broader climate change and finance context of its work.
   - Chapter 3 assesses the institutional architecture and performance of the GCF, including governance and management; the Fund’s broader partnerships with countries, AEs and the private sector; and efforts towards complementarity and coherence.
   - Chapter 4 considers whether the GCF’s approach to accreditation and access is optimized to meet country needs and promote intended impacts, including facilitating direct access.
   - Chapter 5 provides findings related to the GCF programming cycle and how well systems are sufficiently promoting intended objectives and impacts – across readiness and preparatory support, to development, appraisal and approval systems, to post-approval and ongoing implementation, risk and results management.
   - Chapter 6 reviews whether the GCF is on track to achieve investment results, climate impact and paradigm shift, and also covers performance in delivering co-finance and in gender equality and social inclusion.
   - Chapter 7 provides conclusions and recommendations.

Chapter 2. UNDERSTANDING THE GCF AND THE BROADER CONTEXT

8. This chapter describes the GCF mandate, structure and functions, along with its investment portfolio and the broader climate change, climate finance and development context in which the GCF has operated during the GCF-1 period. This overview will aid in the interpretation and contextualization of the findings on GCF performance that follow in subsequent chapters of this report.

A. Understanding the GCF

9. The GCF was established in 2010 by the country Parties to the United Nations Framework Convention on Climate Change (UNFCCC). The mandate of the GCF is described by the UNFCCC-adopted GI. The GCF is an operating entity of the financial mechanism of the UNFCCC. The GCF is accountable to and functions under the guidance of the Conference of the Parties (COP).
10. The mandate of the GCF is to promote a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas (GHG) emissions (referred to as mitigation) and to adapt to the impacts of climate change (referred to as adaptation). Given the urgency and seriousness of climate change, 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.[8]
11. The GCF consists of a 24-member Board responsible for governance and oversight; the Secretariat, which executes the day-to-day operations; and three independent units that facilitate accountability: the IEU, the Independent Integrity Unit and the Independent Redress Mechanism Unit. The World Bank currently serves as trustee for the GCF’s financial resources.
12. The GCF is a partnership institution. It operates through a network of AEs and DPs that work directly with developing countries, represented through GCF NDAs or focal points, to propose projects and programmes to the GCF for funding and to implement them once approved. The NDAs and focal points are appointed by country governments to serve as the interface between each country and the Fund.
13. The GCF invests across eight result areas, covering four mitigation and four adaptation strategic impact areas. The GCF strives to balance its funding equally between mitigation and adaptation and to scale up funding for ambitious projects informed by countries’ adaptation needs and mitigation potential. The GCF also provides funding for project preparation activities and climate finance readiness in developing countries.
14. The GCF places a strong emphasis on country ownership and expects activities to be aligned with the priorities of developing countries. It established a direct access modality so that national and subnational organizations can receive funding directly, rather than only via international intermediaries. The Fund is also expected to take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, in particular LDCs, SIDS and African States.

[8] For more information on the GCF, its policies and programming as well as the latest information on results, see http://greenclimate.fund.

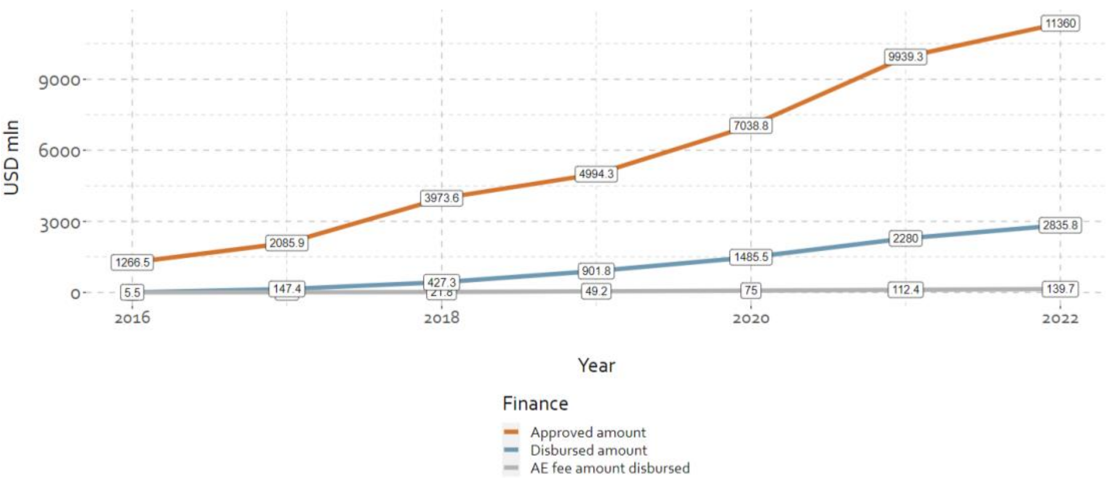
15. The USP sets the direction of the GCF for the current programming period, covering 2020–2023. The GCF investment framework, including its six investment criteria, is the guiding framework for GCF programming and investment decision making. The investment framework is also the foundation of the GCF's integrated results management framework (IRMF) for reporting project achievements against applicable investment criteria. The risk management framework defines the GCF's approach to managing risk at both the institutional and investment levels. It is designed to maintain the level of risk within the bounds of the risk appetite and tolerance set by the Board, and it promotes transparency and accountability. The accreditation framework guides the process of accrediting institutions in order to access GCF funding. The monitoring and accountability framework establishes responsibilities for AEs at the institutional level for compliance with GCF accreditation-related policies and standards, and for the monitoring and reporting of GCF funded projects. Other core operational policy frameworks address sustainability, integrity and administration, among others.

B. Overview of the GCF portfolio

16. The size of the GCF funded activity portfolio has doubled in the first two years of GCF-1 and now reaches USD 11.4 billion in commitments, as shown in Figure 2-1. As of December 2022, 209 projects have been Board approved for implementation in 128 out of 154 eligible recipient countries. The majority of the portfolio has shifted into implementation in GCF-1, with four fifths of approved projects now under implementation and cumulative disbursements at USD 2.9 billion. Combining GCF financing and co-financing, the total value of the approved project portfolio is USD 42.6 billion.

17. Readiness support has also been delivered to 141 countries, and 148 countries have an NDA or focal point. A total of 619 Readiness and Preparatory Support Programme (RPSP) grants have been approved, totalling USD 446.5 million.

Figure 2-1. GCF funded activity finance committed and disbursed over time including AE fees



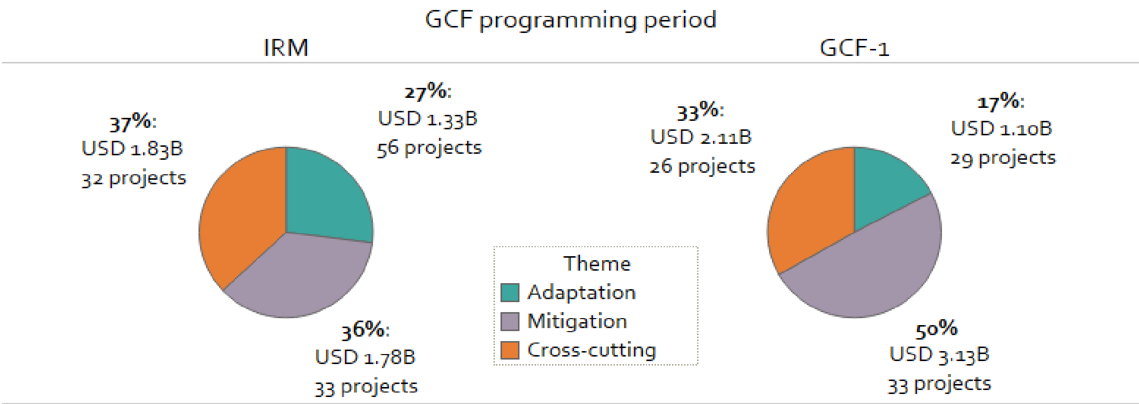
Source: Tableau server iPMS data as of B.34 (20 October 2022), analysed by IEU DataLab.

18. The proportion of approved finance for adaptation, mitigation and cross-cutting projects was quite balanced in the IRM, with 27, 36 and 37 per cent of finance respectively, whereas in GCF-1 the corresponding numbers are less balanced, at 17, 50 and 33 per cent (Figure 2-2). The coverage of

result areas in GCF-1 shows an evening out of approved finance across mitigation result areas and a reduced dominance of the energy sector. Adaptation thematic areas remain similar to the IRM distribution, with a slightly reduced overall share of finance (Figure 2-8).

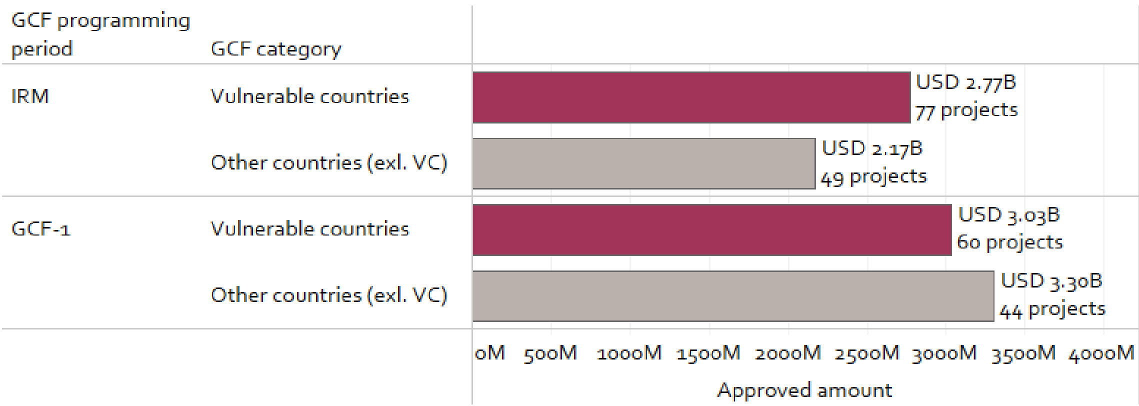
19. The number of projects in vulnerable countries from the LDCs, SIDS or African States groups is notably higher compared to the other countries' group, whereas the amount of funding is lower (Figure 2-3). The proportion of finance channelled to the vulnerable country groups is 48 per cent in GCF-1 and 57 per cent in the IRM. Regional distribution of projects as well as finance has been evening out over time. GCF-1 has been especially productive for the Latin America and the Caribbean (LAC) region; the proportion of approved finance for the LAC region is 33 per cent in GCF-1, which is a considerable increase from 19 per cent in the IRM. On the contrary, Africa reduced its share of the total portfolio from 39 to 32 per cent. A slight decrease is shown in the Eastern European region from 5 to 3 per cent and the Asia-Pacific region's share decreased from 38 per cent of finance in the IRM to 32 per cent in GCF-1. The largest number of projects have been approved in the Asia-Pacific and Africa regions, followed by the LAC region as of B.34 (Figure 2-4).
20. GCF finance is approved for projects covering 128 countries. India received the largest amount of finance at the country level, with 4.7 per cent of the total approved amount of the GCF funded activity portfolio. The top 10 countries received 32 per cent of the approved finance as of B.34, whereas the share for the bottom 10 countries was 0.5 per cent. As for the distribution of finance among AEs, the top 5 AEs (United Nations Development Programme (UNDP), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank, the World Bank and the Asian Development Bank (ADB)) are responsible for 44 per cent of the approved portfolio, whereas the bottom 10 AEs manage 0.8 per cent of total approvals.
21. Around three quarters of the approved finance has been allocated public sector projects, in both the IRM and GCF-1 (Figure 2-5). In terms of the financial instruments in use, grants and senior loans combined have accounted for around 80 per cent of allocated GCF funding as of the end of 2022, with 39 per cent of the USD 11.4 billion in allocated funding for senior loans and 37 per cent for grants. From 2016 to 2022, the use of grants has slightly decreased as the proportion of loans has been increasing (Figure 2-6).
22. Currently 25 out of 209 projects are approved under the simplified approval process (SAP) modality, which roughly corresponds to a total of USD 230 million. The proportions of finance under the project approval process (PAP) and SAP modalities in GCF-1 and IRM are similar, at 98 per cent for PAP and 2 per cent for SAP (Figure 2-7).

Figure 2-2. Number of approved projects and finance by theme in nominal USD



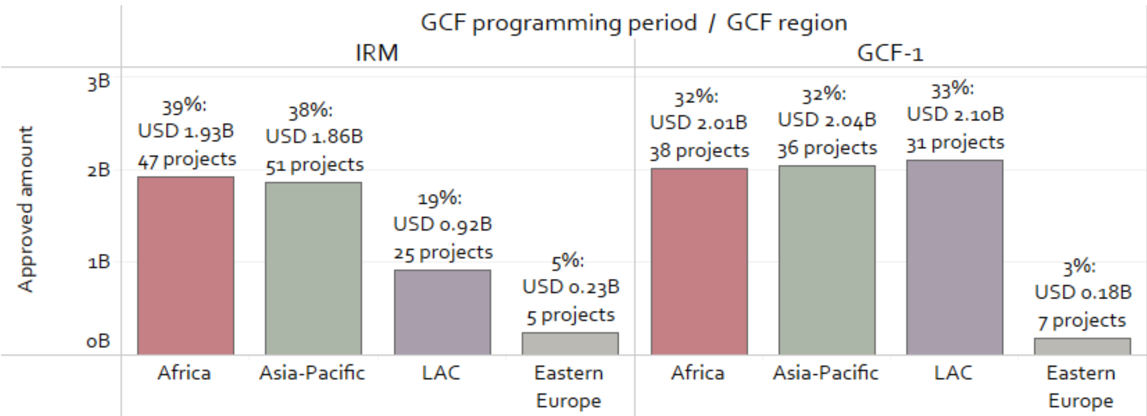
Source: Tableau server iPMS data as of B.34 (20 October 2022), analysed by IEU DataLab.

Figure 2-3. Number of approved projects and finance in LDCs, SIDs, African States and other countries



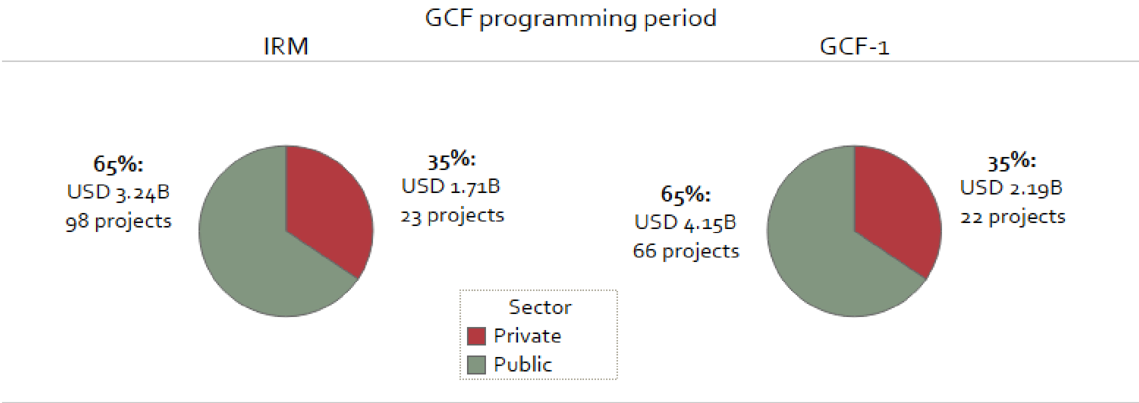
Source: Tableau server iPMS data as of B.34 (20 October 2022), analysed by IEU DataLab.

Figure 2-4. Number of approved projects and finance by region



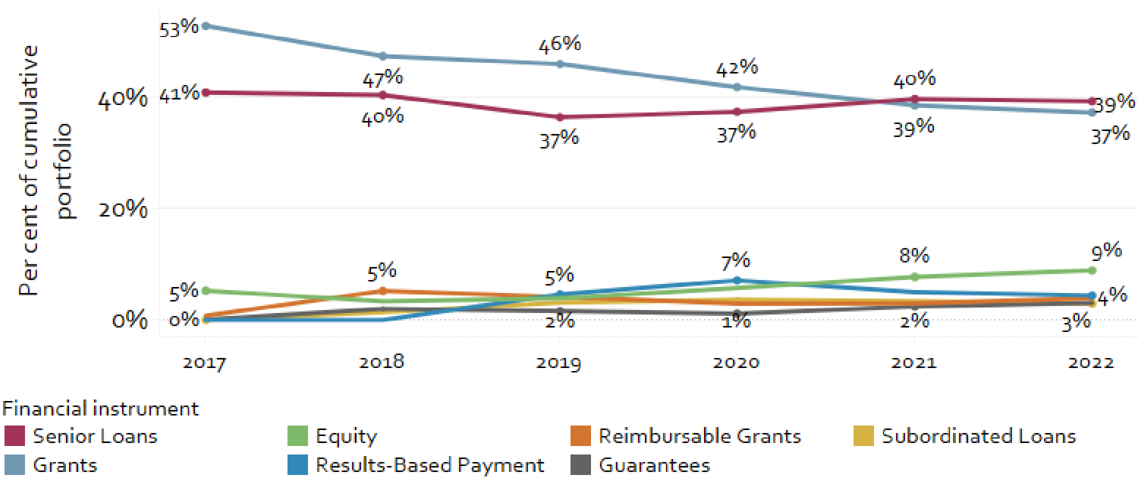
Source: Tableau server iPMS data as of B.34 (20 October 2022), analysed by IEU DataLab.

Figure 2-5. Number of approved projects and finance by sector



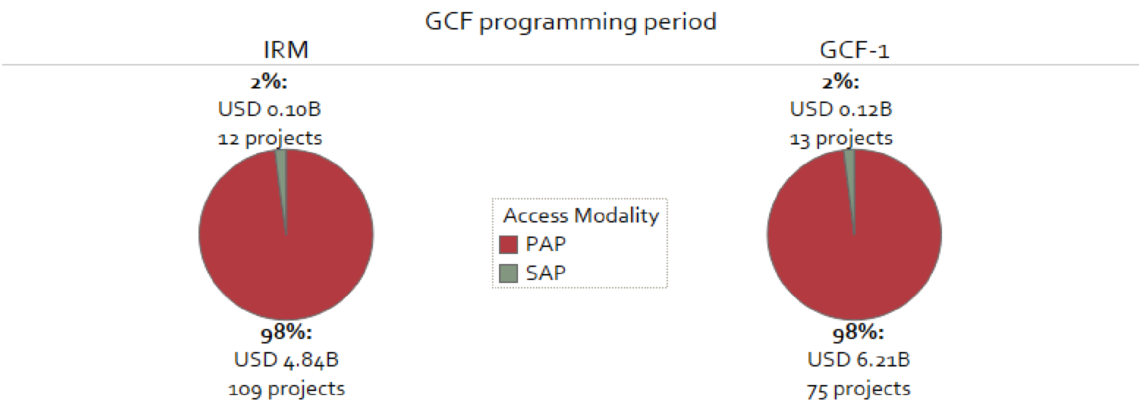
Source: Tableau server iPMS data as of B.34 (20 October 2022), analysed by IEU DataLab.

Figure 2-6. Relative shares of financial instruments in the cumulative approved portfolio across years



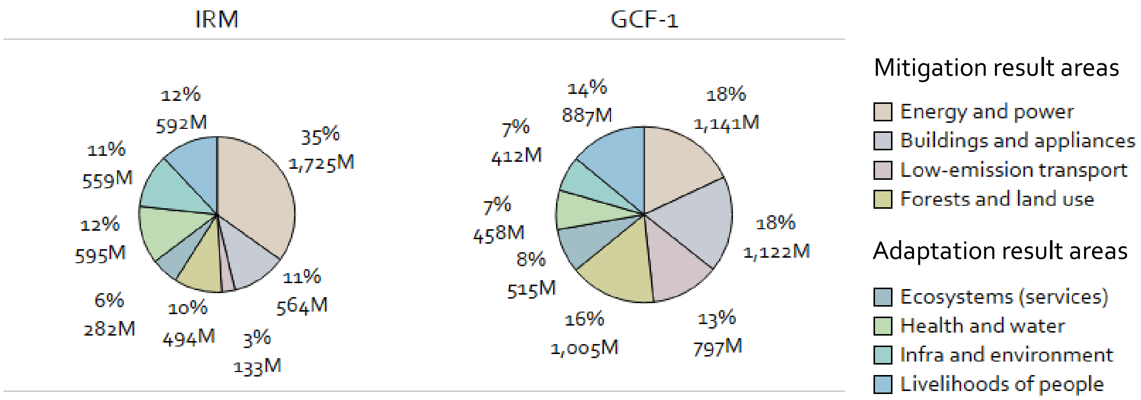
Source: Tableau server iPMS data as of B.34 (20 October 2022), analysed by IEU DataLab.

Figure 2-7. Number of approved projects and finance by access modality



Source: Tableau server iPMS data as of B.34 (20 October 2022), analysed by IEU DataLab.

Figure 2-8. Relative shares and total amounts of finance approved for eight GCF result areas in two GCF periods



Source: Tableau server iPMS data as of B.34 (20 October 2022), analysed by IEU DataLab.
Note: Names of the GCF result areas are abbreviated above; complete names are as follows: Energy and power – Energy generation and access; Buildings and appliances – Buildings, cities, industries and appliances; Low-emission transport – Low-emission transport; Forest and land use – Forests and land use; Ecosystems – Ecosystems and ecosystem services; Health and water – Health, food, and water security; Infra and environment – Infrastructure and built environment; Livelihoods of people – Livelihoods of people and communities.

C. GCF IN THE GLOBAL CONTEXT

23. The core mission of the GCF is becoming increasingly important, driven by the increasing evidence of climate change impacts and a rapidly closing window to avoid the worst effects by limiting global GHG emissions. The Working Group I contribution to the Intergovernmental Panel on Climate Change's Sixth Assessment Report (Intergovernmental Panel on Climate Change, 2021) identified strong evidence of trends towards more frequent heatwaves, droughts, wildfires and flooding, creating a clear and urgent need for greater investment in resilience and adaptation. Achieving the goal to limit the rise in global temperature to 1.5°C, as set in the Paris Agreement, will only be possible if countries rapidly reduce their GHG emissions before 2030. Both adaptation and mitigation efforts require more urgent action and a systemic response.

24. The political response to combating climate change has improved incrementally, and global progress remains insufficient. For instance, COP26, in November 2021, resulted in increased commitment among countries, private sector entities and others to address the challenges of climate change, and in November 2022, COP27 negotiators reaffirmed ambitions to limit global temperature rise to 1.5°C and agreed to establish new funding arrangements to assist vulnerable countries in responding to loss and damages associated with climate change, among other outcomes (United Nations Framework Convention on Climate Change, 2022a) To date, all GCF-eligible recipient countries, bar one, have issued new or updated nationally determined contributions (NDCs), with some also submitting long-term strategies and national adaptation plans (NAPs) to the UNFCCC. However, these plans (together with those of Annex I countries) would only limit global warming to an estimated 2.4°C, and significant capacity gaps remain to turn NDCs into fully funded sectoral investment plans.[9]

[9] For an impact analysis of current NDC pledges, see Climate Analytics and New Climate Institute (2021).

25. International public and private climate finance flows are increasing yet remain deeply insufficient to address the scale of the challenge, with private flows only addressing more mature markets and sectors. A recent global estimate indicates annual climate finance flows of approximately USD 800 billion from 2019 to 2020. However, this is 31 to 32 per cent of the estimated financing needed to meet 1.5°C pathways. Climate finance is dominated by mitigation, with less than 7 per cent of funding directed to adaptation (United Nations Framework Convention on Climate Change, 2022b). Private flows focus primarily on mitigation, supporting more mature technologies and markets, and using commercial instruments.

26. Addressing climate change has been negatively affected by a range of economic and political developments, including COVID-19 challenges and more recent volatility in global fossil fuel markets and geopolitics. GCF-1 has been dominated by the COVID-19 pandemic. Lockdowns and disruption to travel and supply chains have affected the efficiency of climate change responses, slowing implementation and project delivery, including in the GCF portfolio. Additionally, more recent volatility in fossil fuel markets, driven by geopolitical uncertainty, has led to increased demand for fossil fuel production, while inflation and budget pressures are leading to questions around the ongoing availability of public finance to support the green transition in developing countries. More severe and frequent weather events have also created disruptive economic impacts and costs at the regional and country levels, further increasing the urgency to adapt.

27. The GCF is the largest dedicated global fund in the global climate finance architecture, although it represents only a small part of overall climate finance flows (less than 0.2 per cent of total annual public and private climate finance flows).[10] The GCF is currently twice the size of the CIF, previously the largest climate finance vehicle. At a global level, however, the GCF is dwarfed by wider multilateral development bank (MDB), development finance institution (DFI) and donor-funded climate change financial flows (although the latter are usually less concessional).

[10] Based on IEU analysis of Buchner and others (2021).

Chapter 3. INSTITUTIONAL ARCHITECTURE AND PERFORMANCE

KEY FINDINGS

- GCF governance has had many successes in GCF-1, despite the challenges associated with operating during the COVID-19 pandemic. The SPR does not identify any insurmountable challenges of governance, structural or otherwise. The Board is effective in its key functions of approving FPs and approving entities for accreditation and is actively pursuing options to clarify and improve Board operations. Transparency and integrity are relatively strong in the GCF, which supports accountability. However, the COP's role is perceived as a weaker one in terms of an accountability function for the GCF.
- The GCF's novel governance design of parity between developed and developing countries brings legitimacy but compromises efficiency, especially given the Fund's proximity to UNFCCC politics. While policy decision-making has historically been slow, it has accelerated in the second half of GCF-1, with several key policies approved and several key policy gaps remaining. The novel governance design has also posed a challenge for the Board in setting a strategic vision for the Fund.
- While the formal rules of the Board are laid out and clear, the understanding of informal governance norms may differ across the Board and can set differing expectations (especially in the context of virtual meetings that reduce informal interactions), including for the roles of Co-Chairs and Advisers. Blurred lines between governance and management functions and authorities are also now impeding progress.
- The GCF compares well to other international organizations in terms of non-state representation, with CSOs and PSOs institutionalized in the GCF governance structure from the beginning. However, some weaknesses in the observer function continue to constrain observers' ability to meaningfully influence GCF Board decision-making.
- The GCF has a privileged position within the climate finance landscape by virtue of its size and status under the UNFCCC. However, it has not clearly articulated its competitive advantages relative to other climate funds, nor its strategic priorities and allocation preferences, in part to meet its mandate to be driven by recipient country needs.
- Individual projects and programmes within the GCF demonstrate a good degree of complementarity with other climate finance initiatives and are generally coherent with national policies and objectives. There is less evidence that GCF policies and processes are driving greater collaboration at the country and portfolio levels among strategic partners. The GCF has not yet developed a comprehensive partnership strategy, despite its position at the centre of a global partnership network.
- The effective delivery of GCF objectives at the country level relies on a range of implicit assumptions about partnership roles and responsibilities. In practice, the GCF has been weak in formulating its role and those of partners at the country level (NDA, AEs, DPs, civil society and the private sector) in a strategic and consistent way, and in building commonly shared expectations about those roles. This continues to hamper GCF ambition towards greater country relevance. While the GCF considers how to evolve its partnership role, significant changes would be required to both structure and resourcing for the GCF to play a more direct role in country.

28. The GI describes the GCF's multilateral institutional architecture, which provides for the constitution of the Board, Secretariat, Trustee and three independent units. The core GCF architecture consists of the Board with its governance and oversight function, the Secretariat as the main managing and operational body, and the independent units to assist the Board in oversight. Externally, the GCF has partnerships with the NDAs and AEs, among others, reflecting their significant roles in setting country priorities and strategies and preparing and implementing GCF-financed activities.

A. Governance and management

1. Governance effectiveness and efficiency

29. The Board has faced a demanding workload to translate the GCF from a paper concept to an operational fund over the past decade. From this perspective, the governance process has had many successes, including in the GCF-1 period specifically. The Board has been effective in its routine functions, approving USD 11.4 billion in funding proposals (FPs), approving administrative budgets and approving 115 entities for accreditation,[11] of which 20 were accredited and 19 were reaccredited in GCF-1, consistent with its workplan. The Board also negotiated the USP and continued to establish and update its policy suite, as discussed below. There are also positive signals that the Board is actively pursuing options to clarify and improve Board operations, such as through its approval of new guidelines for committees and initiating discussion on further options for enhancing their performance. Nearly three quarters of survey respondents agree that the GCF governance function has been effective in including in its 2020–2023 workplan the most important items that the Board needs to accomplish in GCF-1.

30. **Policy work has been slow but has accelerated in the second half of GCF-1.** Many policies have taken more than one or two years to conclude, as measured from the time of Board request to approval (Figure 3-1). About 70 per cent of survey[12] respondents found the Board to be ineffective in approving policies. In 2022, policy approvals have accelerated, with most of the policy matters scheduled for GCF-1 now concluded through B.34. These have included key policy items such as approvals of the IRMF, the private sector strategy, the accreditation strategy, revisions to the SAP modality, and approaches to adaptation and climate impact potential and to hedging and currency fluctuations. While the Board was seriously challenged by remote meetings during COVID-19, the shift towards hybrid and predominantly in-person meetings is seen as a key supportive factor for the Board to address inefficiency challenges. Still, 96 per cent of survey respondents agree that the efficiency of the Board in terms of timely decision-making needs to be improved.

31. Several policies approved during GCF-1 were among those that have taken the longest to progress from the original Board request for the policy to Board approval of the policy document. These policies include the guidance and approach to adaptation (61 months), updated accreditation framework (54 months) and enhancing climate impact potential (54 months). Policy matters related to a programmatic approach, concessionality, and incremental cost and full cost methodologies have been pending now for five years or more. In interviews and in Secretariat analysis

[11] As of B.34 the Board has approved 115 entities for accreditation. However, not all entities have applied for reaccreditation, and the total number of AEs stands at 113. Depending on the context, this report variably considers 113 or 115.
[12] IEU-administered survey on governance and management.

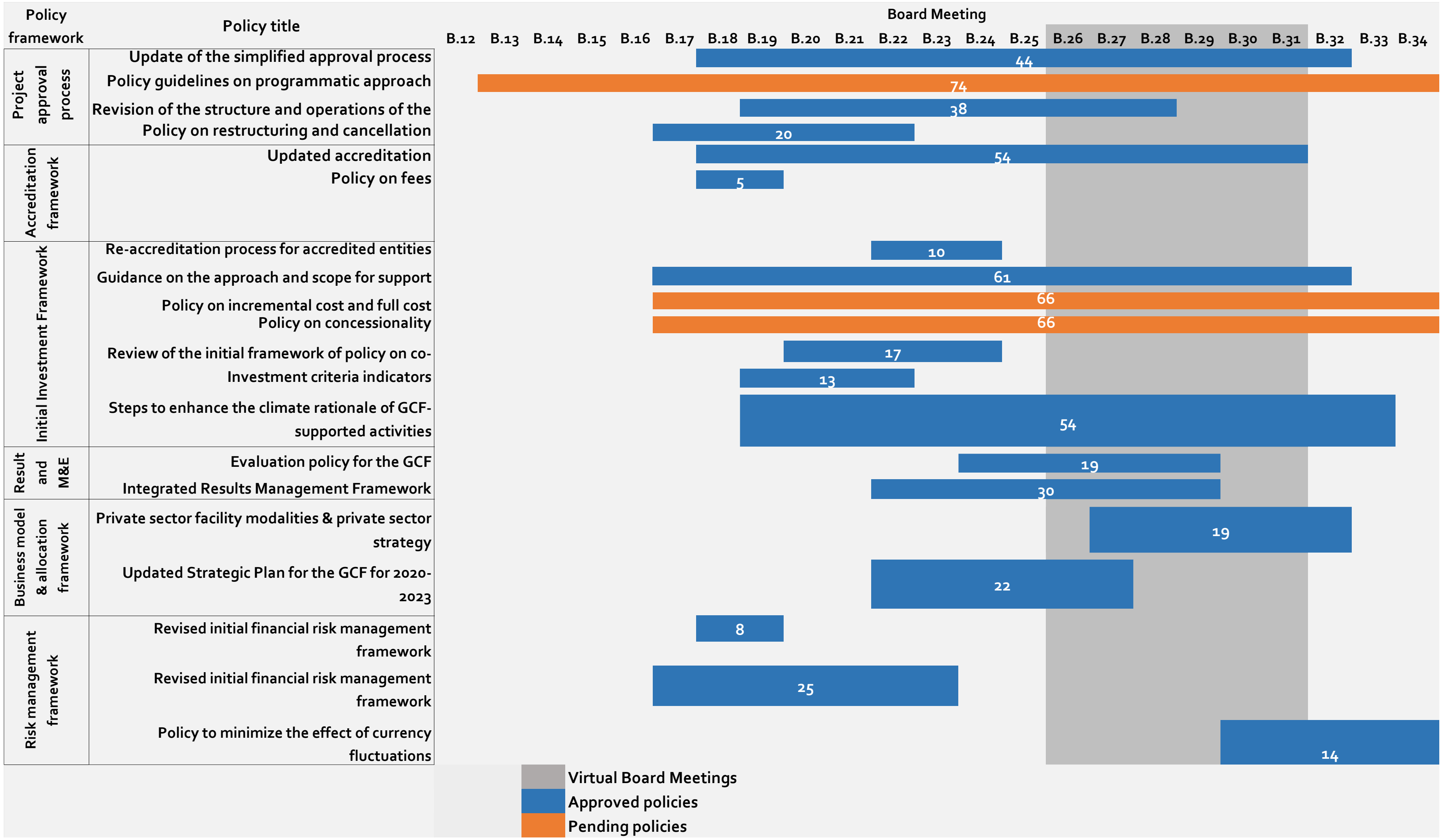
(GCF/B.33/Inf.08), policy guidance for programmatic approaches was consistently raised as an operationally essential policy gap still to be addressed by the Board.

32. Besides factors related to the nature of decision-making (discussed in the following section), three major institutional factors have contributed to the large number of policy items on the Board's workplan. First, the policy agenda is quite extensive in general, given that the GCF is a relatively young institution still completing its policy suite. Second, the absence of standard policy classifications and associated responsibilities for approval has meant that in practice most "policies"[13] must be approved by the Board, contributing to a heavy workload for the Board and slowing down decision-making. Compared to most UN agencies, MDBs and international organizations, the GCF is "unique as an organization where policy instruments at all levels are approved and maintained by the Board" (GCF/ B.33/Inf.08). A recent example is the Board decision B.29/01, which approved the IRMF while requesting the Secretariat to present an accompanying results handbook to the Board for approval (see also Chapter 3.A.3, below, on governance and management). Third, as part of their design, over 60 per cent of GCF policies have an active review mandate, representing a potentially extensive workload for the GCF policy function – both for the committees and the Secretariat who could be directed to conduct the policy reviews and for the Board in considering those policy reviews (GCF/B.33/Inf.08).

33. Challenges with policy development and consultation processes also contribute to delays. More than three quarters of Board members believe that policies are often or sometimes presented to the Board before they are ready. Interviewees point to variations in how close policy documents are to reaching consensus of the Board when those documents are presented at Board meetings, as well as variation in the quality of consultation processes and policy documents themselves (see also Chapter 3.A.3 below). Policies can be developed through many pathways in the GCF – with over 10 different Fund bodies (or combinations thereof) responsible for policy development and multiple consultation modalities – leading to significant variance in the presentation and content of policy documents (GCF/B.33/Inf.08).

[13] The term has been loosely understood to encompass documents titled "frameworks," "policies," "guidelines" and "standards."

Figure 3-1. Duration of policies from Board request to approval



Source: GCF Board documents extracted from GCF website up to B.34, analysed by IEU DataLab.
Note: Grey area represent Board meetings held virtually due to COVID-19.

34. The Board has still not reconciled differences in the strategic vision for the Fund, which contributes to operational inefficiency and inconsistency. The GI provides the Board with roles including governance, supervision and oversight, and further provides that the Board "will have full responsibility for funding decisions." A key role of any governing body is to steer the organization strategically, including by setting priorities to manage and allocate resources. Less than 40 per cent of survey respondents find the GCF Board effective in setting strategic direction for the Fund. In interviews, developed and developing country Board members, along with Secretariat staff, repeatedly emphasized different visions for the nature and future of the GCF as an institution, which have not been reconciled (see Box 3-1). These include divergence over, for instance, whether the GCF takes on more of the character of an international financial institution or a fund provider, or whether the GCF is more demand-driven (and potentially less catalytic or innovative) or focuses more on strategic global or regional transitions. While multiple priorities can be met (a "hybrid" operating model), without being more explicit about the relative priorities – critical questions that were left unanswered in the 2020–2023 USP (see Box 3-2) – the GCF struggles to allocate limited resources and define a benchmark for success. Interview partners also expressed concern that specific strategies, such as the private sector strategy and the accreditation strategy, do not resolve major strategic questions about the GCF's operating model, such as whether the GCF should have an unlimited number of AEs, or the relative emphasis between patiently building the capacity of DAEs and moving funding quickly through IAEs (GCF/B.34/Inf.17/Add.01).

Box 3-1. Board interviewee perspectives on strategic vision in the GCF

"It comes down to whether there is a comparative advantage that the GCF should be seeking to carve out. Because it is a reflection of all the voices, it does a little bit of everything in an OK but not great manner, and in a more expensive manner."

"The disagreement on substance all goes back to what I would say are different visions for the Fund."

"There is not a common vision on the trajectory and future of the GCF. Even the nature of the GCF […] It is impacting governance, because it trickles down into the whole system."

"The Board functions if it goes toward the same destination. The Board doesn't have the same destination, so it all boils down to that, [to a] fundamental ideological difference of opinion."

"In terms of core functioning, this is a problem – even though the Board talks about 'one Board' we are operating with different visions of what the Fund should be, including through IRM, and that has not been reconciled."

"[The GCF doesn't] have a clear vision, leadership, unity of purpose. […] The Fund has become a playground for individual priorities."

Box 3-2. Lessons from the USP for future strategic planning

The existing USP was an important step forward in developing a framework for the GCF, but it also left critical conceptual and operational gaps that will need to be addressed in the forthcoming USP. The existing USP provided a framework that was reasonable given the challenges at the time but that had limitations. Stakeholders do not yet share a common vision for the Fund, and the existing USP is widely acknowledged as a negotiated document with many compromises, leading at times to an overly broad "do it all" approach, with a crowded field of its strategic priorities.

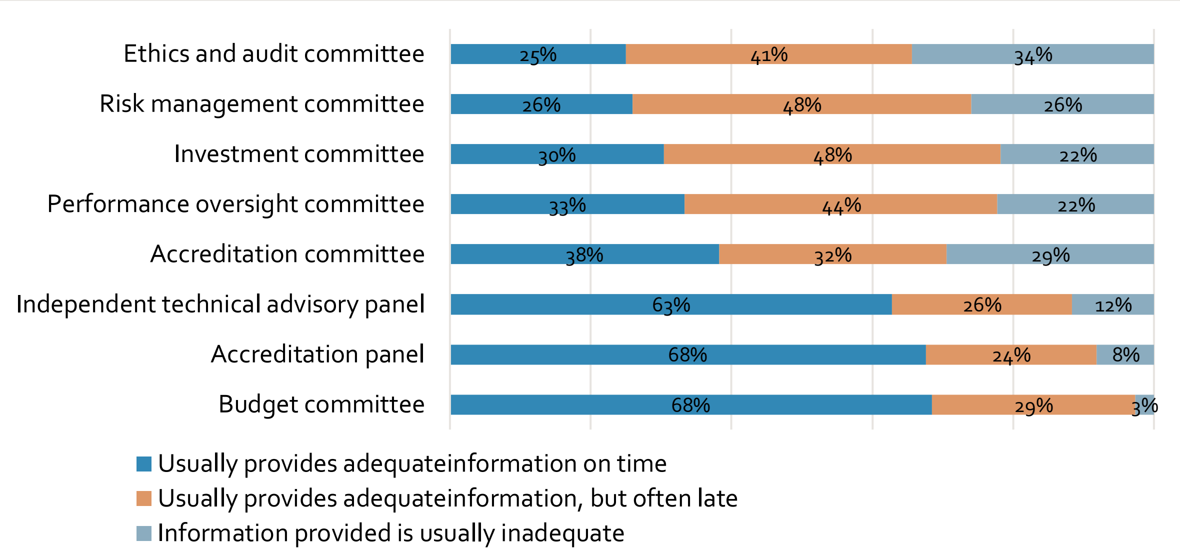
While the USP provides key guidance, some topics are overly detailed, whereas others are not addressed at all. This has meant that key definitions, such as for paradigm shift, and strategic tensions, such as between achieving adaptation and private sector targets simultaneously, were not resolved. This lack of focus creates operational uncertainties with negative consequences for operational effectiveness and efficiency. The theory of change was only partially articulated, focusing on the steps through to project origination, although it was improved upon during the IRM stage. The existing USP process was divorced from the IRMF and resourcing processes. Some indicator areas do not have adequate indicators to inform these areas. The indicators that do exist have too many potentially competing priorities to be reasonably achieved. The focus on cumulative indicators and targets limits the visibility of current activities, which hinders the GCF's ability to address new challenges as the Fund evolves in GCF-1.

The USP also relies on unstated and overly optimistic assumptions about external factors and stakeholder actions outside of the GCF's control, including the characteristics of its incoming pipeline. There were also insufficient resourcing strategies to match the broad ambitions. Interview data from the Board and Secretariat indicate recognition of the challenges as well as a desire to strengthen the process of deliberations on updates to the USP going forward. As elaborated upon in Chapter VI.A, the GCF's progress towards meeting the USP targets in GCF-1 is uneven.

35. **The capacity of Board members is being tested,** with many responsibilities remaining with the Board rather than being delegated to the Secretariat or effectively handled by Board committees. According to survey responses, most Board members spend less than half or even a quarter of their time on their GCF responsibilities, with variable but generally limited access to supporting staff (e.g., advisers). About 60 per cent of Board members are supported by one or fewer full-time equivalent staff, and another third are supported by one to three full-time equivalent staff.
36. Significant turnover also poses challenges for effective Board member participation. Only about one third of survey respondents agree that Board members have adequate capacity to carry out their functions as members and that Board members fully understand their roles and responsibilities. Onboarding has been viewed as insufficient but improving, and the result is that Board members sometimes struggle to effectively participate for their first few Board meetings.
37. **With some exceptions, committees are not yet fully meeting the needs of the Board.** Two thirds of survey respondents felt that the Board is not using its committees, panels and groups to their best advantage. Policies tend to stall in committees – more than 50 per cent of survey respondents believe stalling happens "always" or "often", and another 41 per cent believe it happens "sometimes" – and issues settled by committees tend to be re-opened by the full Board. These current perceptions are also consistent with findings from an independent, limited-distribution 2019 review of the effectiveness of committees and groups.
38. Performance has varied among committees, panels and groups (see Figure 3-2), also consistent with the findings of the 2019 review. The Budget Committee is seen as more effective, which interviewees attribute in part to efforts to establish clear informal rules and limit political elements, as well as to strong support from the then Secretariat focal point. The Risk Management Committee,

Ethics and Audit Committee and Accreditation Committee are among those seen as less effective by survey respondents and interviewees. The Risk Management Committee has not been constituted since the beginning of 2022, and the Ethics and Audit Committee has not met regularly during GCF-1, creating delays for policy and operational matters, and even necessitating that the full Board re-assume committee responsibilities (e.g., related to approvals of accreditation master agreements (AMAs) for reaccreditations) to mitigate impacts on future programming.

Figure 3-2. Survey responses on the effectiveness of Board committees, panels and groups in providing adequate and timely information to the Board



Source: IEU governance survey (n=50), analysed by IEU DataLab.

39. Issues with filling committee membership, electing chairs, member turnover and reaching quorum have persisted through GCF-1. The high number of Board members needed to serve on committees (36 positions to be filled by 48 total Board members and alternates) may contribute to challenges finding Board members with the requisite availability and appropriate skill set for each committee.

40. Although it is too early to know their effectiveness, revisions to the "General guidelines for the operation of Board committees" were approved by the Board through decision B.32/09. At B.33, the Co-Chairs also re-initiated a discussion around the effectiveness and efficiency of Board committees, and the Secretariat is supporting the Co-Chairs in launching a review of committees, panels and groups (GCF/B.34/Inf.07). The lack of central coordination and oversight of committees is also starting to be addressed by a Secretariat handbook codifying its support to committees.

41. **Many aspects of GCF governance performance are comparable to other multilateral institutions at similar levels of organizational maturity** (see Table 3-1 for a comparison of GCF governance features with those of other intergovernmental organizations). Like many multilateral institutions, the GCF was established and operates in a political context, as an operating entity of the financial mechanism of the UNFCCC and an implementation arm of the Paris Agreement. Parts of the structure and culture of the Board resemble those of other multilateral negotiations, particularly that of the UNFCCC. Politics are a natural and expected component of Board governance processes, especially given that the Board is guided by a consensus principle and composed equally of developed and developing countries. Similarly, like many intergovernmental boards, the GCF Board is non-resident, which sets boundaries on the level of information that Board members can

reasonably collect and process. All boards are composed of individuals, whose personalities can colour interactions and influence the tone of negotiation, as they do in the GCF.

42. Similar governance dynamics can also be identified in comparator organizations at similar stages of institutional development. For example, the governance of the Global Fund, at its five-year mark, was found to be operating on an incremental policy basis, focused on more near-term and micro issues, and neglecting to address the larger strategic picture. The Global Fund Board also faced challenges with extreme workload and constraints on its board members' capacity, along with excessive revalidation of committee discussions in full board meetings (Sherry and others, 2009). In the GCF, both Board members and Secretariat staff anticipate that governance will become more efficient after remaining policy gaps are closed. Then, the majority of the Board's workload can focus on the routine functions that it already executes effectively, allowing the Board more time for strategic issues and policy oversight.

Table 3-1. Comparison of governance features for intergovernmental organizations

Indicator	GCF	Adaptation Fund	GEF	UNDP	WHO	GAVI	Global Fund	World Bank
Membership size	194	149	184	193	194	N/A	N/A	189
Staff or secretariat	220	18	77	7,000	8,400	732	700	16,000
Size of executive board[a]	24	16	32	36	34	28	28	25
Ratio of board size to membership	0.12	0.11	0.17	0.19	0.17	N/A	N/A	0.13
Frequency of board meetings	3/year (4 in 2022)	Min. 2/year (3 in 2021)	2/year	3/year	2/year	Min. 2/year (4 in 2021)	2/year	2/week
Decision-making	Consensus and voting	Consensus and voting	Consensus and voting	Consensus and voting	Consensus and voting	Consensus and voting	Voting	Majority: one dollar, one vote
Resident or non-resident board?	Non-resident	Non-resident	Non-resident	Non-resident	Non-resident	Non-resident	Non-resident	Resident
Mandated terms of office for directors	3 years, renewable	2 years, limits	3 years, renewable	3 years, renewable	3 years, renewable	No term limits[b]	2 years, renewable	2 years, renewable[c]
CEO/equiv. is ex officio member of the board? Chairman of the board?	No / No	No / No	No / Yes	No / No	Yes / No	Yes / No	No / No	No / Yes
Performance standards for CEO/equiv.?	Yes	No	Yes	No	No	Yes	Yes	No

Source: Adaptation Fund, 2008, 2021; Gavi, 2020, 2022; Global Environmental Facility, 2004, 2009, 2022, n.d.; Global Fund to Fight AIDS, Tuberculosis and Malaria, 2021, n.d.-a, n.d.-b; Green Climate Fund, 2022a, 2022b, n.d.; United Nations, 2011; United Nations Development Programme, 2022a, 2022b; World Bank, 2021, 2022a, 2022b; World Health Organization, 2020, 2022, n.d.-a, n.d.-b.

Note: [a] Most of these intergovernmental organizations include both stakeholders (e.g., member countries) and shareholders (e.g., donors) in their respective executive boards. The Global Fund's executive board is composed primarily of implementers and donors.
[b] Each eligible organization/constituency can replace its representative Board member at any time.
[c] For elected executive directors; no term limits for appointed executive directors.

43. Despite many similarities in the challenges faced by the GCF Board and other multilateral institutions, several unique features of GCF governance intensify these dynamics, with consequences for effectiveness and efficiency. Board members frequently identified that the structure of the Board – with equal numbers of developed and developing country Party Board members, organized into two constituencies, and flowing down into selection of Co-Chairs and committee members – brings crucial legitimacy but also particular challenges for reaching consensus and a common strategic vision. The GCF is perceived by its members and observers as providing more opportunity for influence in governing processes by developing country members, compared to the GEF, for example – an evolution that is both welcomed and seen as relevant for climate change.

44. The natural political tensions in the Board reflect experiences of power inequalities in UNFCCC climate negotiations, where scholarship has shown that while the negotiations follow processes of consensus-based decision-making, those negotiations are not equitable and developing country parties have faced challenges to attaining their priorities in negotiations (Ciplet, Timmons and Khan, 2015). Institutional structures and the type of delegation influence these power dynamics (Falzon, 2021). In the GCF, these dynamics are exacerbated by different institutional experiences among its Board members. Many of the developing country members come from ministries of environment and/or climate change (about 30 to 40 per cent, see List of interviewees) and serve as UNFCCC climate negotiators, while many developed country members coming from ministries of finance or foreign affairs (about 80 to 90 per cent) with fund management experience. This contributes to a lack of shared understanding on both sides.

45. The scale of GCF climate finance, along with climate justice considerations, further heighten the governance stakes in the GCF. With global political tensions running high, and trust and mutual understanding low, the GCF has been facing a particularly difficult governance environment. This contrasts with comparator funds, such the Global Fund at its five-year anniversary, which noted a positive "esprit de corps" among its Board, or the GEF more recently, where Council members report a high level of trust, goodwill and sense of common purpose (Global Environment Facility Independent Evaluation Office, 2018a).

46. An additional factor affecting governance in the GCF is that some norms or informal rules of governance in the GCF are not commonly understood, including for Co-Chairs and advisers. Formal rules provide parameters for stable and predictable governance and policymaking. In the GCF, the formal rules of governance are generally well described in the GI and the rules of procedure and are followed. Informal governance norms refer to shared expectations and rules that are not written or codified in formal or legally binding governance rules.[14] Some informal governance norms in the GCF are variously perceived as less clear and provide room for interpretation – creating opportunities for perceptions of undue influence at times. Some examples include the norms for informal negotiations, the precise procedural role of advisers and the leadership role of Co-Chairs, as discussed below. Nearly three quarters of survey respondents agreed that an uneven understanding of informal Board practices/traditions makes it difficult for all members to participate equally. More than three fifths of respondents also agree that Board business is often conducted outside the Boardroom through unofficial channels that are not inclusive. The shift to virtual meetings during the COVID-19 pandemic also upended the norms of informal consultations, with

[14] These can be described as social norms, which govern the functioning of groups. According to research, informal rules serve to complete gaps in formal rules, coordinate the operation of overlapping parts of institutions and regulate political behaviour. Informal governance "provides the operating system that renders the behavior of international organizations coherent" (Stone, 2013).

formal and informal Board processes moved online, and limitations of virtual participation experienced.

47. Co-Chairs perform a stronger leadership function in the GCF governance system, but interviewees consistently expressed views that pointed to underdeveloped informal governance norms for Co-Chairs. Section 4.2 of the rules of procedure of the Board describes duties of the Co-Chairs and refers primarily to procedural duties, such as opening, conducting and suspending meetings. In practice, however, the Co-Chairs are heavily responsible for setting agendas and overseeing consultations, including developing consensus among Board members and constituencies and advancing items for decision-making. Many interview respondents stated that the position of Co-Chairs has emerged to hold substantial power in GCF governance and thus wields significant influence over the effectiveness and efficiency of governance. The leadership dimensions of the role of Co-Chairs are welcomed by interview respondents, although many also cautioned that more guardrails may be needed to prevent overreach of the function.

48. At the same time, informal governance expectations for Co-Chairs are not commonly shared, such as expectations for the extent of Co-Chair control over processes (e.g., Board document transmission[15]), for handovers from one Co-Chair to the next or for the extent of adviser roles and participation in the process. In this context, interview partners expressed the view that the annual rotation of Co-Chairs can be destabilizing, depending on the individual Co-Chairs' history in the Board, their approach and their relationship with each other and with their respective constituencies. At the same time, the survey showed tepid support for longer terms for the Co-Chairs, with 40 per cent of developing country respondents stating that longer terms would not help efficiency of governance at all.

49. Survey respondents were divided on the performance of Co-Chairs, which may also reflect the lack of common expectations. About half of developed and developing country survey respondents agreed that Co-Chairs have generally managed and run Board meetings efficiently during GCF-1, while the other half disagreed. Developed country Board respondents and Secretariat respondents tended to have more positive perceptions than developing country Board respondents of the Co-Chairs' performance in adequately balancing the priorities of different Board members in managing meeting agendas. The greater proportion of developing country Board respondents (90 per cent) and Secretariat respondents (73 per cent) believe that enhanced consultation on the agenda ahead of Board meetings would help governance efficiency a lot, whereas developed country Board respondents tended to think that such consultation would only help somewhat (45 per cent).

50. Similarly, advisers play an important role in the GCF Board, but there is no common understanding of the boundaries of their role. Advisers are experts designated by Board members and/or alternate members to provide advice related to Board meetings. Written rules only address advisers' participation in Board meetings and sessions; there are no guidelines for their designation or role. Survey respondents were divided on whether GCF advisers adhere to the boundaries of their intended role; about half of developed and developing country Board respondents felt advisers did

[15] In a feature unique to the GCF, the Rules of Procedure state that the Secretariat will transmit to Board members and alternate members the documentation relating to items on the provisional agenda at least 21 calendar days before the first day of the meeting scheduled, except "in exceptional circumstances where, in the view of the Co-Chairs, a shorter period for the transmission of documentation is warranted. In any such cases, the Co-Chairs, acting jointly, shall determine the date by which the said documentation has to be transmitted." Invoking this provision, some Co-Chairs have elected to clear all documents prior to sharing with Board members. Many Board members strongly object to Co-Chairs serving as a filter for all information shared with the Board, viewing this practice as detracting from equal access to information for all Board members; while other Board members feel that it is a critical role of the Co-Chairs to ensure that the inputs of both constituencies are balanced before documents are released.

adhere to boundaries "always" or "often," and the other half felt advisers adhere to boundaries "sometimes," "rarely" or "never." Board and Secretariat interviewees saw a better understanding of the boundaries of advisers' roles as particularly important when advisers perform functions related to Co-Chairs or committees. Challenges around a lack of shared norms for advisers are also compounded by the high degree of variability in Board members' access to advisers, and the functions and skills of individual advisers.

2. Governance representation, voice and accountability

51. The GCF Board offers balanced representation between developed and developing countries, although there is room to improve representation in the overall GCF governance system. Views are mixed on whether the structure of the Board represents the interests of its membership as a whole; about 40 per cent of Board, Secretariat and observer survey respondents do not think it does. The GI is not specific in its guidance about the roles and responsibilities of Board members towards the constituencies that select them, with potential implications for the accountability of Board members. In the developing country constituency, seats are based on UN regional groups, with special seats for SIDS, LDCs and developing countries not represented in other groups. This approach has proved challenging for the Group of Latin American and the Caribbean Countries, in particular, as the group's three Board seats rotate every year; multiple seats have been vacant for periods of time – including during much of GCF-1 – resulting in less developing country representation on the Board than called for by the principle of parity.
52. The mandate from the GI for gender balance in the Board is not being met: on average 24 per cent of Board members have been women in GCF-1, a trend that carries over from the IRM. Gender balance is also not being met in Board committees (see Volume III). More than two thirds of survey respondents find the gender balance in the GCF Board and its committees, panels and groups inadequate.
53. The GCF compares well to other international organizations[16] in terms of non-state representation, with CSOs and PSOs institutionalized in the GCF governance structure from the beginning. The Active Observer function[17] has not changed much in GCF-1; the Board launched a review of the observer guidelines back in 2016, and this review was included as part of the Board's four-year workplan for 2020–2023, although it has not yet been taken up.
54. The Active Observer function in the GCF has several strengths. One is that it functions as a broad network of civil society, indigenous peoples and local community organizations, facilitating collaboration across organizations in many countries and especially South-based observers in countries where the GCF is financing activities, and seeking input from a wide range of voices to inform collective Active Observer input on GCF policy and decision-making processes. Another strength is that the function is self-organized, with procedures in place for electing Active Observers. The GCF Observer Network of Civil Society Organizations (CSO), Indigenous Peoples, and Local Communities also has its own procedures and principles for coordination among developed and developing country observers, for consensus-based consultation with a wide range of international and local observers, and a practice of deference to the developing country

[16] Such as the Adaptation Fund, CIF and GEF, as well as the World Bank.
[17] Four observers are able to participate in Board sessions: two representatives from accredited civil society organizations, one each from developed and developing countries, and two from accredited PSOs, also one each from developed and developing countries. These observers, known as Active Observers in Board proceedings, are identified through a self-selection process. Representation is for a term of two years, with a maximum of two consecutive terms.

representatives, in the event that consensus cannot be reached for drafting technical submissions and interventions.

55. Some weaknesses in the observer function continue to constrain observers' ability to meaningfully influence GCF Board decision-making, however. Only half of survey respondents believe that the GCF governance system provides adequate opportunities to incorporate the views of non-governmental stakeholders, and less than half of respondents believe that the views and concerns of Active Observers are meaningfully considered by the Board and influence Board proceedings – with respect to accreditation and reaccreditation decisions, funding proposal decisions, and policy and related matters. According to interviewees and survey respondents, Active Observers have not had adequate opportunity to express their views to the Board on decisions between meetings and in the proceedings of Board committees, panels and groups. While recent decisions have some potential to help address these issues, it is too early to assess whether they have.[18,19]

56. Observer input has the potential to be more influential when it is provided earlier in deliberative processes, but consultation with observers is currently only mandatory for certain policies and strategies or if explicitly invited by the Board. The GCF Secretariat Policy Manual (November 2021) encourages policy teams to reach out to Active Observers as a best practice for early-stage consultation, although there are no prescribed requirements. In practice this has meant that while observers have been consulted on all policy matters where the Board has explicitly invited such consultation, they have not been consulted on some policy matters during GCF-1, such as the private sector strategy. When observers are engaged and consulted earlier in processes, such as on the environmental and social safeguards (ESS), gender and indigenous peoples policies, their voices have been better reflected in the decision-making.

57. These perceptions suggest that Active Observer input is undervalued in the GCF. Observers are typically called upon last when making their interventions in GCF Board meetings or even after a decision has been adopted. Observers often seek ad hoc and informal channels to convey their views to Board members and Secretariat staff, to varied effect. CSO observers have had regular dialogues with the Executive Director prior to Board meetings, but have not had consistent dialogues with Co-Chairs – a practice that is more standard at the Adaptation Fund, as the only climate fund that organizes a Dialogue with Civil Society as a standing agenda at each Board meeting (Adaptation Fund, 2022b).

58. Financial support for Active Observers has been ad hoc. The developing country CSO Active Observer is not financially supported to travel to GCF Board meetings. Neither Active Observers nor indigenous peoples representatives were included in the recent GCF Global Programming Conference, due to budgetary constraints, as explained by the Executive Director during B.34 proceedings.

59. The Indigenous Peoples Advisory Group (called for in the Indigenous Peoples Policy approved in early 2018 through decision B.19/11 and reiterated in the USP) was finally established at the end of 2021 and held its first formal meeting in September 2022. The advisory group is tasked with

[18] Decision B.32/09; Annex IX: General guidelines for the operation of Board committees – "Unless otherwise decided by the Board or specified in the committee's terms of reference, attendance at committee meetings will be limited to committee members, up to two advisers per committee member, essential Secretariat staff and, upon invitation by the committee Chair and on a case-by-case basis, members of the Independent Units, or other stakeholders."

[19] Decision B.32/11; Annex XI: Guidance in respect of the implementation of paragraph 43 of the Rules of Procedure of the Board and other related matters – "Decisions proposed for approval without a Board meeting shall be provided to the active observers for their information unless otherwise provided by the Board and be published on the GCF website, subject to the Information Disclosure Policy (IDP), at the same time that they are transmitted to the Board."

providing advice to the indigenous peoples' focal point, NDAs and AEs and executing entities (EEs) on GCF-financed activities affecting indigenous peoples, reviewing the implementation and monitoring of the policy and providing guidance and advice to the Board, as may be requested.

60. **`Transparency and integrity are relatively strong in the GCF, which supports accountability.** Information around policies, FPs and decisions is generally accessible, and more than 90 per cent of Board and Secretariat survey respondents agree that the GCF makes sufficient information publicly available. The GCF Board has, like other climate funds, approved an information disclosure policy, which is guided by a principle of full and proactive disclosure, with exceptions stipulated. The GCF has also constituted an Information Appeals Panel that has reviewed two requests for additional disclosure. The GCF allows live webcasting of Board meetings with recordings available online, a feature not present in some other institution, such as the MDBs or CIF.

61. The trend has been towards more disclosure in GCF-1. For example, APRs and FP annexes are now publicly released, although not always for Private Sector Facility (PSF) projects. Some issues raised regarding information disclosure include the need to improve clarity, bring certain areas in line with peer institution standards, and ensure coherence with other GCF policies, among others. Some notable areas for improvement relate to policy conflict for ESS disclosure requirements between the Information Disclosure Policy and other policies, as well as for proactive disclosure. Interviewees also consistently raised concerns about transparency and disclosure around subprojects in large programmes.

62. The GCF compares favourably to comparator organizations – including the Adaptation Fund, CIF and GEF – in terms of complaints-handling and grievance mechanisms; integrity policies are also in place (Transparency International, 2022). The GCF's integrity policies were tested in GCF-1 (with allegations of sexism, racism, harassment and inappropriate relationships), showing the importance of such governance frameworks for supporting public accountability and transparency (Transparency International, 2022).

63. GCF-1 has also marked a period of strengthened accountability of the Secretariat and Board-appointed officials. The Secretariat now has key performance indicators (KPIs) established, monitored and reported against; the Performance Oversight Committee has established an evaluation system for Board-appointed officials and conducted evaluations in 2020 and 2021, according to Secretariat reporting (GCF/B.31/Inf.13). The GCF Board itself, however, does not have a process for self-evaluation – unlike many private, public and intergovernmental organizations, including many international financial institutions[20] – nor has the Board's performance been evaluated by other bodies until now. The GI calls for arrangements to ensure that the Fund is accountable to and functions under the guidance of the COP. In practice, however, the COP's role is perceived as a weaker one in terms of an accountability function for the GCF.

3. Governance and management

64. **Core policy, operational and organizational frameworks have been developed, but blurred lines and the balance of responsibilities between governance and management functions are now impeding further progress.** The assessment in the FPR (Independent Evaluation Unit, 2019b) that roles and responsibilities between the Board and the Secretariat were not completely clear has remained true through GCF-1 so far. More than two thirds of survey respondents, including

[20] The World Bank Executive Board has conducted annual self-assessments since 2012; the African Development Bank Executive Board conducts annual effectiveness reviews; and the International Monetary Fund Executive Directors have conducted self-assessments since 2016 (Independent Evaluation Office of the International Monetary Fund, 2015).

developed and developing country Board members and Secretariat staff, do not agree that the overall balance of responsibilities between the Board and Secretariat is appropriate. In particular, the lack of policy classification in the GCF means there is a lack of clarity over what "specific operational policies and guidelines" the GCF Board should approve, per the GI, and which operational instruments would be the purview of the Secretariat and independent units (GCF/B.33/Inf.08). As noted above, this has contributed to a lack of clear policy guidance, policy incoherence, delays and, at times, a lack of understanding of ownership or responsibility for policy implementation and oversight. A lack of clarity on what changes require Board approval or not has also been problematic at times.

65. Like some of the governance challenges described above, the GCF's experience is not unique. It is common for boards to be more involved in operational details in the earlier years, partly to provide due diligence as the management function matures. The Global Fund noted this tension five years after its founding, with its board's attention to operations perceived by some as micromanagement (Sherry and others, 2009). The GEF also experienced similar issues in its sixth year of operation, when the GEF Council was found to be over-involved in project review that could be delegated to the Secretariat. Later evaluations of GEF governance found that roles and responsibilities between the Council and Secretariat were still not clearly delineated (Porter and others, 1999).

66. **The Secretariat's performance vis-à-vis the Board has been inconsistent but is maturing.** As provided in the GI, the Secretariat services and is accountable to the Board. Views are mixed among both Board and Secretariat interviewees and survey respondents about the capacity and effectiveness of the Secretariat in supporting the Board. Interviewees appreciate the role of the Secretariat in developing and appraising FPs and other technical expertise. Interview partners report that the quality of documents and advice from the Secretariat is still variable, and room for improvement remains in terms of the Secretariat's capabilities in working with a diverse Board and facilitating policy decisions. The facilitative and discursive skills of the Secretariat vary across individual members, with implications for the efficiency and effectiveness of reaching Board consensus. The Secretariat has sometimes been perceived by one constituency's Board members as more closely aligned with the other constituency. While this is a subjective perception, it may create challenges for the Secretariat in facilitating the Board to reach agreement and for the Board to delegate authorities to the Secretariat.

67. Relevant respondents from developing countries generally do not find the Secretariat effective in supporting the Board to resolve technical matters through policy consultation, while most developed country respondents do.[21] High turnover in Secretariat staff, and consequently low institutional memory, is a contributing factor. The recent GCF Secretariat Policy Manual is an important step towards more consistent development and implementation of high-quality policies, as well as stronger monitoring and review to enhance policy effectiveness – although it is too early to assess.

68. At the same time, the Secretariat has often been in a difficult operational position. Ninety per cent of survey respondents believed that the Board often or sometimes provides vague and/or contradictory guidance to the Secretariat, which forces the Secretariat to make implicit implementation choices (see Chapter 5.B.2Chapter 5.B.2 below). Trade-offs among the USP programming targets are an example. A key issue is that in the face of tensions in the GCF operating model, and in the absence of clearer strategic prioritization, the Secretariat is trying to "do it all" without the requisite

[21] More than three quarters of developing country survey respondents do not believe that the Secretariat is effective in supporting the Board to resolve technical matters through policy consultation, while nearly three quarters of developed country respondents do find the Secretariat effective in these responsibilities.

resources. This means that some areas of business are receiving less attention than they should, and the Secretariat must make choices in terms of annual work programme delivery (e.g., the number of FPs that can be reviewed, timeliness and comprehensiveness in review of project APRs, whether to focus more on risks during appraisal or implementation). There is a widespread view among GCF Secretariat staff members that they lack appropriate personnel in terms of numbers, expertise and political acumen, including to both draft and implement GCF policies. Although recruiting is ongoing in line with Board approval to increase the Secretariat headcount, filled staff positions remain significantly below expectations to operationalize the USP (due in part to trends in the global labour market associated with the COVID-19, which affect both departures and hiring), with increases in workload being partly absorbed by overtime commitment from employees.

B. The GCF and the broader partnership

69. In addition to its internal governance structure, the GCF is dependent on its partnerships with NDAs, AEs, DPs and a range of other climate funds and institutions to deliver impact. At the country level, the GCF operates through AEs and DPs with more robust in-country presence and networks, supported by Secretariat engagement. It seeks to ensure that GCF funded activities align with other climate finance interventions (complementarity) as well as with wider climate policy objectives and frameworks (coherence), while trying to differentiate and maximize the additionality of its offer within the broader climate finance landscape.

1. Strategic differentiation of the GCF

70. The GCF has a privileged position within the wider climate finance landscape, with a number of relative strengths and competitive advantages. The GCF was established in an already crowded climate finance landscape, but due to its size and UNFCCC mandate, it has emerged to "become the main global fund for climate change finance" (Green Climate Fund, 2011). The GCF is clearly distinguished by its scale (particularly in grant funding), political legitimacy, ambition towards country ownership, diversity of financial instruments, tolerance for risk and its unique partnership model. The GCF's position as the largest pool of donor concessional funding also enables it to support projects and programmes on a larger scale than similar funds. It also has a privileged position in the global climate finance architecture as an operating entity of the financial mechanism of the UNFCCC and in serving the Paris Agreement, creating a level of political credibility and buy-in among recipient and donor countries alike.

71. **The GCF operates under a potentially different set of structural constraints and parameters to other climate funds.** For example, being primarily demand driven by NDAs and AEs through a proposal submission process, it does not provide clear allocations to individual countries, unlike the GEF or even the CIF (through its country investment plan process). It also does not operate through a more focused thematic programmatic structure, unlike the CIF (e.g., around Renewable Energy Integration or Accelerating the Coal Transition) or the GEF (through programming directions such as sustainable cities, food systems or ecosystems). Climate funds such as the GEF and CIF have also begun to adopt more holistic and integrated systems-change approaches, embedding climate action in broader social, economic and environmental transitions. The lack of clear GCF allocation parameters reduces the predictability of finance at the country level and, to some extent, limits the capacity of the GCF to signal core areas of focus in a more systematic way.

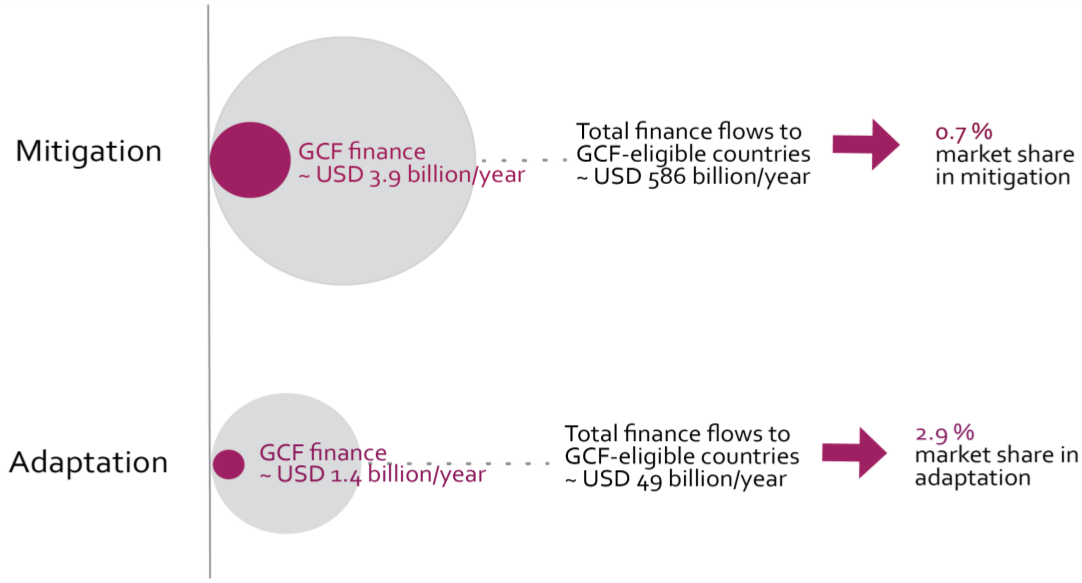
72. There have been piecemeal attempts to bring clearer definition to the competitive advantage of the GCF, and these are partially articulated across several internal documents and emerging within the

updates to the USP. The first USP did offer some thematic prioritization – for example, increased focus on using concessional resources to mobilize private sector capital in near commercial sectors (e.g., energy, transport, agriculture) and supporting resilience in poorer geographies where private finance is likely to be slower to emerge. There are, in addition, some Secretariat working papers that indicate potential directions of travel. For example, the GCF paper on financing climate action (Green Climate Fund, 2021b) also identifies four key sectoral transitions for GCF support (built environment; energy and industry; human security, livelihoods and well-being; and land-use, forests and ecosystems), alongside transformative objectives (enabling environment, de-risking investment, accelerating innovation and aligning with sustainable development). A CIF–GCF co-published report on synergies between climate mechanisms sets out some of the distinguishing features (scale, thematic and geographic scope, AEs, type of instruments, level of concessionality) that might help define the offer (Wörlen and others, 2020). It also identifies potential differentiated roles that funds could play across the transition, from enabling environment and capacity-building, to piloting and scaling. However, these strategic directions remain at the options level and have not formally been incorporated into strategic policy.

73. While the GCF is the largest climate fund, it still represents only a small fraction of the overall climate finance flows. It operates in a much broader landscape of multilateral, bilateral and MDB/DFI support for climate action. As shown in Figure 3-3, the GCF's relative importance is significantly greater for adaptation (representing around 2.9 per cent of total finance) compared to mitigation (where it occupies approximately 0.7 per cent of the total flows).[22] Less than 30 per cent of GCF-eligible countries mentioned the GCF among their potential climate finance sources in their NDCs.[23] This would indicate that while the GCF is a significant source of climate finance, it is not the primary source for countries, nor is the GCF a key player in convening climate finance partners at the country level. The potential of the GCF to play a more strategic organizing function within the wider climate transition therefore needs to be moderated by, and contextualized within, a realistic view of the wider political economy of public and private climate finance.

[22] Despite the GCF committing a higher share of its own funds to mitigation (even in grant equivalent terms), the significantly larger public and private infrastructure investment opportunities in core mitigation sectors (e.g., energy, transport, buildings) contribute to its having a smaller footprint in mitigation.
[23] Per IEU DataLab analysis of Climate Watch data.

Figure 3-3. Relative scale of GCF funding in the context of overall climate finance flows



Source: Tableau server iPMS data, as of B.34 (17-20 October 2022), Climate Policy Initiative – Climate Finance Landscape 2022, analysed by IEU DataLab.
Note: The GCF finance refers to average commitments per year, including co-financing.

74. The GCF has not yet sufficiently articulated its comparative advantage or added value relative to the wider climate finance landscape. The GCF continues to articulate its priorities and areas of competency in an incremental way, providing only limited reference points for other climate finance institutions and programmes to guide their own evolution and partnership strategies. Senior respondents within the Secretariat and externally (e.g., within the UN system) stressed the political balance that the GCF needs to keep in terms of remaining demand driven and responsive to country needs, while trying to build a more strategic and effective allocation strategy. The mandate and subsequent strategic documents (e.g., the USP) therefore offer limited programming directions or priorities (e.g., around sectors, strategic transitions or instruments), and there is an absence of consistent and coherent direction as to what the Fund seeks to promote or avoid. GCF strategies have not articulated the relative importance of different allocation outcomes (e.g., climate outcomes, innovation, longer-term capacity-building, equity, scale and private sector leverage). This ambiguity makes predictability a challenge for countries, AEs and other partners in understanding GCF programming priorities and uncertainty around the value of investing in long and costly proposal development processes. For example, within the country case studies, a number of examples were identified of concept notes (CNs) being developed around improving net sectoral GHG efficiency (e.g., around livestock, transport, energy sector). These projects are not explicitly excluded by the GCF but turned out to be implicitly unacceptable due to their perceived potential to result in absolute increases in overall sectoral emissions.

75. The "full spectrum" operating model of the GCF (broad geographical and thematic mandate, range of institutional partnerships and financing instruments, large scale of funds) means that while there is significant potential for complementarity, there is also often overlap and duplication with other public and private climate finance. For example, the IEU private sector evaluation notes that the GCF private sector portfolio is targeting the same themes and regions as other climate funds, international finance institutions and development banks (Independent Evaluation Unit, 2021b). Similarly, the IEU recently found that the GCF could improve its "convening and catalytic power" in the adaptation space to pursue greater coordination and develop and share best practices. The IEU

recommended that the GCF better clarify its position in adaptation finance, noting scale and risk appetite as potential differentiators (Independent Evaluation Unit, 2021a). While comparative advantages and natural synergies exist for the GCF, "these are not systematically and intentionally leveraged" to maximize outcomes and impact that might arise from greater synergies with the wider climate-finance landscape (Wörlen and others, 2020).

2. Coherence and complementarity with other climate finance

76. Complementarity and coherence are concepts referring to the level of alignment between international climate finance flows and with national programming priorities respectively. The GCF aims to support complementarity and coherence in its programming to improve alignment with wider climate finance channels and national policies and frameworks. "Complementarity" broadly refers to synergies among the various climate funds' activities in similar sectors and themes (adaptation or mitigation), and even across regions of similar characteristics, with the aim of scaling up transformative actions. "Coherence" refers to efforts to align country programmes (CPs), entity work programmes and other GCF modalities to support delivery of national climate strategies (e.g., NDCs, NAPs, technology needs assessments, long-term low-emission development strategies).

77. **The mandate for promoting complementarity and coherence is well anchored across a range of strategic documents.** The mandate to support complementarity and coherence was originally set out in the GI.[24] The GCF also acts under the guidance of the Standing Committee on Finance, which in turn has a mandate to improve the "coherence and coordination in the delivery of climate change financing." Complementarity and coherence were reflected in the Initial Strategic Plan (2016), and subsequent operational strategy with further work on definitions, outcomes and workplan with a requirement for the Secretariat to report to the Board annually on progress on fund-to-fund arrangements, activities, country level alignment and dialogue. The USP further restated the importance of complementarity with an increased focus on blending, parallel and sequenced finance and the role of complementarity in supporting countries in their NDC processes.

78. **The GCF has made some progress in mainstreaming complementarity and coherence into operational processes.** Significant effort has been made during GCF-1 to mainstream complementarity and coherence into GCF operations. This is evident in the Operations Manual, Programming Manual, and in country and entity work programming. Mainstreaming is considered a sensible strategy given the decentralized nature of the GCF partnership model and use of AEs for programming and delivery. There is evidence that this process of mainstreaming is resulting in greater familiarity and visibility. Nonetheless, confusion remains around the definitions and in how the terms "complementarity" and "coherence" are deployed. The terms are often used interchangeably, and annual reporting under the Operational Framework is not done in a consistent way.[25] This creates challenges in interpreting progress from the Board reports and in assessing the scope and scale of achievements. Collectively, this suggests some level of uncertainty in boundary definitions, concepts or availability of evidence. From an effectiveness perspective, the strategic impact of the policy on country-level complementarity and coherence is less clear, and there is limited evidence that mainstreaming has significantly altered how partners have engaged in and enhanced strategic planning and collaboration on the ground.

[24] FCCC/CP/2011/9/Add. 1, Decision 3/CP.17, Annex V, paragraphs 33 and 34.
[25] For example, see GCF/B.34/Inf.07/Add.02 where the term "coherence" is often used in relation to other climate finance instruments rather than alignment with country policies and priorities.

79. The GCF has made substantial efforts to promote complementarity at the multilateral institutional level with like-minded funds (particularly the GEF and Adaptation Fund), with some evidence of early progress on objectives, processes and joint programming. Significant efforts have been made with the GEF (Green Climate Fund and Global Environment Facility, 2021) and Adaptation Fund to begin to align processes and planning objectives, with some early joint programming and capacity-building activities at the global, regional and national levels, with the intention to build a long-term vision on complementarity, coherence and collaboration. The GCF, GEF and Adaptation Fund have given particular attention to developing joint scaling-up approaches. With the GEF in particular, the GCF has pursued a range of thematic programming initiatives (e.g., around the Great Green Wall Initiative, Amazon Initiative, and SFM-REDD+). For example, the GEF and GCF have co-developed a web portal for AEs looking to engage on the Great Green Wall.

80. An important area of focus has been on streamlining and aligning (re)accreditation processes based on mutual recognition across GEF, Adaptation Fund and European Commission processes. Currently the GCF has 18 AEs that are GEF agencies, and 36 AEs accredited to the Adaptation Fund; as of 31 August 2022, 49 of the 113 AEs have undergone the fast-track accreditation process as an entity accredited to the GEF, Adaptation Fund or the Directorate-General for International Development and Cooperation of the European Commission (although this process has recently slowed). Regarding reaccreditation, 11 of the 14 AEs reaccredited did so via fast-track accreditation (GCF/B.34/Inf.07/Add.02).

81. There has been a wider set of engagements too, including joint efforts on capacity-building, knowledge and learning, and communications, as well as a joint response to COVID-19. For example, the GCF and Adaptation Fund are providing joint support and consultation for the Community of Practice for Direct Access Entities, which will supported by a recent RPSP grant. The GCF has also engaged on a number of technical dialogues around harmonizing monitoring and evaluation approaches, and in knowledge-sharing events with the GEF, Adaptation Fund and CIF, and there have been joint GCF/GEF pavilions at recent COPs. The GCF also recently approved 20 readiness grants (worth approximately USD 5.65 million) as part of its request for proposals (RFP) process as part of a coordinated cross institutional response to COVID-19 (GCF/B.34/Inf.07/Add.02).

82. **Nonetheless, significant work remains to drive alignment with core partners, and wider engagement with MDBs, DFIs and other partners remains nascent.** It remains to be seen how catalytic these partnerships will be in practice. Proactive institutional engagement with other climate funds (apart from the GEF and Adaptation Fund) and with DFIs is still at a nascent stage (potentially reflecting their different operating models, cultures and institutional mandates), although efforts are ongoing to support CIF engagement and, more recently, discussions have begun with the NAMA Facility. There are also early joint efforts (e.g., with the GEF) to promote greater alignment and collaboration across the Rio Conventions (biodiversity, desertification).

83. **More broadly, the GCF has not yet developed a comprehensive and strategic approach to partnership that addresses NDA, AEs, DPs, CSOs and others.** The GCF is reliant on its partners to originate and deliver programming, as well as to ensure that it is strategically aligned and integrated into national-level climate strategy and NDC investment planning. Efforts were initiated by the Secretariat during GCF-1 to create a partnership strategy that would take a holistic view on different types of institutional relationships and how the GCF might use these to deliver on its strategic objectives, but the strategy was re-oriented to a road map exercise, and in practice the associated screening and classification tools have rarely been deployed. Efforts to undertake an externally led mapping of GCF partners were paused. The concept of partnership tends to be

understood in the narrow context of AEs, rather than from the perspective of the broader range of institutions that might play a role in helping the GCF deliver on its strategic objectives (e.g., DPs, knowledge partners, donors and non-accredited financial institutions). At the global level, there has been a tendency towards a more ad hoc and externally facing approach to partnerships, focusing on key high-level institutional relationships and GCF political positioning. Interviews with the Secretariat also indicated that this has led to an almost complete lack of clarity on how GCF institutional partnerships might be leveraged to achieve objectives and operationalize strategy, particularly at the country level (see also Chapter 3.B.3 on the GCF's role at the country level).

84. Complementarity was regularly found within individual projects and programmes, primarily through alignment with climate finance programming outside of the GCF. Of the 12 country case studies undertaken, most of the projects indicated some level of complementarity with other climate finance interventions, primarily external to the GCF portfolio. However, the level of complementarity was assessed as moderate in 11 of the 12 countries, with only one country having strong evidence.

85. In India, the country case study found that a number of projects were building, scaling or aligning with other climate finance initiatives. For example, FP045 (Ground Water Recharge and Solar Micro Irrigation to Ensure Food Security and Enhance Resilience in Vulnerable Tribal Areas of Odisha, with National Bank for Agriculture and Rural Development (NABARD) as AE) complements earlier and ongoing climate and water management interventions implemented at the state level, including the Odisha Integrated Irrigated Agriculture and Water Management Programme (through the ADB), Odisha Community Tank Management Programme and Integrated Coastal Zone Management Programme (World Bank). Likewise, FP084 (Enhancing climate resilience of India's coastal communities, with UNDP as AE) also aligns with and builds upon projects, also including the World Bank-financed Integrated Coastal Zone Management Project (with a lower focus on climate risk) as well as the ADB-funded Sustainable Coastal Protection and Management Investment Programme (focusing primarily on hard infrastructure).

86. Elsewhere, in Kenya, GCF funding has been able to amplify the climate initiatives of bilateral and multilateral aid projects such as for the Agence Française de Développement (FP095), the Netherlands Development Finance Company (FMO) (FP099), Germany's Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) (FP103), the African Development Bank (FP148 and FP168) and the World Bank (FP163 and FP177). Of a wider pool of 40 IEs reviewed by the SPR team, 75 per cent of projects reported elements of complementarity within the project, although the articulation of this complementarity was somewhat weak, with a focus primarily on broad alignment with other relevant climate finance initiatives. Much of the evidence for complementarity might, however, be seen as "business as usual" given the relatively small pool of institutions and set of suitable interventions in country, and reporting of such examples is likely as much a reflection of the need to identify examples rather than evidence of strategic intent to improve complementarity. Secretariat reporting also identifies a range of projects that are scaling up existing climate finance initiatives, building on lessons learned from earlier work, mobilizing co-finance from other climate funds, or being implemented in a synergistic way with parallel initiatives (GCF/B.34/Inf.07/Add.02).

87. While evidence at the project level is relatively abundant, it is more limited in terms of specific intent and structured discussions by partners to maximize complementarity. There is also limited evidence of any structured approach to blending, parallel and sequenced finance at the GCF country or portfolio levels as set out in the USP. It is not clear whether the level of complementarity in country-level programming has strengthened in response to GCF processes and guidance – in other words, how GCF institutional objectives are being transmitted to or influencing country-level

outcomes. There was limited evidence from the country case studies of structured dialogues facilitated by the GCF to improve alignment among partners. Increased volumes of evidence around complementarity may simply reflect better reporting of business-as-usual in country patterns of partnerships and programming cycles. For example, the recent IEU LDC evaluation found that no systemic approach to coherence and complementarity could be identified in the countries reviewed (Independent Evaluation Unit, 2022a).

88. There are some targeted efforts to improve multilateral complementarity and coherence at the country level, but the outcomes are not well demonstrated. The Secretariat reports that multiple countries (at least six) have received direct support to develop complementarity and coherence approaches to programming. The Secretariat also reports that the RPSP has encouraged greater cooperation with other national-level climate finance capacity-building facilities and has encouraged joint financing strategies (GCF/B.27/Inf.12; GCF/B.30/Inf.11/Add.04). Entities are now expected to set out their role in the overall climate finance landscape, and whether other climate funds have led to the listed projects/programmes, are being accessed in parallel, or may be accessed in the future as part of the project development process.

89. At a portfolio level, there is also not yet clear evidence that an increased focus on complementarity has led to more structured collaborative planning between AEs. There was no evidence that complementarity efforts are feeding through into a higher degree of collaboration and strategic planning that might in turn support transformational impact and paradigm shift. Evidence from the country case studies indicates that projects and programmes tend to be developed in isolation by AEs. Incentives among AEs to collaborate are also reduced by the potential scarcity of GCF resources, perceived limits to country allocations and the competitive nature of accessing the Fund. The implicit assumptions around GCF convening power to improve complementarity and strategic alignment are not currently evidenced in actual planning processes in country.

90. **GCF funded activities generally show coherence with national priorities.** All 12 of the country case studies undertaken demonstrated coherence with national climate policies and financing, with most being assessed as having “significant” levels of alignment. In some countries, strong coherence derives from a structured and strategic approach by the NDA and other agencies to integrate GCF resources into sector programming and development. A good example is Rwanda, where the case study identified a strong enabling institutional architecture to utilize GCF funds, and the Rwandan ministries of finance and environment (and their respective agencies) are working closely together to develop sector-scale programming and pipelines to support national priorities (e.g., around climate-resilient agriculture and green cities). Similar strong institutional approaches and coherence can be found in countries such as Georgia and Morocco.

91. While GCF projects are generally aligned with at least one national policy or plan, the GCF does not appear to have a coherent approach to supporting programmatic implementation and financing of NDCs, NAPs and sector strategies. This is true both within its own portfolio and alongside other partners. As set out earlier, the GCF is committed to “coherence” by aligning its efforts with national transformation strategies, investment programmes, targets and ambition. However, the GCF has yet to fully develop a vision around the extent to which and how it might seek to play a more active role in delivering sectoral transformation (e.g., through more proactive convening of partners and coordinated financing of NDCs, NAPs and wider sector strategies), which would likely require stronger and more direct programmatic engagement. The IEU also found that the USP does not recognize opportunities for improved complementarity and coherence around financial needs assessment for relevant policies and strategies (e.g., as elaborated through the UNFCCC needs-based finance project, or reporting by the Standing Committee on Finance under the enhanced

transparency framework on country financing needs[26]) and that the USP relies primarily on refocusing GCF country programming as the primary approach to turning national strategies into investment programmes (Independent Evaluation Unit, 2021b).

3. GCF PARTNERSHIP AT THE COUNTRY LEVEL

92. The GCF is a highly centralized institution and broadly dependent on its network of partners to deliver results at country level. Both operational delivery and responsibility for meeting GCF strategic objectives (e.g., coherence and complementarity, innovation, paradigm shift) are to a large extent dependent on GCF partners under the current model. The Secretariat manages the day-to-day operations of the Fund. This includes strategy development, partnerships and country programming, accreditation and access, project oversight and monitoring, risk management, as well as a suite of legal, governance and compliance activities. The GCF Secretariat was designed to be a highly centralized institution. It maintains a limited regional or in-country presence, servicing its country operations remotely through a combination of in-person visits and occasional regional planning or learning events. The GCF was designed as a lean organization, in part to reduce overheads and differentiate it from pre-existing local networks, create a level of transparency and avoid being bounded by existing vested interests.

93. At the country level, the model is dependent on three groups of institutions:

- **NDAs** are government institutions that serve as the interface between each country and the Fund. The NDA provides broad strategic oversight of the GCF’s activities in the country and communicates the country’s priorities for financing low-emission and climate-resilient development.
- **AEs** convert concepts into action, guided by the GCF investment framework and the priorities of developing country governments. They work alongside countries to come up with project ideas and submit FPs for approval by the GCF Board. They may work directly or through partners (the EEs) for project implementation.
- **DPs** are institutions that may be nominated by the country’s NDA or focal point to implement activities approved under the RPSP. DPs can be the NDA, GCF AEs or other organizations capable of delivering technical assistance and capacity development.

94. **The partnership model relies on a set of core assumptions to deliver GCF strategic objectives at the country level.** At the Secretariat level, there is the assumption that GCF funding priorities and allocation strategies (often implicit) are effectively communicated to the NDA and other key stakeholders in country and that funding decisions are of a scale and nature that is relevant to country-level challenges. It assumes that the NDA has sufficient convening power (e.g., to engage and mobilize relevant line and finance ministry interest in programming) and that GCF funding can be aligned with broader sector and climate investment strategies. It also assumes the NDA has the capacity to facilitate the right number, quality and profile of GCF partners (DPs, AEs) to deliver on national priorities. The NDA must also have the ability to identify capacity and planning needs, and to seek RPSP grants to meet those needs. It assumes that NDAs can effectively collaborate with partners in concept origination and proposal development, that AEs will be responsive to NDA priorities, and that AEs have the capacity to become accredited and originate funds through GCF FP processes. Finally, the model presupposes that capacity and development support under the RPSP can be effectively met by a DP contractor model.

[26] Note that this topic is under discussion in the ongoing USP update process.

95. Evidence from the country case studies indicates that the current model delivers most effectively at a strategic level where the above assumptions hold. Under the existing partnership model, GCF support is likely to be most impactful in circumstances where there is strong NDA capacity (e.g., to undertake planning and prioritization), and where the NDA can engage with high-capacity AEs or DPs (aligned with national sectoral priorities) bringing significant experience in climate finance programme management, and where there is sufficient scale and timeliness of GCF funds (and co-finance) relative to sector challenges. Examples of strong institutional delivery models and right-sized project portfolios can be identified in the case studies for countries such as Morocco, Rwanda and Georgia. Even in circumstances where this is not the case, the GCF can still be influential at the project or subsectoral level.

96. Weaknesses in the operating model can result in a lack of coherence within the portfolio, a strategic disconnect from wider sector planning and finance processes, and capacity challenges in accessing funding. Some weaknesses may be found at the level of strategy. For example, there is currently no agreement on the number or type of AE partners that might be required to deliver the GCF strategy (whether globally or at country level) nor on what their roles and responsibilities might be beyond project implementation (see Chapter 4 on access). Other challenges are evident at the country level. Case studies indicate that the capacities of the NDA and AEs (particularly DAEs) can be highly variable depending on the country context, with greater challenges in more fragile and lower capacity environments. Often the NDA role represents only a small share of a government staff position that is dealing more broadly with climate finance planning and institutional relationships. This can create issues around availability, and efforts to build institutional capacity are often eroded by rotation of government staff. Case studies indicate that institutional weakness in the NDA, combined with a lack of support from the GCF often leaves the GCF dealing directly with AEs (often to the exclusion of the NDA during implementation). Even in a large middle-income country such as India, the GCF portfolio has developed in a somewhat organic rather than strategic way, and, despite a significant number of DAEs beginning accreditation, there have been significant capacity challenges in progressing towards successful FPs.

97. **More broadly, the GCF has been weak in formulating its role and those of partners at the country level in a strategic and consistent way.** A core commitment to promoting country ownership as well as strengthening countries' capacity to undertake transformational planning and programming informs various Secretariat and country-oriented initiatives, such as country programming and country ownership guidelines. However, follow-through has been inconsistent. For example, interview data with the Secretariat indicate that the updated standards and guidelines for country ownership and engagement remain absent after several years. This in turn impacts the expectations for, as well as the implementation of, the GCF's various readiness, access and project modalities as it is not clear to stakeholders what role the GCF is able or willing to play in terms of deeper engagement or proactive facilitation. A review of the guidelines for enhanced country ownership identified that NDAs still lack an in-depth understanding of GCF policies and guidelines and have limited capacity to facilitate inclusive consultation and coordination with all relevant stakeholders. Systematic and inclusive consultations are not undertaken by most countries, which undermines the objectives of the Guidelines on Country Ownership and Country Drivenness.[27] Likewise, CPs have only been finalized in a few countries (see Chapter 5). Those that exist vary in scope and quality, between simple pipelines of projects for potential GCF funding to more strategic frameworks for NDC implementation and co-financing.

[27] As adopted by decision B.17/21.

98. Due to a lack of clarity around country positioning, the GCF and AEs/DPs do not always share common expectations of their roles and responsibilities within the partnership. Most AEs consulted regard themselves as implementation partners of the GCF in a purely transactional sense (i.e., as project implementation partners). The entity work programmes (EWPs) do not support more in-depth or strategic country-level engagement roles. The GCF Secretariat itself is seen as relatively distant, with limited visibility and presence on the ground. The GCF is not seen by IAEs and DPs as having a climate finance planning or convening role. Interaction between NDAs and the Secretariat focuses to a large extent on GCF processes (e.g., accreditation, approval, implementation, reporting), with the primary day-to-day relationships occurring between NDAs and AEs or DPs.

99. Of the 12 country case studies undertaken, the Secretariat role was assessed as being primarily reactive (if helpful) in 10, with only 2 countries regarding the Secretariat as playing a more proactive and facilitating role. Likewise, some DPs view their engagement primarily as contractors tasked with individual capacity-building or planning RPSP assignments. Examples were raised by the Secretariat of how disconnected some DPs appeared to be in terms of addressing the GCF climate mandate, facilitating RPSP support and representing the GCF on the ground. The Secretariat has indicated an implicit assumption that AEs and DPs will represent the GCF in country, but the ability to guide this is severely constrained by capacity and a lack of regional presence. However, few AEs/DPs currently consider themselves as “strategic agents” for ongoing support of the GCF model and are unlikely to do so unless the relationship is reframed. Transaction costs for engaging with the GCF are perceived as high across all its processes, which in turn raises barriers for wider engagement. Where strategic roles for AEs have potentially been identified by the Secretariat (e.g., using high-capacity IAEs to twin with DAEs for capacity-building and joint programming purposes), there has been strong institutional pushback.

100. The ongoing lack of clarity in GCF country orientation has been facilitated by an operational reliance on strategic IAEs to generate projects, deliver co-finance and disburse funds during the IRM and GCF-1. The GCF has a mandate to disburse rapidly and at scale, but it is taking time to create sufficient national capacity (i.e., through DAEs) to absorb funds and deliver projects. This challenge has led to a significant proportion of funds (approximately 80 per cent) continuing to be programmed through strategic IAEs (primarily MDBs, United Nations entities and other high-capacity agencies) during GCF-1. These agencies were among the earliest to be accredited and to submit FPs. IAEs have typically held a high degree of influence within the system, particularly in terms of large-scale multi-country projects, and in individual countries where DAEs and the NDA are relatively weak. As a result, despite the intent to avoid vested interests and differentiate itself from existing delivery networks, the GCF has to some extent created a new set of vested interests and dependencies (in the IAEs) while at the same time being unable to build an effective national network capable of meeting the strategic planning and delivery objectives that might support paradigm shift. This is a particular constraint as the GCF seeks to take a more strategic position in country in relation to NDC investment planning and sector transitions. Furthermore, the ability of the GCF to meet disbursement targets through IAEs without needing fully to address national-level capacity and planning constraints may have reduced the urgency within the GCF to address wider country frameworks and partnership strategies. A reliance on IAEs has also raised questions among some constituencies (IAEs, Board members, funders) as to the added value of the GCF as an intermediary between funders and international institutions in which they are already shareholders and to which they already make direct financial contributions.

101. **The GCF is considering evolving its partnership model, but there are differing views among partners on how this might be done.** A stronger role for the GCF in country and a movement

towards more integrated planning was already the intention in the USP and during GCF-1, but progress has not been significant. Ongoing concerns about meeting USP targets have seen the GCF begin to consider articulating the extent to which it relies on operating through its partners or whether it intends to move into playing a more direct and strategic role in country as part of the USP update process. Potential GCF roles being discussed range from working directly with the NDA to influencing wider climate finance flows, building country capacity, convening partners in country and supporting NDC investment planning (GCF/B.34/Inf.17/Add.01). Drafts of the second USP signal an interest among some GCF internal stakeholders to try to evolve in terms of both policies and staffing to have a stronger role in country in guiding and convening. NDAs, DAEs and government stakeholders generally welcome the idea of a more collaborative development model and greater GCF in-country and regional presence, partly to improve engagement on strategic planning with a view to securing higher levels of project funding and DAE support. However, some IAEs tend to prefer that the GCF remain a more distant funding organization, rather than engage more directly in origination and implementation in country. This reflects their concerns around the blurring of boundaries between funding origination and approval processes (and associated conflicts of interest if the GCF were to approve projects that it had played an active role in developing in preference to those developed and submitted by others without Secretariat involvement).

102. The GCF has sufficient institutional legitimacy to make a strong contribution to improve coherence and complementarity within international climate finance. As the largest multilateral climate fund and with a broad range of partners, the GCF has legitimacy and potential convening power to contribute to improving coordination and alignment within the climate finance agenda, even though it represents only a small fraction of overall climate finance flows. The large GCF network of AE partners (United Nations agencies, MDBs, international finance institutions collectively represent the core climate finance delivery agencies who also channel other sources of concessional finance (e.g., from donors, other climate funds).

103. However, if the GCF were to play a more direct role in country, it would need to significantly evolve its structure and resourcing, and even then it might still find itself competing with other partners to play a central role in NDC climate financing dialogues. The GCF is at the hub of a global partnership network, but has not yet fully understood or articulated how it can gather key actors around strategic programming opportunities at the global or country levels. It already struggles to deliver on the many assumptions implicit within its current operating model. Interviews with the Secretariat staff and interviews with NDAs and IAEs as part of the case study process indicate that the GCF would have to significantly evolve its resourcing base and structure if it were to play a more direct role in the country-level agenda (e.g., by convening partners around NDC investment planning, supporting more integrated partner alignment). Even if resourcing were available, there are open questions as to whether the GCF is best placed to play this role. The GCF is only one of many sources of climate finance for most governments. MDBs, DFIs, donors, other climate funds and philanthropies provide a range of large-scale investment and technical assistance support programmes. Many of these partners have more established political relationships, in-country presence (e.g., country representative offices, embassies) and networks (e.g., project partners, service providers). In some countries, other partners (such as bilateral partners and MDBs) may also be seen as being in a better position to support governments in leading strategic conversations around climate finance planning and investment or convening international partners. However, past IEU evaluations have shown that partners are less likely to engage in these areas in the most vulnerable countries – for example, in LDCs and SIDS as well as for adaptation and resilience more generally.

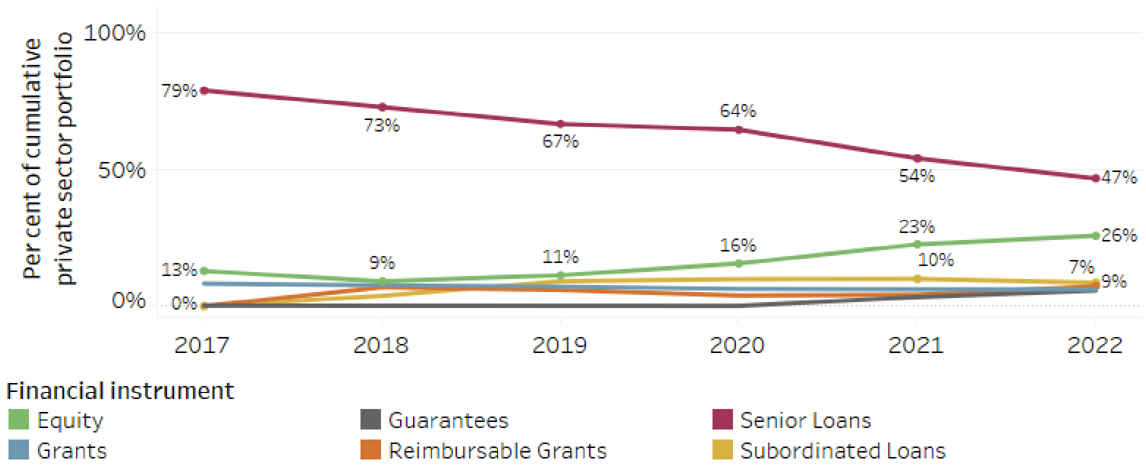
4. PRIVATE SECTOR PARTICIPATION

104. The GCF has a clear and unique mandate to promote the participation of private sector partners and to "catalyse additional public and private finance" (Green Climate Fund, 2011), and some progress has been made against these objectives in GCF-1. Given the limited availability of public finance, global stakeholders recognize the importance of rapid private sector mobilization in closing the investment gap and the need for catalytic use of funds. In line with the Paris Agreement, the GCF has a mandate to encourage private sector finance to be consistent with the 1.5°C target. The USP recognizes the private sector as a core strategic pillar and sets out commitments to build NDA and private sector capacity at the country level through the RPSP, alongside a focus on de-risking instruments and greater flexibility. The GCF has had moderate success in accrediting private sector entities and approving its private sector portfolio, with USD 3.9 billion approved to date through the PSF, although this portfolio remains highly skewed towards mitigation. However, the GCF is not likely to meet its overall target for the PSF, in part because of methodological differences in how grant equivalency is calculated at the portfolio and project levels (with the former being assessed at a uniform discount rate that is often lower), and in part because the full measure of GCF concessionality (e.g., risk position in the financial structure) is not adequately captured by the methodology. GCF projects led by private sector AEs have had significantly higher co-financing ratios (1:4.5) than public sector ones, on average. The GCF's success in mobilizing private sector finance through its investments cannot yet be assessed, however, given the lack of a methodology to date (see also Chapter 6.E on co-financing).

105. To date, the vast majority of private sector FPs have been made through banks and financial intermediaries, rather than through project developers or other commercial entities. These financial institutions in turn invest in private sector infrastructure projects or on-lend at a smaller scale to private sector micro-, small- and medium-sized enterprise beneficiaries. Of the 27 accredited private sector AEs, nearly 90 per cent are banks or investment funds, with only four project developers (e.g., infrastructure development companies and others) accredited. All nine of the private sector AEs with approved projects are financial institutions. There are no commercial-type private sector AEs. While financial intermediaries offer a strong route to achieving scale, the limited numbers of private sector AEs overall continues to act as a barrier to meeting private sector financing targets.

106. GCF PSF projects approved in the IRM typically provided senior debt, but FP approvals in GCF-1 represent a broader range of catalytic financial instruments. The GCF has typically relied on senior debt but has evolved in GCF-1 towards deploying more of its full range of catalytic financial instruments. The main thrust overall has been on the deployment of relatively low-risk capital to mitigation projects, supporting financial institutions and development banks primarily through senior debt but also increasingly through equity investments in GCF-1 (see Figure 3-4). The private sector projects approved to date have a much greater diversification of financial instruments relative to the public sector portfolio, including increased use of equity through the approval of some large programmes in GCF-1. Since the adoption of the USP, there has been a more concerted effort by the Secretariat to move towards greater de-risking and to solicit more innovative initiatives (e.g., the approval of several private sector adaptation proposals). However, some instruments remain challenging to deploy (e.g., guarantees are difficult because the GCF does not have a credit rating appraisal).

Figure 3-4. Evolution of private sector instrument types over time



Source: Tableau server iPMS data, as of B.34 (20 October 2022), analysed by IEU DataLab.

107. It should be recognized that there is much broader private sector involvement in the delivery of the GCF portfolio than is recognized by focusing on the PSF alone. While the PSF acts as a dedicated division to directly or indirectly finance private sector actors (institutional investors, private sponsors, climate funds), there is much broader private sector participation in the delivery of the GCF mandate, including in its public sector portfolio, as demonstrated by the IEU's SIDS evaluation and country case studies. Country case studies identified a high degree of private participation among DPs and EEs, as well as in the subcontractor base for project delivery (e.g., design, engineering, environmental services, monitoring). Projects also often enable or facilitate downstream private sector development benefits (e.g., around agricultural supply chains or productive uses of energy). This is not well captured in GCF monitoring or reporting. However, the private sector focus could still be improved further, particularly in countries with lower levels of market development. For example, the GCF has not placed a strong focus to date on promoting the participation of micro-, small- and medium-sized enterprises in LDCs, SIDS or African States, as called for in COP decisions and the GI (Independent Evaluation Unit, 2021b).

108. **It is not clear whether the GCF operating model is currently well positioned to support private sector partnerships.** The experience of matching GCF programming cycles more directly to private sector investment opportunities has not been positive, with long timescales associated with GCF accreditation and proposal approval (see Chapter 5.B for further discussion), high transaction costs and alternative sources of capital making the GCF relatively unattractive as a source of funding for private sector entities. Private sector DAEs in particular have experienced long and complex accreditation processes, without a clear route to programming. Attempts to address this through an RFP targeted to the private sector was not successful in attracting the quality of partners envisaged (in part due to complex processes for non-accredited entities and the hesitance of AEs to partner). The recently approved project-specific assessment approach (PSAA) pilot that targets 10 projects is expected to help but is only expected to be operationalized in early 2023. Private sector AEs may also find it somewhat challenging to undertake the wider responsibilities associated with GCF projects (e.g., representing the GCF programme design and delivery function in country, direct management of EEs, and post-approval processes such as programmatic reporting).

109. A tension also persists in the GCF operating model, between the principle of a country-driven approach and private sector investment processes. For example, private sector programmes – and

particularly multi-country programmes – have struggled with the GCF's restructuring and cancellation policy requirements, including the need for no-objection letters from all country NDAs (see also 150 on programming). RPSP activities have not historically focused on private sector related outcomes, contributing to poor levels of private sector integration into NDC and NAP design and investment planning processes, although this is addressed within the new private sector strategy and B.34 Secretariat reporting supports their efforts to change this.

110. The GCF's recent experiences in supporting FPs with a broader range of private sector instruments, including equity investments, have shown that the Fund's legal and operational structure is not particularly conducive to limiting exposure for these investments (in part due to the lack of credit rating), creating challenges that must be worked around to minimize risk. Furthermore, a lack of internal clarity over roles and responsibilities (e.g., between the PSF and the Division of Mitigation and Adaptation) and in reporting on private sector outcomes within the IRMF have contributed to challenges around articulating the GCF contribution.[28]

111. Further work will likely be required on the range of instruments and process flexibility as the GCF further evolves its private sector approach, particularly in relation to DAE engagement. One area of concern is around second-level due diligence in private sector programmes – in particular, for those using equity and guarantee structures, as well as large multi-country intermediated financing (see Chapter 5.D on implementation management). Another key question relates to the role of the NDA and country programming in relation to private sector operations (which may be to a large degree independent of national policy). To support private sector engagement, there is greater need for a stronger enabling environment as well as risk mitigation support (insurance, guarantees, first loss positions) if progress is to be made. New asset classes identified by the GCF in its new strategy (e.g., resilient grey and green infrastructure), as well as a greater focus on underserved markets, will only serve to amplify these challenges. Case study interviews indicated that private sector DAEs in particular have struggled to engage with GCF project preparation processes and that documentation requirements, language and conceptual framing are not well aligned with commercial entities, as discussed further in the following chapter. The recent approval of the private sector strategy provides for a more structured framework for guiding development of the approach but does not set out the resources required for implementation. The proposal for USP-2 also indicates an evolving product offer (focus on equity and guarantees, climate insurance products and local currency financing) as well as improving engagement between country processes, NDAs and private sector partners.

[28] See GCF/B.32/06 for a more detailed overview of private sector challenges and opportunities.

Chapter 4. ACCESS TO THE GCF

KEY FINDINGS

- Through accreditation, the GCF has established a network of diverse AE partners, including many national and regional DAEs. There are, however, continued programming gaps at the GCF and country levels due, in part, to too few private sector DAEs and weak policies, low staffing levels and limited experience with climate finance among DAE candidates.
- The accreditation function has multiple goals, some of which could be more effectively and efficiently met through other forms of GCF partnerships, country capacity-building and access mechanisms.
- Accreditation is not yet optimized for direct access to the Fund; alternate mechanisms for access are underexplored. Models of direct access exist from other trust funds such as the Global Fund, Gavi and the Global Partnership for Education. These models involve a country coordination mechanism, composed of relevant government and non-government actors, that determines programmatic priorities, identifies the implementing partners and oversees implementation. Such a model appears feasible within the provisions of the GI but has not been fully explored in the context of the GCF.
- Direct access is growing but limited for several reasons:
  - Countries struggle to identify entities; entities struggle with accreditation.
  - Country accreditation decisions, programming and capacity-building are not yet sufficiently aligned.
  - DAE capacity remains a major constraint for increasing the proportion of resources channelled through direct access.
  - GCF capacity support through the RPSP and Project Preparation Facility (PPF) are yet to show major results at scale for DAE programming. A shift towards more focused support for DAE pipeline development is partly under way, but it is too early to observe the results.
  - The expectation that IAEs will build the capacities of DAEs – without associated resources or incentives – has proven false.
- The approved project portfolio remains skewed towards IAEs and a relatively small number of DAEs. Untapped potential is high for private sector entities.
- The GCF lacks a vision and strategy for a manageable AE network of capable and diverse entities that are well positioned for emerging GCF and country priorities. A growing network may affect the AE-to-project ratio and the Secretariat's capacity to manage it.
- The accreditation process remains protracted, inefficient and insufficiently transparent and not linked to programming. Accreditation requirements and outcomes are also insufficiently differentiated by entity characteristics.

112. Direct access to the Fund through localized entities is one of its most fundamental and distinctive features and is currently operationalized through the accreditation of and programming from national and regional entities. Accreditation is fundamental to the GCF's broader partnership model, as the Fund relies on international, regional and national AEs to deliver its mandate and project implementation on the ground. The USP sets clear ambitions for accreditation and direct access related to strengthening country ownership of programming and improving access to Fund resources to deliver balanced, impactful programming, including by significantly increasing portfolio funding through DAEs. In addition to direct access, the GCF provides other access mechanisms such as through programme subprojects (or project subgrants or subloans) or serving as an EE for GCF funded activities or as a DP for the RPSP.

A. Accreditation and access outcomes to date

113. **Accreditation has generated a highly diverse network of AEs** that covers public, private and non-governmental organizations (NGOs), including large, medium and small ones, and entities of different global, regional and national coverage. The Board has approved a network of 113 AEs, of which 90 are currently fully accredited by having signed and made effective their AMA with the GCF.[29] The GCF network includes 72 approved DAEs, of which 59 are national DAEs and 14 regional DAEs. The Asia-Pacific region has the largest number of DAEs (29), followed by Africa (22) and the LAC region (19). Eastern Europe is trailing with only two DAEs (see Volume II). The remaining 42 AEs are IAEs. As of B.34, the GCF AE network has obtained Board approval for 209 projects.

114. There are programming gaps at the GCF portfolio and country levels due, in part, to the low number of DAEs and lack of alignment with GCF programming. For the GCF, adaptation projects and medium- and large-scale private sector operations with a broad range of instruments are not well covered. A key challenge in GCF-1 has been to build a sufficient network of AEs with effective programming and implementation capacities that match country needs and priorities as well as GCF programming priorities. The GCF has an increasingly diverse set of AEs, offering a range of capabilities across financing sizes, financial instruments, risk levels and sectors. Yet the GCF's largely bottom-up, supply-driven approach to accreditation and the relatively low capacities of some DAEs have contributed to programming gaps at the GCF and country levels, such as difficulties meeting goals to increase the finance channelled through DAEs, for adaptation projects and for certain private sector operations (large and medium scales and those covering equity and guarantee instruments) (GCF/B.32/08).

115. With only 59 national DAEs accredited, many countries do not yet have DAEs, and for other countries the DAE composition is not yet aligned with programming priorities (see also Chapter 4.D below). This concerns countries' intentions to use more DAEs for adaptation projects, in line with GCF programming goals, as well as to have accredited national DAEs that serve public and private sector country objectives. The two most supportive factors for DAE accreditation to date have been prioritization through the fast-track mechanism (25 DAEs benefited from this) and prioritization of AE applications during Secretariat assessments (Independent Evaluation Unit, 2023). Apart from

[29] As of B.33, the Board has approved 115 entities for accreditation. However, two entities have not applied for reaccreditation after expiry of their term, and the GCF has a total of 113 AEs. In total, 69 entities have a currently active first-term AMA, and 1 entity has an effective second-term AMA; 13 additional entities have been approved for reaccreditation but do not yet have an effective second-term AMA.

some early entity prioritization in applications, which expired in 2020, Board guidance on AE network composition and accreditation priorities has been limited. The recent approval of an accreditation strategy at B.34 is expected to fill this gap, but the process is not fully completed. Unresolved matters in accreditation and access are to be re-opened and addressed at B.35 and in the USP.[30]

116. **Most DAEs have found it difficult to access the Fund so far, and approved DAE FPs are highly concentrated in a few DAEs.** Throughout GCF-1, DAEs have constituted an increasing proportion of the GCF's accreditation portfolio, yet the approved project portfolio remains skewed towards IAEs and a relatively small number of DAEs, both in number of projects and volume of finance. The proportion of DAEs in the accreditation portfolio has increased slightly, from 59 per cent during the IRM period to 64 per cent in GCF-1. Some progress was also made on the funding allocated to DAEs (See Table 6-1). Yet the approved project finance remains skewed towards IAEs, with DAEs allocated only 21 per cent in GCF-1, versus 16 per cent at the end of the IRM (in nominal terms). Only 50 of the 209 approved projects are implemented by DAEs.

117. On average, IAEs have a higher number of approved FPs per AE (3.7 for IAEs, compared with only 1.7 for regional DAEs and 0.5 for national DAEs, see Volume II). However, the approved-FPs to AE ratios vary significantly if the timing of AE accreditation is considered. The 24 IAEs that were accredited prior to GCF-1 have an average of 6.5 approved FPs, whereas IAEs accredited during GCF-1 (16 entities) have 0.4 FPs.[31] The 23 national DAEs accredited prior to GCF-1 have proportionally only a slightly higher number of approved FPs than those 14 national DAEs accredited in GCF-1 (1.0 versus 0.4).[32] This leads to two observations: first, even with this breakdown by accreditation period, national DAEs are still at a disadvantage in having FPs approved; the time factor in accreditation plays only a minor role. Second, several IAEs that were accredited in GCF-1 (i.e., since January 2020) have not had FPs approved as of the time of writing, at least not at a faster pace than national DAEs.

118. The GCF objective for direct access is directed at the portfolio and not otherwise stratified, leading to an undesirable skew towards a handful of entities. For all AE modalities, concentration of project finance is high in the top 5 AEs, but more so for DAEs. Five IAEs hold 55 per cent of overall finance for IAE projects (United Nations Development Programme (UNDP), EBRD, World Bank, ADB, Inter-American Development Bank), whereas 68 per cent of all national DAE finance is channelled through the top 5 national DAEs (Infrastructure Development Company Limited, NABARD, Korea Development Bank, CRDB Bank and XacBank), and 94 per cent of all regional DAE finance is channelled through the top 5 regional DAEs (Central American Bank for Economic Integration, Andean Development Corporation (CAF), West African Development Bank (or BOAD), Development Bank of Southern Africa, and the Caribbean Community Climate Change Centre) (Figure 4-1).[33]

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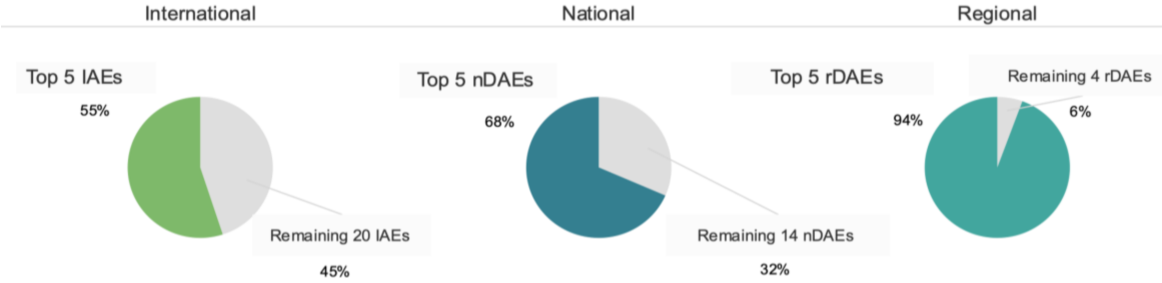
[30] In this decision the Board explicitly deferred decisions on several proposals to B.35 or later, as described in document GCF/B.34/27, Annex III. This concerns (a) strategic matters to be taken up in the Strategic Plan of the Fund (programming priorities), (b) strategic matters that require further Board consideration, and (c) matters to be taken up in the revised accreditation framework.
[31] This analysis used AMA effectiveness to define an entity as accredited.
[32] There are no differences for regional entities, but only one regional DAE was accredited in GCF-1.
[33] All top 5 national and regional DAEs with FPs obtained their AMAs between 2016 and September 2018, except for CRDB Bank, which obtained its AMA only in August 2020.

Figure 4-1. Concentration of the approved portfolio in monetary terms, by access modality



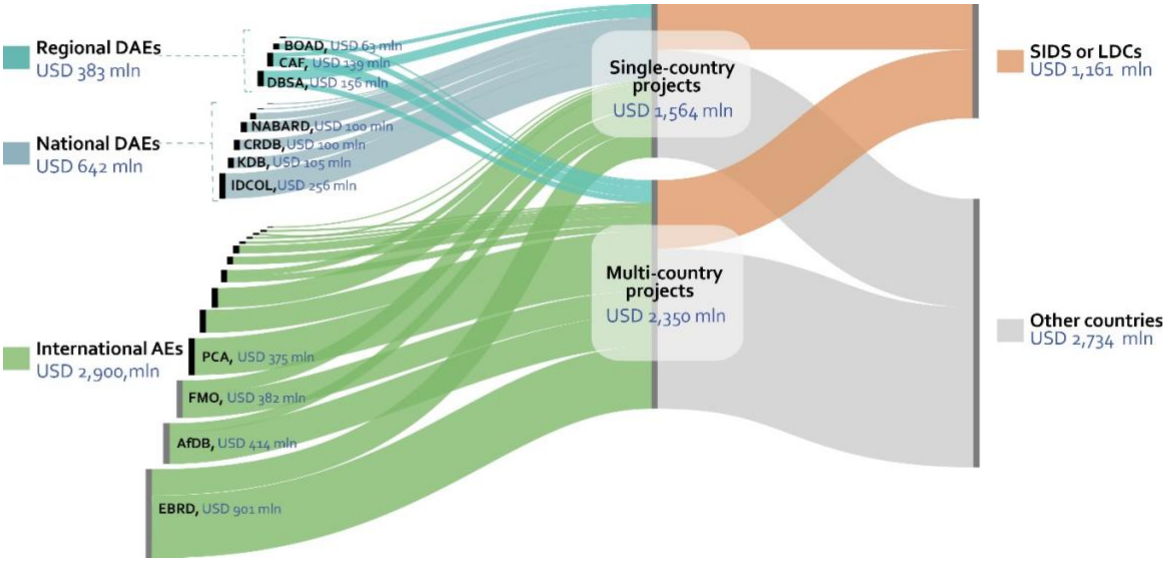
Source: iPMS data, as of B.34, analysed by IEU DataLab.

119. The top six DAEs (national and regional) account for 69 per cent of the total DAE nominal FP financing in monetary terms (Independent Evaluation Unit, 2023). These entities have strong capacities that pre-date the GCF, and they are mostly financial institutions and regional DAEs. Their primary advantages were pre-existing fiduciary and ESS standards, and more easily bankable mitigation projects with lower climate rationale hurdles.

120. DAEs are also underrepresented in the advanced stages of the CN and FP pipeline. According to iPMS data accessed by the IEU DataLab as of 31 October 2022, there were 18 FPs in the advanced stage of the pipeline (i.e., passed interdivisional review), of which 7 have passed review by the iTAP. Of these 18 FPs, only 1 is from a national DAE and 2 are from regional DAEs. None of the projects submitted by national DAEs have yet passed iTAP review (Volume II). Funding proposals submitted to the interdivisional review stage have higher conversion rates into approved FPs for IAEs (0.62; i.e., 62 per cent of all submitted FPs have been approved) and regional DAEs (0.59) compared to national DAEs (0.51). DAEs have also withdrawn considerably more CNs and FPs from the process (relative to approved projects) than IAEs, with about three proposals withdrawn for every approved FP by DAEs versus 1.7 for every approved FP by IAEs (Volume II). The overall IAE pipeline is stronger than that of DAEs (Volume II). Overall, IEU data show that 25 per cent of the AEs do not have a pipeline with the GCF.

121. There are still relatively few PSF projects approved through DAEs, but a relatively higher share of PSF finance is going to SIDS and LDCs through DAEs than through IAEs. In total, the GCF has 28 private sector AEs, out of which 15 are national and 2 are regional DAEs. The pool of private sector DAEs covers relatively few countries, and strategic clarity and Secretariat engagement in identifying such DAEs remains weak. The USP did not explicitly call for country-driven private sector programming (Independent Evaluation Unit, 2021b). Although there are only a few private sector DAEs, a quarter of all PSF financing is channelled through DAEs, some of which are public sector DAEs. This is a slightly larger proportion than that of Division of Mitigation and Adaptation (DMA) financing. Out of USD 3.9 billion in GCF funds allocated so far to PSF projects as of B.34, 16 per cent is with regional DAEs and 10 per cent with national DAEs, with the remaining 74 per cent implemented by IAEs (Figure 4-2). Almost all PSF funding of regional DAEs and half of that of national DAEs went to SIDS and LDCs. In contrast, only one fifth of IAE PSF funding was allocated to LDCs and SIDS, most of it through multi-country projects.

Figure 4-2. PSF portfolio by AE modality, number of project/programme countries (single or multi-country) and country targeting



Source: Tableau server data as of B.34, analysed by IEU DataLab.

122. Through statistical regression tree analysis, the SPR identified the most significant factors for explaining the submission of CNs and approved FPs to the Fund (see Volume II for details). The most significant factors for successful submission of CNs to the Secretariat and for Board-approved FPs are (1) access to readiness and preparation funds (through the RPSP and PPF), (2) previous project development and implementation experience, as measured by fast-tracked entities, and (3) medium and large AE size. Readiness and preparation funds played the largest role by far.[34] Specifically, RPSP access mattered most for CN submission, particularly where the AE was also the RPSP DP, and PPF access mattered for the number of approved FPs. In addition, having been a fast-tracked entity and being a medium- or large-sized AE were important factors. These factors suggest that previous project development and implementation capacity as well as the ability of an entity to have sufficient internal resources to support project development are important for successful CN and FP submission. Statistically, these factors were more important than whether the AE was a DAE or an IAE, which played only a relatively small role for the number of CNs submitted, with IAEs being at a slight advantage. One should also consider that, historically, AE capacity has also mattered for access to the GCF's RPSP and PPF, even as DAEs are prioritized for PPF access.

123. The IEU Independent Synthesis on Direct Access probed further for enabling and constraining factors associated with DAE project approval, which are consistent with those identified through the statistical analysis described above (Independent Evaluation Unit, 2023). Previous exposure of the entity to and collaboration with similar funding mechanisms and prior engagement with the GCF as an EE or RPSP DP played a critical positive role. The country's attention and context of climate finance and NDA capacities also mattered for successful FP approvals. At the GCF, in-person meetings, structured dialogues and dedicated interlocutors were supportive factors for FP approvals. In contrast, low-capacity entities, insufficient knowledge of GCF procedures, non-supportive NDAs and unattractive conditions (for private sector proposals) reduced FP submissions. Long delays in processes and high uncertainty led to a loss of FP relevance and interest in proposals on part of AEs.

[34] The PPF is also a critical factor mentioned in the IEU's direct access synthesis report (Independent Evaluation Unit, 2023, para. 127-128).

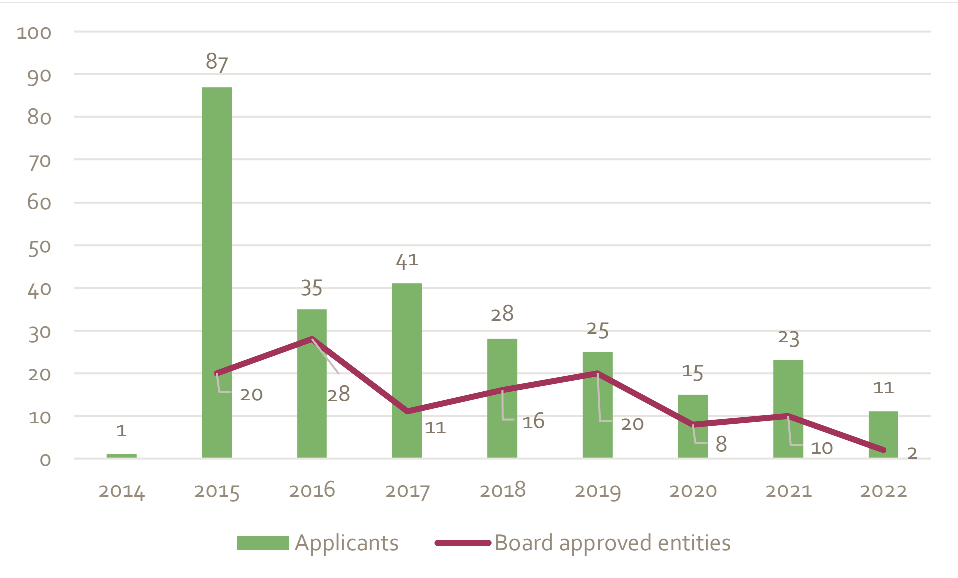
B. ACCREDITATION AND ACCESS APPROACH

124. The accreditation function as currently operationalized is overburdened with multiple objectives, some of which may not be feasible or internally consistent. Until recently various goals were implied in various Board decisions (Independent Evaluation Unit, 2020b; Independent Evaluation Unit, 2022n.d.), including the expectation to build DAE climate programming capacities, leverage finance and climate expertise through IAEs and certain DAEs, and contribute to shifting AEs' total portfolio of activities towards low-emission and climate-resilient pathways beyond those funded by the GCF. The newly approved accreditation strategy (decision B.34/19) reiterates the emphases on climate change programming development, implementation competencies and capacities, strengthening such capacities of AEs, country needs, adaptation, and other divergent goals. IEU reports have suggested that some of these goals are contradictory in the short run, such as those of high-quality project delivery and capacity-building. Other goals, such as leverage of funding, may lead to preferences for those AEs that are more likely to provide leverage, which are mostly IAEs or some larger DAEs. This is hard to reconcile with the Fund's direct access focus. It is also worth mention that the Board decision on the accreditation strategy postpones urgently needed clarity on enabling AEs to apply their own systems and policies, a DAE window under the RPSP, the ability of AEs to programme for the GCF, and options to build the capacities of DAEs.
125. Reaccreditation processes have also made certain trade-offs between different objectives more apparent. There is a lack of clear performance benchmarks on requirements that would qualify (or disqualify) an AE for reaccreditation. These could be benchmarks for shifting AEs' overall portfolios towards low-emission and climate-resilient pathways; for tracking IAE capacity support provided to DAEs; and for AEs' overall performance in implementing funded activities, as well as implementing RPSP grants for those that are also DPs.
126. A lack of a long-term strategic vision for accreditation and access has challenged the effectiveness and efficiency of access and accreditation in the GCF (Independent Evaluation Unit, 2020b; Independent Evaluation Unit, 2023) and appears unlikely to be completely resolved by the accreditation strategy. According to interviewees, some accreditation goals could be achieved differently, and potentially be more effectively and efficiently met through other channels. For example, DAE capacities could be built through processes other than accreditation, unless entities are likely to implement projects with the GCF. Also, accreditation goals are closely linked with other GCF policies, such as on readiness, and corporate partnership approaches. The accreditation strategy does offer some vision by relating accreditation directly to programming, and delegates modest authority to the Secretariat to "actively guide entities". Further decisions related to the accreditation strategy expected at B.35, along with the upcoming updates to the USP, offer opportunities to reach beyond short-term operational improvements of accreditation and access and to clarify a vision to guide the optimal utilization of different models, goals and alternative approaches to Fund access for different partners.
127. Decisions about the long-term vision for accreditation and access will have implications for the size, composition and functions of the GCF's long-term AE network, as well as for GCF budgets and network manageability. The growth of the AE network has limitations. This is due in part to Secretariat capacities to accredit and reaccredit AEs, to match AEs with FPs per GCF and country programming priorities, and to perform ongoing management of a diverse network of entities and their projects. Ultimately, GCF strategic choices will have implications for the AE-to-project ratio and hence the attractiveness of GCF accreditation for potential AE partners.

128. The choices will also affect how the GCF allocates its financial and human resources. Across the board, interview respondents find that accreditation is a costly process, for the GCF and AEs alike, that requires a good balance of costs, with ultimate benefits for all partners, in order to be viable and to avoid reputational risks. The Secretariat is already processing growing pipelines of accreditation and reaccreditation: more than a third (36 per cent) of current DAE applicants have spent more than four years in the accreditation pipeline (Volume II), and some AEs are reducing or wishing to change their mode of engagement with the GCF.

129. For the Secretariat, organizational efficiency gains, as expected from the Accreditation and Entity Relations Unit (AERU) in the coming years, may not be sufficient to free the capacity needed to process ongoing and new accreditation applications and reaccreditations, especially when all applications need to be reviewed and processed simultaneously. The Secretariat has historically processed 15 accreditation applications per year, and its capacity for processing is expected to increase to 25–30 applications per year thanks to efficiency gains and additional resources provided through the updated accreditation framework. This includes reaccreditation, upgrade and new accreditation applications (GCF/B.34/27, annex 4, paragraph 49). The comparison of numbers of applicants for accreditation and entities accredited by the Board shows the large backlog of nominated entities in the system (Figure 4-3; 267 applications and 115 approvals/ 113 AEs). In addition, the Secretariat received 29 requests for reaccreditation in 2021 and 2022, of which 19 have been approved and 10 are still pending. A further 14 AEs are due for reaccreditation in 2023, and 16 are due in 2024.[35]

Figure 4-3. AE pipeline with number of accreditation applications and Board approvals per year, 2014–2022



Source: AERU data as of B.34, analysed by IEU DataLab.

130. **Use of alternative or complementary mechanisms to support access have not been sufficiently effective or explored.** Institutional accreditation has so far served as the primary access mechanism to the GCF, which presents natural limits for broader participation and access as currently

[35] DataLab analysis of AERU data. Due year of reaccreditation was defined as AMA expiring between July 2023 and 2024 (for 2023 due year) and between July 2024 and 2025 (for 2024 due year) That is, AMA expiration minus six months.

implemented. Other modalities to date have turned out not to be well designed or targeted for national direct access support, and some are currently less effective (DPs under RPSP), while others have been underutilized (the PPF, enhanced direct access (EDA)). For instance, the concept of EDA was designed to devolve decision-making to DAEs on small subgrants/subloans to be made to CSOs and small businesses. Currently, 30 DAEs qualify for EDA, according to the Secretariat. An ongoing pilot resulted in only three EDA projects, and there are plans by the Secretariat to reassess the concept and improve on the first version. Indirect ways to access the Fund, such as through organizations working as EEs or in subprojects, are already pursued by NDAs and national organizations as an alternative to accreditation but are not yet systematically encouraged by the GCF. For instance, there is currently no institutionalized, GCF-supported pathway for entities to graduate from non-AE participation in GCF projects and other activities (as EE or DP) to a full accreditation status. Engaging organizations as EEs and DPs is a viable option to engage small local entities with limited capacities. Although SPR country case studies pointed to some nominated DAEs working as EEs, such data are not systematically collected. There are also no data on current EEs that might qualify for accreditation but have decided not to apply.

131. Another alternative mechanism is the PSAA, which was recently approved under the updated accreditation framework. The accreditation strategy provides that the PSAA targets entities "seeking non-recurring programming engagement with GCF, or entities that may not be ready to manage a portfolio of GCF programming". It is intended to target underserved countries, entities, sectors and technologies. The PSAA is still in the process of being operationalized and is limited in scope and eligibility, with the pilot of 10 projects expected to open for applications in 2023. Evidence for the efficiency and effectiveness of the PSAA will become available in the future.

132. Several SPR country case studies indicate that many agencies that are eager to work with the GCF and to access its funding and climate programming capacities do not wish to do so as AEs; they may be discouraged by high fiduciary and compliance standards of the Fund (e.g., in Bangladesh) or may be too small and lack the basic resources and capacities (e.g., in Mauritius). In such cases, it was often considered to be more appropriate for an agency with a broader mandate to pursue accreditation on behalf of diverse entities and facilitate their access. Case studies point out that such an entity, sometimes also labelled "sponsor", would require the expertise and authority to work and oversee diverse EEs, focus more on implementing rather than executing projects itself, and have the capacity of on-granting and on-lending facilities (e.g., in Rwanda). Preferably, it would be a DAE.

133. Models of direct access exist from other trust funds and appear feasible within the provisions of the GI but are yet to be fully explored in the context of the GCF. Trust funds such as the Global Fund, Gavi and the Global Partnership for Education have operationalized another model of direct access. The Global Fund's direct access model involves a country coordination mechanism that comprises representatives from the government, development partners and other stakeholders, who determine the programmatic priorities. The country coordination mechanisms nominate a principal recipient, which implements a project funded by the Global Fund, either directly or through one or more subrecipients, in roles that are analogous to those of the GCF's AEs and EEs. The Global Fund also identifies local fund agents to oversee the implementation and act as the Global Fund's "eyes and ears on the ground". These agents work closely with the country team at the Secretariat to evaluate and monitor activities before, during and after the implementation of a grant. The country coordination mechanisms ultimately act as an in-country coordination mechanism that helps maintain coherence at the national level among multiple implementing institutions and ensures that appropriate institutions are utilized for specific types of activities, such as performance-based activities. There are also similar mechanisms in other funds, such as the national coordination

forums in Gavi and the local education groups in the Global Partnership for Education, which act as the decision makers related to the coordinated submission of the country's grant proposal. Throughout this process, these forums are also responsible for selecting the partner through which the funding will be channelled and implemented. In Gavi, the funds are typically channelled to the health ministries. At the same time, the Global Fund's principal recipients can be a wide range of stakeholders at the national and subnational levels, including the local branches of multilateral organizations. Meanwhile, the Global Partnership for Education has a hybrid model, where the local education groups can submit proposals to implement projects along the nationally agreed plans through grant agents, which are accredited by the Global Partnership for Education. The model was among those examined by the Transitional Committee of the GCF, and the GI provides the GCF with the flexibility to consider exploring such other models of direct access, which are used elsewhere with effectiveness and efficiency. Such models remain to be explored within the GCF architecture, in light of the evidence and experience that has become available since the GCF's establishment.

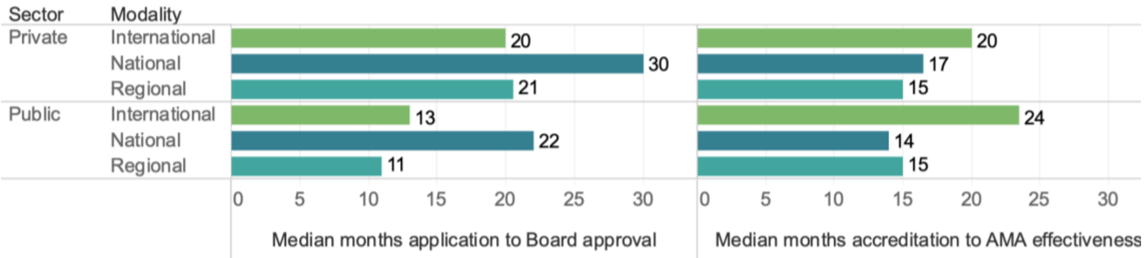
C. ACCREDITATION PROCESS EFFICIENCY

134. Although the GCF has worked to address operational accreditation issues during GCF-1, the accreditation process remains protracted, inefficient and not sufficiently transparent. There are continued challenges in operating an efficient accreditation process due to the complexity of the requested information, process duplications within the Secretariat, Accreditation Panel reviews and the required adoption by the AE of new policies and standards. Problems with high transaction costs for accreditation, unclear decision-making and lengthy communications with the GCF featured strongly in SPR case studies in Bangladesh, Georgia, Grenada, India, Mauritius, Morocco, Peru and Solomon Islands, sometimes leading to insurmountable hurdles for the countries' entities. In Kenya, stakeholders lacked common clarity on GCF process and communication protocols, how to interpret standards and templates, and which people at the GCF to contact. They noted the lack of specific relationship managers in the GCF Secretariat to connect them to the right staff.

135. National DAEs take considerably longer to get Board accredited than international or regional entities (Figure 4-4). Early fast-tracking of accreditation of international entities contributes to their advantage, as do IAE institutional capacities, existing standards and policies. Earlier analysis indicated that the median duration for Board AE approval increased over time, from 18 months prior to GCF-1 to 44 months during GCF-1.[36] IAEs spend more time after Board approval in negotiating conditions and completing their AMAs than DAEs do. SPR interviews indicate that IAEs and larger regional DAEs find it more challenging to reconcile their existing operating standards and policies with those of the GCF and tend to negotiate harder than national DAEs. IAE private sector entities are slightly faster in obtaining AMA effectiveness than public sector ones, and private sector DAEs are a bit slower than public sector DAEs.

[36] From submission of application to Board approval.

Figure 4-4. Accreditation timelines, by AE modality (months)



Source: AERU data as of B.34, analysed by IEU DataLab.

136. The accreditation process also suffers from shortcomings in both AE and Secretariat communication and the limited capacity of many candidate AEs. DAEs in particular are concerned about a lack of transparency in the process requirements, the length of time accreditation takes and the likelihood for ultimate Fund access through successful FPs. The updated accreditation framework adopted at B.31 is meant to streamline the accreditation process by addressing several of these issues, and it will become effective by 1 April 2023.

137. Accreditation requirements and outcomes are insufficiently differentiated and tailored to the wide range of AE entity types, characteristics and capacities. There are differences in accreditation scopes,[37] but many requirements during accreditation and later expectations for FP programming are similar for all AEs. IAEs are typically differently positioned than DAEs but are subject to the same requirements. For example, the current accreditation process is not well suited for many interested private sector and CSO entities as they often cannot easily comply with policy and other requirements and do not have sufficient climate programme experience, according to interviews across all categories of respondents. Accreditation requirements also do not sufficiently take account of an entity's capacity to prepare and implement climate projects, which contributes to uneven CN/FP qualities at pipeline entry.

138. DAEs represent a broad range of capabilities, capacities and business objectives. In the SPR country case studies, private sector entities were often considered as disadvantaged because the duration of GCF accreditation and disbursement is not attractive and they are not accustomed to additional requirements and associated costs through ESS (e.g., in a LAC case study). Those willing to clear this hurdle are mostly entities that are already working with international agencies. Another group of small entities finds itself challenged to meet the standard documentation and procedures required across all DAE candidates. This concerns formal enterprises, such as a development bank in a SIDS that has been proactive in pursuing its accreditation, and also affects engagement with other non-state actors, including civil society and subnational entities. Moreover, these entities are not necessarily supported well by more state-centric NDAs. Stakeholders in one case study country proactively requested faster accreditation through gradual and differentiated standards.

139. Experiences in the Adaptation Fund with a streamlined accreditation process point to opportunities and limitations of differentiated accreditation. Of the 34 Adaptation Fund AEs (or national implementing entities, as they are called), 5 are going through this process. A recent evaluation found value in this mechanism for opening doors to climate finance for smaller entities, while also noting that the time frame and effort needed for this process were similar to the regular Adaptation Fund accreditation process, since entity constraints in capacity, experience and especially fiduciary

[37] AEs are categorized according to a combination of three factors: (1) maximum project/programme activity size, (2) methods of channelling funding, and (3) environmental and social risk level.

standards could not be easily overcome (Adaptation Fund, 2022a). Weaker organizational conditions for accreditation were also related to lower funding limits, with many organizations not being aware that these could be raised within five years during reaccreditation. Several entities went through the alternative process after being nominated for the regular process but failed to proceed. National stakeholders also noted that DAEs undergo different accreditation processes and requirements from each climate fund, which becomes very challenging, especially in countries with low capacities and climate change urgencies. These stakeholders also raised the question of whether these funds could consider streamlining or even unify their accreditation processes.

D. Direct access

140. Direct access through accredited DAEs remains the preferred method for many countries, but this competes with obtaining timely country funding for FPs from the GCF when countries must wait for DAEs to first go through the accreditation process. As an interim solution, interviews and country case studies showed that countries are approaching high-capacity IAEs and regional DAEs, and in some cases even limit the use of DAEs to improve efficiency (see, for example, the SPR case study on Georgia). Even for India, which already has four private sector DAEs and one specialized infrastructure DAE, the challenges of DAEs receiving accreditation and developing successful FPs is a barrier to national-level climate finance delivery planning. The country pivoted towards higher capacity IAEs as a temporary stopgap while DAE capacity-building and strengthening proceeded. Morocco is considering similar steps, despite many accredited and nominated national DAEs.

141. Only 25 per cent of countries have current access to national DAEs, 4 per cent more than during the IRM; more countries have access to regional DAEs, especially SIDS (now at 25 per cent) (Table 4-1). Potential access to national DAEs is much higher: between 60 and 70 per cent, if all nominated DAEs were accredited. But SPR country interviews and analysis of accreditation pipelines found many dormant entities in the accreditation pipeline, partly or completely dropped out of the process. This is supported by the data on the long duration of many entities in the pipeline (Volume II). All this suggests that the appetite for accreditation among nominated entities is slowing down due to the length of the process, capacity constraints and dimming expectations for FP approvals. Interviews in countries and at the GCF Secretariat suggest that some entities prefer to act as EEs for access, and others harbour high expectations for the PSAA as an alternate access mechanism. Other access mechanisms also remain, such as serving as a DP, project subgrant or subloan recipient, or co-financier.

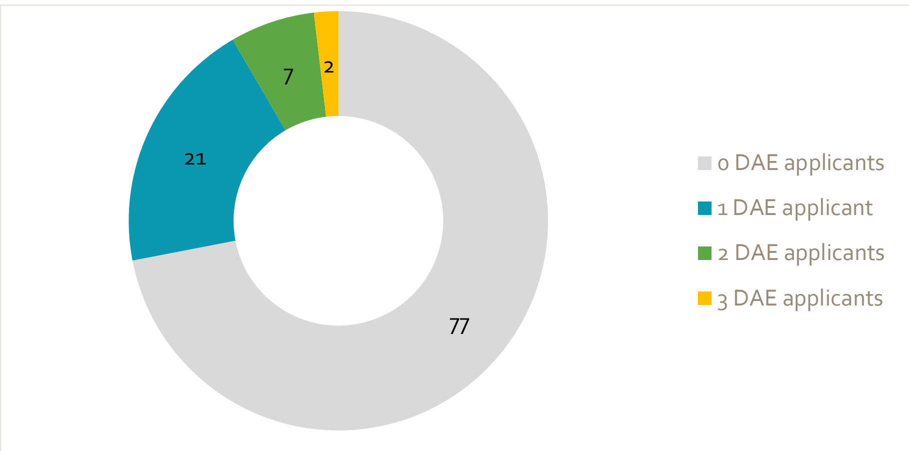
Table 4-1. Country coverage of regional and national DAEs, by country categories

Country category	National DAE coverage			Regional DAE coverage		
	IRM	GCF-1	Potential – entities with OAS account	IRM	GCF-1	Potential – entities with OAS account
GCF eligible countries (154)	21%	25%	68%	18%	19%	40%
African States (54)	20%	24%	70%	13%	13%	57%
LDCs (46)	20%	24%	65%	4%	4%	33%
SIDS (40)	10%	13%	60%	23%	25%	38%

Source: Accreditation data, as of B.34, analysed by IEU DataLab.
Note: OAS = online accreditation system. Coverage considers countries where DAE headquarters are located, or that have given at least one nomination to regional/national entity. African States, LDCs and SIDS are not mutually exclusive categories. GCF-1 period reflects cumulative number of countries that have gained access to DAEs throughout 2015–2022. Potential coverage reflects that countries have nominated or host the headquarters of a DAE at any stage of accreditation-related engagement with the GCF (after account issuance). AE modality is considered as of B.34.

142. At B.34, in the context of the new accreditation strategy, the Board discussed a proposal to increase country DAE coverage by prioritizing national DAE institutional accreditations from countries without national DAEs so far (GCF/B.34/27, annex 3, paragraph 9). The SPR analysis shows that such a decision could directly benefit 30 countries that have at least one DAE applicant out of 107 eligible GCF countries without DAEs. Among these 30 countries, 9 have multiple applicants (Figure 4-5). Successful accreditation of entities from these countries would increase the share of GCF-eligible countries with DAEs to 50 per cent. But this process could take some time as only three of these applicants are currently in stage II (Step I), the rest are in stage I. At the same time, such a prioritization could also have detrimental effects on the accreditation of 59 DAEs at the same stages from countries that already have one or more DAEs, some of whom are highly prioritized in countries and partly supported by the GCF in their accreditation. It is also not likely to have direct impact on the ability and interest of all AEs to develop a GCF pipeline.

Figure 4-5. Ongoing DAE applications from countries without DAEs and number of applicants per country



Source: AERU data as of B.34, analysed by IEU DataLab.

143. **Countries struggle to strategically identify DAEs. At the country level, the "right" number and type of DAEs varies.** Also, the SPR and previous IEU country case studies have repeatedly shown that many NDAs report they do not have sufficient access to the types of (D)AEs best suited for their priorities, particularly in the absence of well-aligned Secretariat, country and AE/DP programming. The right number and type of DAEs in a country depend, among other things, on suitable entities, country needs and programming priorities, and the predictability of future GCF resources. The country case studies further illustrated that the right number and type of DAEs also changes with evolving country priorities and political shifts over time. GCF visions and priorities for the country matter, within a country-driven approach, and these priorities are not always clear to the countries.

144. Among the 12 SPR country case studies, selected in part to represent countries with relatively advanced programming and results, only 4 had two or more accredited DAEs (Bangladesh, India, Kenya and Morocco), 4 had one DAE and 4 had none, mainly SIDS. In India and Morocco, it was not yet clear whether the large number of accredited and nominated DAEs (in Morocco four accredited and four actively pursuing their accreditation; in India five accredited and three nominated entities) is ideal and compatible with the funding resources that the GCF could commit for country FPs, and whether there were sufficient DAEs among them for critical GCF priorities, such as adaptation funding. For some countries, broadening their national coverage to at least one public and one private sector DAE was important (Peru, Rwanda).

145. Country accreditation decisions, programming and capacity-building are not yet sufficiently aligned and targeted to facilitate direct access. At B.29, the Secretariat introduced the DAE Action Plan to help meet the USP direct access objectives and the principle of country ownership. But with some notable exceptions there has been limited success so far in bringing together the Secretariat, NDAs, AEs and DPs in countries to better align GCF and country programming priorities, including decisions on the best AEs (national and regional DAEs and IAEs) and required capacity-building for the programme. COVID-19 and limited Secretariat capacities prevented this from happening as envisioned in the USP. Some efforts are now being made in the ongoing update and development of GCF CPs, with differences across regional desks in the extent that they have advanced in this process.

146. Many DAEs struggle with accreditation requirements and require capacity support, while the Secretariat's more focused and tailored capacity support has still to show results. Evidence from the IRM and GCF-1 demonstrates that the lack of capacity of many DAEs remains the primary challenge to increasing the role and effectiveness of DAEs in delivering climate finance.[38] However, many DAEs are not getting their needs met through existing accreditation and proposal development support. In 11 out of 12 SPR case study countries DAE needs were inadequately, or very partially, covered for accreditation, FP development or both. In recent years, a few countries reported the RPSP making more steps in this direction through more targeted DAE support and better planning in country programming (e.g., Morocco). In other places RPSPs were still NDA and State focused (e.g., Vietnam).

147. Capacity support and its efficacy varied highly across the countries and entities represented in case studies (Box 4-1). RPSP grants reportedly were often helpful for accreditation, but mostly only for a select few nominated entities in countries, while not covering others (Bangladesh, Peru). In other countries NDAs and their partners did not apply for or obtain sufficient RPSP or other forms of

[38] For the latest summary, see the document on the Accreditation Strategy of the Green Climate Fund approved at B.34 (GCF/B.34/27). See also the DAE action plan (GCF/B.29/Inf.07, annex I).

support (India, Solomon Islands). Although more than half of NDAs in sample countries were found to have adequate or substantial contact with DAEs (4 of 12 had insufficient contact), NDAs were often found to have too many responsibilities (Kenya, Morocco) or to be too often rotating and not up to date themselves (Bangladesh) to fulfil their role as a conduit to connect with the GCF and support DAE capacities. In some cases, the intervention and support by the GCF Secretariat was critical or helpful for accreditation (Kenya, Rwanda). Some entities also receive capacity support from non-GCF agencies (Maldives, Rwanda).

148. Capacity support for DAEs has increased in GCF-1, especially for CN/FP development. Some DPs indicated that RPSP grant support requests have started moving from broader readiness support for multiple DAEs and multiple purposes, much of it handled by IAEs as DPs, to DAE-specific approaches that are more focused on early stage, transformative development of CNs that are prioritized by the country and DAEs and that could ensure GCF or other funding. The effectiveness of this shift in support requests is pending a wholesale assessment. As noted earlier in this chapter, RPSP support helped some entities, especially international ones, to develop and submit project CNs.

149. **Building capacities of DAEs through IAE support as an explicit goal of IAE accreditation has not worked well in practice.** There are few incentives for IAEs for playing this “twinning” role, unless it is part of their own mandate. It is unclear who exactly IAEs should be supporting, how national entities should be selected, how such support would be resourced, and what the modalities and extent of such support should be. There are only few cases of DAEs working in EE functions in GCF projects. The submission of joint FPs as a consortium or in co-finance with IAEs or non-accredited, experienced partners is favoured by some AEs and other stakeholders, but the GCF currently does not permit AE co-implementation, with multiple AEs becoming party to the same funded activity agreement (FAA). Unless IAEs’ support for national DAEs is endorsed in advance by countries and the GCF, such support could even lead to conflict of interest and reputational risks for the GCF. In either case, the effectiveness of these steps to increase general DAE capacities is uncertain.

Box 4-1. DAE capacity support and accreditation in SPR case study countries

Capacity support and its efficacy vary highly across countries and entities, as the following country examples demonstrate.

Bangladesh. Earlier RPSP engagement was instrumental for the accreditation of several DAEs. Entities prefer better access through a graduated system of accreditation, learning by doing – for instance, through the collaboration of multiple DAEs and IAEs on single projects.

Georgia. The one accredited DAE in Georgia (TBC Bank) had high capacities due to international development exposure and used its own funds. The nominated Georgian Energy Development Fund benefited from good-quality RPSP support.

Grenada. A nominated DAE is making good, albeit slow, progress (Grenada Development Bank) through receiving RPSP funds, ad hoc GCF consultancies and advice, and as EE in two GCF projects. Accreditation was delayed due to other priorities during COVID-19.

India. Capacities of the many DAEs and DAE candidates in India are very diverse, with limited capacity support by the NDA and few other support options. A private sector entity obtained GCF access through a sponsored FMO project, with GCF PSF assistance.

Kenya. Two national DAEs, NEMA (an environmental protection agency) and KCB (a bank), were recently accredited, with much time invested by the GCF Secretariat during GCF-1. But there are seven remaining DAE nominees that appear to be stalling. They have so far not received much assistance in their applications, through RPSP grants or in other ways.

Maldives. The main candidate as DAE is the current NDA, but RPSP support for accreditation was delayed and the entity has limited capacities to advance the accreditation process internally. One nominee decided not to continue to pursue accreditation, and a recent new nominee (for small-to-medium enterprise support) receives technical support from USAID, but not from the GCF, to pursue accreditation.

Mauritius. Support is lacking; no RPSP grants were requested. The DAE candidate has not even succeeded in obtaining an online accreditation system account.

Morocco. There are three national DAEs. Most DAEs and DAE candidates used their own resources for their applications, except for Agency for Agricultural Development of Morocco, which received RPSP support, and two recently approved, targeted RPSP grants for accreditation and programming for Crédit Agricole du Maroc and United Cities and Local Governments of Africa.

Peru. One early DAE (Profonanpe) received positive support through several RPSP grants, but there were none for other potential candidates.

Rwanda. A private sector DAE nominee (Rwanda Development Bank) benefited from capacity support by the Investment Climate Reform Facility. The Ministry of Environment, as an early government-related DAE, was fast-tracked and received early GCF technical support for accreditation.

Solomon Islands. GCF accreditation support through multi-country training workshops was not useful. No RPSPs were requested. Recently, an IAE, Secretariat of the Pacific Regional Environment Programme, signalled its application for multi-country DAE support.

Vietnam. The only accredited DAE, the Vietnam Development Bank, used its own resources for accreditation but is considered by the country case study as being insufficiently prepared for signing AMAs and follow-up with CNs/FPs. No RPSP support has been requested.

Chapter 5. PROGRAMMING FOR RESULTS IN RESPONSE TO COUNTRY NEEDS

KEY FINDINGS

- Historically, CPs, EWPs and RPSP grants have been insufficiently focused to efficiently utilize limited resources in ways that facilitate achieving the full potential of country programming. Robust upstream programming is critical, including readiness support and helping countries to prioritize activities and develop actionable investment plans, but the best pathways are still being established.
- Proposal review processes have improved significantly over time, and the quality at entry of project submissions is increasing, but more process improvements are still needed. The GCF is processing an increasing and substantial volume of CNs and FPs, even during the challenges of the pandemic. Internal processes have become more systematized and requirements continue to be clarified both internally and externally, though these improvements are not yet producing meaningful changes in processing times and experiences from partner perspectives. Specific processes and requirements are also constantly evolving, which can make it challenging for partners to keep pace.
- Despite many process improvements and increased guidance, stakeholders continue to perceive the GCF's processes throughout the programming and implementation cycles as too slow, burdensome and unpredictable. Stakeholders also struggle with the lack of adaptive agility when changes are needed during implementation or for more tailored approaches for different contexts. Countries are losing momentum and some partners are reconsidering future engagement with the GCF.
- The GCF has not fully reconciled its approach to its second-level due diligence responsibilities with the scale of its portfolio or the diversity of its AEs and DPs, and the approach to managing project risk remains underdeveloped. Risk ownership has remained undefined, and the risk culture is limited. The accreditation and partnership approach, with its reliance on AEs and DPs, is a core pillar of the GCF's model, yet requires careful planning, ongoing support, and checks and balances at every stage to ensure sufficient access and quality throughout the programming and implementation cycles.
- The GCF is in the early stages of its knowledge management practices, a stage that is broadly consistent with its organizational maturity but not yet sufficient to facilitate thought leadership. The GCF has a knowledge management strategy and action plan that is not yet fully implemented and institutionalized, but efforts are under way. Projects may have a wealth of information that is not yet being effectively or efficiently processed to support internal feedback loops or facilitate learning in support of developing further guidance to partners.
- Secretariat reports to the Board identify steps the Secretariat is already taking to address many of the programming issues and challenges it recognizes that are also highlighted in the SPR. These steps are often only incremental, and progress is hindered by staffing constraints, unnecessary siloes and insufficient monitoring and feedback loops. The Secretariat would also benefit from increased clarity from the Board on a variety of goals, issues and policies (e.g., multi-country projects and programmatic approaches) throughout the programming and implementation cycles. The upcoming USP update and related processes provide an opportunity for a significant realignment to further increase effectiveness and efficiency as well as overall staff and partner experiences.

150. The GCF uses a suite of operational modalities to support the programming cycle, from readiness and planning support to direct project and programme solicitation, to the proposal appraisal and approval stage through to ongoing implementation management processes. These processes are critical to how the GCF promotes quality, paradigm shift and impact potential in funded activities.

A. UPSTREAM SUPPORT FOR PROGRAMMING AND CAPACITY

151. The key components of the GCF's approach to support countries and entities in engaging with the GCF are the CPs, EWPs, RPSP and other engagement activities such as regional dialogues. The GCF also produces a suite of educational and support materials to help develop capacities, clarify processes and promote pipeline development.

1. COUNTRY AND ENTITY WORK PROGRAMMES

152. CPs and EWPs are part of the iterative programming process undertaken by the Secretariat and are envisioned to be key GCF project-origination tools.

153. **Despite individual success stories, the CPs and EWPs inefficiently consume scarce resources and result in unpredictable value.** CPs and EWPs are not required and are only inconsistently being completed.[39] As of November 2022, only 32 CPs had been published on the GCF website, with 23 from vulnerable countries and 9 from other countries (Green Climate Fund, 2022b). The Secretariat notes there are also several others that are still under review or were developed but never published.[40] The pace of CPs published peaked in 2018–2019, slowing significantly in recent years.

154. SPR case studies further reinforced findings from earlier IEU evaluations that noted completed CPs are not necessarily useful for identifying the areas of highest impact and paradigm shift potential, developing a country-owned pipeline linked to GCF goals, and/or identifying areas for strategic use of RPSP support. CPs are typically high level and do not reach the detail of investment plans that would better facilitate coordination. Also, they quickly become outdated as countries update their broader planning processes and new project concepts are identified. Although the GCF and some DPs and AEs refer to CPs when assessing a request, there is often a gap between RPSP grant requests and CN or FP submissions and the project priorities outlined in the CP. So far, only 17 FPs have been directly linked to a CP (GCF/B.34/Inf.02). Also, some countries or entities have interpreted CPs as guarantees of funding, leading to unrealistic expectations and potential disappointment. Countries are not clear on the level of funding they can expect, which complicates the development of CPs.

155. Country priorities do not necessarily align with the preferences, capabilities or risk profiles of AEs or DPs, which has led both to NDAs pushing partners to submit a proposal for which they are not well suited and to partners pushing the NDA to support proposals that are not sufficiently targeted to immediate country needs.[41] Sufficient stakeholder engagement, from the private sector to indigenous

[39] In its activity reporting to the Board, the Secretariat reported slower than anticipated progress on new CPs and noted, "Countries are not currently prioritizing the finalization of CPs. Moreover, they are expressing doubts regarding the value of preparing such programmes given they do not currently have any practical application or implication in the proposal approval process given the current GCF policy setup" (GCF/B.33/Inf.06).
[40] See, for example, GCF/B.33/07, stating that RPSP grants under implementation and completed have developed or submitted 77 CPs to the Secretariat.
[41] Readers are encouraged to also refer to the broader country partnerships discussion in Chapter 3.B.

peoples, is frequently lacking in the development of CPs to provide legitimacy to the articulation of country priorities and to support broader country ownership.

156. The SPR case studies, which emphasize countries with projects under implementation, had an unusually high sample of countries with published CPs (5 of 12) or CPs under development (4). Most (6 of 8) indicated the CP was of value in their country climate processes, such as by increasing understanding and collaboration through the necessary dialogues, though value did not necessarily equate directly with new GCF CNs or FPs. A subset noted CPs were quickly outdated, and two countries indicated their CP was of limited practical value. Even cases reporting value also shared examples where their CPs were not necessarily considered by AEs when putting project concepts forward. A case with their first CP still under development noted that the stakeholder engagement processes conducted as part of developing their CP have already demonstrated value, though it is not yet clear if it will contribute directly to successful GCF programming. Regardless of CP status, most (8 of 12) cases demonstrated that GCF programming was substantially linked to national climate priorities and planning, however.

157. While Secretariat targets are being met for EWPs, actual numbers of EWPs completed are not clear, and proposal submissions are not necessarily aligned with the EWP, strategically or realistically – including entities submitting far more than they could reasonably manage, if approved. As noted in prior IEU evaluations, many DAEs and countries with resource constraints, including many LDCs, SIDS and African States in particular, have difficulties in developing CPs and EWPs. CPs often do not allow for a clear linkage between country needs and institutional capacity within the country, and thus fall short of describing investment opportunities and tailored pathways to access to the GCF. Similarly, providing support for the development and review of CPs and EWPs consumes scarce resources within the Secretariat.

158. Partners appreciate the support regional desks provide but see them as quite resource constrained. Interviews with AEs and DPs indicated appreciation of the regional desk support available for upstream programming though the depth of support varied across regions. Also, the GCF's limited local presence is seen as a limitation relative to other funders. Most (8 of 12) SPR country case studies reported good to strong relations with individual GCF staff despite bureaucratic challenges. Cases indicated that the GCF has typically played a reactive yet helpful role in upstream programming generally, with meaningful inputs somewhat more likely in the IRM than in GCF-1. Some AEs and DPs commented that the recent change that nests RPSP coordination under the regional desks should facilitate collaboration and help GCF programming better reflect country needs.

159. Improvements to the approach to CPs and EWPs are helpful but only incremental so far. Partners perceive these documents and the feedback from the Secretariat as inconsistent. The GCF continues to work to clarify and communicate what it is looking for in CPs and EWPs and to offer technical and financial assistance to support their development. For example, it published a country programming guidance/manual in early 2021 and had the goal of revising/updating 30 CPs in 2022. The Secretariat narrowed its approach for CPs to focus on developing the GCF pipeline only and is expanding its technical support offerings and continuing its regional entity programming dialogues (GCF/B.30/09). The Secretariat has noted a gap in policies relating to "realizing the potential of country programming. For example, perceptions indicated that country ownership needed to be better defined and translated into actionable directions, beyond the no-objection procedure, including better articulating the role of countries and CPs in shaping the investment pipeline" (GCF/B.33/Inf.08). Also, the accreditation strategy makes no reference to CPs (GCF/B.34/27). According to numerous interview respondents from both external partners and the Secretariat, there

is still insufficient alignment between different Secretariat units on what types of projects to promote, so partners are receiving inconsistent feedback – for example, regarding which projects to prioritize. However, CPs, EWPs and regional support desks are now all clustered within the Division of Country Programming (DCP), which may improve coherence. Secretariat staff anticipate the future role of CPs and EWPs will be addressed in the next USP.

2. Readiness and Preparatory Support Programme

160. RPSP grants are intended to support NDAs / focal points and DAEs to build transformative pipelines and increase the capacity of relevant stakeholders throughout the project cycle, with priority given to supporting African States, SIDS and LDCs.[42] The IEU forecasts that the GCF will have approved USD 548.2 million and disbursed USD 349.1 million in RPSP grants by the end of GCF-1 (see Table 6-1). The RPSP strategy was approved in 2019 to provide new or improved operational modalities to assure quality and expedite the processes. Among other things, it also suggests resource allocation, considering the revised strategies and improved operations with a proposed work programme.

161. **The RPSP's scope is broad and relevant but lacks a clear pathway or prioritization approach for countries to follow.** The need for readiness activities continues to be extensive and ongoing for all types of countries (see Box 5-1). The RPSP covers a suite of relevant topics, and there are many examples of successes. Positive examples from existing RPSP grants cited by both the countries and the Secretariat include strengthening the role of NDAs, developing CPs and promoting stakeholder engagement. Other support for readiness also frequently comes from within countries, bilateral partners and other international channels; there may be potential for complementarity between the RPSP and other partners. This evaluation finds no single actor that creates a systematic approach for the use of such diverse support for capacity. Further, there is a need for robust identification and prioritization mechanism for a country to follow to meet its evolving readiness needs efficiently over time and to move quickly to develop transformative finance-ready projects. The GCF responds to RPSP grant request it receives but is not necessarily involved in the planning. The roles and responsibilities for planning are diffused between many actors – for example, often low-capacity NDAs, DPs with their own preferences and capacities, understaffed GCF regional desks, other international development support providers and in-country stakeholders.

Box 5-1. ND-GAIN estimates of country readiness

Overall country readiness has not substantially increased in recent years despite concerted efforts from numerous international programmes. Between 2015 and 2020, the published ND-GAIN readiness scores increased by only 3 per cent, on average, across eligible GCF countries, moving from 0.366 to 0.378, which still indicates substantial need. This slight increase between 2015 and 2020 was greater than the increase between 2009 and 2014, when ND-GAIN readiness scores increased by less than 1 per cent, on average, in those countries. However, median ND-GAIN readiness scores increased less following the creation of the GCF (2 per cent) compared to before it (3 per cent), suggesting that this trend is not consistent across countries.

Source: University of Notre Dame (2022).

[42] The RPSP has five objective areas: (1) capacity-building, (2) strategic framework support (e.g., CP, EWP, investment plans), (3) adaptation planning, (4) pipeline development, and (5) knowledge and learning.

Note: Readiness scores and a technical document are available at https://gain.nd.edu/our-work/country-index.

162. The reliance on DPs for readiness requests means that the support requested is not necessarily aligned with country priorities, and experiences with DPs are mixed. While NDAs do select DPs from the ones with which they have relationships, the types of support requested are ultimately what the DPs approached are capable of or interested in providing, and the linkages to urgent country needs are uneven. For example, GCF staff and NDAs note that DPs with no local presence or only a limited history of working in the country tend to miss key aspects of the local context. Capacity issues can be an issue even for those with a local presence, including government ministries. NDAs may also approach DAEs to serve as DPs, even when those DAEs are not the optimal fit for the need. Gaps in access to DPs are particularly likely in countries with low-capacity NDAs or high staff turnover. In recognition of this, the Secretariat has created a roster of consultants to support specific needs, although some countries are wary of external consultants when they are perceived to have insufficient presence or familiarity with the local context.

163. **The entities serving as DPs are evolving away from IAEs.** IEU analysis indicates that while IAEs represented 42 per cent of the DPs for RPSP grants in earlier years, their proportion has decreased to 30 per cent in RPSP 2.0 so far. In contrast, the presence of non-AE entities and DAEs has grown (from 37 to 45 per cent and from 15 to 23 per cent, respectively) (see Figure 5-1). The share of projects with non-AE DPs has been growing for vulnerable countries in particular (from 34 per cent in RPSP 1.0 to 49 per cent in RPSP 2.0).

Figure 5-1. Percentage of RPSP grants by DP type for RPSP 1.0 and 2.0

	Initial readiness programme			Readiness 2		
DP type	Vulnerable countries (VC)	Other countries (excluding VC)	Total	Vulnerable countries (VC)	Other countries (excluding VC)	Total
non-AE DP	34%	43%	37%	49%	40%	45%
IAE	41%	43%	42%	23%	41%	30%
DAE	18%	9%	15%	26%	18%	23%
NDA/FP	7%	5%	6%	2%	1%	2%
Grand Total	100%	100%	100%	100%	100%	100%

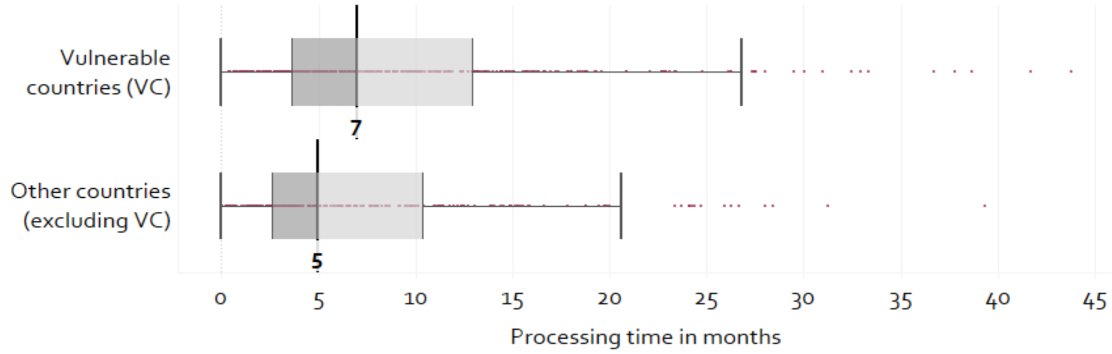
Source: Tableau server iPMS data as of B.34 (20 October 2022), analysed by IEU DataLab.
Note: The data include 162 DPs with 631 grants (435 RPSP 1.0 and 196 RPSP 2.0).

164. **Processing times for RPSP grant requests remain lengthy and disproportionate to grant size.** As of November 2022, the IEU calculates that 631 RPSP grants have been approved, with 389 in vulnerable countries (SIDs, LDCs and/or African States) and 242 in other countries.[43] The Secretariat reports that the average processing time from first submission to approval fell from an average of over 400 days for proposals submitted in 2015 to an average of 176 days for proposals submitted and approved in 2021 (GCF/B.33/Inf.07), although IEU analysis indicates these improvements were largely gained within the IRM phase, with little additional improvement within GCF-1 (see Table 6-1). Applications for NAP support are taking even longer under GCF-1 than

[43] Eleven RPSP grants have been cancelled as of B.34 (GCF/B.34/Inf.09).

under the IRM, whereas non-NAP support approval timelines are about the same in GCF-1 relative to the IRM (refer to Table 6-1). Application processing can take up to one to two years, though the IEU calculates that the median is much less. RPSP grant requests from vulnerable countries are taking longer than for other countries (see Figure 5-2). Many partners, including those contacted through the SPR case studies, have been surprised at the extensive documentation required and the extended delays in feedback, relative to the quite short and small grants (averaging approximately USD 400,000 each) and relative to the requirements for the larger and longer FPs. The SPR team found several cases where partner institutions have preferred to seek capacity and readiness support elsewhere or where applications have been forgone, to avoid GCF processes.

Figure 5-2. Median number of months for RPSP grant processing by GCF targeted country groups



Source: Tableau server iPMS data, as of B.34 (20 October 2022), analysed by IEU DataLab.
Note: Extreme outliers removed.

165. Feedback from all stakeholder groups indicates widespread dissatisfaction with the RPSP as it is currently being implemented, although some of this is due to the magnitude of the volume of need. Despite individual successes and the number of grants provided, only a few (2 of 12) of the SPR country cases reported their readiness needs were being substantially met through the GCF and/or other supporters. The country case studies note many gaps where no support has been requested or has been requested but not received – for example, where no capacity-building support for a DAE or engaging the private sector has been requested or where NDA staffing support has been requested but not received. Key reasons for the lack of requests include perceptions of an unnecessarily burdensome and uncertain application process, lack of clarity or misunderstandings on the type of support available or the process to initiate it within a country, language barriers, inadequate DP matchmaking, and lack of NDA or DAE capacity. For example, most SPR cases (7 of 12) indicated that the NDA was the primary driver of RPSP grant ideas in coordination with prospective DPs, though NDA capacity levels were also a major challenge to pursuing more support given burdensome application processes. Feedback from countries and the Secretariat indicates that capacity development needs to move beyond focusing primarily on NDAs to building the capacities of other government and non-government entities as well. Experiences with multi-country readiness programmes have also been mixed.

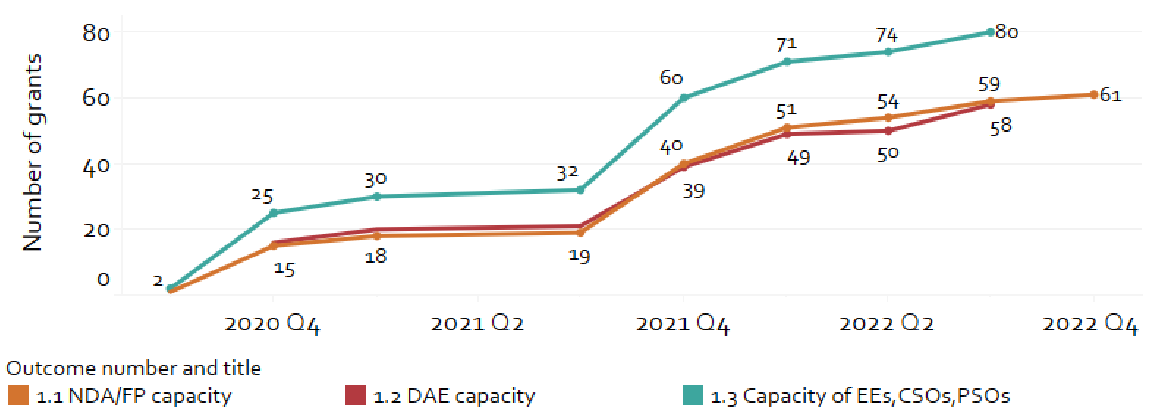
166. The recent approval of the readiness results management framework (RRMF) met a substantial and urgent need to establish a system to monitor and report results under the RPSP. So far, the RPSP has not yet been able to systematically demonstrate value for allocated resources. Historically, Secretariat reporting on the performance of the RPSP focused primarily on inputs (e.g., grants

approved, types of support requested), grant cycle milestones (e.g., disbursement, no-cost extensions) and outputs (e.g., CPs or knowledge products prepared), with no reporting at the outcome level. As the reporting is restructured, more details are now becoming available. For example, of 160 RPSP grants that planned to develop CPs, 88 reported on developing a CP that highlights country priorities (GCF/B.34/Inf.11/Rev.01).

167. Information is still quite limited regarding how the funds are distributed or the results achieved from completed RPSP grants. As of November 2022, the IEU calculates that 189 grants have submitted completion reports, with many implementation or completion reports overdue or of poor quality. Deliverables are not consistently submitted or reviewed in a timely manner by the Secretariat, mostly due to a lack of human resources. Additionally, information on the progress of existing grants is not yet being systematically used in feedback loops to inform the assessment of new RPSP grant requests. The Secretariat notes that it has been providing support to DAEs to strengthen results management and reporting for RPSP grants as well as FPs (see, for example, GCF/B.34/Inf.07).

168. **The new RRMF emphasizes results related to pipeline development.** Pipeline development is one of five readiness-objective categories,[44] and it includes indicators – for example, addressing the number of CNs and FPs developed, PPF requests made, and FPs approved as a result of RPSP support – none of which were systematically tracked previously. As this focus is different than the focus of RPSP grants issued in earlier stages, it will affect results achieved on the new pipeline development metrics. Also, pipeline development was not necessarily a focus of previously approved RPSP grants, which may mean there is relatively little progress to show on the new pipeline development metrics in the near term. There are indications that the types of activities covered in RPSP grant requests are slowly evolving in GCF-1, such as including more pipeline development and private sector strategies in addition to core capacity-building activities over time[45] (see Figure 5-3, Figure 5-4 and Figure 5-5).

Figure 5-3. Number of RPSP 2.0 grants addressing Outcome 1: capacity-building



[44] The RRMF focuses on the five readiness-objective categories: (1) capacity-building, (2) strategic framework, (3) NAP and NAP process, (4) pipeline development, and (5) knowledge-sharing and learning.
[45] Refer to GCF/B.33/07 for a detailed analysis of all the grants and funding allocated by RPSP objective and sub-activity, which includes mapping outcomes of earlier grants to the same RPSP 2.0 framework.

Figure 5-4. Number of RPSP 2.0 grants addressing Outcome 2: strategic frameworks, including CPs and EWPs

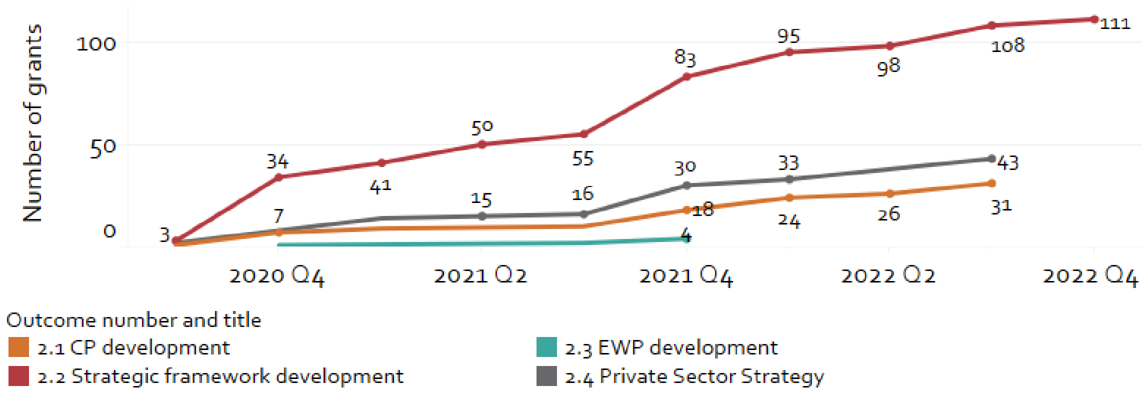
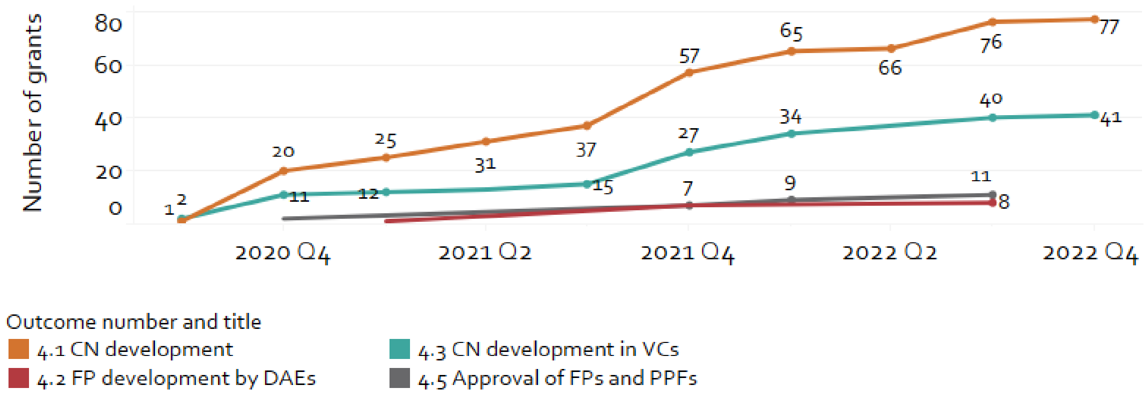


Figure 5-5. Number of RPSP 2.0 grants addressing Outcome 4: pipeline development



Source: (for three figures) RPSP data – Grants approved – log frame and budget extraction, as of B.34 (20 October 2022), analysed by IEU DataLab.
Note: (for three figures) Outcome 4.4, addressing FPs developed and submitted that target SIDS, LDCs and African States, has only one instance of occurrence; therefore, it was not included in the graph.

169. **RPSP implementation has experienced substantial delays, only some of which are related to the COVID-19 pandemic.** B.34 reporting indicates that the Secretariat had approved 33 amendment requests for RPSP grants during the reporting period, consisting of 22 no-cost extensions, 10 budget reallocations and one grant restructuring. Of these amendments, 19 of the no-cost extensions were related to the impacts of COVID-19 (GCF/B.34/Inf.09). Other examples of challenges noted by the Secretariat include difficulties in the recruitment of project staff and experts; country fragility, including changes in governments and shifts in government strategies and priorities; and the diversion of efforts by beneficiaries/participants to other obligations in responding to the pandemic. The Secretariat also comments on the need for more contingency budgeting to strengthen learning and knowledge capture to help DPs and NDAs exchange lessons and knowledge on what is working in conjunction with broader learning efforts and enhancement of monitoring practices (GCF/B.34/Inf.11/Rev.01).

170. **The Secretariat continues to modify the RPSP strategy for the Board's consideration**[46] **and its processes but has not yet found the right balance to efficiently serve country needs, especially given existing caps and limited resources. A perception of limited resources at Secretariat level further exacerbates this.** A readiness action plan is being implemented throughout 2022 that seeks to further streamline and simplify processes for faster access, including through developing standard operating procedures, reducing review steps, standardizing review scopes and better tailoring second-level due diligence to project risks, although it is too early to meaningfully assess progress. The RPSP is expected to be addressed in the update to the USP, and the 2023 workplan anticipates efforts to improve the coherence and consistency of process and policy implementation, including opportunities for harmonization with other climate funds (GCF/B.34/Inf.02). The Secretariat is also in the process of updating the Readiness Guidebook, expected in early 2023, to better inform partners on expectations and processes relating to both overall climate finance readiness at the country level and engaging with the GCF at different stages. In addition, the Secretariat reports it is exploring use of a dedicated DAE resource window that, among other anticipated benefits, is expected to provide a more coherent transition from systemic country planning to DAE programming (see, for example, GCF/B.34/Inf.02).

171. An origination task force has been created that aims to further orient current RPSP support and country and entity programming efforts towards supporting the origination of high-quality paradigm-shifting proposals in alignment with the GCF mission and USP goals. Actions are also being taken to further facilitate consideration of the private sector in readiness activities. The Secretariat now seeks to review prior RPSP grant progress when assessing new requests. As the USD 1 million annual cap inhibits continuity and longer-term planning, the Secretariat now allows three-year instead of one-year RPSP grants if a readiness assessment has been completed; uptake has been very low so far because few countries have the necessary assessments already and awareness of this opportunity is low. There is also a widespread perception within and external to the GCF that the DCP is still significantly understaffed, at both headquarters and regionally, to effectively address the breadth and complexity of the tasks at hand.

172. Regardless of any improvements made by the Secretariat, inherent challenges in building sustainable capacity within NDAs will remain due to formal government staffing rotations and general staff turnover. For instance, the NDA capacity levels in the 12 SPR case studies ranged evenly across categories from low (4 cases), to moderate (4) to strong (4), with most (7) indicating at least slight improvement since the IRM.[47]

B. Development, appraisal and approval systems

173. The GCF provides multiple pathways for partners to seek funding for projects: the general proposal approval process, SAP and targeted RFPs. A CN is optional or required, depending on the pathway used. AEs can, but are not required to, apply for proposal development support through the PPF. Early-stage project development is also available through the RPSP discussed above, and through on-demand technical support windows.

[46] The Secretariat anticipates having an updated RPSP strategy in early 2023.
[47] Readers are encouraged to read the case study annexes. Each includes a section specifically on NDA capacities and the assessment of the level of these capacities by each case study lead.

1. Project development

a. Project Preparation Facility

174. **Despite the clear need for support submitting projects, AEs' use of the PPF to enhance the quality of FPs remains limited, though uptake is slowly increasing.** As of 31 August 2022, the GCF had approved 53 PPF applications in 65 countries, with funding of USD 34 million, and had disbursed USD 25 million (GCF/B.34/Inf.09). The IEU forecasts that the GCF will approve roughly USD 42.4 million and disburse USD 35 million in PPF grants and services by the end of GCF-1 (refer to Table 6-1). Of the 335 CNs registered in the GCF pipeline through 31 August 2022, 73 have applications for PPF support (GCF/B.34/Inf.02). For example, only 5 (of 12) SPR cases had received any PPF grants to date (up to four grants), with SIDS cases the least likely.[48] National DAEs perform less well compared to IAEs and regional DAEs on quality at entry of CNs and FPs, largely due to a lack of capacity to prepare projects and in some cases a lack of capacity even to manage PPF funding. Barriers include a lack of PPF awareness as well as perceptions that the PPF application process is too long and burdensome for the effort. The Secretariat's outreach efforts to improve awareness have been constrained by pandemic restrictions during GCF-1.

175. Table 5-1 below reflects the median average PPF application processing times by stage. Processing times have not noticeably improved since the IRM phase (see Table 6-1 for a comparison of the IRM and GCF-1).

[48] In a comment on a draft of this report, the Secretariat notes recent PPF applications from the SIDS.

Table 5-1. Median PPF processing durations in months (as of November 2022)

	No. of PPF grants (excl. PPF service)	Submission to approval (in months)	Approval to effective (in months)	Effective to first disbursement (in months)	Cumulative median totals for all stages (in months)
All PPFs					
PPF grants	53	8	2.9	1.4	13.1
PPF service	9	3.5			
AE Type of PPF grants (excl. PPF service)					
National	18	8.8	3.9	1.2	15.4
International	17	8.9	2.9	1.3	12.5
Regional	18	7.8	2.2	2	11.7
Country classification* of PPF grants (excl. PPF service)					
LDCs	21	7.1	2.8	1.3	12.3
African States	20	10	3.1	1.3	13.6
Other countries	17	6.2	3	0.8	9.3
SIDS	15	6.6	2.1	2.1	9.9

Source: Tableau server iPMS data, as of B.34 (20 October 2022), analysed by IEU DataLab.

Note: *Four PPF projects include multiple country classifications (e.g., LDCs and SIDS, Other Countries and SIDS). LDCs, SIDs, African States and Other countries are not mutually exclusive categories. If a multi-country project covers several categories, it is counted in both frequencies.
Given the low volumes, PPF counts represented in individual cells range from 7 PPFs (e.g., SIDS approval to effective) to 53 PPFs (e.g., all PPFs submission to approval).
The analysis includes PPF grants that were provided to subsequently withdrawn projects.
Nine PPF service grants are considered separately because their processes follow a different structure and disbursement applies differently. In the case of PPF service, approved resources are released once an invoice is submitted by the service provider and processed for payment by the GCF Secretariat following receipt and approval of a deliverable by the AE. Procurement processes (e.g., mini-tender, contract processing and issuance) are covered under "Submission to Approval". PPF activities commence once the contract is issued and signed by the GCF and the service provider.

176. **The CN review stage required to obtain PPF support is excessively iterative and lengthy,** for a variety of reasons identified in interviews with Secretariat staff. Issues include quality at entry of CNs, staff constraints, prioritizing processing of FPs over CNs to meet Board expectations, excessive risk aversion, and lack of clarity around climate impact potential. There is still also a lack of clarity within the Secretariat as to how many iterations are appropriate in cases where an AE does not address all feedback or when a CN may be ultimately rejected as lacking sufficient potential for alignment with GCF investment criteria. This also calls into question the robustness of the current pipeline as it is not clear how many are likely to proceed to an FP, as projects in limbo for an extended period may lose too much momentum or no longer be relevant. Several issues are more difficult to handle for national DAEs, such as climate impact potential, gender and ESS requirements, for which the DAE may request support from the PPF. Feedback from the case studies indicated that partners want a single key point person or internal champion for their CN applications, as well as their RPSP grants and FPs.

177. **It is too soon to assess the impact of recent efforts to increase awareness and refine the PPF.** For example, the Secretariat has increased its support to DAEs, including via the PPF, and is seeking to more clearly define what the purpose of the PPF is, the roles of different units, and the boundaries between the RPSP and PPF (e.g., in terms of providing PPF support only for CNs that are only of sufficient quality and alignment with GCF criteria). They are seeking to streamline and clarify review processes and allocate additional staff to key steps. Also, a supplemental PPF service modality was developed in 2020 that provides independent technical services, either for full PPF support or for narrower on-demand services for DAEs (e.g., relating to gender) via a roster of international firms.[49]

b. Requests for proposals

178. **The concept of RFPs may be useful, but the RFPs issued so far have been insufficiently effective in generating viable FPs**. Through B.34, 19 FPs submitted through four RFPs have been approved, representing USD 886.7 million, with another 65 in the pipeline (GCF/B.34/Inf.02).[50] Of the four issued, the REDD+ RBP RFP appears to have been the most successful in that it ultimately exhausted the funding allocated by the Board. So far, the RFP project cycle has involved additional requirements – for example, requiring a CN – making the process too long and complex. Specific challenges vary by RFP, although cross-cutting issues include insufficiently robust planning and design (e.g., on the submission and review requirements), a burdensome accreditation process, and unrealistic or unviable proposal submissions. Most GCF stakeholders still view the RFP concept as a reasonable option to consider, but the GCF has decided not to issue new RFPs until it further assesses ways to improve the operationalization and implementation of the RFP concept.[51]

179. Future RFPs would need careful design, including being based on a thorough project and entity portfolio gap analysis. Adjustments already planned include broader advertising to AEs and NDAs, clearer information on parameters and more consistent review criteria to increase the predictability and transparency of the process, a more comprehensive staffing strategy within the Secretariat and, potentially, incentives for proposal proponents to participate. The Secretariat expects that the recently approved PSAA pilot will help address issues with RFPs attracting submissions from unaccredited organizations seeking to partner with the GCF. It is expected to be operationalized by April 2023, though the pilot phase is only designed for 10 projects.

c. Simplified approval process

180. Up to B.34, 24 FPs submitted through the SAP have been approved, representing USD 217.1 million in GCF investments. Of those approved, 38 per cent (9) are from DAEs and 17 per cent (4) are private sector projects. Of the 61 in the pipeline, 8 are at the FP stage, and 53 are at the CN stage. In the SAP pipeline, 62 per cent of the requested GCF funding has been requested by DAEs and other proponents, including NDAs, and 71 per cent has been requested by LDCs, SIDS and African States (see Figure 5-6). Adaptation and cross-cutting themes together represent around 74 per cent of the

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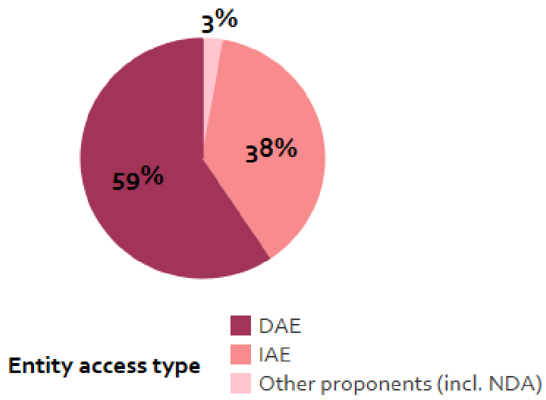
[49] Through 31 August 2022, six service applications and eight on-demand technical assistance requests using the roster have been approved (GCF/B.34/Inf.02).
[50] Four RFPs have been issued to date, targeting (1) EDA, (2) micro-, small- and medium-sized enterprises, (3) the private sector, and (4) REDD+.
[51] Low uptake for RFPs led to the postponement of the RFP for Climate Technology Incubators and Accelerators, as requested in decision B.18/03 para c; the Secretariat has provided a draft to the Board, and discussion of it is anticipated at a forthcoming Board meeting. Draft proposals were also circulated to the Board for second phases of REDD+ and EDA RFPs in 2021.

requested GCF funding (23 and 51 per cent, respectively); mitigation represents 26 per cent (GCF/B.34/Inf.02).

Figure 5-6. Requested SAP funding in pipeline by access modality and country group



Source: Tableau server iPMS projects data, as of B.34 (20 October 2022), analysed by IEU DataLab.
Note: Sixty-one active proposals under SAP modality in the pipeline as of B.34.

181. The goal of the SAP is valued by all major stakeholder groups, but the SAP has not yet achieved its potential to meaningfully streamline the approval process or reach a different audience.[52] The SAP process has not yet meaningfully reduced the burden of project preparation or improved the efficiency and effectiveness of the GCF project cycle, as the overall submission requirements and review processes are only marginally simplified relative to the proposal approval process due to related GCF policies. The lack of interest in applying via the SAP appears to be due to potential applicants' having limited information about it, as reported by private sector actors, as well as perceptions of a slow and unpredictable process, often related to what are seen as unreasonable expectations from the iTAP on climate impact potential, particularly for adaptation projects in LDCs and SIDS.

182. **Recent incremental updates to the SAP are likely to result in only modest improvements as they do not address key bottlenecks.** In addition to adjustments already made or in process, the recently approved updated SAP (decision B.32/05) and the paper clarifying expectations relating to climate impact potential (previously known as climate rationale) should help, though it is too soon to tell how they will be implemented. Several key elements are still being considered – for example, ways to speed up approval processes for the SAP, such as the introduction of approvals in between Board meetings or delegation to the Executive Director were not included in the recently approved policy. The GCF is also considering how to ensure sufficient due diligence, given the quality issues noted in the existing SAP projects under implementation. Interviewees suggested that GCF policies should include a special section on how the policy should be applied under the SAP.

[52] The SAP is intended to simplify the review process for smaller projects (with the size recently increased from those up to USD 10 million to those up to USD 25 million in GCF contributions), especially from DAEs, and projects that are deemed to have minimal to non-existent environmental and social risks (GCF/B.32/05, "Update of the simplified approval process").

183. The Secretariat engaged a firm to develop SAP Programming Guidance (as recommended by the IEU SAP evaluation).[53] The Secretariat has also published a SAP Appraisal Toolkit, which is expect to help improve processing speeds.[54] The Secretariat also provides technical assistance via a roster of experts, including for SAP CN or FP development; 14 such requests for SAP support had been approved through 31 May 2022 (GCF/B.33/07). The recent decision to make CNs optional under the SAP may also help improve overall processing times going forward.

2. Proposal appraisal and approval processes

184. AEs are responsible for developing and appraising FPs against the investment criteria[55] and submission requirements, as part of their first-level due diligence. For FPs submitted, the Secretariat performs a variety of review functions during the appraisal cycle, including completeness checks, multifaceted technical review,[56] risk assessments and second-level due diligence.[57] When the Secretariat considers the FP ready for Board consideration, it is submitted to iTAP for their review and assessment.[58] Submissions via the SAP and RFPs follow a similar review process, although the specific submission requirements may be different. The Board then considers the information provided by both the Secretariat and the iTAP along with the FP. The Board may (1) approve the FP, (2) provide an approval that is conditional on modifications to project or programme design or subject to availability of funding, or (3) reject the FP.

a. Efficiency and consistency of appraisal processes

185. **Internal proposal review processes have improved significantly since the IRM phase, yet there is more to do.** The GCF is processing an increasing and substantial volume of CNs and FPs, even during the challenges of the pandemic. The overall analysis also demonstrated that the Secretariat received a relatively large number of proposals in 2020, but the 2021 figure is much lower than any previous year since 2014. The majority of proposals submitted in 2020 and 2021 are still in the pipeline (non-withdrawn). Internal processes have been much more systematized, and requirements have been clarified both internally and externally in recent years, though these improvements are not yet producing meaningful changes in processing times according to the partner perspectives expressed in interviews. At the same time, GCF data indicate modest improvements in mean processing times within GCF-1, though improvement is uneven by application type (see Figure 5-8 below).

186. Analysis of the 153 projects for which complete data were available indicates that the duration of the clearance process – from the first version of the document (project idea/CN/FP) received until

[53] The SAP programming guidelines are expected cover the following: (1) financing innovative approaches and implementation modalities; (2) clarifying what scaling up means in the context of the SAP; (3) identifying the opportunity to unlock private sector finance; and (4) promoting the use of the SAP to address urgent climate change needs in developing countries, in particular in SIDS, LDCs and African States.
[54] For the SAP appraisal toolkit, see here: https://www.greenclimate.fund/document/sap-review-toolkit.
[55] The six investment criteria approved by the Board are (1) impact potential, (2) paradigm shift potential, (3) sustainable development potential, (4) country ownership, (5) needs of the recipient, and (6) efficiency and effectiveness.
[56] The technical review assesses, for example, (1) strategic fit with GCF portfolio-level goals, (2) evaluation against investment criteria, (3) alignment with CPs and EWPs, and (4) complementarity and coherence, as well as a more detailed review of completeness, alignment with GCF policies and Board decisions, and assessment of legal and execution risks.
[57] In the interest of brevity, the dozens of relevant GCF Board decisions, policies, procedures and frameworks linked to the review process are not listed in this short summary. Many are addressed separately later in this section or in other sections of this report. Refer to the GCF Appraisal Manual (June 2022) for a more detailed overview of the submission review process.
[58] The core of the iTAP review is an independent assessment against the six investment criteria, although they may also consider ESS and credit/commercial risks if they are likely to affect the delivery of the six investment criteria.

the last time it was tabled for interdivisional review – is trending downward over time for IAE projects, but less so for DAE submissions. This trend can be observed in both the mean and the variance (Figure 5-7). This decrease for IAEs may be related to a variety of factors, such as higher-quality FP submissions from IAEs, increased familiarity with the GCF, increased efficiency within the Secretariat, differences in AE response times or other factors. Figure 5-8 illustrates a similar analysis comparing regular PAP to SAP time frames and indicates that the mean processing duration for SAP has actually increased somewhat during GCF-1, while it continues to trend downward for PAP submissions. The comparison by public relative to private sector suggests that processing times have tended to reduce even more for the PSF (though it has fewer projects) than for the DMA, which correlates with the IAE relative to DAE findings because more private sector projects are IAE projects (see Figure 5-9).

Figure 5-7. Duration of the clearance process over time by entity type

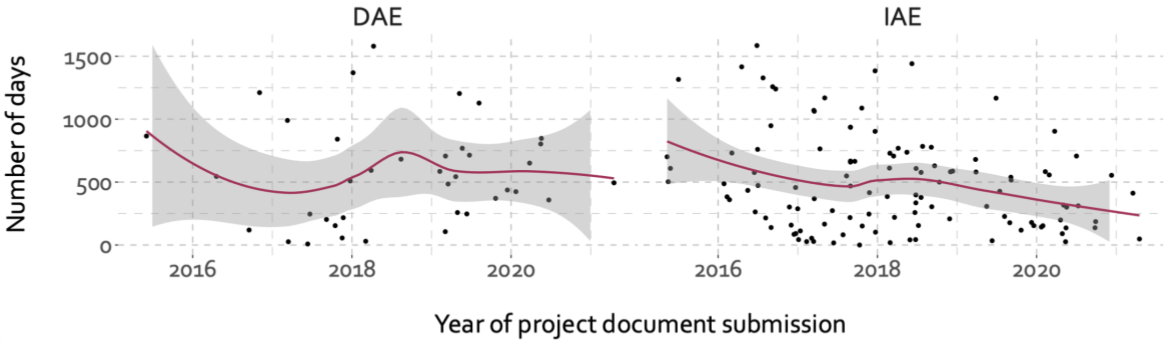


Figure 5-8. Duration of the clearance process over time by access modality

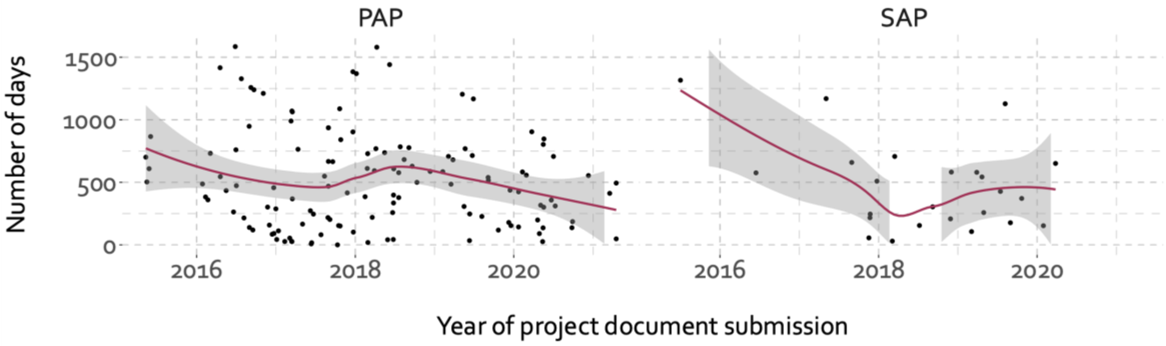
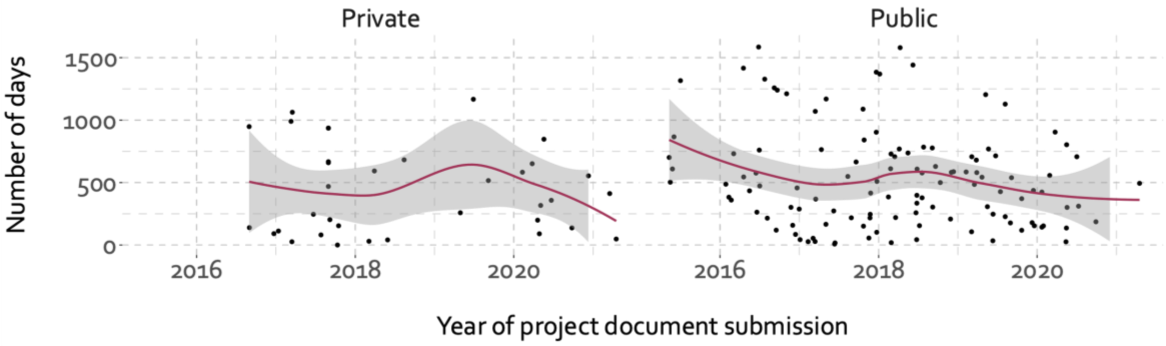


Figure 5-9. Duration of the clearance process over time by public or private sector



Source: (for three figures) Tableau server iPMS data as of B.34 (20 October 2022), analysed by IEU DataLab.

Notes: (for three figures) The scatter plot displays the processing time of individual projects. The fitted line is the local polynomial regression to illustrate the trend in local data points across time. The confidence intervals illustrate the degree of precision of the fitted values. Precision improves with larger sample size as it decreases the noise around an estimate. The width of the interval can widen both due to small sample size as well as due the high variance in the underlying data, therefore, for this analysis IEU DataLab resorts only to the statistical interpretation of the metrics.

187. The Secretariat interviewees acknowledge there is still more to do – for example, to further reduce processing bottlenecks, increase consistency of reviews and further improve proposal quality. Both the Secretariat and the iTAP have increased staffing for reviews and have implemented rolling reviews, though key aspects are still being refined, such as those relating to consistency between reviewers or between the criteria used by iTAP and the Secretariat and overall review time frames. Potential efficiency gains from rolling reviews are limited by the need to have all documentation from AEs completed within deadlines as well as the batch nature of approval at scheduled Board meetings in the absence of delegation to the Executive Director or approvals between Board meetings.

188. Country and AE partners consistently express the view that Secretariat and iTAP reviewers are insufficiently knowledgeable about local contexts and priorities. Several stakeholders also noted the variation in perceived technical review quality, depending on the lead iTAP reviewer. Relating to forecasting the time frame for Board approval, the Secretariat noted that a key uncertainty continues to be AEs’ response times to outstanding requests, as this remains inconsistent, especially from DAEs. Given the rigid time frames for iTAP reviews, combined with uncertainty on when AEs will provide all the necessary documentation, it is difficult to accurately forecast when projects will be ready for Board review.

189. Despite the high volumes, process improvements and increasing quality, the project appraisal and approval cycle is widely perceived as bureaucratic, lengthy, inconsistent and non-transparent, with potential implications for the GCF’s reputation. The numerous efforts to improve the process in GCF-1 are not (yet) widely recognized by countries and AEs. Instead, SPR case studies indicate that while partners report they have good relationships with individual Secretariat staff, from the perspective of AEs and NDAs the process has become more rigid, repetitive, unpredictable and unwieldy, particularly in the CN stage. Most case studies report that processes are taking even longer under GCF-1 than under the IRM. The approval cycle is still widely perceived as too long to be considered responsive to the urgency of climate change and insufficiently aligned with this urgency – in SIDS, LDCs and African States, in particular.

190. Policy inconsistencies and gaps have been impeding appraisal processes as they each need to be decided case by case and are lacking feedback loops to streamline future discussions on similar issues; examples include concessionality, hedging, co-financing, full/incremental cost and use of financial instruments for the private sector. This leads to delays and inconsistencies within and among Secretariat units, resulting in partners receiving inconsistent feedback and lacking a sense of transparency as to what the GCF will accept. Changing task managers for a project within the GCF also plays a role in consistency and the time frames for review. Recent policy approvals as well as the GCF Appraisal Guidelines finalized in June 2022 may further help to clarify and speed up these processes. The Secretariat notes delays in AE or country response times or incomplete responses that contribute to overall time frames as well.

191. **Partners are losing momentum, and some are hesitant to further engage with the GCF.** Several IAE interviews as well as most SPR case studies (7 of 12) indicate their momentum for GCF

engagement is slowing or stalling relative to the IRM phase. Another four country cases are continuing but with some type of constriction, including capacity issues. There is only one country case where momentum is increasing relative to the activity in the IRM phase, although the NDA and AEs are still facing capacity constraints in what they are able to move forward in GCF-1. Stakeholders from several case studies recall instances where some climate actors have either already decided not to pursue further engagement with the GCF or are more cautiously assessing future activities due to the processes involved.

192. **The Secretariat is making trade-offs due to administrative and staffing constraints and tensions between GCF goals**. There is a widespread understanding among partners and GCF staff that staffing limitations and high staff turnover contribute to processing delays.[59] There are issues with the number of staff members as well as having the "right" staff – that is, those with appropriate and sufficient senior-level skill sets where needed. GCF staff and partners also note the challenges related to the limited regional presence of the GCF, such as limits on communication and understanding of local context. Staffing issues also create difficulties in developing and implementing larger cross-unit strategic initiatives such as developing new policies or investigating bottlenecks. Internal initiatives, including to increase operational efficiency, feedback loops or upgrade guidance, human resource management and strengthening of workforce capabilities can stall when key champions are no longer present. Even when new staff are onboarded it can take months to come fully up to speed on the complexity of GCF expectations and processes. As previously mentioned, the internal incentives for staff and unit KPIs are also insufficiently aligned to collaboratively contribute to GCF goals. The Secretariat noted to the Board that it has made trade-offs in setting quantitative and qualitative KPIs for its annual work programme – for example, in the number of FPs that can be reviewed at one time, meeting service standards (including communication timelines), comprehensive analysis of reporting and the depth of engagement it is able to offer to support DAEs (GCF/B.30/08). Both unit-level and organizational-level KPIs are expected to be updated and to be better aligned as part of the operationalization of the forthcoming new USP.

193. The GCF's Appraisal Guidance indicates that the Secretariat may prioritize projects at the Climate Investment Committee-2 stage if they already demonstrate appropriate climate impact and additionality potential as may be expected (Green Climate Fund, 2022c), but the Secretariat may also prioritize internally based upon strategic fit, such as how project approval would impact the strategic objectives of the GCF that cycle and for financial planning relating to portfolio-level goals. The Secretariat notes it now must actively manage the pipeline in line with the strategic plan, the investment criteria and Board guidance because the GCF has far more pipeline than commitment authority. As a result, quality FPs may be delayed even if the Secretariat has the capacity to review them. For example, the Secretariat reports that three FPs ready for Board approval at B.34 were delayed due to lack of commitment authority. Relatedly, many partners reported feeling their projects had been side-lined and they are not clear why, leading to speculations that may be unhelpful for the GCF's reputation.

194. The Secretariat continues to identify and address issues within its control, but it also needs further clarity from the Board on a variety of matters to achieve deeper improvements. For example, the Secretariat has recently completed a comprehensive business process review that identified

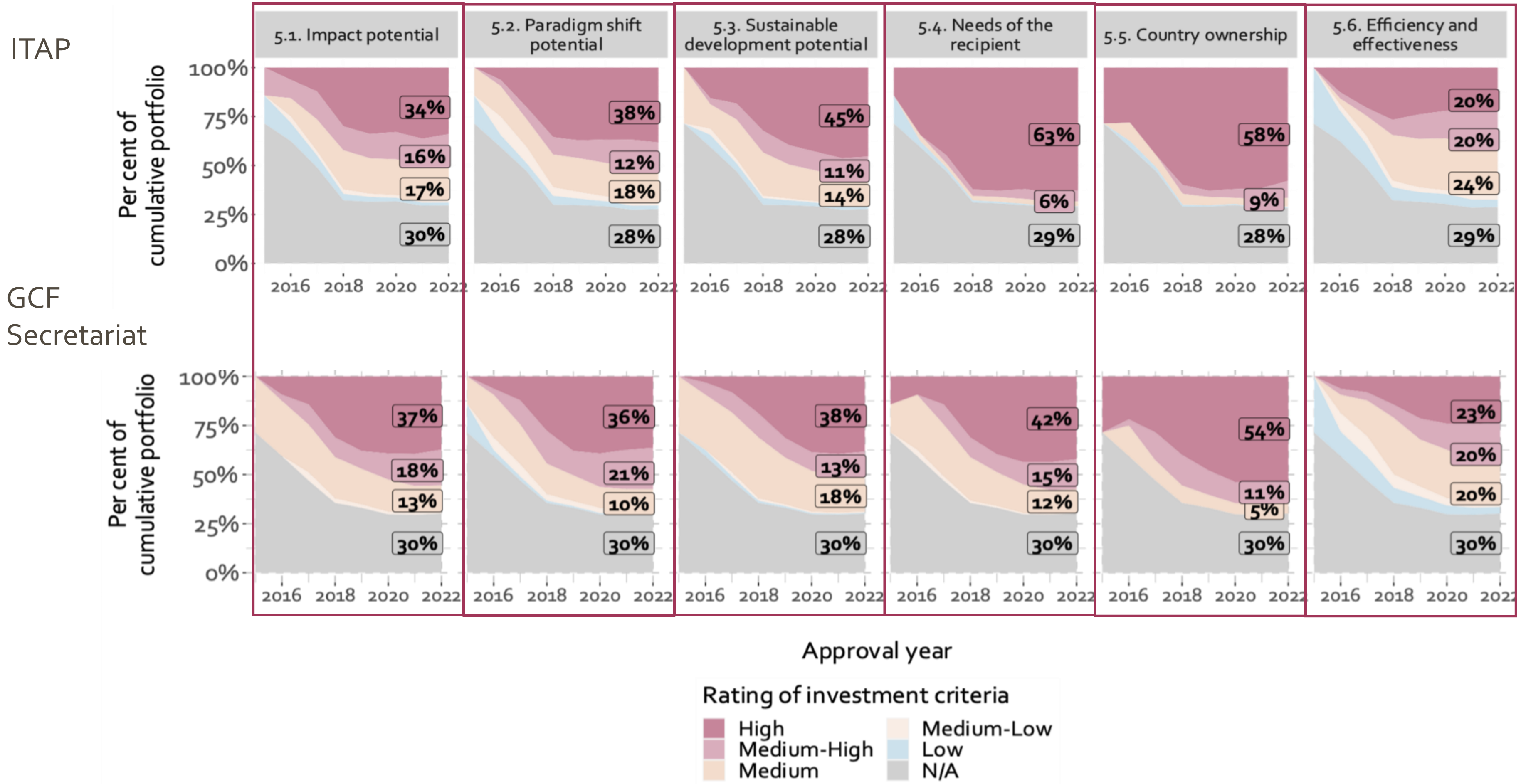
[59] As of 31 August 2022, the Secretariat had 218 staff, representing a fill rate of 74 per cent (GCF/B.34/Inf.07). Yet the target figure is already well below modelled staffing needs forecast for GCF-1. The current plan is to achieve a 90 per cent fill rate of 350 positions by the end of 2023.

structural bottlenecks as well as associated root causes and recommended reforms at every stage, from accreditation to readiness and project origination to pre- and post-approval processes. Recent Secretariat reporting to the Board (e.g., GCF/B.34/Inf.07, GCF/B.34/Inf.17) further articulates examples at each project stage that the Secretariat has targeted for improvement. Examples of where operational changes and streamlining are already under way are included in relevant subsections of this report. In several cases, staffing increases, more regional presence and/or further Board guidance or policy decisions (for example, on accreditation) are necessary to fully implement the proposed improvements.

b. Quality at entry

195. **The quality at entry of project submissions is gradually improving.** While there is no single definition of quality at entry, interview data from the Secretariat and iTAP as well as various indicators (such as number of conditions placed as part of Board approval or number of feedback rounds) indicate that FPs submitted for Board approval under GCF-1 are more on track than under the IRM. Figure 5-10 shows how Secretariat and iTAP scoring of FPs submitted for Board approval is gradually improving over time. The figure also indicates that there are similarities for the trends in scoring between the Secretariat and iTAP overall. Partners also note that they are gaining a better understanding of what the GCF seeks, and more familiarity with the processes. Partners also welcome the various guidance documents the Secretariat has developed, such as the appraisal and sectoral guidelines and the forthcoming technical guidance for project development.

Figure 5-10. Secretariat and iTAP review ratings of investment criteria over time



Source: iTAP and Secretariat review data, as of B.34 (20 October 2022), analysed by IEU DataLab.
Note: Data include 209 projects with Secretariat and iTAP assessments sent to the Board through B.34.

196. In addition to producing guidance materials, the Secretariat has been moving towards a more proactive approach to project solicitation and design, within staffing constraints, to help steer project concepts earlier in the process. GCF staff noted that even more in-depth work is required during project origination than current staffing allows, such as by involving different sector experts to help increase the robustness and appropriateness of the project design in early stages. A common critique from reviewers is that many projects submitted are fundamentally development projects that may also bring climate benefits rather than being climate projects at their core, though this appears to be improving. Quality also varies across AEs as well, implying quality control issues within AEs. Reviewers noted quality appeared more likely to drop when AEs move outside their core technical expertise areas.

197. It still remains to be seen how the newly approved climate impact potential policy (decision B.33/12) will affect processes and experiences, but it is expected to further promote access as well as quality. The GCF is also participating in the Climate Expert Advisory Group, composed of the World Bank, financial lenders, climate experts, World Meteorological Organization and others. One of the group's tasks will be consensus building around criteria for climate projects. Throughout project origination and review, the GCF must also navigate through diverse expectations on guidance – for example, some stakeholders criticize the GCF for being too passive, whereas others complain it is too prescriptive on what projects should be put forward or how they should be modified to meet current GCF priorities.

198. Several GCF staff members noted that the linkages and feedback loops between the units involved at different stages (DCP, DMA/PSF, Division of Portfolio Management (DPM)) are still suboptimal and overly siloed, with interests not consistently aligned due to different priorities and KPI structures. This misalignment can not only influence the review time frames and feedback consistency noted by external partners, but also disrupt the sense of internal responsibility for a project, all of which can affect overall project quality long term. As more projects progress in implementation, GCF staff members are also noticing that proposal quality is not as correlated with implementation quality as would be expected, though the full implications of this are not yet clear.

c. Private sector applications

199. **Project origination and approval processes are not tailored or flexible enough to meet private sector needs.** The IEU forecasts that the GCF is not likely to meet its private sector target in GCF-1. (see Table 6-1). Most of the existing PSF projects are mitigation programmes operated by development banks that seek to reach smaller entities, often in multiple countries, rather than single projects contracting directly with the GCF. They also demonstrate limited country ownership. Both GCF staff and partners continue to note difficulties with preparing, reviewing and modifying programmatic approaches, particularly for the private sector, under current programming expectations. The levels of uncertainty, bureaucracy, time lags, and project structuring and country engagement expectations when doing a project with the GCF do not match private sector needs well. Even more than with the public sector, extended review periods risk rendering private sector projects moot, such as by losing relevance for the context or being unable to sustain co-financing expectations during extended periods of uncertainty. Communication expectations for private sector entities are also different, as they may be turned off by "rulebook" type guidance versus tailored engagement.

200. Clarifications of the GCF's risk appetite are anticipated in the coming months and are particularly relevant for the private sector. These include clarifying the appetite to serve as early-stage risk capital to promote innovation or to develop new modalities to scale up the use of high-impact

financial instruments (GCF/B.34/Inf.07). Several GCF staff members noted that risk assessments for private sector projects are insufficiently nuanced to fully capture the unique risks that are becoming apparent during ongoing management of the private sector projects now under implementation, suggesting that an impact risk model is needed to support taking calculated risks (see also section 206, below, on risk management). Related, the current accreditation model is not seen as fit for purpose as it does not fully capture private sector risks – for example, credit ratios or bad loan ratios (see also Chapter 4).

201. Process improvements under way may improve some elements, such as review times, but do not yet appear sufficiently tailored to address deeper challenges for private sector projects. Examples of deeper tailoring might include modifying core application requirements (e.g., use of a theory of change) or new or tailored application of existing policies to better fit with private sector realities (e.g., use of no-objection letters, hedging). As an NGO registered in South Korea, the GCF has not set up the operational structures to fully operate within the international capital markets to better facilitate equity and guarantee instruments (see also Chapter 3.B.4 on private sector participation).

202. Several GCF staff members also expressed concerns, based upon their observation of the ability of private sector AEs to successfully implement projects and fully comply with the due diligence expectations of the GCF. The implementation and monitoring of ESS mechanisms in compliance with GCF requirements is challenging for some private sector entities including the level of public disclosure expected, especially for equity funds. Although the pool of private AEs has increased somewhat in GCF-1, it remains limited in terms of both numbers and project capacities, due in part to burdensome accreditation processes, lack of awareness, perceived value and unpredictability. Also, less than 5 per cent of CPs include private sector programming, and nomination of private sector DAEs by NDAs is limited (GCF/B.34/Inf.07).

C. POST-APPROVAL STAGE

203. The post-approval processes centre on the clearance process for reaching a signed and then effective FAA once all conditions have been met. Formal implementation of the project and disbursement of funds for FPs can only occur once the FAA is effective.

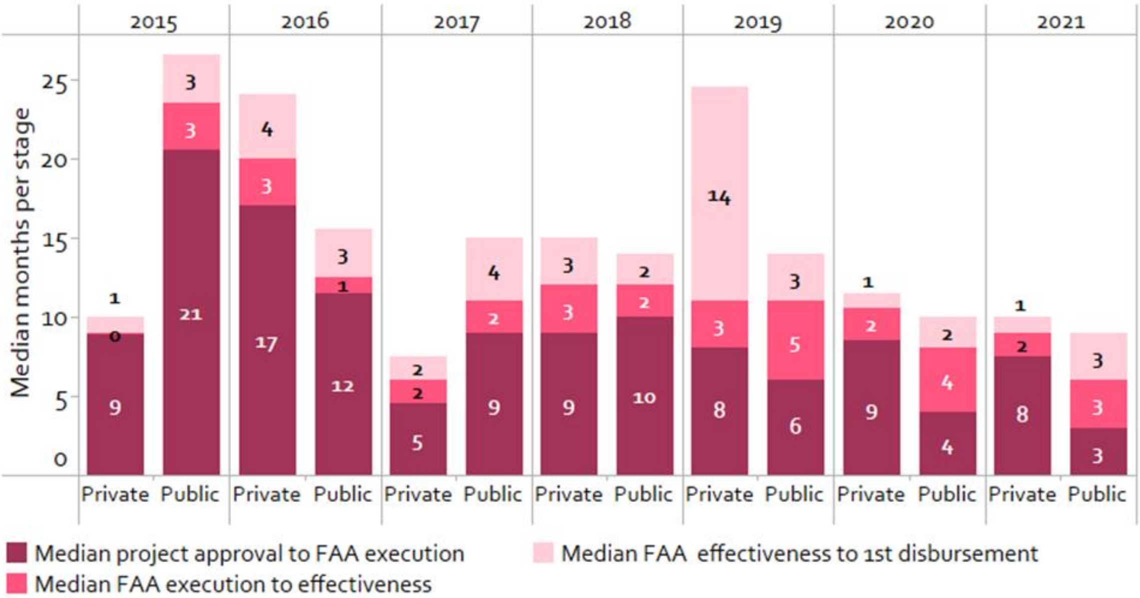
204. **FAA processes have recently shown notable improvements, yet continue to be lengthy** (see Figure 5-11). The median duration from Board approval of a project through to first disbursement is trending downward in GCF-1, with an overall reduction for projects approved in 2020 and 2021, relative to others. The improvement in speed and predictability is more pronounced from approval to FAA execution, while the time periods from FAA execution to effectiveness continue to trend similar, if not increased, median durations than the IRM phase (see Table 6-1).[60] Table 5-2 below shows the number of extensions processed and average days for extension by FAA stage through September 2022. According to a Secretariat report (GCF/B.34/Inf.09) that covers extension requests by stakeholder and stages through 31 May 2022, reasons for delays include (1) AMA (a prerequisite for an FAA) not yet effective at time of Board approval of FP, (2) internal AE approval timelines, (3) unresolved commercial/technical issues including co-finance requirements, (4) language/translation issues, (5) policy ambiguities allowing for differing interpretations including when an AE must follow GCF policies instead of their own existing policies, (6) retroactive

[60] IEU DataLab analysis forecasts that FAA effectiveness is likely to take two months longer by the end of GCF-1 compared to the IRM, with the first disbursement taking around 20 days more, on average. See also Volume II.

application of new policies approved by the Board, (7) misaligned internal incentives within the Secretariat, and (8) issues relating to the COVID-19 pandemic.

205. Private sector projects are more likely to have complex structures, which may require review by external counsel. The IEU's 2021 evaluation of the adaptation portfolio further noted that adaptation projects take longer than mitigation projects to move through the pipeline and then to begin implementation once approved, particularly for DAEs. However, earlier start-up issues in finalizing FAAs are fading away as internal learning within the Secretariat smooths out bottlenecks and AEs gain experience. The Secretariat is also sharing legal templates earlier in the process. There continues to be a broader tension concerning which requirements should receive detailed scrutiny at each stage or multiple stages, since pushing scrutiny to later (e.g., from appraisal to FAA stage) could only serve to postpone awareness of key issues to be resolved.

Figure 5-11. Median months' duration from Board approval to first disbursement by approval year



Source: iPMS Tableau server finance – disbursement data, as of B.34 (20 October 2022), analysed by IEU DataLab.

Note: The chart is based on median durations of 192 executed FAAs, 177 effective FAAs and 155 projects that received their first disbursement. The earlier dates were considered for stages of projects with multiple FAAs: FP005, FP027 and FP028. The subsets of projects used to calculate medians of all FAA stages are based on project approval year.

Table 5-2. Number of extensions processed and average days for extension by FAA stage

Stage	Count of extensions processed since 2015	Average days extended
Certificate of Internal Approval	35	207
FAA execution	40	171
FAA effectiveness	73	119
First disbursement	55	131

Source: Detailed risk dashboard – Q3 2022.

D. ONGOING IMPLEMENTATION AND RESULTS MANAGEMENT

206. Once FAAs become effective, then disbursement of funds and ongoing implementation management begins. DPs and AEs have the first level of responsibility (first-level due diligence) for confirming that GCF requirements are fulfilled and ensuring that GCF funds are used to deliver results and reporting to the GCF. The Secretariat has the second level of due diligence, with an oversight function to monitor the implementation of readiness and funded activities. Risk management throughout the project cycle is considered further in the next section.

207. The IEU calculates that as of November 2022, 177 out of 209 approved projects (85 per cent) have effective FAAs. The largest number of projects under implementation are public sector, adaptation, Category B or I-2, managed by IAEs. Per the data available for 176 under implementation, 19 per cent (33) are private sector and 81 per cent (143) are public sector. Similarly, 19 per cent (34) are from DAEs, with the remainder from IAEs. The pattern is similar for the USD 2.84 billion disbursed to date. The largest amounts disbursed are for projects that are public sector, adaptation, category B or I-2, managed by IAEs. This is followed by IAE private sector mitigation and cross-cutting projects (see Figure 5-12 and Figure 5-13).

Figure 5-12. Distribution of projects under implementation

Entity Access Type	Theme	Private Sector: Cat A & I - 1	Private Sector: Cat B & I - 2	Private Sector: Cat C & I - 3	Private Sector: Total	Public Sector: Cat A & I - 1	Public Sector: Cat B & I - 2	Public Sector: Cat C & I - 3	Public Sector: Total	Grand Total
Grand Total		6	21	6	33	14	92	37	143	176
DAE	Total		9	3	12	1	10	11	22	34
	Adaptation		1	1	2		5	9	14	16
	Mitigation		7	2	9	1	2		3	12
	Cross-cutting		1		1		3	2	5	6
IAE	Total	6	12	3	21	13	82	26	121	142
	Adaptation		2	1	3	2	41	17	60	63
	Mitigation	4	6	1	11	6	18	6	30	41
	Cross-cutting	2	4	1	7	5	23	3	31	38

Figure 5-13. Disbursement amounts for projects under implementation

Entity Access Type	Theme	Private Sector: Cat A & I - 1	Private Sector: Cat B & I - 2	Private Sector: Cat C & I - 3	Private Sector: Total	Public Sector: Cat A & I - 1	Public Sector: Cat B & I - 2	Public Sector: Cat C & I - 3	Public Sector: Total	Grand Total
Grand Total		$337M	$485M	$102M	$924M	$314M	$1,422M	$176M	$1,912M	$2,836M
DAE	Total		$73M	$52M	$125M		$106M	$51M	$157M	$282M
	Adaptation			$0M	$0M		$44M	$46M	$90M	$90M
	Mitigation		$69M	$52M	$121M		$1M		$1M	$122M
	Cross-cutting		$4M		$4M		$61M	$6M	$67M	$70M
IAE	Total	$337M	$412M	$50M	$799M	$314M	$1,316M	$124M	$1,754M	$2,554M
	Adaptation		$45M	$11M	$56M	$10M	$508M	$84M	$602M	$658M
	Mitigation	$240M	$146M	$20M	$406M	$162M	$656M	$34M	$852M	$1,258M
	Cross-cutting	$97M	$221M	$19M	$337M	$143M	$153M	$6M	$301M	$638M

Source: (for two figures) Tableau server iPMS data, as of B.34 (20 October 2022), analysed by IEU DataLab.
Note: (for two figures) The categories at the top of the table are ESS categories: Category A/I-1, Category B/I-2 and Category C/I-3. Higher values in the table are marked by darker colours.

208. **Many partners are frustrated with implementation management processes, especially those relating to adaptive management.** GCF staff as well as external partners note that lack of clarity due to policy gaps or ambiguity leads to inconsistencies in how policies are applied as well as extensive internal discussions case by case, which in turn lead to stalled processing. Changes for programmes, which are often multi-country, whether private sector or public sector, pose a particular challenge for all, given the need to involve all NDAs, and lack of clear approach for both programmatic approaches and multi-country projects within the GCF. Private sector entities also find it difficult to comply with the public disclosure requirements expected to meet ESS standards. Similarly, the restructuring policy is not seen as sufficiently fit for purpose for the nature of private sector projects by internal and external stakeholders. More broadly, there are persistent perceptions both within the Secretariat and among its partners that the GCF lacks the proximity and flexibility to consider the details on the ground, with many stakeholders perceiving this situation as worsening since the IRM phase. The GCF processes are seen as lacking sufficient nuance to learn and adapt to different country, AE and project characteristics. In conjunction with broader operational efficiency initiatives, the Secretariat is currently in the process of standardizing the approach and standards for dealing with adaptive management requests, including examining the appropriateness of delegating decision-making (GCF/B.34/Inf.07).

209. The SPR country case studies indicated that many stakeholders perceive that the Secretariat often micromanages changes, takes too long in providing feedback, has aversion to any risk during implementation, has difficulty in making even minor changes to FAAs, has disbursement processes that are too disconnected from project needs and concerns, and has difficulties restructuring in multi-country projects because all involved NDAs have to agree. Interestingly, the SPR country case studies demonstrated a mixed message that many AEs want the GCF to take more of a hands-off approach to project implementation management yet an overlapping group of AEs complain if the GCF does not quickly step in or adjust requirements to fix problems that arise. Similarly, the Secretariat notes more issues with implementation than expected, even with well-established IAEs, including inconsistencies in compliance with the AMA.

210. **A substantial number of approved FPs now under implementation have already undergone or will need restructuring. However, risks and associated types of changes are not well defined and understood. The GCF has not fully reconciled its approach to its second-level due diligence responsibilities.** As the number of projects under implementation grows, the Secretariat is processing increasing volumes of change requests and projects under close monitoring.[61] From 1 January to 31 August 2022, the Secretariat processed 44 minor and major change requests, including extensions, waivers and restructuring proposals. Reported challenges have included operational challenges, disruptions related to COVID-19, financial challenges, procurement issues and political challenges. AEs have also experienced challenges in meeting the required disbursement threshold of 70 per cent (GCF/B.34/Inf.07). The IEU reviewed 40 available IEs and found that 27 per cent of projects had major weaknesses affecting implementation, with only 41 per cent identified as having no weaknesses at the IE stage. To date, 29 per cent of projects with IEs had already undertaken major restructuring, and 76 per cent had major (42 per cent) or minor (34 per cent) changes or restructuring recommended as part of the IEs.

[61] As of 31 August 2022, 23 projects (6 private and 17 public) are under close monitoring by the Secretariat. Of these, 10 projects have financial-related issues/challenges, including budget allocations and changes in repayment and disbursement schedules; five projects have political and country-specific issues/challenges such as war tensions, corruption issues and change in government; and two projects have reported force majeure issues and restrictions from COVID-19 (GCF/B.34/Inf.09).

211. What constitutes a major versus a minor change is not well understood. Several partners and GCF staff also noted ways that AEs try to manage when changes are reported in order to minimize anticipated delays, such as by intentionally holding off on notifying the GCF of changes until after the FAA is effective or until the next review milestone, or to aggregate minor changes, which can then lead to larger changes that then require the involvement of the Board. This perception refers equally to minor changes or changes that typically occur during implementation or as a result of legacy issues from early FAAs. GCF staff members noted that there are times when they feel constrained by existing policy requirements that are not sufficiently nuanced to provide flexibility.

212. The GCF has not fully reconciled its approach to its second-level due diligence responsibilities with the significantly expanding scale of its portfolio under implementation and the highly diverse nature of its AEs. The GCF approach relies heavily on the capacities and transparencies of AEs, which are known to be uneven. Anecdotal implementation experiences and reporting, along with reaccreditation assessments, are showing that some DAEs have insufficient experience and capacity to perform their first-level due diligence functions, and that some IAEs, particularly MDBs, have pushed back strongly at complying with AMAs or FAAs – for example, relating to reporting requirements and policy adherence. The current system for overseeing and monitoring AEs and projects is not sufficiently differentiated for AE and project types (especially programmes), capacities and track records, such as where more proximate oversight is needed in some instances and a more risk-based portfolio approach is viable in others. The GCF also must consider how much, and how much more, it can realistically ask of AEs given institutional capacity issues and the overall benefit-to-burden ratio perceived by partners. Several GCF staff members proposed a more nuanced risk-based approach to projects combined with an updated accreditation approach with selective capacity-building as a possible practical way forward.

213. **Currently, GCF oversight during implementation is not taking place consistently or comprehensively.** As called for in the monitoring and accountability framework, the Secretariat has started developing an updated early warning risk flag system for portfolio and project reporting of risks that are not currently dealt with adequately, but this system has been pending. Delayed by COVID-19, risk-based, on-site project spot-checks have been happening only on a very limited basis, despite being an integral part of the GCF's operational oversight mandate and despite available funding. There has also been limited oversight regarding compliance with ESS and FAA conditions, with not all covenants monitored. The Secretariat recently finalized its *Procedure on Ad Hoc Checks of GCF Funded Activities (Projects and Programmes),* which lays out objectives, mechanisms and the path towards developing such a system.

214. The APR is a key tool currently available to the GCF to support project risk and results management, but it is not effective or timely for this purpose. APRs are a tool to track implementation and are not considered an effective tool for project risk management as they do not capture project and other risks such as country and AE performance well or in real time. The quality of APRs varies and the process is slow, with GCF feedback highly variable and often irrelevant by the time it reaches the field. AE stakeholders report limited engagement with the GCF on identifying and managing risks and results, slowness in obtaining APR feedback and responses to adaptive and restructuring requests. Most AEs also report several issues with the annual reporting format, saying that it is repetitive, not sufficiently adapted to different project stages and project types, and not well balanced in quantitative and qualitative reporting, and that it has an online platform and templates that are "not so user-friendly". Overall, AEs want more clarity on what the GCF is looking for and timely relevant reviews.

215. The GCF's APR feedback is frequently regarded as not well informed about the project and forgetful or unaware of past comments and exchanges (which is often associated with high staff turnover). Conversely, the Secretariat regards many APR submissions as incomplete and/or low quality. While this is partly related to AE capacities, particularly those of less experienced DAEs and their lack of training on the format, there are also problems with other AEs, often international ones, that appear to disregard GCF reporting standards. The Secretariat reports some progress in 2022, such as on the speed of APR reviews, their quality, and the regularity and depth of communication with AEs, in part due to an improved Portfolio Performance Management System platform and a larger review team. A new APR format is being developed, as are training sessions with AEs on how to use the APR platform and strengthen their reporting capacities. IEs of funded activities are expected to be increasingly included in the Secretariat's annual portfolio report to the Board.

216. **Overall, the Secretariat is still working to develop robust ongoing implementation management processes and feedback loops.** Operating with extremely limited staff at the time, the Secretariat focused heavily on projects in origination in the IRM phase. The GCF has increased its focus on results management, adaptive management, risk management and knowledge management in GCF-1, as the number of projects under implementation and number of AEs increased. For example, there are now documented systems, such as the electronic Portfolio Performance Management System, manuals (such as the Programming Manual) and templates. The DPM is now formalized in the Secretariat structure, and it is slowly but steadily growing into its responsibilities for oversight and due diligence of funded activities. Several strategic and operational processes, decisions and improvements are pending, and inadequate staffing also remains an issue, particularly for supporting AEs who are struggling and require more frequent and regular communications. As more resources become available, it will take time to fully operationalize the monitoring and accountability framework, develop the necessary systems and procedures, and recruit qualified staff, consultants and firms.

E. RISK MANAGEMENT THROUGHOUT THE PROJECT LIFECYCLE

217. Annex VI to decision B.17/11 describes the GCF's current risk appetite as follows:

> *GCF has zero tolerance towards partaking in prohibited practices, breaches of international sanctions/embargoes, by staff, Board members, counterparties, and partners (especially "AEs" and "EEs"), and violations of applicable internal policies by staff or Board members. GCF has a stable and moderate enterprise risk profile which will enable the Fund to ensure adequacy and predictability of financial resources, maintain a well-balanced portfolio of projects/programmes consistent with the principles of country ownership and the guidance of the Conference of the Parties, and operate in a transparent, accountable, and efficient manner. And to realize a significant impact and promote a paradigm shift to meet the Fund's strategic objectives, the Fund is willing to accept considerable uncertainties around investment risks in return for impact potential, to be evaluated on a case-by-case basis recognizing specifics of each proposal. The Fund will strive to mitigate programme risks providing reasonable assurance that investments can fulfil their stated objectives.*

218. The risk management framework defines the GCF's approach to managing risk at both its institutional level and the investment level (e.g., FP, RPSP, PPF) to maintain the level of risk within

the bounds of the risk appetite and tolerance set by the Board.[62] The SPR did not conduct a detailed analysis of institutional-level risk management, focusing instead on examining risk management processes at the investment level. Ultimately, individual investment risks aggregate to overall portfolio risks.

219. The GCF seeks to address project-level risks, both upstream (before project approval, including through entity accreditation) and downstream (while projects are being implemented). The system also is set to appraise portfolio risk by assessing concentration and funding, commitments, portfolio distribution, financial instruments, target areas, sectors and entity access. There are four broad categories of risk the GCF considers for each project or programme (i.e., at the level of investment):

- Enterprise risks
- Investment risks
- Compliance risks
- ESS

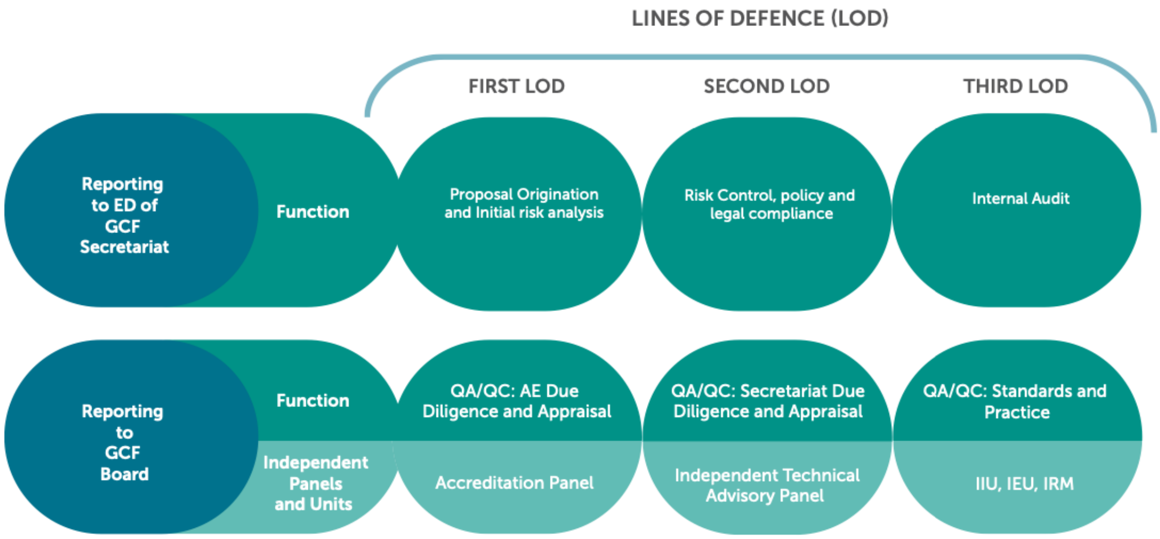
220. DPs and AEs have primary responsibility, referred to as first-level due diligence, for confirming that GCF requirements are fulfilled and ensuring that GCF funds are used to deliver results (through their own project risk management systems and due diligence through compliance with their FAAs and AMAs). The AE conducts a risk assessment for each proposal and submits documentation to the Secretariat for review.[63,64] The GCF's second-level responsibilities, which include the roles of the independent units, serve as a control or oversight function from project origination and appraisal as well as throughout implementation, to ensure that risks are in line with the associated frameworks. For example, the GCF has standards for projects and project implementers (AEs and DPs) that address project and performance risks, ESS, gender and social inclusion (including for indigenous peoples).[65]

221. **The second-level due diligence process lacks clarity on risk ownership across the Fund.** Figure 5-14 outlines the three lines of defence within the GCF's approach to its second-level due diligence. The roles and responsibilities are distributed across several different units and groups. Primary responsibility within the Secretariat during appraisal processes lies with the PSF for private proposals and the DMA for public proposals. They are supported by other units and groups, including the DPM, OGC and Office of Risk Management and Compliance (ORMC). During implementation, the DPM takes the lead, reviewing the project/programme risk assessment at least

[62] Key documents or decisions relating to the GCF's risk management framework include Component I – Revised risk register, Component II – Risk appetite statement, Component III – Risk dashboard, Component IV – Risk guidelines for funding proposals, Component V – Investment risk policy, Component VI – Non-financial risk policy, Component VII – Funding risk policy, and Component VIII – Compliance risk policy, as well as the revised initial financial risk management framework and administrative guidelines on the internal control framework and internal audit standards (refer to GCF decisions B.17/11, B19/04 and B.23/14).
[63] AEs are required to conduct a risk assessment addressing, inter alia, (1) implementation risk, (2) technical risk, (3) market risk, (4) foreign exchange risk, and (5) country risk.
[64] If the nominated DP for an RPSP grant is not also an AE, they must complete the Financial Management Capacity Assessment questionnaire and submit supporting documentation to the GCF for second-level due diligence review to assess whether the entity possesses the required legal, fiduciary and project management capacities to effectively implement RPSP grants.
[65] In addition to the GCF's overall risk management framework, project-level risk management is also informed by the Fund's sustainability and integrity policies, among others (1) the revised Environmental and Social Policy (Annex I to B.BM-2021/18); (2) interim Environmental and Social Safeguards (the performance standards of the International Finance Corporation) (Annex III to decision B.07/02); (3) Indigenous Peoples Policy (Annex XI to decision B.19/11); (4) Gender Policy and Updated Action Plan 2020–2023 (Annexes XXIII and XXIV to decision B.24/12); (5) Policy on Prohibited Practices (Annex XIV to decision B.22/19); and (6) the Anti-Money Laundering and Countering the Financing of Terrorism Policy (Annex XIV to decision B.18/10).

annually – for example, as part of the annual project/programme review process (including APRs). The ORMC works closely with the DPM and has overall responsibility for monitoring risks at the project and enterprise level. The third line of defence is performed by the Office of Internal Audit and the three independent units: the Independent Integrity Unit, the IEU and the Independent Redress Mechanism Unit. As a result, risk management processes are defined in terms of identifying and managing risks across the institution. However, interview respondents identify that there is no shared understanding of ownership of risks across the organization. The risk management structure is defined around risk identification and assessments but generally lacks clarity around risk response, monitoring and assurance. The Secretariat has identified this gap and is currently reviewing the risk management structure regarding the three lines of defence.

Figure 5-14. Due diligence and appraisal: roles of GCF Secretariat and independent panels and units



Source: Green Climate Fund (2022c).

222. **The GCF's underdeveloped approach to managing project risks is placing the Fund at risk.** As the Fund matures, the Secretariat has made significant strides in better understanding the types of risk and internal and external responsibilities for managing it relative to the IRM phase, but the GCF's risk management structure remains underdeveloped. Revisions to the results management framework were not sequential. In particular, it still lacks coherence among frameworks, policies and processes, and clarity on how roles and responsibilities for project risks are shared and divided among different Secretariat units (including the independent units), the Board and external partners such as AEs. It is also clear from the totality of interviews that GCF partners have an inconsistent understanding of and/or otherwise unreliable commitment or capacity to effectively mitigate the risks identified in AMAs or FAAs. GCF staff members as well as external partners perceive what they characterize as excessive risk aversion (particularly related to policy compliance, such as malpractices, safeguard issues and other project risks) leading to the stalled processing of FPs, as well as substantial inconsistencies in how other risk parameters are applied. Further, a strong thread throughout the interviews with GCF staff was unnecessary fragmentation between units and lack of feedback loops upstream and downstream that lead to suboptimal communications and decision-making. Also, interviewees noted that the type of risks currently being appraised by the results

management framework are not the full range of potential risks that might endanger the GCF, thus an inventory of potential risks pertaining to the GCF is necessary.

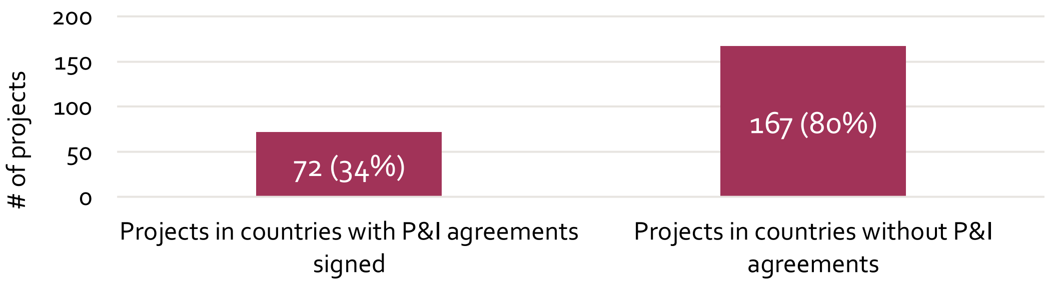
223. The GCF is increasingly aware of potential and actual risks, and the Secretariat is actively seeking to identify and address weaknesses within their control and to communicate actions needed by the Board. For example, the Secretariat has noted in recent Board reporting that "several of the risks categorized as having low probability during the design stage show the opposite trend during portfolio implementation. Many emerge as medium or high risks." The document also points to the need for a more realistic risk assessment informed by rigorous assessment of country and institutional contexts as well as lessons from implementation to proactively develop the appropriate mitigation measures (GCF/B.34/Inf.11.Rev.01). A recent internal review of the risk management systems identified four key areas for improvement:

- Risk culture underdeveloped
- Discrepancies between the GCF's risk management and business models
- No formal assessment of skills needed and existing capacity
- Gaps in the Risk Register

224. IEU analysis of 41 IEs found that unforeseen risks had materialized in over 70 per cent of the projects, and these previously unforeseen risks had been fully mitigated in only 10 per cent of projects reporting them. The pandemic was the most common unforeseen risk; other factors included natural disasters, project design issues, government changes, local conflict and the war in Ukraine. The analysis also showed that foreseen or unforeseen risks were present in the overwhelming majority of projects, but they were only fully mitigated in 27 per cent of the projects with IEs, and not at all mitigated in another 22 per cent.

225. In addition, an issue that is already a topic of discussion at the Board level is the limited number of privileges and immunities (P&I) agreements in place;[66] the absence of which could well expose the GCF to large and unacceptable risk as more projects progress in implementation. As of November 2022, most of the GCF's approved portfolio (167 projects) is in countries where it does not have P&I (see Figure 5-15). Of 154 eligible countries, the GCF has only 29 P&I agreements in place. Most (22) of the existing P&I agreements were signed during the IRM, with the remainder signed in GCF-1, although the Secretariat is negotiating with numerous other countries.[67]

Figure 5-15. Share of GCF portfolio in countries with P&I agreements



Source: Tableau server iPMS data, as of B.34 (20 October 2022), analysed by IEU DataLab.

[66] COP guidance has also mentioned P&I.
[67] IEU accessed iPMS country data, November 2022. The date for one country are missing; it is unclear whether the data are from the IRM or GCF-1. Signature of P&I agreement for another was added manually, due to the lag of the data updates in the system.

Note: Thirty multi-country projects operate partially in countries with and countries without P&I within the same project. Those cases were double counted; therefore, the total of the two bars exceeds the portfolio size of 209.

226. **The lack of understanding of risk ownership across the different stages of the risk management structure has also translated into a lack of an adequate risk culture and shared understanding of risks at the Fund.** A number of GCF staff members interviewed for the SPR expressed concerns about current risk management practices. Common themes include that risk management activities are inadequate; risk methodology is not applied uniformly to all FPs and projects can be appraised differently on risks, depending on the reviewer's risk appraisal skills and interpretation; risk assessment processes for FPs were often undercut for "political" reasons to push projects through; and/or that staff had insufficient clarity as to who owns which functions. GCF staff interviewees consistently cited needs for the following:

- Increased coherence, internal continuity, consistency and accountability within the GCF on which risks are to be assessed and addressed and by whom
- Substantially stronger coordination and feedback loops across teams including clarity of roles, such as between accreditation and project review teams, implementation management and origination teams, or the Secretariat and independent units
- More staff members focused on risk management, especially in the areas of compliance and audit functions as well as increased staffing and risk skills, and more focus on risks in upstream programming/communications to maximize transparency and minimize future risk issues that the GCF recognizes too late to fully mitigate
- More practical field experience among risk assessment and monitoring staff related to project implementation risks and first-level due diligence in different contexts, including for more site visits as part of the GCF's ongoing implementation management processes
- Increased clarity on the GCF's approach to second-level due diligence for FPs, including what is critical to retain responsibility for within the GCF and what the accreditation model with second-level due diligence can sufficiently deliver, such as for monitoring EEs or for programmatic approaches
- Review of the GCF's approach to risk assessment and management for RPSP grants, which do not benefit from accreditation processes or legal agreements that are as detailed as those for FPs (this should include a review of any differences in practice between those whose management is delegated to the United Nations Office for Project Services and those whose management is retained within the GCF)
- Clarification of when comments provided by the Secretariat to AEs, such as on CNs or FPs, are requirements for the application to proceed or can be left unaddressed or only partially addressed by AEs until a later stage (e.g., deferred from appraisal to FAA stage)

227. Given staffing constraints, the Secretariat is taking an iterative approach to developing more robust and fit-for-purpose processes and currently making a second update to the risk management framework that addresses a broader range of risks the GCF tracks beyond the project and portfolio risks discussed here.[68] The updated framework will also include more information on roles and

[68] An updated risk management framework is under process and is expected to be presented at B.35. The revised risk appetite statement and updated Risk Register Prototype is expected to be ready in early 2023 for consultation with the

responsibilities and is expected to address many of the most critical issues identified. The internal risk and performance assessment module of the Portfolio Performance Management System, which helps the Secretariat standardize and streamline risk assessment processes across units, has recently been upgraded with updated portfolio risk and performance management guidance. It is also in the process of updating the ESS standards to be better tailored to GCF needs, which will only apply to FPs that are appraised after the new standards become effective. These updates are expected to feed into both the project appraisal as well as ongoing implementation management processes. However, to date there is insufficient information available to assess their reach. The GCF is also undergoing the review of its risk appetite statement to determine if it is still appropriate, such as to more fully address the use of a broader range of financial instruments.

228. The Secretariat has recently added two new positions to support efforts to upgrade operational risk controls and corporate performance management across the GCF (GCF/B.34/Inf.07):

- Operations Control Manager, leading the implementation of risk control self-assessments across the Secretariat and the monitoring of responses to issues identified in risk control self-assessments and internal audits
- Corporate Performance Manager, responsible for enhancing the Secretariat's performance management culture and systems

F. Knowledge management

229. The GCF has a mandate from its GI to "be a continuously learning institution guided by processes for monitoring and evaluation." The current USP emphasizes better linking systems for monitoring, reporting, evaluation and knowledge management, and capturing evidence-based results and lessons from implementation to enable improved programming and implementation.

230. The GCF is in the early stages of its knowledge management practices, a stage that is broadly consistent with its organizational maturity but not yet sufficient to facilitate thought leadership. The GCF is moving towards more strategic systematization of knowledge management, starting with internalization of knowledge management within the Fund's divisions, the application of common taxonomies, and lessons learning from the GCF's project portfolio implementation. There is a small unit dedicated to knowledge management within the Office of the Executive Director (OED) that supports centralized functions as well as decentralized knowledge management within other units, such as DPM and DCP. Its activities are significantly hampered by a lack of resourcing, including a net 50 per cent loss of staff since 2020. Internalization of knowledge management and analysis functions is inconsistent across the different divisions and implementation units. In 2020, the Secretariat adopted a broad knowledge management strategy and action plan for 2020–2023, setting out priorities for delivering both internal and external knowledge management outcomes (GCF/B.28/Inf.10/Add.03). The adoption of this strategy and action plan came at an earlier stage than for other multilateral funds, but some Secretariat staff now consider this strategy and action plan as overly ambitious and not sufficiently focused and resourced.

231. The Secretariat is in the process of updating the knowledge management road map to recalibrate its activities and better meet needs going forward. With the GCF's portfolio under implementation rapidly growing, an important opportunity is emerging to gather and share lessons learned, project

Board and other relevant stakeholders. Revisions are planned to address the need for an institution-wide risk assessment framework and the full roll-out of risk control self-assessment tools across key business processes.

evaluations, impact assessments and dialogues to guide NDAs, AEs and implementing partners towards more relevant, effective, sustainable and paradigm-shifting interventions**. Several Secretariat interviews noted the wealth of information that is not yet being effectively or efficiently processed to support internal feedback loops or facilitate learning in support of developing further guidance to partners.** The IEU's recent LDC evaluation echoed this finding stating, "GCF's current approach to knowledge management ... does [not] provide opportunities to facilitate dialogue and learning." According to SPR interviews, the Secretariat plans now to focus its 2022 APR analysis and portfolio reporting on lessons learned. It also recently developed a methodology for readiness learning loops and announced plans to launch a readiness knowledge bank to showcase RPSP results, share related curated knowledge products, and include the readiness database for the grants under implementation in the Open Data Library available to the public (GCF/B.34/Inf.11/Rev.01). Broader digitalization efforts across the Secretariat are expected to further facilitate knowledge management and feedback loops as well.

232. There are indications that knowledge management and learning is starting to be integrated and embedded more closely across GCF processes and divisions now. The GCF taxonomy has been updated to increase the traceability and transparency in GCF documents and to enable analysis across divisions (GCF/B.30/Inf.11). The knowledge management unit has also started some external knowledge partnerships, held external learning events (e.g., structured dialogues) and directly supported some countries on knowledge management. For example, the recent GCF Global Conference on Programming combined programming-wide consultation and knowledge management.

233. The SPR country case studies showed that some projects already have strong knowledge and learning elements at the project level, and others were advised as part of their IE to enhance these aspects. Interestingly, FPs do not have a required level of funding to allocate to knowledge management, whereas RPSP grants do (5 per cent). Improvements in knowledge management would require stronger knowledge management systems and functions, financial resources and a more deliberate approach to tracking and scaling up learning from results.

Chapter 6. RESULTS AND IMPACT OF GCF INVESTMENTS

KEY FINDINGS

- Progress towards delivery of the USP strategic objectives is mixed, due in part to the way that targets and benchmarks were set. According to IEU projections, the GCF is tracking towards targets and benchmarks as follows:
  - Likely to exceed the revised IRM benchmark for mitigation but unlikely to meet its adaptation benchmarks in terms of portfolio-level results
  - Expected to meet 0.6 per cent of the conditional mitigation needs and 3.2 per cent of the conditional adaptation needs stated in countries' new or updated NDCs
  - Likely to meet targets for funding channelled through DAEs
  - Unlikely to meet the adaptation allocation, although the adaptation pipeline is strong, and unlikely to meet the PSF targets, although nominal PSF funding has increased
  - Making slight improvements in the speed and predictability of processes, with some variability
- Given the long-term nature of climate impact, and the relatively young age of GCF projects under implementation, few projects already report significant actual achievements of GHG emissions reductions or adaptation impact for beneficiaries and asset resilience. While the quality of results measurement and reporting has been poor to date, the approval of the IRMF is an important step, and other retroactive improvements are also under way.
- Still, many projects are making good implementation progress, and three quarters of projects were rated as having an overall satisfactory performance at midterm. Mitigation projects are generally performing better than adaptation projects. IEs are optimistic that close to 90 per cent of evaluated projects will reach their ultimate development and climate objectives.
- Understanding of the concept of paradigm shift within the GCF remains poor among many stakeholders. All projects report of their ambition or potential towards paradigm shift, but pathways and actual results are often not clear. Country case studies offered some examples of projects showing early signals of contributing towards paradigm shifts.
- Expected co-financing in approved FPs increased slightly in GCF-1, although IEs suggest that realized co-financing is not consistent with expectations at midterm. Remaining conceptual gaps in measuring leveraged and mobilized private financing mean that the GCF is not able to fully demonstrate its contribution to shifting financing flows towards low-emission and climate-resilient development.
- The GCF has been steadily and systematically positioning itself to better address gender equality and social inclusion, including of indigenous peoples, throughout GCF-1. This has not automatically translated into meaningful influence or action on the ground.

234. GCF investments are expected to deliver climate results that contribute to its overall objectives. These objectives are to promote paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development and to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change.

A. Progress towards delivery of the USP targets

1. IEU projections on the delivery of the USP strategic objectives

235. Table 6-1 summarizes the IEU’s high-level projections on the delivery of the USP strategic objectives by the end of GCF-1, based upon data available as of B.34 (20 October 2022). This is an update from earlier projections provided in the IEU’s *Summary Report* for the SPR, as well as the *Rapid Assessment of Targets in the USP*. Some indicators in the “initial observation” column were developed by the IEU and are not explicit in the USP. Cells shaded in darker grey indicate original USP indicators.

236. **The performance of the GCF on the delivery of the USP strategic objectives is mixed, due in part to the way that targets and benchmarks were set.** For instance, IEU projections indicate that the GCF is likely to exceed its IRM baseline on funding channelled through DAEs and its portfolio-level adjusted IRM target to mitigate GHG emissions. The GCF is likely to meet 0.6 per cent of conditional mitigation needs and 3.2 per cent of conditional adaptation needs stated in countries’ new or updated NDCs.

237. In terms of balancing funding across mitigation and adaptation, the GCF is likely to conclude the strategic period with adaptation allocations in grant equivalent slightly under 50 per cent if the current trend continues throughout GCF-1. That said, the pipeline is currently skewed towards adaptation, with a higher number of adaptation CNs and FPs compared to mitigation and cross-cutting thematic areas. Currently 12 adaptation CNs or FPs are in the advanced stages of project review, aiming at being presented at one of the Board meetings of 2023, with another 38 adaptation CNs or FPs in earlier development stages but also aiming for Board approval in 2023.[69]

238. The GCF is not likely to meet the PSF target set as per decision B.27/06(v), partly as a consequence of the fact that the target was set in grant equivalent terms. Although several PSF equity projects were recently approved with large nominal values, these projects make a smaller contribution to target achievement in grant equivalency. Other contributing factors are that the pool of private AEs remains limited in terms of both numbers and project capacities (as discussed in Chapter 4 on access), and that only 7 PSF projects are currently in advanced stages of the pipeline in preparation for Board consideration in 2023, with the largest amount of finance programmed in equity and subordinated loans.

239. Finally, speed and predictability only showed minimal or modest improvement across different benchmark areas, and some benchmark areas have longer process durations under GCF-1 than the IRM phase. For example, the project review cycle and non-NAP RPSP disbursements are showing improvement, whereas timelines for FAA effectiveness and first disbursement suggest an increase in processing time. Predictability varies widely among processes.

[69] There are also 13 cross-cutting and 2 mitigation project CNs and FPs in the advanced stages of the pipeline.

Table 6-1. Summary findings on progress and projections for USP delivery as of B.34

Thematic area	Benchmark area	Initial observation from linear projection relative to IRM benchmark (IF-defined)*
Portfolio-level results (as per IRM results)	Million tCO2e/USD billion in mitigation**, #	Not likely to meet or exceed##
	Million beneficiaries/USD billion in adaptation**, #	Not likely to meet or exceed
Translating NDCs, adaptation communications, NAPs and long-term national strategies into transformational investment strategies and project pipelines (not expressed in quantifiable terms)	Conditional mitigation costed needs in the NDCs of eligible countries***	The GCF is likely to meet around 0.6 per cent of the conditional mitigation costed needs stated in the new/updated NDCs of GCF-eligible countries by the end of GCF-1.†
	Conditional adaptation costed needs in the NDCs of eligible countries	The GCF is likely to meet around 3.2 per cent of the conditional adaptation costed needs stated in the new/updated NDCs of GCF-eligible countries by the end of GCF-1.†
	RPSP approved and disbursed amounts	RPSP approved amount is likely to reach USD 548.2M by the end of GCF-1.†
	PPF approved and disbursed amounts	PPF approved amount is likely to reach USD 44.6M by the end of GCF-1.†
Balanced funding across different dimensions (as per IRM outcomes)	Themes**, # (50:50 balance)	The proportion of finance allocated for adaptation is likely to be between 46 and 49 per cent at the end of GCF-1 (90 per cent confidence).
	Vulnerable countries**, #	Likely to exceed. Although the proportion of adaptation finance allocated to vulnerable countries has been gradually reducing since the IRM, it is still likely to remain higher than the minimum allocation target of 50 per cent as per decision B.27/06(i)(ii).
	Geographical	Suggestive of a slight reduction in Asia-Pacific share and increase in LAC share.
	PSF**, #	Not likely to meet or exceed. The amount of finance channelled through the PSF is likely to remain similar to the IRM benchmark – below the USP target of 20 per cent.
	Scaled-up funding for ambitious projects	N/A (not expressed in quantifiable terms)
Funding channelled through DAEs (as per IRM baseline)	Number of DAE projects	Likely to exceed. The share of DAE-led projects out of total portfolio is likely to grow from 21 per cent (the IRM benchmark) to 25 per cent at the average estimate at the end of GCF-1.
	Funding allocated to DAEs**, #	Likely to exceed. The share of finance channelled through the DAEs out of total approved finance in nominal terms is likely to increase from 16 per cent (the IRM benchmark) to 22 per cent at the average estimate at the end of GCF-1.
Portfolio-level mobilization of GCF contributions to projects under the PSF (as per IRM)	Co-financing ratio**, #	Likely to meet, but not exceed. The co-financing ratio of the private sector portfolio is likely to remain within the range of 3.3 to 3.6, which is not different from the IRM benchmark.

Thematic area	Benchmark area	Initial observation from linear projection relative to IRM benchmark (IF-defined)*
Balanced result area risk appetite	N/A (not expressed in quantifiable terms)	
Improved speed, predictability, simplified access, efficiency, effectiveness and transparency	Accreditation:†† • Application to accreditation • Accreditation to AMA execution (All entities submitted applications during the IRM)	DAEs: There is predicted continuous increase in median time taken for accreditation in GCF-1 versus the IRM. AMA execution duration is not likely to show difference. IAEs: There is no predicted change in time taken for IAEs in AMA execution in GCF-1 versus the IRM (note that the sample size is limited). Change over time is not likely. Predictability of AMA execution is relatively higher for DAEs.
	Project approval cycle (from CN/FP submission to Board approval)	There is some predicted reduction in the absolute median days taken for project approval towards the end of GCF-1. However, change over time is not likely.
	Legal arrangements: • Annex I. Approval to FAA execution • Annex II. FAA execution to effectiveness • Annex III. FAA effectiveness to first disbursement	Annex I: Projections of FAA execution suggest an improvement in the median duration of the process compared to the IRM.† Annexes II and III: Projections of both FAA effectiveness and first disbursement suggest an increase in median duration in the GCF-1 versus IRM. The durations of both processes are suggestive of continuous increase with time during GCF-1. Predictability is the highest for the first disbursement, followed by FAA effectiveness and then FAA execution.
	RPSP processes Adaptation planning (NAPs) Other grants (non-NAPs) • Grant application to approval • Approval to (first) disbursement	Adaptation planning (NAPs): • The duration of the process from grant application to approval is likely to remain longer in GCF-1 versus the IRM. Change over time is not likely. • No predicted statistically significant change in median days taken for disbursement in GCF-1 versus the IRM. Change over time is not likely. • Other grants (non-NAPs): • No predicted statistically significant change for application to approval in GCF-1 versus the IRM. Change over time is not likely. • There is some reduction predicted in the absolute median days taken for the first disbursement towards the end of the GCF-1. Disbursement is suggestive of continuous reduction in duration during GCF-1. Predictability is relatively better for disbursement than for grant approval.
	PPF Grant application to approval	Projections of the median time from PPF support request submission to approval suggest a reduction in duration towards the end of GCF-1. The predictability of the process is better relative to other process and similar to the project approval cycle.

Note: *The findings are relevant for the total portfolio, including IRM projects, as well as for a subset of projects approved in the GCF-1 period only.
† Based on the average value of the projected portfolio at the end of GCF-1.
In the interest of space, this report only presents a high-level status summary. Readers may refer to the latest reporting to the Board (e.g., GCF/B.34/Inf.02, "Status of the GCF pipeline, including the

status of Project Preparation Facility requests"; GCF/B.34/Inf.07, "Report on the activities of the Secretariat") for fuller lists of indicators being tracked by the Secretariat.
** Indicators adopted in decision B.27/06.
# Numeric indicators provided in GCF documents. All other indicators were qualitative and are artificially determined by the IEU.
This indicator is measured against the original USP benchmark for portfolio results of 460 tCO2eq per billion of USD invested in mitigation. The same applies for the adaptation IRM benchmark, which is the following: 166 million beneficiaries with increased resilience for each USD 1 billion invested in adaptation.
If the analysis accounts for the lapsed projects during GCF-1, the mitigation benchmark is likely to be exceeded in the current programming period and the adaptation benchmark is not likely to be met or exceeded. However, the evaluation team considered the baseline to be fixed on the basis of the IRM portfolio considered at the time of the adoption of the USP by the Board.
†† Median number of days taken for reaccreditation is 210 for IAEs and 237 for DAEs. The standard deviations are 51 and 71 days. The existing limited sample size of 19 entities suggests DAEs take longer to get reaccredited, and the spread of values is higher than that of IAEs. Given the size of the sample as of B.34, the IEU refrains from making projections.
*** World Resources Institute (2022). The data on the Climate Watch platform are updated on a rolling basis as new submissions arrive throughout the year. A total of 170 parties (169 countries) submitted second or updated NDCs. The numbers of non-Annex I countries reporting mitigation and adaptation costed needs (countries reporting conditional needs in brackets) are 59 (39) and 58 (32), respectively. The main assumption is that all GCF projects/programmes are targeting implementation of NDCs. The amount of the costed needs in the NDCs of most countries is partial because costing efforts are continuously evolving. This is the case especially for adaptation action, as costing methodologies have a high level of complexity and require a variety of nationwide studies and assessments for the exercise. Therefore, this analysis should be considered as an approximation of the lower threshold of global needs that can be accounted for at present.

240. The GCF has steadily evolved and matured as an organization over the first three years of GCF-1, and the increased experience has also sharpened understanding of the realities on the ground as well as implementation challenges not foreseen when the USP was drafted.

241. **When assessing progress towards specific USP targets, several issues with the USP become apparent.** First, the USP does not have all the attributes and elements of a strategic plan. For example, there is no clear pathway from outputs through outcomes to the long-term goals. Additionally, while there are elements that outline measurement indicators, multiple measures are not precise enough to measure the delivery of the USP. This means that there are clear indicators for only a subset of strategic objectives, strategic priorities and actions to facilitate tracking progress. While KPIs were determined by the commitments of the Secretariat's divisions and units, there are challenges in aggregating divisional KPIs. Further, legacy decisions from the IRM restrict the potential for some targets.

242. **The USP targets are not necessarily complementary, as greater progress in one target may well inhibit success in another.** For example, it is not possible to simultaneously achieve adaptation, DAE and private sector goals with the same set of projects, given existing DAE capacities and projects as well as pipeline characteristics. Chapter 3 and Chapter 4 describe some of the trade-offs in more detail. The USP document by itself does not elucidate the resource implications of the strategic priorities, nor does it clearly articulate how to balance such trade-offs.

243. It is clear that the Secretariat has made a concerted effort to align its programming with the ambitions and targets set out in the USP, maturing its implementation capabilities and consolidating its operational and institutional capacity to better serve developing countries. This progress has been achieved during a global pandemic and the associated disruptions within countries and the GCF. The disruptions to in-person communications have been particularly poignant given the focus on cultivating and maintaining relationships to help navigate complex and challenging circumstances.

2. Caveats to the projections

244. The analysis by the IEU DataLab is updated through B.34 and utilizes projections through to the end of the USP cycle in 2023. For example, because the profile of approved projects evolves with each Board meeting, anticipated achievements would be expected to change somewhat but will also become more reliable as the relative ratio of forecasted to actual data shifts. The analysis also accounts for changes in the portfolio, including project lapses, change of entity accreditation modality and revision of Fund-level impact indicators. The aim of these projections is not to predict short-term portfolio adjustments, but rather to see the longer-term trends if the GCF continues working under a business-as-usual scenario throughout GCF-1. The actual values that will occur are 90 per cent likely to be covered by the predicted confidence intervals for the average estimates.

B. Project-level results and impact

245. The GCF portfolio of funded activities under implementation is still young, but there are indications in more mature projects that the anticipated results will be forthcoming. Only about half of all funded activities (about 70) have been in implementation for at least three years or more. About 40 of these projects had submitted their IE as of November 2022, and very few projects are either completed or close to completion. Most projects with submitted IEs are small-sized, public sector adaptation projects, implemented by IAEs.[70] At least 32 projects that are already at least three years into operation have not yet submitted their IEs, with some overdue, some in the process of review and several not yet due (due to long project duration – for instance, multi-country projects).

1. Project results to-date

246. **While few mature projects have completed activities and outputs that already led to outcomes and climate impact, many projects are making good implementation progress, based on IEU analysis of self-reported data from APRs and IEs, along with SPR country case studies.**

247. **Considering the IEs' own ratings, three quarters of projects evaluated at midterm were rated overall as having satisfactory performance**;[71] of the remaining quarter of projects rated unsatisfactory,[72] most were only moderately unsatisfactory. Mitigation projects performed much better than adaptation projects, with 80 per cent rated as satisfactory versus 56 per cent of adaptation projects. Moreover, within the category of satisfactory, all mitigation projects were either fully or highly satisfactory, while many adaptation projects were rated only moderately satisfactory. Cross-cutting projects also show relatively good performance. All six private sector projects perform satisfactorily or higher versus only 27 per cent of those in the public sector, and the three multi-country projects are slightly less satisfactory than others.

248. **Performance was relatively similar for IAEs and DAEs, with the notable exception of the relatively weak performance of national DAE projects, mainly due to one African DAE with three underperforming projects (two unsatisfactory and one highly unsatisfactory).** Projects from SIDS and LDCs are on par in satisfactory performance with those in other country categories.

[70] More than half are adaptation projects and a quarter are mitigation projects, with the remainder having cross-cutting themes. Only 6 of these 40 projects with IEs are PSF, and 3 are multi-country projects. A majority is implemented by IAEs (28), 9 by national entities and 3 by regional entities. Roughly 80 per cent are small-sized projects (USD 10–50 million in GCF funds), 6 are micro-sized projects and 2 are medium sized.
[71] Rated as moderately satisfactory, satisfactory or highly satisfactory.
[72] Rated as moderately unsatisfactory, unsatisfactory or highly unsatisfactory.

There are also no clear differential patterns of overall performance across regions in this group of 40 projects with IEs.

249. Actual achievement of midterm targets in implemented projects was lower than overall performance ratings suggest, mainly due to start-up and COVID-19 delays. Almost 38 per cent of projects did not achieve their midterm targets, and another 27 per cent only achieved them partially. Only one third of all projects achieved all, or at least the most relevant, targets. Long and often delayed start-up and COVID-19 complications were the main reasons given by reports for lower than planned achievements of midterm targets (see also discussion below on project implementation challenges).

250. Despite delays in many projects, reports are relatively optimistic that 35 of 40 projects (88 per cent) are on track to achieve their main outcome targets and objectives. Restructuring has already helped some projects that faced early difficulties. For around 10 of these projects with continued positive prospects the IEs point to the necessity for major changes in conditions, delivery and better focus by project management and countries, and usually provide pertinent recommendations. Some projects may require extensions.

251. In terms of differences across project, implementation and country categories, achievement of midterm targets is roughly in line with overall ratings. Adaptation projects, for instance, are clearly missing midterm targets at a rate of 50 per cent, compared to only 10 per cent for mitigation projects. Microprojects, national DAEs and adaptation projects are the most likely to fail in achieving final project targets. Many SIDS projects, and to a lesser extent projects in LDCs, were hit particularly hard by COVID-19–related logistics issues (often related to important equipment for construction and operations) and travel restrictions. They have a much higher rate of missing their midterm targets (50 per cent) than is suggested by the overall ratings. But IEs are optimistic that all SIDS projects will eventually reach their final targets. This is slightly less the case for LDCs, where one in five projects is expected not to succeed in the end, although the actual number of projects is small (two projects in Bangladesh and Uganda).

252. To obtain a more detailed picture of emerging results in GCF projects, the IEU also analysed self-reported 2020 and 2021 APR data from the 71 projects that are in at least their third year of implementation. APRs reported implementation progress for about 11 activities per project, on average, with considerable differences across projects (4 to 70 activities per project).

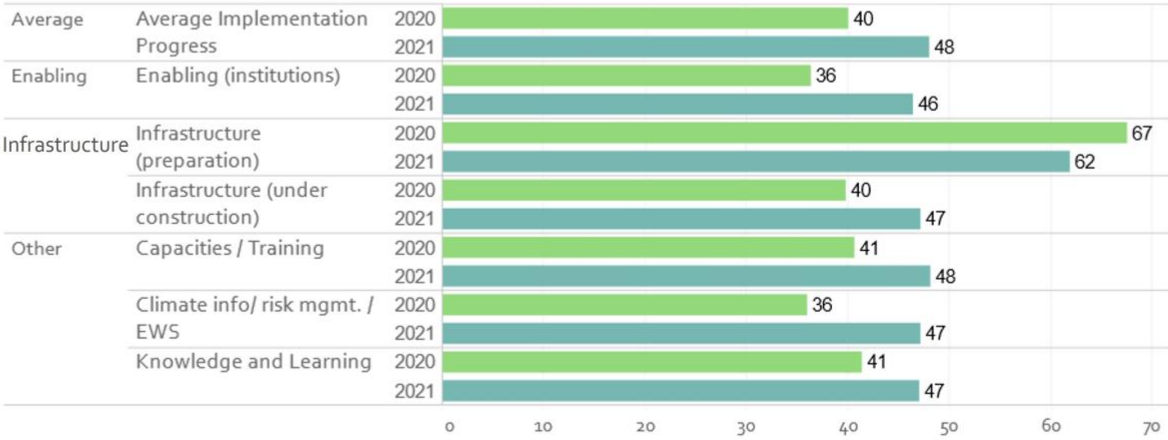
253. Mature projects most commonly report capacity development and training activities (75 per cent of projects in 2021), and nearly half of projects report activities related to strengthening enabling environments at institutional levels. About a third of projects also report preparatory activities for infrastructure, while more than half have started construction. Few projects reported activities that were already fully operational, such as completed infrastructure or sustainable forest management and coastline protection. Around a third of projects were working on climate information and risk management and knowledge and learning. Only 15 per cent of projects had ongoing activities that either prepared subprojects (such as calls for proposals) or actually financed subprojects, mostly private sector ones.

254. Average implementation progress in 2021 is around 50 per cent for projects that have been operational for 3 to 6 years. Overall implementation progress increased from an average of 40 per cent to 48 per cent between 2020 and 2021, with marked differences for different types of activities (Figure 6-1).[73] The interpretation of average implementation progress by activity type must consider

[73] For all categories, actual implementation progress could be even higher in 2021, if compared to the previous year's activities, since projects picked up many activities in 2021 that had not been carried out and reported on before.

that some activities began in 2021, when others were already under way; in addition, some activities have relatively few projects reporting on them. Relatively few projects also show completed or almost completed activities, such as infrastructure construction or finalized natural resource management activities. Some infrastructure and natural resource management preparation activities are more advanced. In terms of differences by project categories, the average 2021 implementation progress was higher for private sector projects than for public sector projects, at 48 per cent and 68 per cent, respectively; for those countries that are not SIDS and LDCs versus those that are (59 versus 43 per cent); and for DAEs compared with IAEs (59 versus 48 per cent).

Figure 6-1. Average implementation progress by project and activity type, 2020 and 2021



Source: Annual performance reviews 2020 and 2021, analysed by IEU DataLab.

255. Implementation progress and early results reflect challenges experienced and reported in APRs, IEs and the IEU SPR country case studies. **Operational challenges, COVID-19–related delays and increasing costs, and weak project design and restructuring needs in early FPs were affecting the delivery of results to varying degrees.** About 70–80 per cent of all projects reported operational challenges in the 2020 and 2021 APRs, one third of them serious ones. They often related to institutional and management problems, including start-up delays. Other challenges were related to COVID-19, which had high and moderate impact in about one third of all projects (as per 2021 APRs), the remaining projects apparently coped relatively well with the pandemic after adjustments in 2020. In addition, procurement and financial challenges played a role in approximately one third of projects, more often being serious problems than not, especially in 2021. Challenges were also reported around political issues (changing governments) and ESS, in about a quarter of projects each.

256. **Challenges resulted in variable results across different project activities and components**, with critical activities being postponed (as occurred in at least 10 of 41 projects with IEs) or some activities overachieving while others were underachieving (which was the case in 9 projects with IEs). Other projects faced major delays in start-up and progress, which affected about one third of

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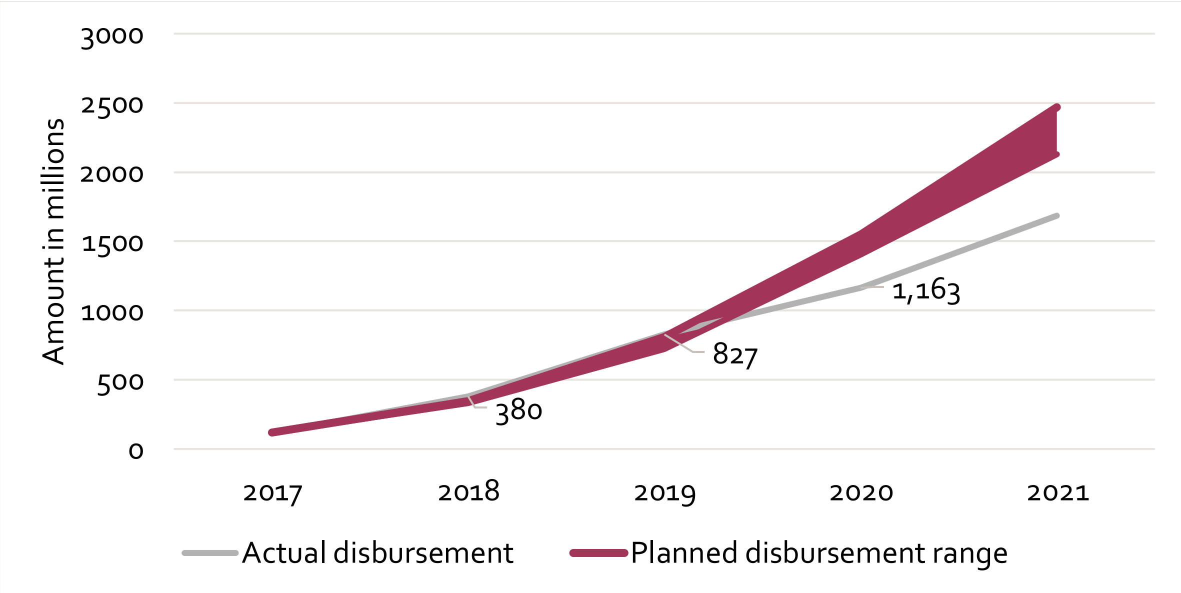
Implementation progress in activities started only in 2021 would initially be relatively low, which tends to reduce average 2021 implementation performance compared to 2020, when such activities did not show up. In some cases, where many activities are added, this may even lead to a lowering of the average implementation rate in 2021, such as in the categories of infrastructure preparation and enabling policies.

all projects with IEs. Legacy issues of early approved projects and the need to clarify project goals and possibly restructure the project were important challenges in many countries and projects.

257. The divergence between indicative and actual disbursements in 2020 and 2021 is an indication of how much real-world challenges set back the delivery of climate finance to the ground compared to the planned scenario (Figure 6-2). Until 2019, the trend of actual cumulative disbursements in projects was following the indicative schedule, but the divergence increased in 2020 and 2021.

Figure 6-2. Indicative annual disbursement schedule and actual disbursement for a subset of GCF projects, cumulative, 2017–2021



Source: FAA budget data set and Tableau iPMS financial disbursement data as of B.34, analysed by IEU DataLab.

Note: Sample composition: all REDD+ projects were omitted as they are disbursed at approval. Thirteen projects in the sample did not use the GCF budget annex template and were therefore removed from the sample. The resulting sample contains 153 projects with indicative yearly disbursement schedules by source and financial instrument agreed in their FAAs.
The calculation of the indicative planned disbursements is based on the implementation schedule agreed in the FAAs. The approach is different from the disbursement projections in the Secretariat work programme and risk dashboard, which use updates from AEs to adjust the timeline and trigger adaptive management.

258. For the 12 SPR case study countries, project implementation was found to be mostly on track in half of all countries, and even ahead of schedule in one, while it was somewhat behind in the other half.[74] Project results were emerging in all countries but one. In 8 of the 12 countries, COVID-19 was mentioned as a challenge, affecting implementation and results to varying degrees. In Peru (FP001), COVID-19, combined with the remoteness of the indigenous project area, was an issue. In India, COVID-19 led to bankruptcies and lower demand for project support in the private sector. The problematic macroeconomic and political context added to COVID-19 problems in Georgia. Project rigidities, inflexible workplans for funded activities and problems with adjusting project

[74] The SPR case studies were purposively selected to represent countries with early FP approvals and a fair amount of disbursing projects, among several other criteria. Therefore, the evaluation does not generalize these findings to the portfolio.

implementation to changing circumstances and the loss of purchasing power of project funds prominently featured as challenges in Grenada, Kenya and Maldives. Protracted FAA negotiations, delayed start-up, disbursement problems and communication with the GCF Secretariat around implementation reports were reported as especially challenging in Bangladesh, Grenada, Maldives and Morocco.

259. On the other hand, positive drivers for good implementation progress were often found when political support was well invested in national climate change actions and had top-down expectations (Bangladesh, Kenya and Vietnam) and in countries with high government capacities, close coordination and an early, shared common understanding among affected ministries, EEs and AEs (Grenada, Kenya, Mauritius and Vietnam). Good project design, preparatory funds and support, and building on past, partially completed projects, project blueprints and a history of innovations, with well-experienced AEs and EEs, were a good basis for successful implementation in Kenya, Morocco, Peru and Rwanda. In Peru and Rwanda, extensive beneficiary consultations and a high degree of on-site technical assistance, close to the field, is helping to propel projects forward in targeted communities (see Table 6-2 for a summary of positive and negative drivers).

Table 6-2. Main drivers for implementation progress in 12 SPR country case studies

Positive drivers / enabling factors	Negative drivers / challenges
Supportive national politics / top-down expectations for climate results	COVID-19
Government capacities	Macroeconomic and political context
Close coordination / early and shared common understanding among entities and ministries	Loss of purchasing power of project funds
Good project design, preparatory funds and building on earlier projects	Project rigidities / weak adaptive management
Experienced AEs and EEs	Delayed start-up and disbursements
Extensive beneficiary consultations	Remote project areas
On-site technical support	Communication with Secretariat, especially around APRs

2. Quality of results measurement and reporting

260. The quality of results measurement and reporting during implementation has been poor to date, with detrimental effects on monitoring and analysing portfolio progress, although improvements are under way. The evaluability study by the IEU assesses the quality of GCF-1 funding proposals against IRM proposals across four categories: theory of change, potential for measurement of causal change and evaluability, implementation fidelity and performance against investment criteria, and data collection and reporting credibility.

261. Overall, FPs submitted during GCF-1 had improved in all categories except implementation fidelity and performance against investment criteria compared to those during the IRM. The most noticeable achievement was in data collection and reporting credibility, where we witnessed a substantial improvement in the discussion on planning and possibility for baseline data collection. GCF-1 FPs also showed a slight improvement in articulating the theory of change as well as in potential for

measurement of causal change and evaluability. However, they had slightly worsened when it comes to the implementation fidelity and performance against investment criteria (Fiala and others, 2022). The effect of limited GCF guidance and oversight during the initial years of project approvals persists in the current portfolio.

262. After finding widespread shortcomings in a review of 100 funded activities, the Secretariat has been actively pursuing remedial actions on monitoring and evaluation and measurement gaps in this reviewed portfolio, with many FPs having agreed on updated and improved results frameworks by now. Results reporting has been particularly weak for private sector projects and RPSP grants, with the GCF currently unable to credibly measure and report private sector results, as found in the IEU evaluation of the private sector approach and confirmed by SPR interviews and case studies. AEs are often unwilling to report on specific projects in private sector programmes due to claims of confidentiality, rightly or wrongly, and reporting formats are not conducive for private sector reporting. Little is known about subprojects benefiting from GCF financial support, especially in multi-country projects, and the IRMF and the draft IRMF results handbook of January 2022 (draft V1) do not specifically address this issue. The approval of a GCF programmatic approach policy is critical for increasing transparency and risk management for subprojects.

263. **In GCF-1, the Board has taken an important step towards results measurement and reporting by approving the IRMF.** Revised DPM guidelines and training support will now be key to the success of the IRMF, including the pending approval of the draft IRMF handbook through the Board and the full operationalization of the Results Tracking Tool. This tool is expected to use the architecture of the IRMF and to link GCF climate results to resourcing and organizational results, in order to enable Fund reporting annually and against the USP. Such integration will be critical to ensure the consistent application of concepts and methods, the aggregability of results and a coherent results architecture.

264. At time of writing, many elements of the IRMF remain untested. For example, while the IRMF allows, in principle, better alignment with SDG reporting and the capture of systemic changes in the enabling environments, it remains to be seen whether countries and AEs have the capacity and willingness to align GCF IRMF reporting and their own reporting requirements on climate finance, SDG and other monitoring and evaluation mandates. The IRMF has been applied in all FPs approved since B.32, although it does not apply retrospectively; it is too early to know what this may mean for the ability to report consistently for the coming years across the whole portfolio.

C. CLIMATE IMPACTS

265. Given the long-term nature of climate impact, relatively few projects already report significant actual achievements of GHG emission reductions or impact from adaptation interventions on beneficiary and asset resilience. The achievements and impacts that are being reported are often planned results and not actually realized ones, as in the case of GHG emission reductions. Beneficiary numbers are often not focused on those benefiting from adaptation results but on overall project coverage and participation. The GCF core indicators are not yet consistently understood, applied and reported by AEs. With these limitations, reliable reporting on the potential impacts remains elusive. The Secretariat has been working with AEs in 2022 to improve their reporting and to deliver formal guidance for defining, monitoring and reporting core indicators. It also reassessed mitigation impact definitions and estimates from projects approved during the IRM to bring them in line with international standards, and a similar review is being carried out of adaptation results

because the range of assumptions and methods for reporting direct and indirect beneficiaries currently do not support their meaningful aggregation.

266. Still, the country case studies identified multiple projects – through review of project reporting, interviews and site visits conducted by the evaluation team – where outcomes and climate impacts are starting to emerge, as shown in Box 6-1 and Box 6-2 further below.

1. Mitigation

267. As noted in Table 6-1, the IEU projects that, based on self-reported data, the GCF is unlikely to exceed its portfolio-level mitigation target defined in million tons of carbon dioxide equivalent (tCO_2e) / USD billion. The GCF is likely to meet 0.6 per cent of the conditional mitigation costed in the NDCs of eligible countries by the end of GCF-1.

268. The latest available self-reported data, aggregated by the Secretariat through B.34, show that 27 of the 67 mitigation and/or cross-cutting projects under implementation are reporting emission reductions realized. A total of 63.3 million tCO_2e[75] was reported to have been avoided as of the end of 2021, although this amount exceeds the Secretariat's own modelling – prompting the Secretariat to continue to work closely with AEs to strengthen and verify results reporting (see also Chapter 6.B.2 on quality of monitoring and reporting, above). These results could not be validated by the IEU due to the limitations of self-reported data. As noted above, these self-reported mitigation impacts may also contain some planned (and not yet achieved) mitigation results. These GHG emission reductions represent 8 per cent of the estimated 775 million tCO_2e of emissions reduction targeted by the end of project implementation and 5 per cent of the estimated 1.4 billion tCO_2e reduction targeted over the lifetime of these projects (GCF/B.34/Inf.11/Rev.01). As the country case studies also illustrated, GHG emission reductions are more likely to occur towards the end of project implementation, or even after close, especially when emission reductions are contingent on infrastructure such as wind or solar power plants.

Box 6-1. India FP081: Line of Credit for Solar rooftop segment for commercial, industrial and residential housing sectors

Kick-starting, moving and leveraging the market for photovoltaics (PV) solar finance in India.

Blended finance for solar rooftops. Under the GCF project Line of Credit for Solar rooftop segment for commercial, industrial and residential housing sectors in India (FP081), NABARD, as DAE, received a USD 100 million concessional loan from the GCF, which it blended with USD 50 million equity and USD 100 million of debt from Tata Cleantech Capital, also the EE. The programme aimed to develop the market for solar rooftop financing to meet the Government of India's ambitious target of 40 GW of rooftop solar power by 2022, through upfront financing for a broad range of consumers (commercial, industrial, residential).

Solar outputs and outcomes. The first project disbursement, to the amount of USD 50 million, was made to NABARD in March 2019. The project has created a strong pipeline of subprojects from the beginning, and disbursements accelerated in 2021/22, after some slow start-up due to macroeconomic instability in 2019, a changing regulatory environment and the severity of the COVID-19 pandemic in India. Despite these challenges, Tata Cleantech had approved 267 MW of rooftop solar capacity by the end of 2021.

[75] The data aggregated from 2022 APRs under the M1 core indicator (Tonnes of carbon dioxide equivalent (tCO2eq) reduced as a result of GCF funded project/programme) confirm 46.2 million tCO2eq reduced as of the end of 2022, based on 61 projects with non-null values.

Power purchase agreements had been signed and engineering, procurement and construction arrangements completed for the entire amount. Of this, 152 MW had been commissioned by the end of December 2021, and the target of 250 MW was expected to be achieved by the end of 2022.

Climate impact. Approved installations were expected to lead to the creation of around 4,000 direct jobs, resulting in lifetime mitigation of 8.2 million tCO2e. The mitigation targets are lower than expected at project design despite achieving target MW capacity, primarily due to lower than expected generation from rooftop plants, which has in turn required increasing the targeted installed capacity by 15 per cent.

Market transformation. The Rooftop Solar project is having a significant impact on market transformation in solar PV. FP081 was an early mover in PV financing at a time when there were few other financiers engaging in the market of solar installations. The evidence is that the GCF project has had a strong influence on market dynamics, with at least nine financial institutions now operating in the same market, thereby creating the enabling conditions for market-driven delivery at scale. A sustainable business model is now being replicated on a commercial basis. The project also has a gender focus, mainly on skills and jobs for women as well as support for women-led businesses in procurement. Other GCF DAEs have expressed interest in similar financing vehicles for solar PV and other technologies (e.g., waste, water, storage).

Box 6-2. Morocco FP022: Development of arganiculture orchards in degraded environment (DARED)

Planting revenue-producing trees against desertification and co-managing a forest biosphere and heritage through community participation.

Protecting a biosphere and generating revenues for its people. The GCF project FP022, on the *Development of argan farming in degraded environment* (*DARED)*, is located in Southern Morocco. It will be completed in 2023 and reports good results, including emerging paradigm-shift contributions. This arganiculture project developed a new integrated model of alternative landscape use, value chain integration and community participation, and its replication and scaling-up is already part of adopted government strategies, with funding gaps still to be filled. The project developed argan tree farming on 10,000 hectares, including 2,000 hectares of intercropped medicinal aromatic plants, for natural preservation and improvements in the social and economic situation of 26,500 beneficiaries. To water tree seedlings, 80 water cisterns were built, including the use of traditional underground water storage systems (*mtfiya*). The arganiculture project successfully domesticated argan trees on marginal lands and is helping to save the Argan tree biosphere and forest heritage as a bulwark against desertification. Preserving this biodiversity ensures increased resilience of the whole ecosystem and populations living off the land.

Benefits and sustainability. The project has so far reached 5,300 of its planned 7,300 beneficiaries, 32 per cent of them women. Beneficiaries will be able to considerably increase their revenues once the trees are mature. Argan oil is a high-value commodity with international demand, used for different food and cosmetic products. The project also developed model contracts for argan tree plantations with agricultural and other services, including for private investments, putting them on a sustainable pathway. It covers the full argan value chain, an innovative, paradigm-shifting feature in this market. Some GCF emission benefits (22 per cent of targets) have already been achieved in this project, which cuts across adaptation and mitigation, with more to come when trees will be growing. The key drivers influencing achievement of outputs and outcomes in FP022 were good design (with early support from GCF), building on a pilot-tested model and experienced national AEs and EEs.

Overcoming farmer resistance. The project faced many technical difficulties and social resistance from those more interested in raising goats, livestock grazing and utilization of common grounds. This led to increased attention to land tenure security and the need for putting laws in place for better legal protection of argan tree growers, an area that is still being worked on. Extensive capacity-building helped to improve communities' and farmers' project perceptions and facilitate the co-management of the Argan biosphere by communities, local CSOs and forest services. The arganiculture project invited national NGOs to interact with and support local actors, associations and resource persons and to participate in project monitoring and evaluation, a novelty in Moroccan project implementation. This helped improve project communications with beneficiaries and local CSOs in their own languages, and put in place mechanisms for potential conflict resolution, particularly around land tenure.

Replication and scaling-up. The Department of Agriculture is fully committed to further scale up the project, including with local and national public contributions. The total cost of the GCF funded activity was USD 49 million, of which USD 9.9 million was cofinanced by national and regional entities. The project and its planned replication are part of the Generation Green 2020–2030 strategy and also of Morocco's nationally appropriate mitigation action plan. To this end, the action plan aims to plant 43,000 hectares of argan orchards with a planned investment of USD 150 million, through the Department of Agriculture and private investors. To help scale-up, the project invested strongly in research to improve the stock of climate-resilient argan tree varieties.

2. Adaptation

269. As noted in Table 6-1, the IEU projects that the GCF is not likely to meet its portfolio-level adaptation target defined in million beneficiaries/USD billion. The GCF is likely to meet 3.2 per cent of the conditional adaptation costed needs in the NDCs of eligible countries by the end of GCF-1. According to the latest available aggregate numbers on climate impact presented in the 2021 annual portfolio performance report, produced by the Secretariat at B.34, the 97 projects under implementation with adaptation components benefited 56.6 million people, of which 30 million are direct beneficiaries (GCF/B.34/Inf.11/Rev.01). This represents 22 per cent of the total target of 253 million beneficiaries from the GCF projects under implementation. These results could not be validated by the IEU due to the limitations of self-reported data. Box 6-3 and Box 6-4 below present experiences from two case study countries (Grenada and Maldives) in achieving adaptation results.

270. **The GCF still has challenges in reaching the most vulnerable and least ready countries.** Around two thirds of adaptation finance is currently directed to those most vulnerable to climate risks and least ready to adapt (LDCs, SIDS and African States, exceeding the 50 per cent floor set in decision B.06/06). But the GCF still has challenges in reaching these countries: 42 countries have not received GCF adaptation finance. Most adaptation finance is committed through a small number of IAEs. Further, there is little evidence that existing national adaptation strategies and plans are systematically integrated with the GCF's programming and operations in the LDCs.

271. The GCF is uniquely positioned to finance adaptation projects at scale, but the operationalization of its strategic approach for adaptation programming is still forthcoming. The Board recently approved guidance on the approach and scope for providing support to adaptation activities through decision B.33/13. It has requested that the Secretariat provide and enhance support and guidance for adaptation activities throughout the programming cycle, to accelerate the development of an adaptation portfolio consistent with the adaptation programming targets of the first replenishment of the GCF. Additional strategies to promote adaptation include sector guides, technical guidance and support on the use of climate science and data, working with iTAP on more transparent and consistent approaches to assessing FPs, and finalizing an appraisal manual to help stakeholders better understand how FPs are assessed. Adjustments to the SAP and implementation of the DAE Action Plan are also anticipated to support adaptation programming.

Box 6-3. Grenada FP059: Climate Resilient Water Sector in Grenada (G-CREWS)

Building the foundations of paradigm shift through enabling policies, capacities, joint learning and designing feasible and climate-resilient water subprojects in Grenada.

Good progress despite COVID-19. GCF project FP059, on *Climate Resilient Water Sector in Grenada (G-CREWS)*, has made good progress since its start in late 2019. It is on track to achieve its objectives even though it experienced construction delays due to COVID-19–caused price fluctuations, supply chain disruptions and an inability to source relevant expertise. So far, the project has successfully supported climate-resilient water governance and policy revisions, set up the technical and legal foundations for climate-resilient water infrastructure and subprojects, and conducted a broad awareness and outreach campaign throughout Grenada, using public and social media. It developed detailed construction plans for climate-resilient water supply systems, and as of mid-2022 the needed land acquisitions were progressing in anticipation of starting construction.

Enabling environment. In its first two years, the G-CREWS project facilitated approval of a new national water policy by the Cabinet and the drafting of a corresponding water resource management bill. This will make it possible to develop the institutional and regulatory structures for efficient oversight of scarce water resources and facilitate a climate-responsive water tariff. The project also strengthened the enabling environment for water via close collaboration with the public–private National Water and Sewerage Authority (NAWASA) utility.

Advancing the Challenge Fund. With support from EE Grenada Development Bank, the project's Challenge Fund for Climate-Resilient Water Users has been set up and is currently reviewing applications from farmers and hotel operators for investments in water-saving measures. Initial investments by two hotels have already enabled construction of two rainwater harvesting systems.

A collaborative team model. The G-CREWS project team includes representatives from the Ministry of Finance, Ministry of Climate Resilience and Environment, NAWASA, the Grenada Development Bank and the IAE, which is GIZ. This management model resulted in close coordination and a collaborative, proactive approach to problem-solving during implementation. NAWASA, as EE, has visibility and ownership over many of the project elements related to the installation and/or upgrade of climate-resilient water supply system components.

Learning in the region. In addition, the project is taking strides to integrate water resilience into Grenada's NDC and share lessons learned on climate-resilient water management with other islands in the region to facilitate paradigm shift in the water sector. Among others, the project set up a community of practice with regional countries and participated in regional exchanges with NGOs, governments and other AE stakeholders to share G-CREWS' lessons learned.

Figure 6-3. Country mission images, Grenada

Note: From left to right: Hotel rainwater harvesting system (G-CREWS Challenge Fund); dam and reservoir infrastructure to be upgraded. © Laura Hammett

Box 6-4. Maldives FP007: Supporting vulnerable communities in Maldives to manage climate change-induced water shortages

Long-term, sustainable impact on water security, learning and capacities for vulnerable communities in Maldives.

Developing integrated freshwater supply systems. The *Supporting vulnerable communities in Maldives to manage climate change-induced water shortages* project (FP007), for which UNDP is AE, is set to close in late 2022 and has achieved many of its intended results. By constructing decentralized and integrated freshwater supply systems that utilize rainwater harvesting and filtration combined with reverse osmosis desalination plants, the project has brought reliable year-round freshwater to 25 outer islands. This system change has enabled water security by removing reliance on transported water and, as a co-benefit, has also decreased plastic pollution by 50 per cent in the process.

Project outputs and impact. The number of targeted islands was reduced from 49 to 25 during implementation due to overly optimistic estimations at design, a desire to upgrade to account for advancements in integrated water resource management (IWRM) technologies, increasing costs (fuel and other import costs under COVID-19) and implementation realities. Yet results in terms of beneficiaries reached, scalability of interventions, and paradigm shift remained at initially planned levels, with some areas (such as knowledge sharing, learning and capacity development) exceeding initial expectations. The project adapted to COVID-19 challenges by generating a virtual learning platform that helped build institutional and community capacities during the lockdown period.

Sustainability. The project developed a transition strategy and initiated processes to transfer ownership of IWRM systems to utility operators: 10 of these systems have already been transferred to one of two state-owned utilities, with assistance provided for cost recovery of operations beyond project lifetime. GCF grants supported initial investments, but post-completion investments in operations and maintenance and close monitoring of systems by utilities will be necessary for lasting impact and paradigm shift.

Paradigm shift. Climate-sensitive IWRM designs developed in FP007 are already being used for scaling up in communities across Maldives, and the project contributed to greater awareness and capacities in government entities, especially the Water and Sanitation Department in the Ministry of Environment, Climate Change, and Technology. Groundwater studies carried out by the project were the first of their kind and will inform future water investments and activities.

Long-term impact. Some of the results of the project will not be seen until much later and are not possible to adequately measure during the project itself. For example, many of the groundwater recharge activities will take time and may not be able to be accounted for until years into the future.

Figure 6-4. Country mission images, Maldives

Note: Combined rainwater and reverse osmosis water plant serving island communities. © Laura Hammett

D. Paradigm shift

1. The GCF framework

272. An understanding of paradigm shift within the GCF has emerged only incrementally over time, and this has prevented a consistent approach to ambition setting and reporting of results. Paradigm shift was only partially defined during the IRM phase (Independent Evaluation Unit, 2019b). A later document defines paradigm shift as "the degree to which the proposed activity can catalyse impact beyond a one-off investment and results in medium to long term change" (Green Climate Fund, 2020b). The Secretariat is working on new evaluation guidelines that will include more detailed guidance on qualitative and quantitative reporting on paradigm shift and contributing activities in interim and final reports (GCF/B.34/Inf.07). In late 2021, the GCF published an overview of climate finance strategy that describes transformational change in the context of four economic transitions – namely, built environment; energy and industry; human security, livelihoods and well-being; and land-use, forests and ecosystems (Green Climate Fund, 2021b). The IRMF has now identified several dimensions for paradigm shift based on the concepts of scale, replicability and sustainability. The Secretariat is working on new evaluation guidelines that will include more detailed guidance on qualitative and quantitative reporting on paradigm shift and contributing activities in interim and final reports (GCF/B.34/Inf.07).

273. This level of complexity – along with interviews, country case studies and prior IEU evaluations – suggests that the concept of paradigm shift remains poorly understood by stakeholders. There has been a general lack of clarity on how paradigm shift should be understood, operationalized and captured within project design and reporting. While the IRMF offers some improvement, it is not clear that all issues will be resolved. A key conceptual challenge is the extent to which paradigm shift remains a contextual framing for projects (i.e., alignment with and/or contributions to broader sectoral or national ambitions), or whether programmes should actually be greater than the "sum of the parts" and have clearly articulated (and enabled) pathways to replication, scaling and systems change. This balance between "potential" and "actual" continues to cloud expectations and reporting. A failure to insist on better elaborated and robust pathways for delivery of paradigm shift at appraisal stage flows through into weaker tracking and reporting.

274. **There are also some conceptual framing challenges that may reduce the utility or clarity of the framework.** For example, scaling and replicability have a high degree of conceptual overlap. Systemic changes (i.e., fundamental changes in policies, institutions and mindsets) that can act as early drivers and signals of paradigm shift are not explicitly captured within the paradigm shift assessment dimensions (although a related concept of enabling environment is captured at the outcome level of the IRMF). Likewise, the relevance/coherence of interventions in the national context (institutional alignment and embedding) are also absent. Definitions of sustainability are also relatively narrow and do not capture alignment with wider sustainable social or economic development pathways. Nor is it clear how GCF impact around the acceleration or timeliness of climate action is reflected. In short, the functionality and comprehensiveness of the framework remains to be tested.

2. Evidence of paradigm shift

275. Paradigm shift is primarily framed and captured within GCF documents from the perspective of potential impact or contribution, rather than in terms of actual results. Given the immaturity of the GCF portfolio, the focus has mostly been on fostering a paradigm-shifting portfolio through

programming, design and appraisal, rather than assessing the extent to which projects and programmes have been transformational. Most Secretariat and project documentation refer to the paradigm-shifting potential of projects and do not yet assess projects' actual contributions to paradigm shifts. Indeed, the USP focuses on "guiding and enabling GCF programming to promote paradigm shift" (GCF/B.27/22, annex II). Secretariat reporting of progress towards paradigm shift (based on APR reporting), however, remains vague. The IRMF may be expected to improve paradigm shift reporting through interim and final evaluations.

276. All projects report of their ambition or potential towards paradigm shift, although the framing and consistency of descriptions is variable and pathways are often not clear. The SPR undertook 12 country case studies and reviewed 40 project IEs. A vast majority of projects were able to demonstrate some level of intention or ambition towards paradigm shift, as might be expected given the investment criteria. Some projects are already involved in scaling earlier interventions and pilots developed by other climate funds or donors to a national scale. For example, Community Climate Adaptation Groups piloted earlier in Maldives are being replicated under FP007. However, paradigm shift ambition may not always be explicitly framed as such using GCF frameworks and language, reflecting a lack of consistency in earlier IRM guidance. Despite this ambition, credible pathways and barriers to delivering longer-term scale, replication and sustainability are in general poorly articulated in project documentation.

277. Reporting through APRs and IEs indicates some **early** signals of paradigm shift, primarily through systemic changes that have the potential for longer-term scaling or replication effects. There were numerous examples of projects delivering the basis for systemic changes that carry the potential for future paradigm shift but that have not yet done so. One cluster of early signals centres around GCF interventions demonstrating the social, economic and financial viability of new business, technology or community models with the potential for further replication. Such examples can have a strong demonstration effect among policymakers, investors and the private sector, which can influence decision-making. Examples include FP073 (demonstrating integrated green village and climate-resilient farming approaches in Rwanda) and FP001 (demonstrating biocluster and indigenous peoples-led community farming approaches in Peru). Another cluster of signals can be found around the emergence of new institutional capacities, policies and regulations. For example, FP033 supported the establishment of the Mauritius Renewable Energy Agency to support national scaling of clean energy. FP004 has established a centre of excellence within the Bangladesh Local Government Engineering Department and created guidelines for climate-resilient building design to be followed at a national level. These embedded institutional approaches also create the potential to support longer-term sustainability (see below). Typical of these systemic change signals is that they carry potential for future scaling, replicability and sustainability but have not yet demonstrated this in practice.

278. **A handful of projects had already progressed to the stage where signals of paradigm shift are advanced.** Secretariat interviews indicated an expectation that paradigm shift was likely to emerge over longer timescales than might be captured during project reporting. Nonetheless, some projects are already beginning to see some level of scaling and replication. For example, under FP007, designs for IWRM systems have already been taken up by the Water and Sanitation Department on other islands in Maldives. Within the private sector, FP081 has seen the financing market for solar rooftop PV in India develop rapidly, with at least nine providers now offering financial products to households and businesses following early market demonstration by NABARD and Tata Capital.

279. Some projects, particularly in smaller country contexts, can be considered to be paradigm shifting due to their "whole of market" size without further replication or scaling. In smaller country

contexts, GCF interventions can be at a scale that allows for whole-of-sector transformation. For example, under FP044, the Tina Hydropower project is at a scale that will result in the decoupling of Solomon Islands' main electricity supply from global fossil fuel markets, supporting long-term energy security, sovereignty, affordability and price stability. Likewise, FP069 is of a scale that can facilitate the restructuring of Georgia's entire national early warning and hydrological monitoring system. Such projects do not exclude further replication and scaling in similar country contexts, but this is dependent on facilitated regional knowledge sharing and embedding best practice in new projects.

280. In terms of sustainability, most projects reviewed at country level have some focus on ensuring the robustness of results over time by securing longer-term financing or institutional support, but this remains to be tested in practice. For example, in Bangladesh, FP004 is both embedding climate resilience planning within government structures as well as siting cyclone shelters within schools to ensure long-term sustainability. In India, FP045 and FP084 are both closely integrated with national- and state-level agricultural and coastal development planning structures that will carry forward processes and systems over time. In Georgia, FP132 is embedding sustainable forest management approaches within a national programme to be managed by the Ministry of Environment and Climate Change over the long term.

281. One aspect where the GCF may be less impactful in its capacity for paradigm shift is the ability to deliver interventions that are timely, accelerating progress at country or sectoral level. There are windows of opportunity (technological, financial, political economy) within the climate transition for which the GCF programming and engagement model may not be well suited. There may be several years between projects being submitted and actual implementation activities being under way, meaning that the operating context has witnessed significant market- or policy-level shifts (an aspect compounded by COVID-19). Nor are GCF processes currently well suited to flexible and adaptive management, with bureaucratic systems for project revision reducing the willingness of AEs to engage on project restructuring in a timely manner. See Chapter 5.D on process for a more in-depth discussion.

E. Catalysing finance

282. The GI sets an objective for the Fund to catalyse additional public and private finance at the international and national levels. Co-financing is an important tool to catalyse finance, as well as a means to achieve the highest possible impact for climate action and to strengthen country ownership to make such actions sustainable (Green Climate Fund, 2019). There is no minimum amount of co-financing required for a funded activity nor a specific source that must be complied with, although maximizing co-financing is stated as desirable. The GCF also expects to mobilize private finance as a result of GCF financing and to leverage private finance directly or indirectly.[76] The IEU's evaluation of the GCF's approach to the private sector found that co-financing and leverage are more limited than the potential catalysing role that the GCF can perform.

283. Remaining conceptual gaps in measuring leveraged and mobilized private finance mean that the GCF remains constrained in demonstrating and analysing its contributions to finance flows towards

[76] "Leveraged private finance" means private investment resulting from the contribution associated with GCF involvement in an investment, regardless of whether or not the GCF was actively and/or directly involved in raising such financing or soliciting investors, and includes investments made as a result of the intervention of additional investors after the first project is completed.

low-emission and climate-resilient development. The IRMF does not provide core indicators to measure leveraged and/or mobilized finance at scale. However, the Secretariat is working on a methodology for measuring leveraged finance and parallel finance, including by source (public or private). The remainder of this section focuses on expected and actual co-financing.

284. Expected co-financing in approved FPs increased slightly in GCF-1, with every dollar of GCF funding accompanied by an average of USD 2.9 in co-financing, up from USD 2.5 in the IRM period. This increase is due to increased co-finance in public sector projects (Table 6-3). Private sector projects maintained their shares of co-financing at between 77 and 78 per cent, while co-financing in public sector projects increased from 67 to 73 per cent.

Table 6-3. Changes in co-financing ratio between IRM and GCF

	IRM	GCF-1
Private	3.6	3.4
Public	2	2.7
TOTAL	2.5	2.9

Source: iPMS financial data as of B.34, analysed by IEU DataLab.

285. **In absolute terms, the greatest amount of planned co-financing in the GCF comes from the MDBs, followed by the private sector** (Table 6-4). Of the total MDB co-financing, ADB accounts for nearly 36 per cent (USD 4.6 billion), followed by EBRD with 20 per cent (USD 2.6 billion) . Another significant portion is expected to come from the private sector, at USD 5.92 billion, originating from various national and international sources. Country governments and bilateral donors make considerable co-finance contributions as well, with country governments targeted mostly at adaptation projects, in both cash and in-kind resources.

Table 6-4. Co-financing by type of institution

Co-finance origination	Type of institution	Amount (USD million)
Domestic		
	Government	3,346
	Private sector	1,262
	Undetermined	258
	NGO	5
	Think tank / academia	1
Bilateral		
	Government	2,371
	NGO	63
	Private sector	16
International		
	MDB	11,965
	United Nations	166
	Undetermined	111

CO-FINANCE ORIGINATION	TYPE OF INSTITUTION	AMOUNT (USD MILLION)
	European Union	89
	Private sector	80
	Other IFI	40
	CIF	28
	GEF	26
	NGO	22
	Other IGO	15
	Think tank / academia	7
Undetermined		
	Undetermined	6,629
	Private sector	4,563
	Government	70

Source: Nature of co-financier data set as of B.34, analysed by IEU DataLab.
Note: Category "Domestic" indicates that co-financier institution is an entity based and owned by the nationals of the country targeted by the activities of a given project. This similarly holds for multi-country projects. Any indication of "local" finance (e.g., local financial institutions) or "beneficiaries" also belongs to this category. Category "Undetermined" means that the co-finance could not be categorized as one of the other categories due to being unknown, unclear and/or coming from a mixture of the existing categories.

286. Data on realized co-financing from annual project reporting show that co-financing is materializing at a relatively slow pace, with more coming from private than public sector sources. The Secretariat system for tracking information on projects' co-financing levels at pre- and post-implementation phases has improved since the FPR. Co-financing data are now regularly published in annual portfolio performance reports (APPR), although these data are still affected by some gaps in the clarity and consistency of APR reporting, particularly for leveraged private sector co-finance. The GCF 2021 APPR (GCF/B.34/Inf.11/Rev.01) reports realized co-financing of USD 1.97 billion, representing 13 per cent of the total anticipated co-financing for the portfolio under implementation. According to the 2021 APPR, the private sector has been more robust in realizing co-financing, contributing 57 per cent of all GCF co-financing through 17 projects versus 43 per cent coming in through the public sector through 90 projects. Realized co-finance ratios are also higher for the private sector than the public sector, with ratios of 2.6 and 1.5 respectively, in line with differences in planned co-finance.

287. Half of the projects that report on co-financing in their IEs indicated that co-financing had not been consistent with expectations. In addition, in other GCF projects, co-financing was considerably delayed or even withdrawn due to slow project start-up, contractual and administrative problems, or reallocation by the co-financier due to shifting priorities. Public sector co-financing was often lower than expected in GCF-1 as government activities were reduced or delayed by COVID-19 and budgets were scarce. In Gambia (FP011) and Sri Lanka (FP016), in-kind co-financing disbursements came late, and Namibia (FP023) faced severe budget constraints. In Armenia (FP010), the new government was unable to sign a sovereign loan with the European Investment Bank due to fiscal restrictions (a high debt-to-GDP ratio). Many SIDS faced significant COVID-19–related and other project delays, particularly in construction, which considerably delayed major co-financing flows by IAEs, such as ADB and the World Bank – for instance, in projects in Cook

Islands (FP036, ADB), Marshall Islands (FP066, World Bank), Nauru (FP052, ADB) and Solomon Islands (FP044, World Bank). Co-financing from the Korea International Cooperation Agency was withdrawn for Peru (FP001) due to implementation delays and shifting country priorities related to COVID-19 relief.

288. **Where co-financing and leveraged funding has materialized, it has contributed to project progress and success.** The SPR review of 40 IEs indicated that this happened, for instance, in Malawi (FP002) and Vietnam (FP013), in both cases with timely UNDP and government co-finance; in Georgia (FP068) with Swiss and Swedish bilateral partners as co-financiers; in Bosnia-Herzegovina (FP051) with World Bank co-finance; and in Ecuador with government and other co-financiers (FP019). Significant co-financing by EBRD and ADB supports good progress in significant infrastructure projects in Morocco (FP043) and Tonga (FP090), respectively.

289. SPR country case studies and IEs also tell some success stories of attracting private sector co-finance, although there are only a few cases where such finance has already materialized. This is the case, for instance, in two ongoing EBRD projects in Kazakhstan (FP047) and Egypt (FP039), both on renewable energy. Expectations are far exceeded in Kazakhstan, with USD 230 million raised from the private sector, compared with a target of USD 137 million. Renewable energy development in Mongolia (FP028), implemented by the national XacBank, also attracted significant private sector resources, whereas another project implemented by XacBank in Mongolia (FP046) failed to leverage climate funding, as the project was closed unexpectedly because GCF loan funds were no longer considered competitive in the market.

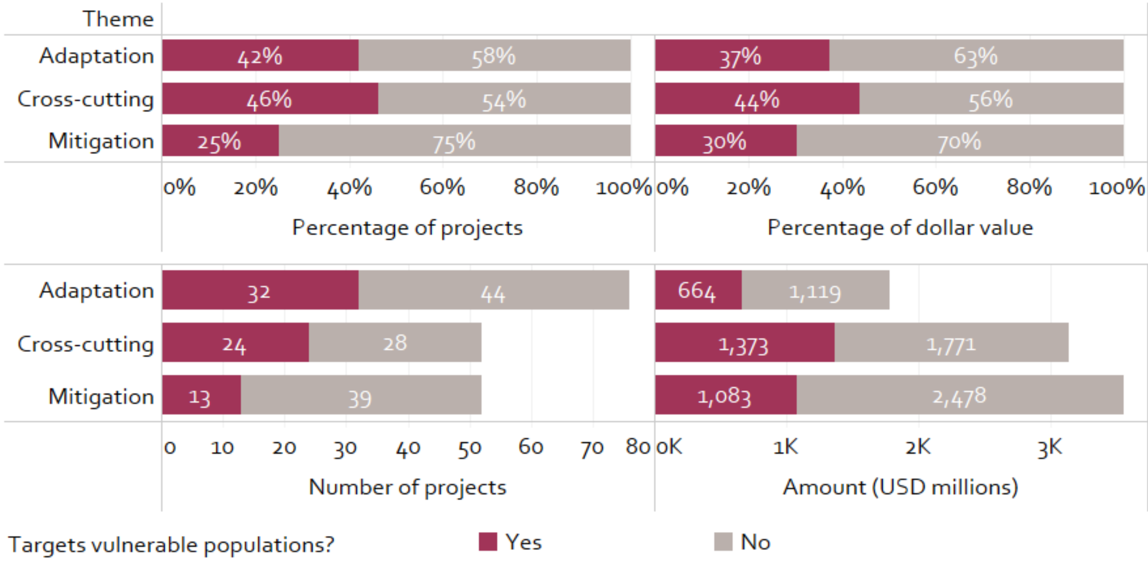
290. One of the SPR case study countries with the largest potential and some realization for co-financing, both from private and public sector sources, is India. The NABARD Rooftop Solar project (FP081, see Box 6-1) has already leveraged significant funds for its ongoing activities, and state governments pledged considerable funds for solar irrigation and coastal protection (FP045 and FP084). Many projects are too early in their implementation to assess broader mobilization effects. In other countries, such as Kenya, GCF funding is acting as an assurance to attract matching co-financing from public sector sources.

F. Gender equality and social inclusion

291. The GCF has been steadily and systematically positioning itself to better address gender equality and social inclusion throughout GCF-1. The GCF has strong gender and indigenous peoples policies and has made some steps to operationalize them across the organization. A policy shift in 2019 from gender sensitivity towards the higher standard of gender responsiveness has been supported by upgrading standards and expectations for partners and documents. It is too early, however, to assess the results of this shift in terms of gender outcomes. While gender and indigenous peoples have dedicated policies, and the Gender Policy references “vulnerable populations”, there is less policy clarity or focus on disadvantaged populations more broadly.

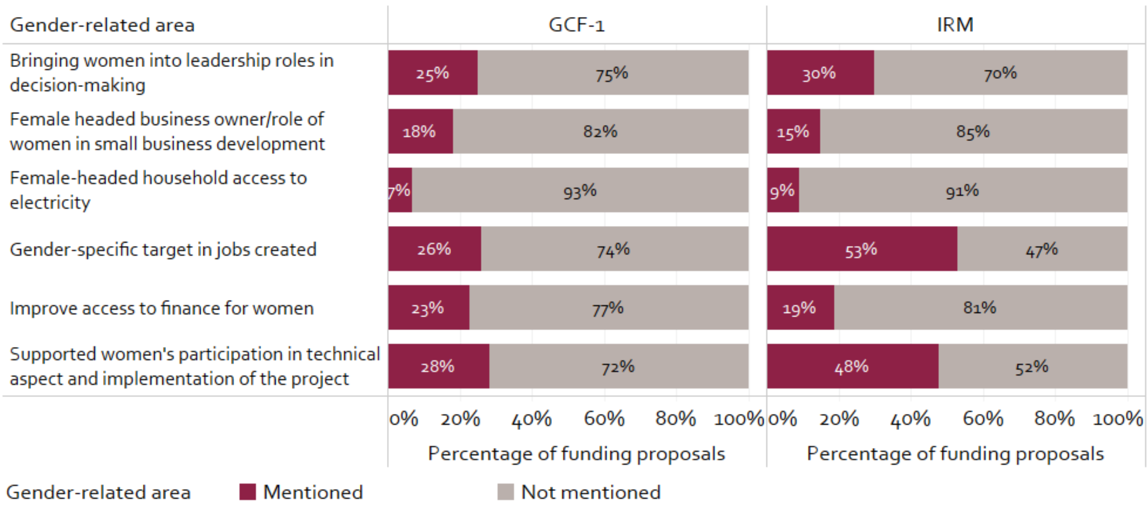
292. **Overall, a small proportion of GCF funded activities target vulnerable populations** (Figure 6-5). Although a larger proportion of projects include gender-specific activities, this proportion has decreased in GCF-1 relative to the IRM (Figure 6-6), and a much smaller proportion of projects have activities that especially target women, as defined by a threshold of 65 per cent female beneficiaries (Figure 6-7). The data on indigenous peoples is both sparse and problematic. Only 37 per cent of FPs demonstrate potential to impact/include indigenous peoples; however, these instances represent locations in which indigenous peoples live and not necessarily a targeting of indigenous peoples themselves.

Figure 6-5. GCF project/programmes that target vulnerable populations



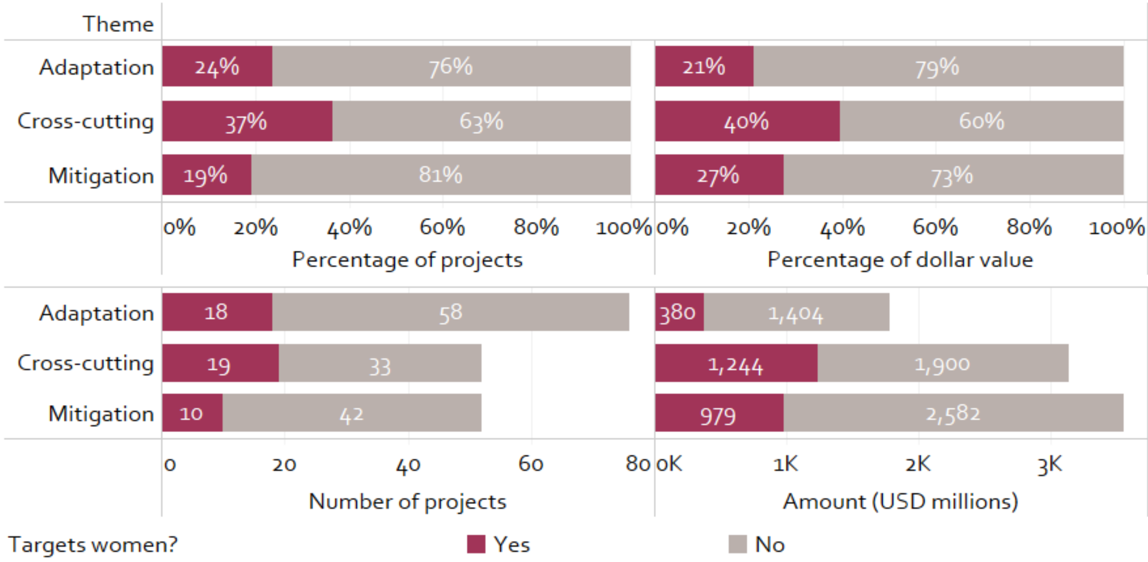
Source: FAA data set as of B.34, analysed by IEU DataLab.
Note: 180 projects that have an executed FAA and with financing sourced from the GCF. The analysis was done by keyword search on project component, subcomponent and activity level related to the vulnerable population. Some of the keywords used are "indigenous", "youth", "civil society", "CSOs" and "women".

Figure 6-6. Percentage of approved projects/programmes with gender-related areas identified as a co-benefit under the sustainable development potential investment criterion



Source: (for the above two figures) Sustainable development potential data set as of B.34, analysed by IEU DataLab.
Note: (for the above two figures) 209 approved projects, with 121 in the IRM and 88 in GCF-1.

Figure 6-7. GCF project/programmes that mention women at the component, subcomponent or activity level



Source: FAA data set as of B.34, analysed by IEU DataLab.
Note: 180 projects that have an executed FAA and with financing sourced from the GCF. The analysis was done by keyword search on project component, subcomponent or activity level related to women. Some of the keywords used are "woman", "women" and "female". Figure 6-7 uses a subset of coded data from Figure 6-5, and the matching methodology is the same.

293. **The Indigenous Peoples Policy emphasizes participatory processes, but stakeholders have noted a lack of meaningful access to the GCF.** Interviewees identified subtle barriers that may inhibit proposals that focus on indigenous peoples. For example, GCF investment criteria measure impact in terms of number of beneficiaries and consider cost-effectiveness, but indigenous peoples' populations are often small and scattered. The transactional costs of partnering with the GCF are high, and this discourages applications that focus on smaller or dispersed populations. Indigenous peoples' representatives also express concern that their populations are not sufficiently high enough on the agendas of AEs or NDAs and that few AEs specialize in working with indigenous peoples. An Indigenous Peoples Advisory Group was constituted at the end of 2021, but it remains too early to know the extent to which it may influence access to or focus on indigenous peoples in the GCF.

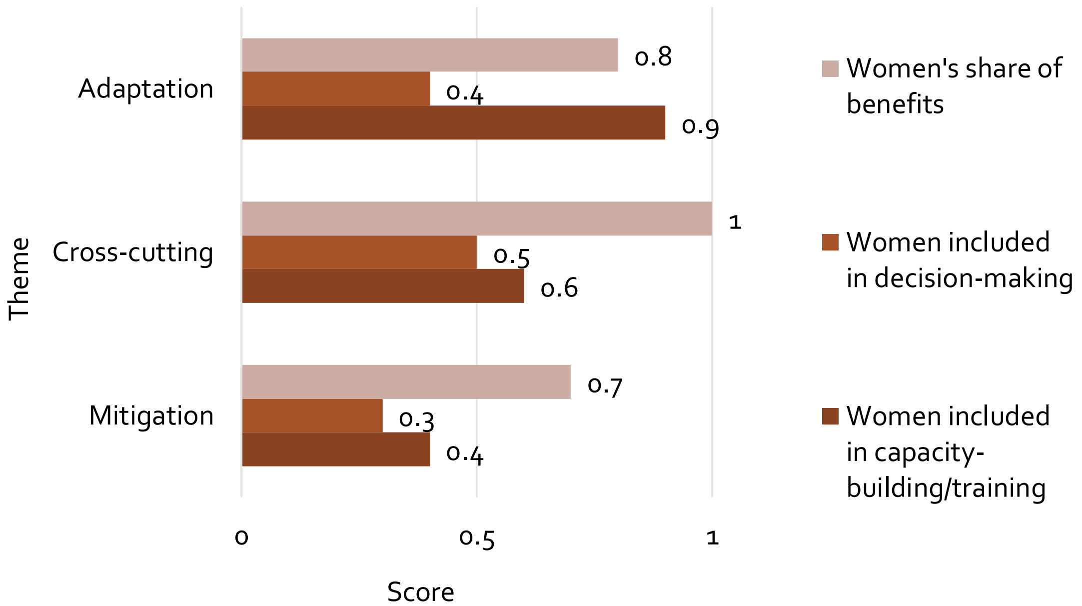
294. While gender-policy compliance is high in terms of preparing the required documents, this has not automatically translated into meaningful influence or action on the ground. AEs prepare gender action plans (GAPs), and proposals are no longer accepted for review without one. GAPs are central to how the Gender Policy is applied, by laying out strategies for engaging and benefiting women. The quality of the GAPs, however, has been highly variable. There are substantial differences in level of detail, clarity and budget allocations for gender actions; funding earmarked for gender advisers/activities is highly uneven. Interview evidence suggests that GAPs have been judged by increasingly stringent standards as the GCF has evolved, which could support movement towards higher-quality GAPs.

295. Many FPs also approach gender equity and social inclusion (including the GAP) as a siloed aspect of the project. Strong and sound gender analyses and GAPs may be sufficient if they inform project design, frame implementation and are effectively monitored and evaluated. However, document review demonstrates that many FPs do not reference gender equity and social inclusion beyond the GAP itself, and too often there is little sign that these considerations have influenced the full

proposal. Interviewees confirm that gender consideration is often an especially weak link in FP applications.

296. Overall, approved GAPs are strongest in terms of identifying opportunities for capacity-building efforts for women and disaggregation of beneficiary data. GAPs are weaker in identifying opportunities to enhance leadership and decision-making for women, and in delivering benefits to them. The IEU reviewed a sample of GCF-1 GAPs, with regard to two pillars of social justice: procedural and distributive. Procedural justice was operationalized into two dimensions, capacity-building and decision-making, and distributive justice was operationalized in terms of shared benefits. Individual components of GAPs were scored on a 4-point scale from 0 to 3, with average scores hovering between "0: gender blind" and "1: gender aware"; no average scores ranged into "2: gender specific" or "3: gender transformative" (see Figure 6-8).[77] This indicates that GCF GAPs demonstrate modest inclusion of women. Qualitative document review confirms these findings: see, for example, the IEU Adaptation evaluation case study on The Gambia. These findings also echo those of Schalatek, Zuckerman and McCullough (2021) that "actions proposed in the GAP, while in many cases overall providing some gender benefits, often fall short of addressing the root causes for gender inequality, lasting discriminations or potential gender harms identified".

Figure 6-8. Average GAP scores by thematic focus



Source: Information from 13 GAPs annexed to funding proposals from the GCF funded activity portfolio as of B.33 (20 July 2022), coded and analysed by IEU DataLab.

297. Limited data are available on the GCF's results from a gender and social inclusion perspective during GCF-1, although the country case studies offer some examples. No aggregate data are available on indigenous peoples, and only 15 per cent of IEs (6 out of 40) indicate specific results related to indigenous peoples, with the majority of results limited to some stakeholder engagement

[77] A purposive sample of 13 GAPs was selected by the IEU, based on theme (adaptation/mitigation); region (Africa, Asia-Pacific, Eastern Europe, Latin America); single-country/multi-country; budget range (USD 5–271.3 million); SIDS; and financial instruments (grants/loan).

activities. Some of the SPR's country case studies pointed to positive examples, however, as described in Box 6-5. The aggregate data on targeting and benefiting females specifically are more encouraging. Among 29 projects reporting on beneficiaries, 33 per cent of adaptation beneficiaries are female, and in cross-cutting projects the proportion is 49 per cent (based on submitted APRs through 2020). Gender-disaggregated beneficiary data are not mandatory at all for mitigation projects and are therefore unavailable.

298. Some FPs that are expected to generate positive outcomes for women and girls are identified in case studies and IEs (see Box 6-6). Nearly all IEs (39 out of 40) addressed gender in one way or another, but results varied significantly. Just over 25 per cent (11 out of 40) cited direct benefits for women at midterm, and 10 out of 40 demonstrated gender-sensitive stakeholder engagement, capacity-building and/or leadership opportunities. Overall, however, the pattern is to capacitate and consult with women and marginalized populations, but there is limited action in regard to targeting them. Much of the portfolio under mature implementation was approved prior to the more stringent gender expectations set by the GCF in 2019, however. Time, effort, clearer strategic direction and a robust measurement system will be needed to generate more meaningful results.

Box 6-5. Country case study examples of support for indigenous peoples

Peru. GCF funded activities under implementation in Peru are designed to reach vulnerable populations. The Datem project (FP001) works with 120 indigenous communities from seven different ethnic groups (Awajn, Achuar, Chapra, Kandozi, Kichwa, Wampis and Shawi), each of which has its own distinct territory, culture and language and is led by a local leader or "apu". Through Profonanpe, the Datem project has reached more than 9,000 indigenous peoples community members so far, enhancing their quality of life and strengthening their resilience while halting deforestation. Three main strategies are being put into action: (a) the development of participatory land-use and natural resource management plans; (b) entrusting and empowering indigenous communities with the responsibility of managing natural resources while increasing the participation of women in decision-making; and (c) the creation of sustainable, economically viable non-timber forest product bio-businesses.

Vietnam. Vietnam is home to 53 ethnic minorities, who constitute 14.7 per cent of the population and primarily live in mountainous areas. The Committee on Ethnic Minority Affairs is responsible for representing their interests within the government. One of the FPs has significant provisions for ethnic minorities (FP125: *Strengthening the resilience of smallholder agriculture to climate change-induced water insecurity in the Central Highlands and South-Central Coast regions of Vietnam*). Ethnic minorities represent 10 per cent of its target population, and provisions are in place to ensure that they both participate in and benefit from the programme, despite barriers such as unsustainable traditional farming practices, non-fluency in Vietnamese and low literacy. In Vietnam, participation is invariably through government-affiliated agencies; there is opportunity to broaden participation and allow for non-state actors.

Solomon Islands. The Tina Hydropower project (FP044) has been well designed and implemented in its early stages to ensure voice and benefit for indigenous peoples, including women and young people; it also concluded that it is likely that other vulnerable people (e.g., disabled persons) will also benefit alongside the wider population. Tina Hydro's consultation involved over 200 community discussions. The project has also established two key community-based project monitoring mechanisms: an active and a passive mechanism. The passive mechanism consists of a grievance approach that enables tribal residents on whose land the hydropower scheme is being developed to write to the company. According to indigenous landowners interviewed by the evaluation team, Tina Hydro Limited (THL) has established postal boxes in each of the landowner communities to facilitate the raising of issues with the company, which are picked up and addressed by THL every week.

The active mechanism is shared landlord status of the landowner tribes with the government. This is an example of innovative practice for meaningful engagement with the indigenous population. After extensive consultations to establish who the rightful customary landowners are where the hydroelectric scheme will be located, the Tina Land Company was formed. The company is 50 per cent owned by the five landowner tribes, who also hold 50 per cent of its Board positions, and 50 per cent is owned by the Government of Solomon Islands. Ownership of the land was transferred from the tribes to this company, which now rents the land to THL. Thus, as the Tina Hydropower project's landlords, the indigenous landowners can scrutinize and hold accountable THL for the impacts of the project on their lands and how the operation interacts with the local populations, in addition to receiving ongoing rent for use of the land. Additionally, the project team held extensive consultations with indigenous landowners that informed a tripartite legal agreement between the government, landowners and THL, plus the Solomon Islands Electricity Authority (trading as Solomon Power) to regulate how landowners will benefit from the presence of the hydro scheme. Indigenous landowners interviewed by the evaluation team affirmed that they are very satisfied with the high level of consultation, cooperation and benefit they have received from the project so far, and that they anticipate for the future. The satisfactory finalization of agreements with customary landowners is a major accomplishment since the IRM.

Box 6-6. Country case study examples of support for women and vulnerable populations

Mauritius. GCF funded activities include women in capacity-building or training activities, decision-making and sharing of benefits. The NDA is mostly female, and the national agency applying for accreditation is female-headed. The primary IAE, UNDP, has its own well-respected gender standards. Many women hold senior-level positions in Mauritian government at all levels, and there are efforts to especially target them in activities, including solar PV panel maintenance. Across all interviews, women who attended were often confident and proactive. Interviewees were able to discuss specific gender issues, and some initiated conversations about gender without prompting. The existent portfolio of funded projects in Mauritius does not explicitly emphasize empowerment per se, but they do take appropriate steps to reach and include vulnerable populations. One project implemented by the Indian Ocean Commission intends to focus on Mauritius' remote outer islands, which are home to a small but exceptionally disadvantaged and vulnerable population. Some stakeholders are eager to better demonstrate their qualitative achievements in regard to gender and social inclusion in ways that are contextual but do not generate crisp metrics or fit into standardized indicators or reporting templates. As one declared, "I am very satisfied with the end results. We are really seeing things coming to life right now!" They would welcome opportunity for greater recognition of their gender-related work.

Kenya. The clean cookstoves projects (FP103 and FP005) target women as the principal beneficiaries, both as selected micro-entrepreneurs, as well as end purchasers and users of the stoves. IEU evaluation fieldwork identified the story of Mary [name changed for anonymity], a female beneficiary in Kenya's rural central region whose family had produced terracotta pots for generations before she entered the family business. Then and now, they produce pottery from locally sourced clay, sand and water, and use traditional kiln firing. In 2006, German development agency GIZ trained Mary and some other potters how to use their skills to create fuel-efficient biomass (wood and charcoal) cookstoves, which became the mainstay of Mary's business.

When GIZ implemented a scale-up GCF project, Mary received additional training and support to become more productive and more enterprising. As a promising model producer, Mary undertook project-facilitated entrepreneurship training, received assets to expand production that she had to match with co-contribution, and was funded to travel to distant counties to identify new markets and recruit new sales distributors. Consequently, her and her husband's stove business has expanded from producing 100 stoves per month to around 4,000.

Once Mary has identified potential sales distributors in new counties, the project steps up again to provide sales and bookkeeping training for them. When any of Mary's stove moulds wear out or break, she can buy new ones from mould fabricators who were also trained by the project.

These cookstoves can be sold most cheaply as a simple terracotta stove; clad in steel for added strength and handles for ease of transport; or installed as a permanent one-, two- or three-burner stove into a homestead's cooking area.

She and her husband now employ around 10 production staff and a team of around 40 sales distributors. With a new round of negotiations with project implementers, Mary is looking to further expand and streamline her production line.

299. **National entities' capacities to mainstream gender equality and social inclusion are often limited**, and interviews suggest that gender and social inclusion is not consistently a priority among national entities. The result has been FPs and supporting documents that exhibit a low level of ambition in regard to gender and social inclusion. One significant remaining barrier is that gender and social inclusion is seen by many through a safeguard lens rather than as a technical field in support of a policy intended to be a vehicle for empowerment, effective engagement and enhancement of gender equality. This contributes to a self-fulfilling cycle in which national entities do not grasp the extent of expectations, and thus do not pursue capacity-building opportunities. Interpretations of GCF policy are strikingly divergent: some see gender equity and social inclusion requirements as excessive (see the Bangladesh and Morocco case studies, for example), whereas others taking a more explicitly feminist perspective are only able to see policy failings (see Schalatek, Zuckerman and McCullough, 2021).

300. **The RPSP is not generating demand or supporting the development of focused knowledge or skills on gender among NDAs and AEs. This represents a missed opportunity.** A review of a sample of RPSP grants does highlight some presence of gender-related themes and populations in programming, but overall gender equity and social inclusion has not been prioritized. Nearly two thirds (64 per cent) of the sample had some gender-related activities, although it is difficult to gauge what the outcomes are.[78] Data derived from text mining indicate that gender-related terminology appear in the RPSP results frameworks, but are largely focused on raising awareness of the GCF's gender and indigenous peoples policies to partners, and/or including women in various activities. In exceptional cases gender is indeed a focus, but overall, RPSP activities are worded in ways that suggest that population data are being disaggregated and that a minimum percentage of women participate, but little more than that. The large majority of PPF grants (around 80 per cent) support preparation of a GAP and finance gender studies or analysis, suggesting that DAEs require specific support in these areas.

[78] Only Outcome 1.3 of the RPSP has an explicit gender lens: Outcome 1.3: "relevant country stakeholders (which will include executing agencies, civil society organizations, and private sector) have established adequate capacity, systems and networks to support the planning, programming and implementation of GCF-funded activities)". In a representative sample of 25 RPSP grants from 2018 to 2022, 5 (20 per cent) had aligned with this outcome, but not all of those had fully prioritized gender within it. Meanwhile, it was observed that gender-related work can also be found clustered under Outcomes 1.1 (Country NDAs or focal points and the network/ systems that enable them to fulfil their roles responsibilities and policy requirements are operational and effective) and 2.2 (GCF recipient countries have developed or enhanced strategic frameworks to address policy gaps, improve sectoral expertise, and enhance enabling environments for GCF programming).

Chapter 7. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

301. The GCF has steadily evolved and matured as an organization over the first three years of GCF-1, as it works to deliver on its GI mandate and USP objectives. Critical work has been done to institutionalize policies and processes, building on the IRM period, and some benefits are starting to be realized, including through higher-quality funding and readiness proposals, increased programming volumes and modest improvements in process efficiency. The size of the portfolio doubled in the first two years of GCF-1 and now exceeds USD 11 billion as of B.34, with four fifths of approved projects under implementation. Readiness support has been delivered to 141 developing countries, and 128 countries have had projects approved and are working with 51 AEs. Yet there has been a tendency to focus on incremental improvements rather than clarifying the larger questions around objectives and priorities that could facilitate more substantial performance improvement. Operational processes continue to be protracted, to the point of harming the GCF's reputation.

302. **As the GCF considers updates to its strategic plan for GCF-2, it finds itself at a crossroads in its strategic development.** The GCF has not yet sufficiently articulated its comparative advantage or added value relative to the wider climate finance landscape. Stakeholders do not yet share a common vision for the Fund, leading to an overly broad "do it all" approach. Also, in light of finite resources, the time has come to clarify the GCF's vision in certain areas, such as the balance between the urgency of the climate challenge and the long-term need to build climate finance capacity in countries and entities, the extent to which the GCF works through its partners or takes a more direct and strategic role (e.g., to influence climate finance flows or convene partners around NDC investment planning processes), and the extent to which countries' demand directs GCF programming compared to the GCF's orchestrating of larger strategic global or regional paradigm shifts. Effective delivery of GCF objectives at the country level relies on a range of implicit assumptions about partnership roles and responsibilities that are not necessarily clear or realistic in practice.

303. These as yet unresolved or competing visions manifest as a lack of focus and strategic tensions in the USP, with negative consequences for operational effectiveness and efficiency. The Board has an opportunity to set clearer strategic direction and provide a focus through the USP-2 that can clarify operational priorities and the operating model. This current ambiguity makes it difficult for the GCF's results and impacts to be sufficiently accrued in any one area or to drive a paradigm shift. Many of these possible priorities could be simultaneously facilitated within the broader GCF portfolio but would require more direct priority setting and significant changes in the GCF's capacity and its operating model.

304. **The GCF has a privileged position within the climate finance landscape, by virtue of its size and status under the UNFCCC, and it sits at the hub of a global partnership network. However, the Fund has not yet defined or operationalized an effective strategic approach to mobilize that network towards achieving strategic and coordinated programming opportunities – at country, regional or global levels.** The GCF has not yet fully articulated the role that it wishes to play at the country level, nor the respective contributions expected of the Secretariat, NDA, AEs, DPs and other partners. The model generally implies a need for high-capacity NDAs and AEs to ensure that GCF projects underpin the delivery of national climate

priorities, as the Secretariat lacks the capacity and resources for direct engagement. However, many countries lack the capacity to engage effectively with the GCF. Furthermore, GCF readiness support and the DP function are not well designed to facilitate the type of long-term institutional relationship necessary to anchor the GCF as a core national partner, and limited incentives exist for AE and DP partners to engage on the GCF's behalf beyond project boundaries. While there is some evidence of coherence and complementarity, GCF efforts to mainstream greater policy alignment and institutional collaboration do not yet appear to have resulted in significantly more structured or strategic engagement at the national level.

305. At the same time, the needs of countries are evolving from core policy and target formulation towards the more complex process of sector-level investment planning and project delivery. In this context, the GCF is considering how to evolve its partnership role and exploring its potential role in supporting more strategic transformation, including systems-oriented approaches, just transitions, sectoral pathways and associated climate finance planning. The role that the GCF and its partners might play (e.g., convenor, capacity builder, strategic planner, financier) may differ depending on the level and type of need. However, all would require significant structural and resource changes for the Fund to play a more direct and central role in countries should the GCF have ambitions to facilitate transformational investment planning and programming. As a result, opportunities for strategic-level synergistic effects and transformational impact are being lost, not only within the GCF portfolio but also more widely.

306. **Together, the pending finalization of the USP and strategic matters related to the accreditation strategy offer an opportunity to "reset" the GCF's approach to access, as well as to refine the Fund's vision and strategy for a manageable AE network. At the centre of future accreditation and access must be better ways to build DAE capacities for project development and implementation.** Through accreditation, the GCF has established a network of diverse AE partners, including many national and regional DAEs. But this network needs to be strengthened in terms of ensuring that it comprises capable and diverse entities that are well positioned to deliver on future GCF and country priorities, high-quality project implementation and the GCF's fundamental goal of direct access. The RPSP and PPF must work better for DAE accreditation, capacity-building and programming, perhaps with graduated and differentiated approaches to direct access. A relatively small number of DAEs have been successful in obtaining project funding via the GCF. As the number of DAEs accredited to the Fund continues to grow, concerted efforts are needed to build capacity for these successes to be experienced among a wider swath of national entities.

307. Access and accreditation remain overburdened with multiple goals, some of which could be more effectively and efficiently met through other channels. This includes other forms of GCF partnerships, country capacity-building and access mechanisms. Without a clearer purpose for accreditation, the network of AEs continues to grow with limited considerations of the associated benefits, costs and risks – as well as the Secretariat's capacity to manage it. An ever-growing network may reduce the AE-to-project ratio, and thus the attractiveness of accreditation to potential AE partners, especially if the accreditation process continues to be protracted. Alternative mechanisms for Fund access are underexplored and deserve more attention in the new accreditation strategy. In addition, country accreditation decisions, programming and capacity-building could be better aligned and targeted to generate more clarity for all stakeholders and facilitate direct access. This includes a careful prioritization of DAE accreditation and programming along transparent criteria, guided by the Board.

308. **Despite the ever-increasing volumes, process improvements and increasing quality, partners continue to perceive the project appraisal and approval cycle as bureaucratic, lengthy,**

inconsistent and non-transparent. Demand for GCF finance far outstrips supply, necessitating efficient, reliable and transparent systems to manage and allocate scarce resources and placing a premium on resource predictability. Many stakeholders have argued for more clearly differentiated pathways for different entities and/or project types. More generally, it is not clear that the current system of portfolio development and oversight is scalable as funds under management and project complexity increase over time. The Secretariat continues to identify and address issues within its control, but also needs further clarity from the Board on a variety of matters to achieve deeper improvements.

309. **Climate impacts are modest to-date, but there are indications that results are forthcoming. The results and risk management strategies are underdeveloped to serve the GCF's need to demonstrate results as its portfolio matures**. Given the global urgency, the need for the GCF to deliver climate results is only becoming more critical. While the portfolio under implementation is still quite young, many projects are making good implementation progress according to IEs and country case studies, with the large majority expected to reach their ultimate climate and development objectives. As the GCF's portfolio under implementation triples in GCF-1, the Secretariat has an important and growing responsibility to oversee the implementation of projects to manage for risks, results and knowledge feedback. These systems are currently underdeveloped, and the current system of portfolio oversight does not appear to be readily scalable for a rapidly growing portfolio of funded activities. In particular, the GCF's approach to its second-level due diligence responsibilities is insufficiently differentiated given the scale and diversity of its portfolio and AE characteristics/capacities, and risk ownership needs more clarity between the GCF and partners and among Secretariat divisions and independent units.

310. **The GCF's novel governance design of parity between developed and developing countries brings legitimacy but compromises efficiency, especially given the Fund's proximity to UNFCCC politics.** The Board has been more effective and efficient on routine expectations such as approving FPs and accrediting entities, and less so on policy and strategic direction, particularly in the face of virtual meetings during GCF-1. Policymaking accelerated in the second half of GCF-1, suggesting that the Board may be starting to resolve some of its growing pains. While the formal rules of the Board are laid out and clear, informal governance norms are not well established and can lead to differing expectations. Remaining policy gaps and blurred lines between governance and management functions and authorities are also now impeding progress.

311. **If unaddressed, many of these strategic and operational tensions and challenges may threaten the reputation and impact of the GCF, but they also present pivotal opportunities for the Fund to define its path forward in GCF-2.** The GCF can learn from rather than repeat the experiences of other climate and development institutions, and it can forge its own way in delivering on its mandate to enable country-owned pathways towards a low-emission and climate-resilient future.

B. RECOMMENDATIONS

312. **Recommendation 1. The GCF's strategic plan should clarify the Fund's strategic positioning, articulate programming and operational priorities, and address long-term and short-term trade-offs. The ambition and strategic direction should align with available resources.**

1) **The update to the USP should clarify the vision for GCF-2, making critical choices.** The Board should urgently clarify strategic questions, including the intended ambition and role of the GCF globally; programming priorities such as those with respect to sectors, geographies and resourcing; how trade-offs between long-term and short-term priorities will be handled

(e.g., between urgency and capacity needs, between catalysing and financing roles, and between various in-country roles); and the extent to which the GCF will work through its partners or take a more direct and strategic role. Within the wide mandate of the GCF, the Board should identify immediate priorities and ambitions, based on urgency and pragmatism.[79] The evidently open-ended "do it all" strategy of GCF-1 should make way for a GCF-2 approach in which the Board makes difficult choices about what the GCF will and will not do and to what extent.

2) **Resource appropriately and in a timely manner.** The immediate strategic vision and the ambition in the USP should be based on a realistic assessment of resources. The USP should then make realistic choices, with appropriate resource allocation to the strategic priorities identified in recommendation 1(a). Further, the Board should consider midterm resourcing reviews, recognizing that resourcing will continue to evolve even within a replenishment cycle.

3) **Develop a results framework for delivery of GCF-2 with targets and indicators.** Following on from recommendation 1(a), the GCF should have indicators and targets that cover outcomes and impacts expected from GCF-2, and coherent with the IRMF, as well as leading indicators and/or targets such as for investments, allocations and/or other key metrics at earlier stages that directly flow into anticipated outcomes.

4) **Ensure that the strategic vision is widely communicated throughout the broader GCF partnership.** Strategic priorities for GCF-2, including programming priorities, should be communicated to countries and partners in a clear and transparent manner, addressing prevalent ambiguity and uncertainty about programming and partnering.

313. **Recommendation 2. At the country level, the GCF should clarify its intended approach and possible roles, aligning with available resources.**

1) **Articulate the extent of the GCF's ambition to engage strategically in country and the role(s) it wishes to play, based on a clear assessment of opportunities, challenges and strategy.** The GCF should clarify the strategic function(s) that it wishes the Fund to perform at the country level. This review identifies various roles that the GCF may perform in countries – for instance, capacity builder, convener around investment planning, strategic adviser or simple funding partner. From among these and other roles, the GCF should consider differentiated engagement models that depend upon the prevailing levels of capacity and access to other financial and technical support. To better support this strategic function, the Secretariat should review inter-division and inter-unit coordination to ensure alignment among those involved in partner engagement and upstream pipeline development.

2) **Widen the GCF partnership definition and undertake a systematic mapping of partners' capacity and interest to engage strategically at country level, culminating in a strategic approach for GCF country partnership.** To identify the role(s) in recommendation 2(a) the GCF should do the following:

[79] For instance, evidence in the SPR shows that the need for the GCF is greater in adaptation, relative to mitigation. Evidence further shows that the GCF is most relevant for its relatively large scale, expediting public sector investment, emphasis on adaptation, stated high risk, concessional finance, altogether resulting in a signalling effect. The evidence available on GCF outcomes and results is not precise or sufficient enough yet to allow the SPR to make specific sector-wise recommendations for high effectiveness or impact.

a) Expand the concept of partnership beyond simply AEs or institutional partners, to reflect all institutions that might play a role in climate action in the countries. Beyond the NDAs, DPs, CSOs and PSOs, these may include donors, philanthropies and DFIs.

b) Undertake a structured and systematic mapping of its partner institutions to understand their capabilities, resources and alignment with GCF strategic objectives and country needs. The scope of GCF partnership may expand with changes in its own intended role.

c) Exercise realism around the willingness and resources of partners to act as agents to deliver beyond project-funded objectives (e.g., representing the GCF in national dialogue, partnering with DAEs and private sector institutions to build capacity, engaging in planning processes around NDCs, NAPs and sectoral strategy). If partners are to serve expanded mandates beyond project-funded objectives, adequate resourcing should be put in place.

d) On the basis of the above clarity, develop a country partnership approach aligned with recommendations 1(a) and 2(a), resulting in country programming that specifically responds to context and needs. In this way, whether as a finance provider or a convenor and whether directed at wholesale economies or subsectoral change, GCF support should be driven by intention and suited to support a paradigm shift.

3) **Clarify any future role for CPs and EWPs.** If the GCF wishes to continue with CPs and EWPs, these tools need to align with the strategic approach to country partnership that the GCF determines (as per recommendation 2(a)). The core elements of CPs and EWPs – alignment and prioritization – are critical but should be met more efficiently; major changes to the CP and EWP processes would be required to better contribute to meeting other objectives, such as more systems-oriented approaches for paradigm shift.

4) **Clarify the role of readiness support, particularly in the context of strategic engagement.** There is a need to clarify and refine the overall vision and purpose for readiness support. The SPR recommends that readiness support should link to GCF goals – for example, NDC investment planning, GCF programming, private sector engagement and post-accreditation support. The vision and purpose of readiness should take into account the Secretariat's experience on needs in diverse contexts, practical intervention approaches, other actors that are better positioned to support readiness, and bottlenecks and inconsistences within the Secretariat's operations.

314. **Recommendation 3. Review accreditation priorities. Support and explore other access mechanisms beyond accreditation. Build capacities for better access and country-owned FP development and enhance accreditation process efficiency and transparency.**

1) **Identify the Fund's accreditation objectives and communicate them clearly, both internally and externally.**

a) Overcome gaps in the accreditation strategy by defining primary accreditation objectives, in line with recommendations 1(a) and 2(b). In light of GCF limitations with managing, incentivizing and measuring multiple purposes, it is recommended that the principal purpose of accreditation should be lean, that is to say, focused on the quality development and implementation of FPs. Entity capacity development is a means to ensure accreditation for FP delivery.

b) Fully communicate the accreditation role internally and to GCF partners and candidate AEs.

c) Further tailor accreditation (processes and conditions) to entity types and capacities, especially for the private sector, CSOs and subnational entities.

2) **Identify and proactively support alternative and graduated pathways for developing country entities to access the Fund; explore long-term alternatives to the current AE model.**

a) Identify and publicize ways to access the GCF, including engaging in programme subprojects, subgrants and subloans, including through the EDA, or serving as EEs for GCF funded activities or as DPs for RPSPs. The PSAA is another emerging option.

b) In the long-term, the GCF should fully explore alternatives to the current accreditation and access model, such as those practised by other international agencies, especially for country entity access. For example, the GCF could examine the suitability of models such as those in the Global Fund and Global Partnership for Education for access to the GCF. Such models with decisions devolved to the country level could provide the GCF with the ability to simultaneously serve mandates related to country ownership, country engagement, coherence and direct access. Such exploration would also allow the GCF to continue to be a learning organization and adapt to the reality of challenges created by accreditation and dependence on AEs and DPs.

3) **Manage accreditation and access to fit with GCF and country programming priorities and needs. Align them well with Fund project resources and Secretariat management capacities.**

a) Consider the size of the AE network in terms of Fund project resources, Secretariat management capacities and other resources needed at global and national levels for accreditation and reaccreditation processes and building DAE capacities.

b) When prioritizing entities for accreditation along GCF priorities, take into account advanced AE applicants that are prioritized by countries or already supported by the GCF.

4) **Target DAE capacity-building for country-owned project development and implementation.** The GCF should direct readiness and other capacity support more towards supporting accredited and nominated DAEs to develop country-owned and GCF-aligned CN/FP pipelines, integrated with accreditation support where appropriate. IAEs could be incentivized to support DAE capacities and alternative access mechanisms (such as with accredited and nominated DAEs serving as EEs or as co-AEs) – for example, through a favourable IAE fee structure, additional RPSP funds or prioritized access to the PPF.

5) **Enhance the efficiency and transparency of accreditation and reaccreditation processes and clarify benchmarks for reaccreditation.** Take steps to inform nominated DAEs about the GCF accreditation process. The GCF should increase the transparency of the accreditation process through designated GCF relationship managers and communication management. AEs and NDAs should be systematically informed about changes to GCF policies, guidelines and programming priorities. On reaccreditation, AE benchmarks to qualify for reaccreditation should be clarified (based on the overall purpose of accreditation), such as on shifts of overall AE portfolios towards low-emission and climate-resilient pathways and IAE capacity support to DAEs.

315. **Recommendation 4. Continually improve the efficiency, predictability and relevance of operational systems, ensuring they reflect policy priorities, strategic objectives and climate urgency, especially targeting the delays within the GCF's control.**

1) **Continually streamline and refine operational modalities.** The Secretariat should optimize the operational modalities and processes to deliver the strategic priorities identified in recommendation 1(a). Refinements should seek to improve partners' experience, such as by increasing speed, clarity, predictability and overall relevance to context. The Secretariat should develop more robust mechanisms and conduct regular reviews to ensure systems and processes are, and continue to be, fit for purpose and appropriately resourced and that they survive staff turnover or other organizational challenges.

2) **Realign staffing, organizational structures and monitoring strategies to better facilitate reaching the same collective goals.** The Secretariat should further improve staffing strategies, to ensure sufficient staff with the appropriate skill sets, including appropriate staffing to proactively steer operations to minimize bottlenecks. This includes maintaining sufficient regional/local expertise as well as appropriately balanced technical skill sets to fully operationalize the vision set by the new USP and as processing volumes evolve at each stage. In another example, the Secretariat should review inter-division and inter-unit coordination to ensure alignment among those involved in partner engagement and upstream pipeline development. The Secretariat also should conduct regular reviews to ensure that individual staff, group and unit-level KPIs – as well as more qualitative incentives, communication structures and feedback loops – are mutually supportive and synergistic in operationalizing the USP priorities as the context evolves.

3) **Ensure modalities and operational structures are sufficiently nuanced to address the range of partner needs and experiences.** The Secretariat should build in sufficient flexibility so that modalities are sufficiently differentiated to reach and serve the totality of the targeted audience – such as entities and countries in Africa, LDCs and SIDS – regularly soliciting feedback from partners as needs evolve. Any requirements placed on partners should be sufficiently practical, relevant and realistic for the context while efficiently and sufficiently meeting GCF needs. This also includes providing critical support or alternative approaches when a default pathway is unworkable.

4) **Continue to upgrade direct communication, as well as guidance documents developed to articulate GCF expectations, and share emerging lessons with partners.** The Secretariat should ramp up efforts to clearly communicate, beyond the GCF's general priorities, the specific ways partners can most efficiently engage with the GCF, including what it is and is not looking for, what support it does and does not provide, and the specific mechanisms for engagement. As partner needs and GCF priorities evolve, the best modes of communication, including level of detail and most-helpful examples, would be expected to evolve as well.

316. **Recommendation 5. Pivot from an approval orientation towards one that emphasizes results and learning, with a coherent results architecture for GCF-2.**

1) **Urgently operationalize the IRMF and RRMF.**[80] The Secretariat should expedite the operationalization of the IRMF and RRMF, to ensure high-quality monitoring and reporting of readiness and climate results. Methods for measuring catalysed, leveraged and mobilized private finance must be finalized and implemented to assess contributions to the Paris Agreement.

[80] Some lessons for improvement and future modifications to the IRMF are beginning to emerge. The SPR assumes that these lessons will be used at the earliest available opportunity for revisions to the IRMF.

2) **Improve implementation management processes, with full examination of the received feedback that the GCF needs flexibility to adapt to the realities of implementation.** Further development of the Secretariat's approach to project implementation management is critically required, so that the delays in implementation and adaptive management, which are caused by GCF administrative issues, are drastically reduced. The Secretariat should make improvements in clarity, predictability, responsiveness and flexibility in project management approaches to fit the diversity of the portfolio. It will also be important to significantly improve the APR template and related tools to support results and risk management.

3) **Strengthen learning and feedback loops.** As the GCF solidifies its fundamental results and risk management systems, it should also start shifting towards a structure and resourcing that can encourage learning and feedback loops across projects, countries and agencies more systematically. The GCF should operationalize knowledge management practices to gather, synthesize and exchange knowledge that is generated through its RPSP grants and funded activities, in order to facilitate more effective and transformational programming and implementation. This includes systems to support internal exchange, within the GCF Secretariat, as well as external exchange with the broader GCF partnership and beyond.

4) **Enable efficient GCF oversight and learning during implementation, with resources aligned for this objective.** Efforts are under way to develop capacity for implementation oversight and knowledge management functions, but ultimately Secretariat resourcing needs to be commensurate as funds under management and project complexity increase.

317. **Recommendation 6. Urgently clarify the GCF's approach to managing entity and project risks, for funded activities and RPSP grants.**

1) **Review the approach to due diligence of entities and projects.** The GCF should consider a differentiated approach to second-level due diligence for portfolio risks, in light of the diversity of the portfolio and AEs. This could include, for example, a portfolio-based approach to risk monitoring for some types of AEs and projects, as well as engaging third-party monitors for closer oversight for other types. A review of the GCF's approach to due diligence also needs to consider the extent of GCF oversight over subprojects in GCF programmes and the risks entailed.

2) **Match the evident risk appetite to stated risk appetite.** The Board should ensure that the current review of the GCF's risk appetite results in an updated risk appetite that is robust enough to encompass the diversity and character of GCF investments. The Secretariat should then update its operational processes, including internal review and monitoring approaches and feedback loops, to fully operationalize the updated risk appetite statement. The GCF should ensure that the risk appetite is reviewed regularly to ensure its appropriateness and relevance as both programming priorities and the context in which the GCF operates evolve.

3) **Clarify project risk ownership, including expectations and accountability mechanisms for partner entities and project implementation.** The Board should urgently and fully clarify the policy coherence relating to risk appetite, assessment and ongoing management, including what applies across all contexts and what may be context specific. For example, the GCF should clarify whether AE or GCF policies apply in the event of a contradiction between the two. Any policy or operational updates as well as any change in expectations of partners should be clearly and proactively communicated to partners with active proposals and projects. The ownership of risks between the GCF and its partners as well as within the GCF should be consistently clear, with the ultimate objective of enabling projects to take risks corresponding to the risk appetite.

4) **Increase the robustness, coherence, continuity and consistency of risk management practices throughout the programme cycle and entity oversight processes.** The Secretariat should increase efforts to improve internal risk management practices already identified, incorporating any changes needed from the updated USP or other policy updates. This includes ensuring comprehensive coverage, clarity of roles, internal ownership, stronger coordination and feedback loops across all units. This likely also includes increased staffing for key roles – for example, in compliance, auditing and field monitoring – as well as ensuring these staff members have the appropriate skill sets and resources.

5) **Secure P&I agreements.** With less than 20 per cent of the needed P&I agreements yet in place, the Secretariat should expedite P&I agreements with the remaining countries.

318. **Recommendation 7. Strengthen governance processes to provide more effective and efficient leadership for the Fund.**

1) **Improve governance efficiency.** The GCF Board and Secretariat should take steps to improve the efficiency of governance, such as through more effective use of Board committees to facilitate efficient consensus and decision-making, establishing stronger and commonly understood informal governance norms (such as through facilitation, informal exchanges, retreats, learning from best practices of the UNFCCC and of other multilaterals), developing more extensive and inclusive consultation processes to ensure that policy items are politically ready when they are brought to the Board floor, and other processes to build leadership and cultivate common understanding. The GCF should consider the provision of human resource support (for instance, dedicated resources to support adviser), particularly to Board members from developing countries, to enable meaningful participation in Board affairs. Ultimately, the Board should be able to demonstrate collective leadership, while making strategic choices, even difficult ones, which will ultimately determine the effectiveness of the institution.

2) **Support trust-building and self-reflection among Board members.** Consideration should also be given to supporting mutual understanding and learning among Board members through establishing a regular process of self-assessment. This confidential process should facilitate honest and constructive reflection on the strengths and weaknesses of the Board as a whole, rather than individual members, seats or constituencies, and focus on integrating lessons from the experience into more effective leadership of the Fund. The GCF should emphasize cross-constituency informal meetings, onboarding and integration of new Board members, and informal exchanges with the Secretariat.

3) **Build the capacity of the Secretariat to support Board decisions.** In recognition of the Secretariat's important role in supporting decision-making, efforts should be made to build the capacity of the Secretariat staff members who support the Board with policy decisions. This could include, for example, training on facilitation, bias and communications.

4) **Continue working to update the policy suite.** Many existing action items relating to policy need further attention, such as identifying and closing strategically and operationally essential policy gaps, retiring outdated mandates, establishing a more coherent policy landscape, and further codifying policy implementation and review processes. The policymaking process would also be enhanced by clarifying the Fund's policy framework and classifications – along with the associated responsibilities.

5) **Clarify blurred lines between governance and management.** A stronger delineation of roles and responsibilities among governance and management bodies, including the Board and its committees, Secretariat and independent units – especially clarifying responsibilities to minimize overlaps, gaps and conflicts – would also reduce uncertainty and inconsistency and

support more streamlined policymaking and decision-making. As the GCF continues to mature, the Board should seek to reduce its involvement in day-to-day operational functions and shift towards more oversight over strategy and policy implementation.

6) **Revisit the observer function to address weaknesses.** Revisions to the observer guidelines should be finalized, as has been planned for five years. Actions could include (a) clarifying processes for observer consultation to ensure that input is systematically sought at an appropriate time during deliberations and is consistently sought for policy and strategy documents, and (b) financially supporting the developing country CSO Active Observer to travel to Board meetings.

LIST OF INTERVIEWEES

Board members, alternate members and advisers

NAME	POSITION	AFFILIATION
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Abigail Demopulos	GCF Board Adviser (United States)	U.S. Department of the Treasury
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Felix Dayo	iTAP Member	iTAP
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Note: Additional staff from AEs and international RPSP DPs were interviewed as part of the country case studies and are included in the lists that follow. Many DAE staff members were also interviewed and are included in the country case study lists.

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Molly Caldwell	Associate, Sustainable Finance Center	World Resources Institute
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Country case study interviews

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GCF Board decisions

Decision B.06/06: Policies and procedures for the initial allocation of Fund resources.

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Decision B.17/11: GCF risk management framework.

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GREEN CLIMATE FUND | Independent Evaluation Unit

Not for sale / Free
ISBN 979-11-982357-7-0 (PDF)

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