GREEN CLIMATE FUND

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Secretariat management response to the Forward-Looking Performance Review of the GCF

Summary

In accordance with decision B.21/17, the Independent Evaluation Unit was mandated by the Board to carry out an independent evaluation of GCF, namely the Forward-Looking Performance Review of the GCF (FPR).

In response to the FPR, the Secretariat prepared this comprehensive report as a management response to the findings and recommendations of the Independent Evaluation Unit.

Building on the Secretariat's initial response at the twenty-third meeting of the Board, this document constitutes the full management response. It addresses key FPR recommendations, identifies aspects with which the Secretariat disagrees, provides information on actions already being done to address some of the recommendations, and includes an annex providing specific responses to the remaining findings.

Based on the Board's deliberation on the management response, the Co-Chairs will present a draft decision for consideration by the Board during the course of B.24.

I. Introduction

1. In accordance with decision B.21/17, the Independent Evaluation Unit (IEU) was mandated by the Board to carry out an independent evaluation of GCF, namely the Forward-Looking Performance Review of the GCF (FPR) with the aim of evaluating:

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

2. The Secretariat welcomes the Final Report of the FPR, which provides critical insights into the performance of GCF during the initial resource mobilization (IRM) period (2015–2018). The FPR includes more than 70 findings in total and about 5–10 under each section. Although some findings required clarification from the Secretariat's perspective, the Secretariat agrees overall with the opportunities identified by the FPR to improve its performance and consolidate GCF in the context of the first replenishment. Overall, the FPR states, "GCF has achieved a lot, and it has fulfilled the mandate given by the UNFCCC through the GCF's Governing Instrument, in many areas", and that the GCF has "the requisite capacity, learning disposition, leadership and structures for being an agent of change". The Secretariat is very encouraged by these findings and will ensure relevant measures are taken in the future for GCF to realize greater paradigm-shifting impact for developing countries.

3. Many of the recommendations are being addressed in the development of a draft 2020–2023 Strategic Plan for the GCF, the strategic programming for the first replenishment and the new organization design, and the many policy documents under consideration by the Board. The Secretariat presented an initial management response to the FPR at the twenty-third meeting of the Board (B.23), highlighting the work already underway to address a significant number of the findings and recommendations in the FPR.[1] Building on this initial presentation to the Board, this document constitutes the full management response to recommendations. It addresses the key FPR recommendations where the Secretariat disagrees with a given aspect or where it can provide additional information on action already undertaken to address several recommendations. It also includes an annex providing specific responses to each finding. While it agrees with many aspects of the recommendations, the Secretariat also recommends that the likely impact and resourcing implications of recommendations be considered in prioritizing responding action.

II. Overall recommendations in the Forward-Looking Performance Review

4. Overall, the Secretariat is in agreement with the four key recommendations set out in the FPR. The Secretariat notes that many of the detailed recommendations align with opportunities identified by the Secretariat through its own review of the implementation of the

[1] See document GCF/B.23/24.

initial Strategic Plan and the work it initiated on strategic planning and improved organizational design in 2019. These include efforts to clarify the strategic vision of GCF by consolidating its initial mitigation and adaptation logic models into a GCF theory of change for driving paradigm-shifting impact; strengthening its business model by improving access, innovation, leverage and results; and strengthening its operational model performance through mapping project and policy development processes to enhance responsiveness, instituting systems for transparency and tracking; and advancing human resources, knowledge and partnership strategies. However, it notes that some recommendations are of a generic nature and might need further specification to be made operational. It also provides its own analysis to some specific recommendations.

2.1 Overall recommendation 1

5. Overall recommendation 1 of the FPR is, "Strengthen criteria, business processes and implementation structures that are likely to better address differentiated developing country needs and capacities, with a focus on direct access entities; and develop key performance indicators and targets to track transparency, speed, predictability, impact and innovation."

6. As highlighted in the initial management response delivered at B.23, key aspects of the GCF business model are currently under Board review to make them more fit-for-purpose in response to lessons from the IRM. This includes the reviews of the accreditation framework, the investment framework, modalities of the Private Sector Facility (PSF) and the results management framework (RMF). Proposals seek to respond to FPR findings on improving access and responsiveness for developing countries, as well as innovation, leverage and impact.

7. In 2019, the Secretariat has also taken a series of steps to streamline project processes to clarify the roles and responsibilities of GCF stakeholders and enhance transparency, speed, responsiveness and impact. These steps include: (i) mapping of the project cycle; (ii) review of the Secretariat's second-level due diligence; (iii) preparation of programming, operations and policy manuals; (iv) development of an internal investment criteria scoring tool to improve the consistency of funding proposal assessments; (v) development of web-based proposal tracking systems; and (vi) updating of a project-level results management system. The organization charts of the programming divisions have also been updated and harmonized to facilitate inter-divisional cooperation. These actions will go a substantial way toward addressing several areas identified under the overall recommendation 1, including more robust and consistent application of the investment framework and RMF.

8. Another critical area of action relates to the report's recommendation 1a on revising the GCF accreditation framework and process. In principle, the Board approved a project-specific assessment approach at B.23. Furthermore, the Accreditation Committee supported by the Secretariat has put forward some additional proposals that would further address recommendation 1a. The updated accreditation framework will be presented at B.24. In addition, the FPR recommendation on developing an accreditation strategy is proposed to be taken up through the 2020–2023 Strategic Plan.

9. As highlighted in the Secretariat management response to the FPR at B.23, the implementation performance of GCF is picking up pace. The Secretariat has dramatically reduced the processing time for a funded activities agreement (FAA) over the last four years. The processing time between the approval and effectiveness of FAAs has been reduced by more than half from 21 months on average for projects approved in 2015 to 7 months on average for all projects approved up to and including 2018. In addition, the processing time between approval and disbursement has been reduced by over 50 per cent, moving from 23 months on average for projects approved in 2015 to 10 months on average for all projects approved up to and including 2018. In 2019, the Secretariat signed one FAA on the same day of receiving Board

approval (FP108). With this improved efficiency, 80–82 projects are likely to be under implementation by the end of this year compared to 40 projects as of the end of 2018, together accounting for over 70 per cent of the overall portfolio of GCF.

2.2 Overall recommendation 2

10. Overall recommendation 2 of the FPR is, "Develop a strategic plan that focuses the GCF on being a global thought leader and a climate policy influencer, and one that establishes its niche commensurate with innovation and impact."

11. As presented in the initial management response at B.23, a draft 2020–2023 Strategic Plan is currently being developed for consideration by the Board. This Strategic Plan builds on a clear theory of change and vision of the comparative advantage of GCF that is oriented toward delivering paradigm-shifting impact. This strategic planning process will consider relevant FPR recommendations and findings. It will also build upon the draft strategic programming document for the first replenishment presented at B.23, which included proposals to set (i) new strategic goals to enhance direct access, adaptation and private sector mobilized finance; (ii) a clarified approach to programming for greater impact; (iii) options to expand access modalities and diversifying instruments for innovation, leverage and impact; and (iii) leveraging and replicating knowledge. These are in line with the FPR recommendations.

12. The Secretariat notes recommendation 2.b, which calls "to consider informing the GCF niche after a review of evidence including that from science, evaluations and market assessments". As part of its first replenishment and strategic programming process, the Secretariat has started the development of sectoral guidelines and strategies which will support the future programming directions of the GCF based on an analysis of the latest science, country needs and financing landscape. In addition, in February 2019 the Secretariat established a new partnership of climate experts called Communities of Practice covering fourteen areas. The GCF Community of Practice will tap the expertise of globally renowned organizations to deliver climate knowledge in support of GCF activities and will play a crucial role in driving transformative actions in support of the GCF mandate. In creating this network, GCF is leveraging cutting edge climate knowledge to increase the impact of GCF climate finance investments.

2.3 Overall recommendation 3

13. Overall recommendation 2 of the FPR is, "Re-emphasize adaptation while recognizing (and leveraging) the role of new actors in mitigation (and their special needs), and strengthen the role of the private sector in an overall symbiotic ecosystem of financial instruments and modalities that enable better access, transparency and predictability for entities, and innovative solutions and global climate impact for countries."

14. Recommendation 3a highlights the need to balance the adaptation and mitigation share in nominal terms. The Secretariat supports the objective to better balance allocations between adaptation and mitigation in nominal terms by further catalysing private investment in adaptation. In line with the FPR, it recognizes that adaptation only accounts for 2 per cent of its private sector portfolio, and a key objective of the GCF private sector strategy for 2020–2023 will be to explore new modalities to better balance the GCF private sector portfolio. In this context it is important to recall that decision B.06/06 operationalizing the 50:50 balance mandates accounting in grant equivalent and not nominal terms. Accordingly, the Secretariat has reported against the 50:50 mitigation:adaptation goal in grant equivalent terms so far, which, as of B.23, showed a well-balanced GCF portfolio at 48 per cent mitigation:52 per cent adaptation.

15. The Secretariat endorses the FPR request to "consider reviewing the current compliance-driven culture in the Fund and provide incentives for increased innovation". Indeed, GCF has a high-risk appetite. Its risk management framework allows GCF to assume high risks through participating in junior tranches of investments and sub-debt, etc. The limits stipulated in the risk framework are not overly restrictive (e.g. limit on the amount of a single funding proposal at 10 per cent of the investible amount, thus allowing large amounts for a single funding proposal). Despite this flexibility, the Secretariat recognizes that GCF has yet to fully deploy the range of existing financial instruments to support highly innovative projects. The Secretariat has issued two requests for proposal (RFPs) for small and medium-sized entities (SMSEs) and for mobilising funds at scale (MFS) that demonstrate the strong demand for a co-financier with a greater risk appetite. Building on the rapid organizational development process of GCF, the draft 2020–2023 Strategic Plan envisages a much greater use of a mix of financing instruments to scale up climate investments. In addition, obtaining comprehensive privileges and immunities for GCF would allow room for GCF to reorient its compliance-based approach.

2.4 Overall recommendation 4

16. Overall recommendation 2 of the FPR is, "Clarify and re-examine the separation of supervision and management in the GCF and consider delegating authority to emphasize agency, responsibility and urgency in delivering on developing country climate needs (predictably, transparently, speedily, innovatively and with impact)."

17. The Secretariat welcomes IEU recommendation 4a for "the Board to consider delegating authority to the Secretariat for developing procedures, guidelines and standards for Board-approved policies, as well as for some investments". The Secretariat agrees that clarifying matters related to delegation of authority would increase the efficiency and effectiveness of GCF operations. However, given the nature of the recommendation, the Secretariat will need to be guided by the Board for further action. The Secretariat stands ready to advise the Board on possible areas for greater delegation of authority in operational policy development and portfolio development and implementation.

18. The Secretariat welcomes recommendation 4c requesting it to "Build a robust and transparent tracking, monitoring and information system that is publicly accessible". This issue has also been identified by the Secretariat and is projected to be implemented under the revised RMF currently under development and to be completed by B.24. The GCF tracking system will be implemented through the revised GCF RMF.

19. In response to recommendation 4d relating to policy overlaps and gaps, the Board closed some gaps at B.22 and B.23 by approving, inter alia: the investment criteria indicators by strengthening the investment framework; the Policy on Restructuring and Cancellation through the proposal approval process; the anti-money-laundering and countering the financing of terrorism standards; and the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment The policies on prohibited practices and anti-money-laundering and countering the financing of terrorism are scheduled for integration into the fiduciary standards, a process that will consolidate and streamline this related set of policies. Several policies have or are being reviewed to address matters arising in their implementation in the initial phases of GCF operationalization. For instance, reviews of the accreditation and investment frameworks and RMF are underway

20. In addition, the Secretariat, together with the Co-Chairs, proposed developing a four-year strategic policy agenda as part of the 2020–2023 Strategic Plan. The Secretariat, in collaboration with the Co-Chairs, will conduct a policy prioritization exercise in line with the Strategic Plan. This would allow for policy development, review and consideration by the Board to be in alignment with the GCF strategy.

21. Furthermore, the Secretariat has begun addressing some these issues within its authority, as described in the detailed responses in annex I.

III. Data and facts

22. The Secretariat provided timely support to the IEU throughout the FPR process to ensure the accuracy of data used for the evaluation and facilitate communications between the IEU and internal divisions. It also provided comments and feedback on facts and data in the draft synthesis report[2] and final report on GCF performance.

23. As part of the FPR, the IEU and Secretariat have followed the following process: (i) the IEU presented the FPR approach paper to the Secretariat Senior Management Team on 12 February 2019; (ii) the IEU shared an advanced draft synthesis paper with the Secretariat on 27 March 2019; (iii) the Secretariat presented an initial response to the advanced draft synthesis paper at the Oslo replenishment meeting on 4–5 April 2019; (iv) the IEU shared an annotated list of findings on 21 June 2019; (iv) the IEU shared a draft executive summary of the FPR with the Secretariat on 25 June 2019; and (v) the FPR was published on 1 July 2019.

24. The Secretariat provided comments and data corrections on an annotated list of findings and supporting data shared by the IEU on 21 June 2019. Many of these were addressed in the final report. However, a few elements are still subject to clarification or correction:

(a) The data cut-off point varies throughout the FPR document: end 2018 (IRM period), end February 2019 and end March 2019;

(b) The figures used in the FPR do not count multi-country and cross-cutting projects. It is important to note that some multi-country projects partially cover some least developed countries, small island developing States and African countries;

(c) The FPR does not cover the efforts made by the Secretariat to address some issues raised in the report, including strengthening project monitoring and evaluation and updating the RMF; working with countries and accredited entities (AEs) to improve project quality at entry; and implementing an updates strategy for phase two of the Readiness and Preparatory Support Programme strategy for 2019–2021, to mention a few; and

(d) There were several statements in the report that were not fully supported by evidence, for example the statement that "the existing set of GCF policies have significant overlaps, are unclear in their delegation of authority, have questionable climate value and contain significant gaps". We hope that a clear basis for findings can be provided in future reviews to allow management to respond accordingly.

25. It is important to note that there was an increasingly iterative process of engagement, which facilitated Secretariat understanding of the emerging findings and recommendations and allowed the Secretariat to share data and insights to inform the final report. This process was particularly important given that the Secretariat was working on critical strategic programming and planning processes for the Board and the replenishment process in parallel, which were to be informed by the FPR findings. We also note that for future replenishment and strategic planning cycles, scheduling the FPR earlier in this sequence would assist the strategic planning process.

[2] An IEU synthesis of available documents: Emerging areas for recommendations for the GCF Performance Review, 12 February 2019

Annex I: Detailed response to each finding of the Forward-Looking Performance Review of the GCF

No. of finding	Finding	Page	Comments	Secretariat position
1	Was the GCF fit for the purpose it was set up for?	21		
1.1	At the time of its establishment, the GCF aimed to fill gaps in the global climate finance space. These included a lack of predictable financial flows; insufficient use of non-grant instruments; a need to engage more with the private sector; a need for improved efficiency in accessing financial resources; and equal representation between developed and developing nations on the Board of the GCF.			Agreed
1.2	The design of the GCF follows the mandates established in the GI. Today the GCF functions with a Board, Secretariat, three Independent Units, and 84 AEs, NDAs or Focal Points in almost all developing countries. The GCF has responded to UNFCCC/COP.		As of its twenty-third meeting, the Board has approved a total of 88 AEs, of which 51 are direct access entities (DAEs). As of as of 31 July 2019, 61 accredited entities (AEs) have signed accreditation master agreements (AMAs), and 48 have effective AMAs and are ready to receive funds from GCF	Agreed
1.3	During the IRM, the GCF achieved several milestones that were required by the GI, in guidance from the UNFCCC and decisions by the Board. The GI sublimated many of the discussions going on in the international arena and provided for gaps that had been identified in the international climate finance arena.			Agreed
1.4	The GCF was fit for purpose at the time it was established, responding in its design to the GI. In its mandate, the GCF ambitiously focused on contributing to a paradigm shift towards low emission and climate-resilient development pathways.			Agreed

No. of finding	Finding	Page	Comments	Secretariat position
2	The GCF as an organization and funding programmes and instruments	23		
2.1	The Fund has a strong structure with strong representation and an equal voice from recipients and contributors. Key features of the GCF organizational structure including the Secretariat, as required by the GI, have been established and are working.			Agreed
2.2	The current business model relies heavily on NDAs and AEs. Its remit for working through direct access entities (DAEs) is matched by few other agencies. The effectiveness of NDA in engaging with GCF varies by country and is very much dependent on location, the mandate of the department, and their own capacities. CSO and PSO formal engagement at country and global level is limited, and there is no mechanism to formally participate for indigenous peoples and other vulnerable groups.		Although the GCF business model relies heavily on AEs, including private sector entities, the role and participation of civil society organizations (CSOs) and indigenous peoples is ensured through consultations done during project design and implementation. In addition, the Board meetings are attended by active observers, including representatives from private sector organizations (PSOs) and CSOs from developed and developing countries In addition, the GCF Indigenous Peoples Policy, approved by the Board in 2018, provides further opportunities to increase the participation of indigenous peoples and vulnerable groups. The Policy provides for the establishment of an Indigenous Peoples Advisory Group, one important channel by which indigenous peoples can formally participate, particularly at the global level	Partially agreed
2.3	Progress against the Secretariat's work programme, as presented by indicators, seems to have been generally satisfactory in many areas. However, many targets have not been achieved due to reasons that are internal and external to the Secretariat.		The Secretariat notes that for 2018, 87 per cent of the Secretariat work programme's key performance indicators has been achieved. The Secretariat work programme does include targets whose achievement are dependent on external factors, including inputs from the Board and AEs. The Secretariat reports to the Board periodically on its achievements against key performance indicators, including reasons for delay or challenges	Partially agreed

No. of finding	Finding	Page	Comments	Secretariat position
2.4	Some critical decision-making processes – particularly for accreditation, project cycle and strategy/policy development – are still unclear, which has caused significant inefficiencies in the Secretariat's processes and frustration among GCF external stakeholders.		As GCF is still a young organization, we recognize that GCF policies and processes are still evolving and not always well understood by stakeholders. As part of its effort to simplify operating modalities and funding access, the Secretariat has been taking a range of steps to improve processes and performance, including project cycle mapping, the review of the Secretariat's second-level due diligence, support for the Board's review of the accreditation framework and the strengthening of project-level results management. In addition, the Secretariat is currently finalizing many documents to guide AEs, national designated authorities (NDAs) and other stakeholders in GCF operations, including: a funding proposals manual, readiness guidebook, 14 sets of sectoral programming guidelines, and manuals on development programming, operations and policy. Stabilizing the GCF policy frameworks would aid these efforts	Agreed
2.5	Secretariat staff do not feel that they have the agency to make decisions or take on more responsibilities without the concern that their authority and decisions will be overturned or marginalized at Board meetings. This is one of the contributing factors for lack of initiative among Secretariat staff.		As noted above, the Secretariat is taking a range of measures to streamline internal processes and further clarify the division of responsibilities across divisions. It would welcome greater codification of responsibilities among the different GCF governance, accountability and operational entities	Agreed
2.6	The GCF currently offers a wide variety of funding instruments, and these are more diverse than in any other comparable fund. In their design at least, requests for proposals (RfPs) have the potential to help the Fund be more strategic. However, strategies and guidelines on when to use RfPs are missing which has, in turn, caused the Fund to underutilize many of the non-grant instruments.		It is important to note that grants and loans have been deployed in almost equal shares, but equity and guarantees are underutilized. As part of programming directions for the first replenishment period of the GCF (GCF-1) and the private sector strategy, the Secretariat has proposed diversifying instrument to maintain its grant share of funding but shift from concessional lending to a greater use of risk mitigation instruments.	Agreed

No. of finding	Finding	Page	Comments	Secretariat position
			Also, the requirement for accreditation has been a primary constraint on the deployment of requests for proposal (RFPs), rather than the availability of financial instruments	
3	Were the GCF's initial strategic plan and investment criteria adequately defined?	44		
3.1	The Initial Strategic Plan was fit for purpose, flexible and responsive to the aspirations of the GI. The ISP was more aspirational than operational, and the action plan and operational principles derived from it provided the GCF with a multiplicity of priorities.		The Secretariat agrees that the initial Strategic Plan was fit for purpose by the time it was adopted, but that a more comprehensive and prioritized strategic plan is now needed for GCF. The Secretariat is developing a draft 2020–2023 Strategic Plan for the Board's review at its twenty-fourth and twenty-fifth meetings.	Agreed
3.2	Having to respond simultaneously to all key principles and priorities in the GI, ISP, action plan and operational principles creates tension and conflicts and resulted in processes that are perceived as insufficiently predictable and transparent.			Agreed
3.3	The limited set of targets and measurable indicators included in documents related to the ISP has made it difficult to assess GCF performance and resulted in limited reporting on targets. Of those that were specified, several have been partially achieved.		The Secretariat agrees that the initial Strategic Plan included limited targets and measurable indicators. In its "Report on the implementation of the initial Strategic Plan of the GCF: 2015–2018", the Secretariat accordingly reported progress in more qualitative terms while noting that more concrete targets or goals would be beneficial for calibrating future GCF performance. The Secretariat proposes including more measurable goals along with an integrated results and resources management framework as part of the draft 2020–2023 Strategic Plan	Agreed
3.4	The ISP, action plan and operational principles do not demonstrate that they were developed based on evidence; for example, the evidence from the IPCC reports, evidence from independent			Agreed

No. of finding	Finding	Page	Comments	Secretariat position
	evaluations of other relevant and similar climate funds, and evidence from market research have only marginally informed these documents.			
3.5	The investment criteria are linked to the higher-level strategic vision of the GCF, as well as to the action plan and operational priorities. As a result, they are very broad and not well defined.		While noting that the six investment criteria are aligned with the high-level vision of the initial Strategic Plan, the Secretariat has also used them to assess the requests for GCF funding and ensure that projects fully meet GCF investment objectives and standards The Secretariat has taken a range of steps to better define how it applies the investment criteria in a transparent and consistent way to assure the quality of funding proposals presented to the Board. This includes developing a comprehensive investment criteria scoring (ICS) tool to improve the consistency of funding proposal assessments as well as issuing sectoral guidance to highlight opportunities for transformational action and good project design practices We recognize that there is still a need to clarify some criteria, including measuring paradigm shift and transformational adaptation. These are being considered as part of the strategic programming for the first replenishment The Secretariat will work under the guidance of the Board to identify options to improve the application of the investment framework during 2020 in parallel with the development of an updated results management framework (RMF) and ICS tool 2.0	Partially agreed
3.6	In practice, several investment criteria are treated as minimum requirements for projects and programmes rather than criteria to inform selection and prioritization.		The Secretariat does not differentiate between the different investment criteria as being either minimum requirements or tools for selection and prioritization. In the first instance, the Secretariat reviews and provides feedback on whether a funding concept or proposal presents clear logic for	Disagree

No. of finding	Finding	Page	Comments	Secretariat position
			delivering climate impact in response to a developing country's identified mitigation and adaptation priorities. The Secretariat then applies all investment criteria in conducting its second level due diligence before making a recommendation to the Board. The Senior Management Team takes into consideration ICS outputs while identifying the proposals to be submitted to Board for approval. The Secretariat endeavours to continuously improve its internal review process to provide clarity on how funding proposals are assessed against the investment framework. The review of the Secretariat's second-level due diligence conducted in 2019 has identified areas for improvement, which will be implemented under GCF-1	
3.7	Despite being central to the mission of the GCF, the investment criteria do not give sufficient weight to the climate dimension.		The investment criteria do allow for assessment of the climate dimension of projects, particularly under the impact potential and paradigm shift potential criteria. However, they do not specify how climate impact or paradigm shift should be assessed, and the six investment criteria are not weighted. The AEs are requested to provide an estimate of the potential impact (carbon dioxide avoidance or number of beneficiaries) as part of the funding proposal request	Partially agreed
3.8	A key investment criterion, paradigm shift potential, is both a criterion and a principle in the GI which has the potential to create circularity. Unclarity around the definition of paradigm shift can lead to perceptions of non-transparency and arbitrary decision-making.		As presented in the Secretariat report on the implementation of the initial Strategic Plan at the twenty-second meeting of the Board (B.22), we agree that there is a need for a better approach to defining its impact and paradigm shift objectives, as well as assessing, measuring and accounting for impact, both in quantitative terms and through its effectiveness in promoting innovation, scale and transformation. Accordingly, the Secretariat has developed an internal tool to quantify the paradigm shift potential as part of the investment criteria scorecards, which is applied to all projects starting from B.23. There is also an opportunity for the GCF to contribute to filling wider	Agreed

No. of finding	Finding	Page	Comments	Secretariat position
			knowledge gaps in defining and measuring adaptation impact and paradigm shift, which will be key in enabling the GCF to meet long-term impact objectives, including in the update of the GCF RMF	
4	GCF policies	61		
4.1	The GCF has approved a set of more than 50 policies, frameworks and procedures based on global best practices, which has helped significantly the GCF to become operational during the IRM. However, the existing set of GCF policies have significant overlaps, are unclear in their delegation of authority, have questionable climate value and contain significant gaps.		The evidentiary basis for the conclusion, particularly around having questionable climate value, might need to be expanded as no comprehensive impact assessment of the GCF policy set has been conducted yet Policies developed for the initial resource mobilization (IRM) period were intended to enable GCF to begin operations as soon as possible and have been successful in this regard A good number of policies have been or are being reviewed to address matters arising in their implementation in the initial phases of the GCF operationalization (including the accreditation framework, investment framework and results managements framework) The Secretariat also proposes to include a four-year policy agenda as part of the draft 2020–2023 Strategic Plan, which would introduce impact assessments of the set of GCF policies and facilitate a strategic approach to policymaking considering the overall priorities of GCF	Requires clarification
4.2	Some AEs have indicated that compliance with GCF policies has improved their safeguards. However, many AEs, particularly DAEs, have articulated concerns with the investments and capacities required to be compliant with GCF policies.		As part of the GCF effort to support DAE accreditation, the Readiness and Preparatory Support Programme (Readiness Programme) supports the capacity-building of DAEs (in closing accreditation conditions, addressing institutional challenges and supporting pipeline development). With the revised Readiness Programme, GCF support to DAEs is expected to increase The Accreditation Panel (AP) provides support to accreditation applicants through Stage 2 of the accreditation	Agreed

No. of finding	Finding	Page	Comments	Secretariat position
			review process to ensure that applicants are in a position to understand and use the GCF policies, when accredited, or apply for relevant support (potentially via the Readiness Programme) On the safeguards, the requirements for projects are scaled according to the risks associated with the projects. In this way, the level of resources and the capacity needed to meet the requirements remain proportional to the overall level of risk In addition, policy guidelines and guidance notes are developed to ensure that policy requirements are predictable and understood at the earliest stage and thus avoid unnecessary costs	
4.3	For a relatively young organization such as the GCF, applying the current set of policies has affected efficiency and effectiveness, had implications for entities that want to participate, and proved difficult for implementation on the ground. Several AEs view the current set of policies as burdensome, which in turn has contributed to GCF gaining a reputation as non-transparent and unpredictable.		See comment 4.1 and 4.2. The Secretariat considers that introducing more regularized impact assessment into proposed policies and policy reviews would assist in striking a balance between the positive standard-setting effects of GCF policies while minimizing undesirable consequences in burdening AEs and implementation processes	Agreed
4.4	Several policies do not consider the GCF business model, which relies on the implementation of investments through AEs and under national/subnational conditions, including policies.		It is unclear what policies this finding refers to. The implementation of funded activities according policies and guidelines approved by the Board are to be implemented by AEs or by readiness delivery partners, and this is in line with the current GCF current business model	Requires clarification
4.5	The approval of rights-based policies represents emerging best practices within climate finance, which has the potential to contribute to a paradigm shift for the GCF in the global context of climate change policies. Notwithstanding this,		The Board, through decision B.19/06, requested the Secretariat to develop an integrated approach to address policy gaps and consider their inter-linkages for the Board's consideration, including steps to enhance the climate rationale of GCF-supported activities. This sets the stage for	Agreed

No. of finding	Finding	Page	Comments	Secretariat position
	GCF policies lack a discussion on climate, such as how policies and suggested practices relate to climate-related investments and the mandate of the GCF.		more in depth inclusion of climate-related issues in GCF work	
5	Accreditation	73		
5.1	Accreditation is an essential part of the GCF business model, and the GCF relies on AEs for delivering its mandate and implementing its investments in countries.		No comment	Agreed
5.2	Of the Board-approved 84 entities, 43 have effective AMAs and are ready to implement GCF projects, and the other 41 are currently negotiating their AMAs or awaiting legal effectiveness. This has not led to the anticipated portfolio of effective entities given the low number of DAEs with funded projects.		Of the 88 Board-approved entities as at 7 August 2019 (51 DAEs), 61 AEs have signed AMAs and 48 AEs have effective AMAs, of which 28 are DAEs Since B.09 (first accreditation decisions) and up to and including B.17, submission of funding proposals by AEs and approval by the Board was not contingent upon having a signed or effective AMA; the funding proposal approval process and AMA negotiations could be conducted in parallel. Since the adoption of decision B.17/09, para. (d)(i), the Board requires that AEs must have a signed AMA (effectiveness not required) in order for those funding proposals to be considered for approval. This is over half of fully accredited AEs. Accordingly, the Secretariat does not observe a clear correlation between AMA execution and the number of DAE projects, and considers that further examination into the low number of DAE projects in the portfolio is required	Disagree
5.3	The scope of the accreditation process as defined by the GI is focused on fiduciary standards, ESS and gender capacities of the entities. It is not mandated or equipped to assess capacity.		The overall GCF due diligence process is twofold: accreditation to assess institutional capacities against certain GCF standards and then the project approval process to assess individual projects/programmes against GCF	Partially agreed

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			standards. The accreditation process, as defined in the guiding framework adopted in decision B.07/02, indicates that entities will be assessed for their institutional capacities (e.g. systems, policies and procedures) and track record against the GCF fiduciary standards, environmental and social safeguards (ESS) standards and gender policy (decision B.09/11). The accreditation framework and annex V thereto further creates and details the role of the Accreditation Panel, an independent technical panel of six members appointed by the Board who are responsible for assessing entities' capacities against these GCF standards. The outcome of the institutional capacity assessment during accreditation is provided in recommendations that are submitted to the Board regularly at each meeting for its decision on whether to accredit those entities In cases where there is an institutional capacity gap in meeting GCF standards in accordance with the accreditation framework, the Accreditation Panel may propose, and the Board may adopt, conditions of accreditation. For DAEs, they may seek support from their NDA(s) through the Readiness Programme to help in fulfilling those institutional capacity gaps. The updated accreditation framework most recently submitted for the Board's consideration, but not yet adopted (document GCF/B.23/05), further strengthened the link with the availability of the Readiness Programme (subject to the NDA request) for strengthening institutional capacities of DAEs, including applicants seeking accreditation and those already accredited. Should the updated accreditation framework be adopted, the Secretariat would be in a position to implement this strengthened linkage for readiness to support institutional capacity-building and the accreditation of DAEs	

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5.4	The FPR concludes that accreditation, in its present form, is not fit for purpose, for three main reasons: a) a slow, unpredictable and not fully transparent process; b) a backlogged pipeline which presents reputational and operational risks; c) the accreditation process is mostly a one-size-fits-all model. It does not sufficiently differentiate by type of country, entity or project, with respect to compliance with GCF policies.		The Secretariat agrees that accreditation in its present form is not optimized and that significant efforts are required to improve access to the GCF. However, accreditation has allowed the GCF to successfully programme 111 projects and over USD 5 billion of funding over its first 4.5 years of operation and played a role in building institutional capacity to channel GCF and climate finance The improvements concerning the role and responsibility of AEs and efficiency and effectiveness in the accreditation process have been requested in the updated accreditation framework, which has been under consideration by the Board since B.19 and will be considered at B.24. The decisions sought not only aim to improve the current institutional accreditation process, but also to establish a new, more fit-for-purpose approach to accreditation that is project-, entity-, and country-specific: the project-specific accreditation approach As indicated in the response to item 5.3, the institutional accreditation framework and the fit-for-purpose approach (decision B.08/02) are fit-for-purpose at the institutional level wherein categories of types of entities are assessed according to three fiduciary functions, four size categories and three ESS levels. Based on the GCF fiduciary standards, ESS and gender standards, entities may be recommended and accredited for different combinations of accreditation criteria. Within the accreditation scope of each AE, the AE can present a variety of funding proposals for GCF consideration. Differentiation of GCF standards by type of project and country are relevant at the funding proposal stage once an entity is accredited, since they are case specific In addition to the different accreditation scope combinations that an entity may be accredited for, flexibility is further	Agreed

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			provided in terms of conditions of accreditation where the entity does not yet have systems, policies, procedures or a track record in place to fully meet GCF standards at the time of accreditation	
5.5	Currently, the accreditation process provides a few different tracks for accreditation. Entities that have been accredited by other climate funds are considered priorities by the Board and are expected to implement different sizes of projects in different ESS categories.		The Board decisions on the fast-track accreditation approach and the prioritization of certain types of entities are independent of one another. For example, an entity that is fast-tracked under accreditation is not automatically prioritized by GCF. Entities may qualify under both, one, or none of these Board decisions. In addition, all entities that are accredited are assessed to have capabilities to deliver on projects in different size categories or ESS levels. This is also not dependent on whether the entity has been assessed under fast-track accreditation or prioritized Decision B.08/03 and related decisions establish a fast-track accreditation approach whereby the GCF accreditation process may, in lieu of conducting its own assessment, rely upon the accreditation or similar due diligence assessments conducted by the Adaptation Fund, Global Environment Facility and Directorate-General for International Development and Cooperation of the European Commission. This applies only to certain aspects of GCF fiduciary standards, ESS and gender standards for which the other institutions' standards have been found to be comparable to those of GCF The Board has taken decisions (most recently decision B.23/11, para. (b)) to prioritize certain types of applicant entities, including national DAEs of countries that do not yet have a national DAE; private sector entities; and entities responding to RFPs issued by the GCF. Priorities have also been established regarding AEs	Agreed
6	The GCF business model	89		

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6.1	The essential design and elements of the GCF business model are still valid. The critical challenge for the Secretariat is to ensure that implementation is efficient and effective.		As highlighted in the initial response by the Executive Director at B.23, the Secretariat has taken many steps to improve its operational efficiency under the current business modal. Key aspects of the GCF business model are currently under Board review, including the accreditation framework, investment framework, modalities of the Private Sector Facility (PSF) and RMF	Agreed
6.2	The GCF, through implementing its business model, has fulfilled several expectations in the GI in only four years, since the approval of the first set of GCF projects in 2015. The implementation of the business model, however, is not sufficiently predictable or transparent.		While we recognize that there is room for improvements in the current business model implementation, we would appreciate further elaboration on the transparency issue raised in the Forward-Looking Performance Review (FPR)	Partially agreed
6.3	There needs to be more clarity in the roles and responsibilities of key actors with respect to the processes involved in implementing the business model.		The Secretariat is aware of the need to clarify the roles and responsibilities of GCF stakeholders, including the Secretariat, AEs and NDAs. Under the leadership of the Executive Director, the Secretariat has developed a GCF theory of change to better explain the vision of GCF for achieving paradigm shift and how it can achieve key outcomes relating to transformational programming, innovative and catalytic investment and knowledge generation. This is intended to help guide GCF activities and operations as well as facilitate a better understanding among stakeholders of the GCF operating logic In addition, the Secretariat has conducted an exercise to map the second-level due diligence process and clarify the scope and objectives of Secretariat due diligence relative to those of AEs, as well as work to clarify the roles of all stakeholders involved in the project design	Agreed
6.4	The GCF business model is characterised by a compliance-driven culture (particularly within		We do agree that GCF currently relies on a legal rather than political approach to risk management. However, the RMF stipulates that GCF has a high-risk appetite. It allows GCF to	Agreed

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	the accreditation and project cycle) with limited room for risk-taking.		assume high risks through participating in junior tranches of investments, sub-debt, etc. The limits stipulated are not overly restrictive (e.g. limit on the amount of a single funding proposal at 10 per cent of the investible amount, thus allowing a large amount for a single funding proposal) In addition, a wider privileges and immunities for the GCF would allow room for GCF to reorient its compliance-based approach	
6.5	There is a tendency to implement the business model as a "one-size-fits-all". In practice, requirements to comply with policies, standards and procedures infrequently differentiate among different types of entities, project objectives, financial instruments and country capacities and contexts.		The review of the scope, nature and extent of the second-level due diligence conducted by the Secretariat recommends a set of reviews for various types of instruments, AEs and project contexts. The Secretariat is currently working on an approach to implement these recommendations to gain efficiency and effectiveness	Agreed
6.6	There are insufficient incentives in the business model to induce a one-GCF business model approach to solutions. The business model has so far not yielded processes that are solutions-driven. It has instead yielded workstreams that are characterized by instruments and modalities. Each of the parts play a disjointed role.		There is increasing use of inter-divisional teams within the Secretariat. An example of this is the team that works on the simplified approval process, the Project Preparation Facility (PPF) and the national adaptation plans. The recent project cycle mapping led to the updating of the organigrammes of GCF programming divisions to facilitate inter-divisional cooperation. The forthcoming private sector strategy should further harmonize synergies between the sectoral organization of the Division of Mitigation and Adaptation and the instrument focus of PSF	Partially agreed
6.7	The implementation of the business model at the country level is frequently centrally managed and operated by the national government, with diminishing participation and inputs from stakeholders that are located far from the capital.		As highlighted in the management response to the Independent Evaluation Unit (IEU) report on the Readiness Programme (GCF/B.22/03.Add.01), it is up to each country to decide which ministry/agency to nominate as mandated by the Board; hence this is out of the Secretariat's hands	Agreed

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			Readiness resources are available to NDAs for wider stakeholder engagement and consultations. In addition, the revised Readiness strategy, as approved by the Board at B.22, allows for the deployment of capacity-building assistance to non-governmental actors to strengthen their ability to interact with GCF-relevant bodies and processes at the national level	
6.8	The GCF portfolio is not as balanced as anticipated (in nominal terms between adaptation and mitigation; IAEs versus DAEs), primarily due to employing a supply-driven approach to projects		The Governing Instrument for the GCF and the initial Strategic Plan only state that there should be a "balance" between mitigation and adaptation, but there are no targets or definitions. The 50/50 target was established in Board decision B.06/06, and it stated that "all allocation parameters should be determined in grant equivalents." Therefore, whenever there is a comparison between the GCF portfolio and those targets, it should only be in grant equivalent terms, not other metrics (e.g. per cent of projects, nominal funding amounts) As of B.23, the GCF portfolio is well balanced in grant equivalent terms (48 per cent mitigation: 52 per cent adaptation as of B.23) In addition, please note that there is no quantitative target in the IRM in terms of IAEs/DAEs. The Secretariat is continuously looking for approaches to enhance direct access in line with Board priorities (Decision B.12/20).	Partially agreed
7	Performance			
	1. Efficiency and effectiveness	101		
7.1	Of the USD 7.1 billion of available resources, the GCF has committed USD 5.9 billion (83 per cent of available capital) to projects, programs including readiness and PPF, administrative expenses and projects fees.			Agreed

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7.2	At an average of 0.45 per cent of available pledged contributions in costs annually the GCF has operated cost efficiently to date, and with current administrative cost projections of 1.2 per cent annually it will continue to do so. (This excludes AE fees, which are currently at USD 132 million for 55 FAA executed projects.			Agreed
7.3	While the Secretariat is learning and improving as time progresses, the legacy of the Fund's decisions in its early years is affecting its current effectiveness		Clarification is needed on the GCF decisions IEU is referring to From the monitoring and evaluation (M&E) and the portfolio management perspective, the legacy of some of the GCF decisions in early years (projects approved, framework gaps, etc.) has had some impact on the current effectiveness of the GCF. However, this is to be expected for a start-up institution. As a learning institution, GCF is responsive and, within a short time, is changing how things are done (hiring the right staff, revising funding proposal log-frames through funded activity agreements (FAAs)) in its quest towards effectiveness improvements	Partially agreed
	2. The project cycle	102		
7.4	Despite an increased utilization of the RPSP since 2017, the capacity of NDAs remains a challenge in developing country work programmes.		While we do agree that despite the support of Readiness Programme, many NDAs in least developed countries (LDCs) and small island developing States (SIDS) still face capacity challenges. However, there are many NDAs who have benefited considerably from Readiness Programme support and have increased their capacities Over 110 countries have accessed the Readiness Programme for NDA strengthening to date. During this same timeframe, the Board has adopted new policies with additional mandates and demands on NDAs to oversee at the national level. The Secretariat has deployed regional advisors on a consultant basis to provide additional support for NDAs. In	Agreed

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			addition, services of three consortia of firms have been procured using Readiness Programme resources to provide targeted technical assistance to NDAs to help them produce robust country programmes to drive their engagement with GCF Under Readiness 2.0, the Secretariat has taken remedial measures to improve the use of the Readiness Programme for the capacity-strengthening of NDAs and countries, including, among other things: (i) on-demand technical assistance for NDAs facing difficulties in developing quality national adaptation plan proposals; and (ii) expansion of direct support to NDAs as contained in Readiness 2.0 (Readiness and Preparatory Support Programme: Strategy for 2019-2021, GCF/B.22/08).	
7.5	The RfPs have been insufficiently effective in generating viable funding proposals; out of USD 1.3 billion available for four RfPs, only USD 166.5 million was approved and USD 28.6 million disbursed.		We partially agree that the MSME and MFS RFPs, as initially designed, did not generate the amount of funding proposals as expected due to the complexity of certain transactions. However, the Secretariat has learned from these RFPs and will use this to improve the design of future RFPs. It should be noted that only RFPs under the PSF have experienced challenges in generating funding proposals. Given the complexity of the transactions under MFS, the Secretariat has been actively working with countries and AEs to structure projects under this RFP, and the first project was approved at B.23	Partially agreed
7.6	The Project Preparation Facility (PPF) has been underutilized in improving the quality of funding proposals and balancing the portfolio.		Although the PPF has been generally effective in generating funding proposals from DAEs and some IAEs, we do recognize that the level of PPF utilization is low and should be improved. Out of a total of USD 40 million approved for PPF as of May 2019, 21 applications for PPF finance have been approved for a total of USD 13.6 million. It should be noted that 70 per cent of active PPF submissions and	Agreed

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			approvals are for DAEs versus 30 per cent for international access entities (IAEs). The Secretariat is working on ways to strengthen GCF project preparation as part of preparing for the first replenishment of GCF. Some of the challenges to be addressed include the limited number of DAEs seeking PPF support, limited time and expertise of AEs (especially DAEs) to present strong concept notes and funding proposals and the time it takes for AEs to access and implement PPF funding for funding proposals The PPF process itself has been effective for developing project concept notes that can be cleared for further advancement based on the GCF investment criteria. As at 15 July 2019, 100 per cent of active PPFs with cleared concept notes have been either approved or close to approval pending responses to final comments. The bottleneck preventing more approved PPF applications is the readiness of AEs (and particularly DAEs) to submit concept notes of sufficient quality (as defined by the GCF investment criteria) for Task Managers in the Division of Mitigation and Adaptation and PSF to be able to clear them as being ready to receive investment from the PPF for development into full funding proposals. This is particularly challenging for DAEs who have limited capacity in designing climate projects. To address this bottleneck that is upstream from PPF financial support, the PPF has been supporting DAEs in preparing to submit adequate concept notes by providing focused technical assistance (TA) upon DAE request from independent consultants. The independent TA provided has generated positive feedback and has led to several cleared concept notes associated with approved PPF applications. The PPF will expand the capacity of the TA function to cover a greater range of sectors	

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7.7	The project cycle is generally perceived as bureaucratic, lengthy and insufficiently transparent.		Although the GCF initial proposal approval process (PAP) is well documented and provides a step-by-step process for AEs and NDAs, it may be perceived as complex and lengthy by GCF stakeholders. To provide clarity and improve the approval process, in 2019 the Secretariat has taken a range of steps to improve processes and performance, including a project mapping cycle (completed), a review of Secretariat second-level due diligence (completed), deepening of organization design (completed) and strengthening of project-level results management (ongoing) The Secretariat will organize learning sessions with AEs and NDAs to further disseminate the PAP and the internal organization design	Agreed
7.8	While it is too early to tell if the Simplified Approval Process (SAP) will improve timelines, the approval time for the six approved SAP projects was similar to FPs (eight months versus nine months respectively), and SAP proposals go through similar channels as FPs		While the overall approval times do not seem to have significant differences between SAP and regular funding proposals under PAP, these figures (eight versus nine months for SAP and PAP, respectively) are based on a few SAP entries. At the early stage of the SAP, two regular funding proposals were “converted” into SAP, and the implication is that these two proposals skewed the overall average approval time for SAP. If those outliers are removed, the average approval time is six months, which is three months less than for regular proposals The SAP is currently in its pilot phase. It is testing procedures and learning how to further increase the efficiency of the approval, review and disbursement stages. On another note concerning the SAP, there is information that should be corrected on page 34 of the FPR: “This pilot was approved with decision B.18/06 with a budget of USD 80 million.” The USD 80 million refers to the trigger for the SAP review, not to a budget specifically allocated to SAP	Partially agreed

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7.9	Project decision-making by the GCF is perceived as insufficiently predictable and in some cases influenced by political considerations.		See comment 2.4	Agreed
7.10	At an average of 12 months for currently effective projects, post-board approval processes to reconcile legal concerns are too lengthy and are a barrier to project implementation. Many drivers for this are largely outside of the control of the legal team at the Secretariat.		The development of template legal agreements negotiated with the AEs, the better understanding of the GCF policy requirements by the AEs and the improvement in the quality of funding proposals have demonstrated that the post approval process can be more efficient. One example of this is FP108 approved at B.23, where the FAA was negotiated before the Board's review of the funding proposal and was signed a few hours after the Board had approved the project It is important to highlight that the Secretariat has dramatically reduced the processing time for FAAs over recent years. The processing time between approval and effectiveness of FAAs has been reduced by more than half from 21 months on average for projects approved in 2015 to 7 months on average for all projects approved up to and including 2018, and the time between approval and disbursement has been reduced by over 50 per cent, moving from 23 months on average for projects approved in 2015 to 10 months on average for all projects approved up to and including 2018	Agreed
7.11	The portfolio: The GCF has 102 approved projects in 63 per cent of developing countries and 67 per cent of LDCs, SIDS, and African States. In all regions, over half of developing countries have GCF projects. In Latin America, each GCF-funded country has received on average USD 40 million, while in Africa, GCF has approved USD 58 million on average for each country it has supported.		No comment	Agreed

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7.12	The GCF portfolio is not as balanced in terms of targets or access modalities as anticipated in the GI, ISP and Board decisions.		We partially agree that IRM targets defined in decision B.06/06 are not fully met as of B.23. However, it should be noted that the IRM targets are set to be met over time In addition, it should be noted that B.06/06 states that allocation parameters, including the mitigation-adaptation balance, shall be determined in grant-equivalents As of B.23, the GCF portfolio is well balanced and aligned with IRM targets (48 per cent mitigation:52 per cent adaptation as of B.23) In addition, in line with Board decision B.21/14 on the approach to financial planning of the GCF pipeline for 2019, the Secretariat has taken steps to implement the financial planning approach by introducing a regular pipeline review at the senior management level that focuses on screening the alignment of funding proposals with the GCF investment criteria, portfolio resource allocation objectives and available financial resources. Portfolio-level performance and financial planning parameters are also being tracked in relation to each batch of funding proposals being submitted to the Board for consideration in order to be aligned with IRM targets	Partially agreed
7.13	The GCF is in a position to better leverage the range of financial instruments at its disposal; 88 per cent of total GCF financing for current projects is either a grant or a loan (or a combination); equity, guarantees and result-based payments are only utilized in nine projects.		The Secretariat is considering different options to provide funding using all types of instruments available for countries. The first pillar of the proposed private sector modalities recommends that the GCF adjust its risk-taking approach to deliver greater impact. A more risk-based approach calls for diversification in the use of financial instruments currently available to the GCF by increasing the use of equity in innovative modalities and financing structuring in the short term, while considering additional long-term financing instruments	Agreed

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7.14	The expected co-financing ratio is low at USD 2.5 for every USD 1 of GCF funding.		The Secretariat notes that GCF does not have a defined co-financing ratio target. While the ratio of USD 2.50 to USD 1.00 may be assessed as low relative to some other funds, this assessment does not factor in the specific role of the GCF in funding projects that demonstrate innovative models and are less likely to attract co-financing from conventional sources. Different co-financing and mobilization rates should be expected from different types of fund investments In the proposed private sector strategy and the strategic programming for the first replenishment, the Secretariat has included options for examining the use of various financial instruments and generating higher co-financing and mobilization for certain types of investments, while recognizing that other types of investments may continue to attract limited co-financing	Partially agreed
	3. Responsiveness to the UNFCCC during the IRM	102		
7.15	The GCF Board has annually reported to the UNFCCC as mandated. The GCF, through time, has addressed COP guidance by approving a policy or a budget, for example.			Agreed
7.16	The GCF has addressed most UNFCCC requests in their expected timeframe and has done so in an increasingly efficient manner, as its capacity to respond has increased.			Agreed
8	Private sector	131		
8.1	By mandate, the GCF has the strongest private sector focus of the multilateral climate finance funds and the best ability to scale projects through its flexible suite of financial instruments.			Agreed

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8.2	In reality the GCF's private sector engagement is constrained by factors including: a) a reactive business model; b) the lack of engagement with DAEs; c) the length of project approval and legal assessment timelines; d) the perceived lack of predictability by private sector actors.		With respect to the PSF, the Secretariat welcomes the finding and agrees that the private sector should "use the high-risk mandate appetite of the GCF to finance pioneering and replicable projects; shift its focus from financial instruments to sector solutions; invest in more active engagement with national and international commercial banks and institutional investors with the aim of unlocking capital and encouraging private (co)-investment at scale." Indeed, the proposed modalities of PSF under preparation recognizes the need to: (i) enhance the engagement of the private sector on GCF activities, in particular in adaptation and non-energy related mitigation result areas; (ii) engage the whole of the financial system as well as MSMEs in developing countries to support climate actions and a paradigm shift towards low-emission and climate-resilient development; and (iii) deliver impacts for the most vulnerable and organizations at the bottom of the pyramid As outlined in B.23/12/Add.01, the private sector engagement of GCF is constraint by factors that go beyond the list mentioned here. To explain the complete picture, it is paramount to recognize (1) the distinct contrast between the GCF origination approach and private sector practices; (2) the limited understanding of NDAs of the role of the private sector; (3) the sometimes misaligned incentives of AEs; (4) a private sector accreditation process that is not fit for purpose; (5) the limited ability of GCF to effectively use all the financial instruments available (especially guarantees); (6) lack of broad capital markets in many developing countries; as well as (7) often weak private sector-friendly enabling environments	Agreed
8.3	The GCF's AEs predominantly consist of publicly owned and/or funded (international)		PSF has relied on the AE model, and in the initial years of operationalisation, most of the AEs were large development finance institutions with significant private sector	Agreed

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	development banks. So far, the PSF has effective project from only one commercial private AE		operations such as Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden (FMO) (mostly private sector) and the European Bank for Reconstruction and Development (EBRD) (private sector and sub-sovereign). However, the first PSF projects with the private sector were with Deutsche Bank (DB), an AE focused on the provision of equities, and XAC Bank (a local or direct access private sector entity) and all the projects were directed to private sector beneficiaries. In the time period, PSF, in partnership with the Division for Country Programming (DCP), has advanced the accreditation of many private sector entities and has supported the expansion of its engagement with the private sector through modalities such as mobilization of finance at scale, where over 80 per cent of the participants were private sector	
8.4	Despite its high-risk appetite, it has been challenging for the PSF to get private sector adaptation projects through the Fund's AEs. This has resulted in only two per cent of PSF funding for adaptation, despite a large need for investments.		Initially, the Secretariat (PSF) had been more reliant on what the AEs present, but has now started to be more proactive by developing a strategy for the private sector and for adaptation as per the PSF modalities package In addition, the current PSF pipeline consists of 5 adaptation projects out of 75 in total. Based on recommendations from the Private Sector Advisory Group, the Secretariat will request the Board to approve an RFP focused on adaptation under the first replenishment, hence supporting an increase in private sector-oriented adaptation projects The Secretariat understands the need to be more proactive in mobilizing the private sector for adaptation. This has been considered in the development of the private sector strategy presented at B.23. This work precedes the independent review of IEU. Some of this analysis was shared with IEU during the consultation for the FPR	Agreed

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			In line of the lessons learned from the IRM, the Secretariat will increase its efforts to more proactively develop an adaptation pipeline Current collaboration with DCP in the review of adaptation planning proposals is enabling the Secretariat to strengthen private sector engagement during the implementation of these adaptation plans. This could lead to a potential buildup of the private sector adaptation pipeline	
8.5	Several current PSF projects insufficiently match the Fund's expected level of additionality. This is underlined by the fact that the PSF has so far funded a considerable number of projects from development finance institutions.		All GCF-funded projects including from PSF are assessed against the six investment criteria and hence are aligned with climate impact and paradigm shift criteria. All projects submitted by AEs, including the development finance institutions, should demonstrate GCF additionality prior to Board consideration	Partially agreed
9	Likelihood of results	141		
9.1	The GCF will not be able to fully measure its impact and effectiveness due to gaps in FPs' M&E frameworks and lack coherency and climate specificity in its log frames.		In the context of the independent RMF review by the IEU, the Secretariat has provided a management response with an action plan to address the measurement issues and strengthen Secretariat capacity on M&E. For instance, the Secretariat will present an M&E gap assessment at B.24 and implement follow-up actions to the extent possible Additionally, the Secretariat is in the process of developing a new integrated results management framework that is expected to address the identified gaps and allow for the coherent monitoring of climate change impacts of mitigation, adaptation and cross-cutting projects	Partially agreed
9.2	The RMF was designed to be flexible, giving project proponents considerable latitude to design diverse and innovative projects. The RMF helps entities align their projects to GCF results areas and presents a flexible menu of indicators.			Agreed

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9.3	However, there are gaps and weaknesses in how the indicators are defined and measured. Furthermore, the RMF does not fully articulate how project outcomes contribute to the GCF's overarching aims of paradigm shift		As indicated previously, the Secretariat has noted this finding and recommendation in the RMF review, and efforts have been taken to request AEs to include a theory of change and clear indicators aligned with the GCF RMF/performance measurement framework during the review of submitted funding proposals. Also, work is being undertaken to develop thematic theories of change to guide and assist AEs in having common views within the same sector; and possibility of training of AEs on the harmonization of theory of change concepts and development The new RMF, currently developed by the Secretariat, is also expected to address these issues, including through the development of measurement guidance and methodologies	Agreed
9.4	All GCF projects aim for long-term impacts, which is predicated on three things: that the design is robust, implementation is successful, and the impact is measurable. It is unclear currently whether the GCF has the data or information systems to inform all three variables credibly		Refer to response to finding 9.3, above	
9.5	GCF projects are partly targeting the adaptation and mitigation needs identified in the NDCs of the 64 SIDS, LDCs and African States with approved projects; however, there remains a significant unmet adaptation and mitigation financial need.			Agreed
9.6	To date, APRs have been submitted for 37 projects. However, these are early years and reporting on the four core indicators is not yet at the impact level. The current portfolio is concentrated mainly in 10 AEs (75 per cent of GCF funding), nine of them large IAEs and in 10 countries (57 per cent of all projects).		The share of the GCF-approved amount for the top 10 countries is 38 per cent (USD 1.9 billion), not 57 per cent **Share of GCF-approved amount, in USD million** Brazil 301 Egypt 298 Mongolia 215	Partially agreed

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			Morocco 198 India 178 Nigeria 176 United Republic of Tanzania 156 South Africa 149 Viet Nam 116 Kazakhstan 110 Total 1,897 For multi-country projects, the amounts of GCF funding allocated to each country are estimated based on the best information available to the Secretariat. Unless the allocation information is provided in funding proposals or by AEs, the funding amounts are evenly distributed to each country according to the number of targeted countries	
9.7	Proposals received by the GCF are ambiguous in their treatment of paradigm shift, mainly because GCF guidance on paradigm shift is not sufficient. There is not yet reliable evidence that suggests the GCF portfolio is set to achieve a paradigm shift at the global or national level.		In developing a 2020–2023 Strategic Plan, the GCF ambition is to position itself as a global leader and achieve paradigm shift and transformation in its operations. The Secretariat has developed a GCF-level theory of change that outlines how GCF proposes to drive paradigm shift as well as an integrated results and resources framework that will measure overall progress toward this goal The current GCF RMF/performance measurement framework does not include paradigm shift indicators, but rather objectives that are within the reporting responsibility of the Secretariat based on “qualitative and quantitative information that goes beyond simple aggregation of the results’ indicators”	Agreed

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			Under the revised RMF (being conducted by an external firm), GCF will better articulate how projects report on paradigm shift and contribute to the GCF objective As for the FPR report's conclusions pertaining to the GCF credibility of reporting results, the Secretariat questions the assertion that "GCF will not be able to fully measure its impact and effectiveness due to gaps in FPs' M&E frameworks and lack coherency and climate specificity in its log". The Secretariat recognizes that there is a need to better align the project management framework with the GCF RMF. In the context of the IEU independent review of the RMF, the Secretariat has provided a management response with an action plan to address the measurement issues and to strengthen the Secretariat capacity on M&E	
10	The GCF's role in climate finance	155		
10.1	Climate adaptation and mitigation needs in developing countries are estimated to be USD 220 billion and USD 1,200 billion per year, respectively. Adaptation and mitigation financing in developing countries are estimated to be USD 22 billion and USD 249 billion per year, respectively, or 10 per cent and 21 per cent of the identified needs.			Noted
10.2	The GCF's scale in the adaptation market is substantially larger than in mitigation. In developing countries, the GCF's 2.2 per cent share of adaptation finance is more than five times larger than its share in mitigation finance (0.4 per cent).			Agreed
10.3	The GCF's sustainable annual commitment rate of ± USD 1.5 billion represents 2.7 per cent of the international climate finance flows of USD 57			Agreed

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	billion. Nevertheless, the GCF is by far the largest international climate fund: its USD 2.1 billion commitments in 2018 represented 73 per cent of total commitments of international climate funds.			
10.4	The GCF's mix of instruments used in mitigation financing is quite similar to those of MDBs. In adaptation, the GCF provides mostly grants, whereas the MDBs provide mostly debt and guarantees. Although the participation of the private sector in adaptation finance is below 20 per cent for all MDBs, some report higher participation of the private sector than the GCF.		The Secretariat is using the instruments that have been approved by the Board. The Secretariat also recognizes the need to further diversify the deployment of these instruments as recommended in the private sector strategy. This diversification is likely going to improve the uptake of private sector adaptation projects	Agreed