GEvalBrief No. 13

GREEN CLIMATE FUND | Independent Evaluation Unit

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KEY FINDINGS AND CONCLUSIONS OF THE SECOND PERFORMANCE REVIEW OF THE GREEN CLIMATE FUND

Context and Background

The Board of the Green Climate Fund (GCF) launched the second performance review (SPR) in June 2021. The review[1] assesses the GCF's performance during the GCF-1 programming period and seeks to inform the next update of the Updated Strategic Plan for the GCF: 2020-2023 (USP) for the GCF-2 programming period.

Key findings

1. Institutional architecture and performance

- During GCF-1, governance has had many successes, but also challenges by COVID-19.
- The Board is effective in its key functions of approving FPs and AEs and is seeking options to clarify and improve Board operations.
- Accountability is supported by high transparency and integrity. However, the accountability of the Board members to the COP and constituencies is perceived as relatively weak.
- The GCF has a novel governance design of parity between developed and developing countries; this 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 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

1 *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.*

Early morning in Stepantsminda, Georgia, © Archi Rastogi to be driven by recipient country needs.

- Individual projects and programmes 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, CSOs and PSOs) 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.

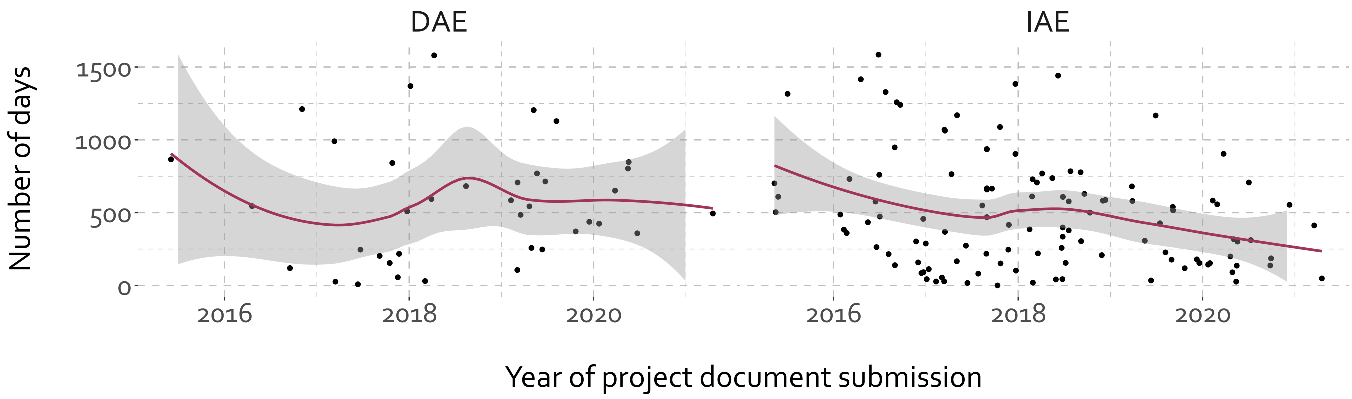
2. Access to the GCF

- 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 channeled through direct access.
  - GCF capacity support through the RPSP and PPF are yet to show major results at scale for DAE programming.
  - 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.

3. Programming for results in response to country needs

- Historically, CPs, entity work programmes, and RPSP grants have been insufficiently focused, keeping the full potential of country programming. Robust upstream programming is critical, including RPSP 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

Figure 1. Duration of the clearance process over time by entity type



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

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 meaningful changes in processing times and partners' experiences are still wanting. 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.
- The approach to managing project risk remains underdeveloped. Risk ownership has remained undefined, and the risk culture is limited.
- The GCF is in the early stages of its knowledge management practices, broadly consistent with its organizational maturity but not yet sufficient to facilitate thought leadership. The GCF knowledge management strategy and action plan 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 steps to address programming issues 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.

4. 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, during GCF-1, it is:
  - 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

Figure 2. 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: Tableau server iPMS data, as of B.34 (20 October 2022), analysed by IEU DataLab

nominal PSF funding has increased

- Making slight improvements in the speed and predictability of processes, with some variability.

- Many climate impacts are long-term and GCF projects are young; yet few projects already report significant actual achievements of emissions reductions or adaptation impact. 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.
- 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 evaluation reports 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 partners.
- 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 interim evaluation reports suggest that realized co-financing is not consistent with expectations. 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.
- The GCF has been 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.

Methods

The evaluation used a mixed-methods approach for data collection and analysis. Methods for SPR included: a review and analysis of Board decisions, Secretariat guidance documents and project reports; systematic literature and documentation review; data analysis by IEU's DataLab; interviews with 748 stakeholders, including representatives from the Board, the Secretariat, UNFCCC, NDAs, AEs, civil society, private sector and stakeholders within countries. The evaluation included case studies of Bangladesh, Georgia, Grenada, India, Kenya, Maldives, Mauritius, Morocco, Peru, Rwanda, Solomon Islands, and Vietnam.

The SPR included multiple deliverables, including: Synthesis Study (2021), Approach Paper (2022), Rapid Assessment of the Progress of the GCF's Updated Strategic Plan (2022), Summary Report (2022), Final Report (2023).

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