



## INDEPENDENT EVALUATION OF GREEN CLIMATE FUND'S INVESTMENT FRAMEWORK

### BACKGROUND

The GCF Board approved the Independent Evaluation of the GCF Investment Framework for 2023. The evaluation<sup>1</sup> broadly assessed the relevance and effectiveness of the GCF's investment framework in fulfilling the GCF's mandate and strategic goals.

### CONCLUSIONS

#### 1. Structure of the Investment Framework

The Fund's Investment Framework includes many priorities: balancing adaptation and mitigation, allocating funds to DAEs, and ensuring regional balance. This results in a vast scope, which can hinder integration with national climate strategies and NDCs, and limit GCF's direct impact on national climate responses. Focusing GCF funding on specific priorities within countries and addressing structural barriers could improve operational efficiency and better facilitate a paradigm shift. The GCF's diverse financial instruments, including grants, loans, and equity, cater to the varying needs of countries and projects. This is also a reflection of the wide agreement on the GCF role in addressing climate financing needs.

#### 2. Operationalization of the Investment Framework

<sup>1</sup> Independent Evaluation Unit (2024). Independent Evaluation of Green Climate Fund's Investment Framework. Evaluation report No. 18 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

The Fund's Investment Framework promotes uniformity, consistency, and objectivity in decision-making processes across the GCF. The framework guides resource allocation and project appraisal based on strategic and operational priorities. However, operationalizing the framework presents challenges at various stages, including concept note submission, project development, and review, with issues such as unclear investment priorities, ambiguity in project classification, and limited data hindering effective implementation. National, regional, and international institutions, as well as GCF Secretariat personnel, struggle to use the Investment Criteria Scorecard (ICS), despite its theoretical suitability.

#### 3. Alignment of the Investment Framework with its Risk Management Framework (RMF) and Integrated Results Management Framework (IRMF)

The GCF Investment Framework becomes less relevant after FP approval. The lack of alignment with other GCF frameworks like the IRMF and RMF, complicates monitoring and evaluating investment criteria indicators during implementation. Alignment issues concerning recipient needs, country ownership, efficiency, effectiveness, and risk management create uncertainties in decision-making processes at both portfolio and project/programme levels. Despite the



GCF's emphasis on a paradigm shift, the Investment Framework lacks explicit guidance on risk-reward ratios and integration with the RMF, highlighting the need for stronger ex-post results monitoring to ensure effectiveness and learning from early implementation stages.

## KEY RECOMMENDATIONS

### 1. Structure of the Investment Framework

**R1:** Use scenario planning, strategic forecasting and risk-reward assessment on each of the individual investment portfolio targets set in the Strategic Plan for the Green Climate Fund 2024-2027.

**R2:** Simplify the structure of the Investment Framework and use it as an instrument to clarify GCF investment choices at the portfolio and project levels.

**R3:** To reinforce high impact and to address potential fragmentation, the GCF should revisit the Investment Framework from the perspectives of depth/coverage, consideration for policy influence, and clarifying complementarity and coherence at the country level.

**3a.** Revisit the balance between coverage and depth of GCF investment financing across sectors and results areas. For example, it may be possible for the GCF to focus on fundamental root causes or key structural barriers to address, which could allow for synergistic programming that brings about a paradigm shift with intention.

**3b.** Develop instruments for NDAs and DAEs to improve policy influence towards accelerating national response to the climate change crisis.

**3c.** Consider "complementarity and coherence" as an operational priority.

### 2. Operationalization of the Investment Framework

**R4:** Address the issue of redundancies and duplication within the investment criteria and the tools used to operationalize the Investment Framework.

**4a.** Examine the investment criteria and subcriteria with a view to consolidating some of them.

**4b.** To improve objectivity and consistency in the appraisal of funding tools, some of the qualitative and subjective criteria and subcriteria in the ICS tool need to be quantified and made measurable.

**4b.** A comparatively complex but comprehensive solution would be to restructure the investment criteria into three distinct categories and tools.

**R5:** Continue GCF efforts to introduce flexibility into the investment criteria subcategories and indicators – particularly in the use of best available information and data to demonstrate the alignment of FPs - and address perceptions that the requirements remain inflexible.

### 3. Alignment of the Fund's Investment Framework with its RMF and IRMF

**R6:** Urgently align the Investment Framework with the IRMF and the RMF and to seek internal coherence and alignment.

**6a.** The GCF Board and Secretariat should work towards greater alignment between the Investment Framework and the IRMF, so that investments and results are assessed from similar perspectives.

**6b.** The risk appetite statement and risk-reward consideration need to be explicitly reflected in the Fund's Investment Framework.

**R7.** The GCF should develop an online real-time, publicly available Investment Portfolio Dashboard.

## METHODS

The evaluation used a mixed-methods approach, using both qualitative and quantitative data and methods to inform its evidence-based findings, conclusions and recommendations. It encompassed a desk-based review of primary documents and literature, policy analysis of the GCF Investment Framework, quantitative data analysis, landscape analysis comparing with other organizations, as well as in-depth interviews, and an online survey involving key stakeholders such as GCF staff, NDAs, DAEs, and IAES.

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