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Summary report: an IEU deliverable contributing to the Second Performance Review of the Green Climate Fund

Summary

Through decision B.BM-2021/17, the Board of the Green Climate Fund (GCF) launched the Second Performance Review of the GCF, with the final report expected in early 2023. This summary report presents the areas of emerging evidence, findings and initial recommendations deriving from the Second Performance Review of the GCF.

I. Introduction

1. Through decision B.BM-2021/17, the Board of the Green Climate Fund (GCF) launched the Second Performance Review (SPR) of the GCF, in a manner appropriate to the current stage of GCF operations, while recognizing that GCF will be a continuously learning institution guided by processes of monitoring and evaluation. The SPR is intended to inform, among other things, the update of the Strategic Plan for the GCF-2 programming period.

2. The Board further agreed that the scope of the second performance review will be to assess:

(a) Progress made by GCF in delivering on its mandate as set out in the Governing Instrument as well as in terms of its strategic and operational priorities and actions as outlined in the Updated Strategic Plan for 2020–2023, in particular the extent to which GCF has: responded to the needs of developing countries and the level of country ownership; the ability of GCF to catalyse public and private climate finance, including the use of financial instruments; and supported the building of institutional capacity in developing countries and accredited entities.

(b) Performance of GCF in promoting the paradigm shift towards low-emission and climate-resilient development pathways, including the effectiveness of the funded activities and its effectiveness and efficiency.

3. This summary report presents the areas of emerging evidence, findings and initial recommendations deriving from the SPR of the GCF. This report serves as the fourth early deliverable and is an integral part of the SPR before the final SPR report is presented to the GCF Board in early 2023.

The Summary Report: An IEU deliverable contributing to the Second Performance Review of the Green Climate Fund

Foreword

The Green Climate Fund (GCF) has steadily evolved and matured as an organization over the first three years of GCF-1, as it works to deliver on its mandate from the Governing Instrument and the objectives of its Updated Strategic Plan (USP). Critical work has been done to institutionalize policies and processes. This work has built on the initial resource mobilization period, and some benefits are starting to be realized through higher-quality funding proposals and readiness proposals, increased programming volumes and incremental improvements in process efficiency. The size of the GCF portfolio has doubled in just the first two years of GCF-1 and now exceeds USD 10 billion, with four fifths of approved projects now under implementation. Of the 154 potential recipient countries, 140 developing countries have received readiness support, and 128 countries have had climate projects approved and are working with 51 accredited entities.

The need for the GCF to deliver climate results is becoming more critical: as climate ambitions advance and the latest science emphasizes urgency, global climate finance has not increased in line with expectations, and countries face serious challenges associated with COVID-19 recovery. While the portfolio under implementation is still quite young, there are indications that mitigation and adaptation results will be forthcoming. The Secretariat is making efforts to ensure results are measured, reliable and aggregately reported across the portfolio, but this goal has not yet been achieved.

As the GCF considers updates to its strategy for the GCF-2 period (2024–2027), it finds itself at a crossroads in its organizational and strategic development. Despite many successes, the Board has not sufficiently delivered on its policy agenda or on setting a clear strategic direction for the Fund. As core policy, operational and organizational frameworks have been developed, blurred lines between governance and management functions and authorities are now impeding further progress. The unique GCF governance model, with parity between developed and developing countries, provides an unusual opportunity to navigate through these challenges to help guide climate finance and global cooperation moving forward.

Stakeholders do not yet share a common vision for the GCF, and the existing USP is widely acknowledged as a negotiated document with many compromises, leading at times to an overly broad “do it all” approach. There is a tendency in the GCF to try to be all things to everyone, all at once. In light of finite resources, the time has come to clarify the vision in certain areas, such as the role of accreditation and the GCF’s operating model (e.g. as a Fund that prioritizes higher programming volumes or patiently building climate finance capacity, or as one that works mostly through others or takes a stronger role in origination, development and implementation). These as yet unresolved or competing visions manifest as a lack of focus and strategic tensions in the current USP, with negative consequences for operational effectiveness and efficiency. The ongoing update to the strategic plan provides an opportunity for deeper agreement on focus – to best leverage comparative advantages, communicate priorities, increase policy and operational coherence, and better match resources to ambition. This strategic clarity is needed most for the GCF’s developing country partners, where its role is not yet well understood or agreed at the country level.

Several issues will test the capacity of the GCF in coming years. The portfolio under implementation is rapidly growing, yet the Secretariat remains understaffed, despite recent efforts to capacitate implementation functions. Despite project origination, review and approval processes being better codified, the GCF still has a reputation for being slow, cumbersome and unpredictable. The GCF is looking to improve efficiency and shift its systems and culture towards adaptive management, results and learning. Demand for GCF finance far exceeds supply, necessitating efficient, reliable and transparent systems to manage and allocate scarce resources and requiring resource predictability. Many stakeholders have argued for more clearly differentiated pathways for different entities and/or project types. In the context of significant ongoing developing country and entity needs, the Readiness and Preparatory Support Programme will need clearly prioritized objectives and stronger feedback mechanisms that support effectiveness, efficiency and accountability – as well as the resources to deliver. As the number of projects and accredited entities grows, so do the demands on the Secretariat to manage an increasing network, calling for a more strategic yet nuanced and practical approach to partnerships, risk management and accreditation that is consistent with the GCF's long-term vision and realities on the ground.

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

I. Introduction

1.1 Purpose and scope

1. The Governing Instrument (GI) of the Green Climate Fund (GCF or the Fund) provides for periodic independent evaluations of the performance of the Fund in order to provide an objective assessment of the results of the Fund, including its funded activities and its effectiveness and efficiency. The Independent Evaluation Unit (IEU) of the GCF undertakes evaluations according to Board-approved workplans. The IEU's terms of reference provide that the IEU will be responsible for the overall performance review of the Fund every programming/replenishment period. The IEU's Forward-looking Performance Review of the GCF covered the initial resource mobilization (IRM) period, spanning from the GCF's first project approval in 2015 through to 2019, and informed the strategy and operations for the subsequent replenishment period (GCF-1), which runs from 2020 to 2023. The GCF-1 period is guided by the *Updated Strategic Plan for the Green Climate Fund: 2020–2023* (USP).

2. The GCF Board launched the Second Performance Review (SPR) through decision B.BM-2021/17. The SPR covers the GCF-1 period and seeks to inform, among other things, the next update to the strategic plan (USP-2), currently being discussed for the GCF-2 period (2024–2027). The scope of the SPR includes (1) evaluating the GCF's progress in delivering on its mandate as set out in the GI and its strategic and operational priorities and actions as outlined in the USP, and (2) the performance of the GCF in promoting a paradigm shift towards low-emission and climate-resilient development pathways, including the effectiveness and efficiency of the funded activities. The approach paper for the SPR further clarified key areas for the SPR, including the institutional architecture and performance, translating mandate into policies and priorities, country needs and ownership, access to GCF funds, programming, and results.

3. The SPR process involves several early deliverables that serve as foundational studies for the final report, which will be available for the first Board meeting in 2023. These early deliverables include the *Report of the Synthesis Study*, delivered in early 2022 for the thirty-first meeting of the Board (B.31), and the *Rapid Assessment of the Progress of the Green Climate Fund's Updated Strategic Plan*, delivered in mid-2022 for B.32. The approach paper for the SPR was also made available in March 2022.[1]

4. The present report – the *Summary Report* – is the fourth early deliverable of the SPR and includes evidence and findings with initial recommendations. It comes at a time when SPR data-collection and analysis efforts are advanced but not complete (as described in the following section), and thus represents an interim view on the findings and recommendation areas for the SPR. Developments at B.34, in particular, could affect the findings and recommendations in the final SPR report.

1.2 Methods and limitations

5. This summary report builds on its foundational studies and draws on analysis of newly collected evaluative evidence, in accordance with the SPR approach paper. A key foundation is the findings of the *Report of the Synthesis Study*, which itself was a synthesis of nearly 200 documents, including eight evaluations and studies conducted by the IEU over the GCF-1 period. The *Rapid Assessment of the Progress of the Green Climate Fund's Updated Strategic Plan* report has also been updated for this summary report, using data available through B.33.

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

6. This summary report also reflects initial analysis of SPR interviews, continued literature and document review through B.33, and the country case studies conducted for the SPR, of which 10 (of 12) had completed reporting in time for the summary report. In total, the summary report draws on interviews with more than 500 stakeholders so far, including with developing and developed country Board members; Secretariat and independent unit staff; active observers, accredited entities (AEs); delivery partners (DPs); national designated authorities (NDAs); and a wide range of country actors, including involved ministries, departments and agencies, civil society and private sector organizations, other development partners, and beneficiaries, including women and Indigenous Peoples. In addition, the summary report draws on findings from an online survey[2] that was administered to stakeholders with key perspectives on GCF governance and management issues. This summary report is also based on an in-depth financial analysis of the GCF portfolio, including future projections. In addition, a gender equality and social inclusion rating methodology is used to examine the level of gender mainstreaming across GCF programming.

7. In addition to the limitations outlined in the SPR approach paper, the primary limitation for the summary report is that it was prepared under a tight timeline and before data collection and analysis for the overall SPR was complete. While most of the data collection and analysis is close to completion, some interviews are still pending and two country case studies have completed their fieldwork but not yet their reporting. Analysis by the IEU DataLab is updated through B.33. Data limitations were also experienced, including weak monitoring and reporting data and lags in the availability of data.[3] These limitations were mitigated by constructing and developing data sets. As a result of these limitations, some findings are more elaborated than others, given the availability of information and progress with analysis. Still, the summary report includes a robust set of findings based on thorough analysis of the available evaluative evidence, although not all supporting data are fully presented. The summary report also may not represent the comprehensive set of findings and recommendations that could be included in the final SPR report due early in 2023. Therefore, this report presents areas that are emerging for recommendations, which will be further elaborated on in the final SPR report. As described in the approach paper, the IEU will share the final report of the SPR in time for B.35. This report will consider GCF portfolio data as of B.34 and will present the underlying evidence and data.

8. This summary report has been shared with the Secretariat for review of factual errors and comments. While the SPR team has made every effort to address the limitations, standard limitations of qualitative and mixed method evaluations apply.

1.3 Organization of this report

9. The remainder of the report is organized as follows:

(a) Section II provides additional background on the Fund and the broader climate change and finance context of its work.

(b) Section III assesses the institutional architecture and performance of the GCF, including governance and management; the Fund’s broader partnerships with countries, AEs and the private sector; and efforts towards complementarity and coherence.

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[2] This online survey was administered to current and former GCF Board members, alternate Board members, and advisers serving during the GCF-1 period; select GCF Secretariat and independent unit staff; members of the independent Technical Advisory Panel and Accreditation Panel; and current and former active observers serving during GCF-1. Fifty responses were received, for a response rate of approximately 30 per cent. The survey was launched in June 2022 and closed in July 2022.

[3] For example, annual progress reports (APRs) for 2021 were not yet available at the time of writing, and thus the summary report had to rely on the APRs for 2020.

(c) Section IV considers whether the GCF's approach to accreditation and access is optimized to meet country needs and promote intended impacts, including facilitating direct access.

(d) Section V provides findings related to the GCF programming cycle and how well systems are sufficiently promoting intended objectives and impacts – across readiness and preparatory support, to development, appraisal and approval systems, to post-approval and ongoing implementation, risk and results management.

(e) Section VI reviews whether the GCF is on track to achieve investment results, climate impact and paradigm shift, and also covers performance in delivering co-finance and in gender equality and social inclusion.

(f) Section VII provides key findings of the summary report and emerging areas for recommendation.

II. Understanding the GCF and the broader context

10. It is important to describe the GCF mandate, structure and functions, as well as the broader climate change, climate finance and development context in which the GCF has operated during the GCF-1 period, to aid in the interpretation and contextualization of the findings on GCF performance that follow in subsequent sections of this summary report. This section sets that context.

2.1 Understanding the GCF

11. The GCF was established in 2010 by the country Parties to the United Nations Framework Convention on Climate Change (UNFCCC). The mandate of the GCF is described by the UNFCCC-adopted GI. The GCF is an operating entity of the Financial Mechanism of the UNFCCC. The GCF is accountable to and functions under the guidance of the Conference of the Parties (COP).

12. The mandate of the GCF is to promote a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas (GHG) emissions (referred to as mitigation) and to adapt to the impacts of climate change (referred to as adaptation). Given the urgency and seriousness of climate change, the purpose of the GCF is to make a significant and ambitious contribution to global efforts towards attaining the goals set by the international community to combat climate change.[4]

13. The GCF consists of a 24-member Board responsible for governance and oversight; the Secretariat, which executes the day-to-day operations; and three independent units that facilitate accountability: the IEU, the Independent Integrity Unit and the Independent Redress Mechanism Unit. The World Bank currently serves as trustee for the GCF's financial resources.

14. The GCF is a partnership institution. It operates through a network of AEs and DPs that work directly with developing countries, represented through GCF NDAs or focal points, to propose projects and programmes to the GCF for funding and to implement them once approved. The NDAs and focal points are appointed by country governments to serve as the interface between each country and the Fund.

15. The GCF invests across eight results areas covering four mitigation and four adaptation strategic impact areas. The GCF strives to balance its funding equally between mitigation and adaptation and to scale up funding for ambitious projects informed by countries' adaptation needs and mitigation potential. The GCF also provides funding for project preparation activities and climate finance readiness in developing countries.

16. The GCF places a strong emphasis on country ownership and expects activities to be aligned with the priorities of developing countries. It established a direct access modality so that national and subnational organizations can receive funding directly, rather than only via international intermediaries. The Fund is also expected to take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, in particular least developed countries (LDCs), small island developing States (SIDS) and African States.

17. The USP sets the direction of the GCF for the current programming period, covering 2020–2023. The GCF investment framework, including its six investment criteria, is the guiding framework for GCF programming and investment decision-making. The investment framework

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

is also the foundation of the GCF's integrated results management framework (IRMF) to report project achievements against applicable investment criteria. The risk management framework sets the risk appetite of the GCF and promotes transparency and accountability. The accreditation framework guides the process of accrediting institutions in order to access GCF funding. The monitoring and accountability framework establishes responsibilities for AEs at the institutional level for compliance with GCF accreditation-related policies and standards, and for the monitoring and reporting of GCF-funded projects. Other core operational policy frameworks address sustainability, integrity and administration, among others.

2.2 GCF in the global context

18. The core mission of the GCF is becoming increasingly important, driven by the increasing evidence of climate change impacts and a rapidly closing window to avoid the worst effects by limiting global GHG emissions. The Working Group I contribution to the Intergovernmental Panel on Climate Change's Sixth Assessment Report[5] identified strong evidence of trends towards more frequent heatwaves, droughts, wildfires and flooding, creating a clear and urgent need for greater investment in resilience and adaptation. Achieving the goal to limit the rise in global temperature to 1.5°C, as set in the Paris Agreement, will only be possible if countries rapidly reduce their GHG emissions before 2030. Both adaptation and mitigation efforts require more urgent action and a systemic response.

19. The political response to combating climate change has improved incrementally and global progress remains insufficient. COP26, in November 2021, resulted in increased commitment among countries, private sector entities and others to address the challenges of climate change. To date, all GCF-eligible recipient countries, bar one, have issued new or updated nationally determined contributions (NDCs), with some also submitting long-term strategies and national adaptation plans (NAPs) to the UNFCCC. However, these plans (together with those of Annex I countries) would only limit global warming to an estimated 2.4°C, and significant capacity gaps remain to turn NDCs into fully funded sectoral investment plans.[6]

20. International public and private climate finance flows are increasing yet remain deeply insufficient to address the scale of the challenge, with private flows only addressing more mature markets/sectors. A recent global estimate indicates annual climate finance flows of approximately USD 632 billion from 2019 to 2020, split evenly between public and private sources. However, this is less than 20 per cent of the estimated financing needed to meet 1.5°C pathways. Climate finance is dominated by mitigation (>90 per cent) with less than 7 per cent of funding directed to adaptation (of which most is public).[7] Private flows focus primarily on mitigation, supporting more mature technologies and markets, and using commercial instruments.

21. Addressing climate change has been negatively affected by a range of economic and political developments, including COVID-19 challenges and more recent volatility in global fossil fuel markets and geopolitics. GCF-1 has been dominated by the COVID-19 pandemic. Lockdowns and disruption to travel and supply chains have affected the efficiency of climate change

[5] Intergovernmental Panel on Climate Change, *Climate Change 2021: The Physical Science Basis – Working Group I Contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change,* Valérie Masson-Delmotte and others, eds. (Cambridge, United Kingdom, Cambridge University Press, 2021). Available at https://www.ipcc.ch/report/ar6/wg1/.

[6] For impact analysis of current NDC pledges, see Climate Action Tracker, Warming Projections Global Update: November 2021 (Climate Analytics and NewClimate Institute, 2021). Available at https://climateactiontracker.org/documents/997/CAT_2021-11-09_Briefing_Global-Update_Glasgow2030CredibilityGap.pdf.

[7] Barbara Buchner and others, Global Landscape of Climate Finance 2021 (Climate Policy Initiative, 2021). Available at https://www.climatepolicyinitiative.org/wp-content/uploads/2021/10/Full-report-Global-Landscape-of-Climate-Finance-2021.pdf.

responses, slowing implementation and project delivery, including in the GCF portfolio. Additionally, more recent volatility in fossil fuel markets, driven by geopolitical uncertainty, has led to increased demand for fossil fuel production, while inflation and budget pressures are leading to questions around the ongoing availability of public finance to support the green transition in developing countries. More severe and frequent weather events have also created disruptive economic impacts and costs at the regional and country levels, further increasing the urgency to adapt.

22. The GCF has a privileged position within the global climate finance architecture as the largest dedicated global fund, although it represents only a small part of overall climate finance flows. The GCF has pledges of more than USD 16 billion, more than USD 10 billion in funds committed to programming since 2015 and more than USD 40 billion under management (including co-finance).[8] The GCF is currently twice the size of the Climate Investment Funds (CIF), previously the largest climate finance vehicle. The GCF's position as the largest pool of donor concessional funding also enables it to support projects and programmes on a larger scale than similar funds. It also has a privileged position in the global climate finance architecture as an operating entity of the financial mechanism of the UNFCCC and in serving the Paris Agreement, creating a level of political credibility and buy-in among recipient and donor countries alike. While the GCF is the largest dedicated climate fund, its finance represents less than 0.2 per cent of total annual public and private climate finance flows.[9] At a global level, the GCF is dwarfed by wider multilateral development bank (MDB), development finance institution (DFI) and donor-funded climate change financial flows (although the former are usually less concessional). Its catalytic impact is therefore to a large extent dependent on its capacity to mobilize funding, spur fundamental change at different levels and promote innovative climate solutions. Climate funds such as the Global Environment Facility (GEF) and CIF have also begun to adopt more holistic and integrated systems-change approaches, embedding climate action in broader social, economic and environmental transitions.

[8] Source: IEU DataLab calculations.
[9] Based on IEU analysis of Buchner and others, Global Landscape of Climate Finance (2021).

III. Institutional architecture and performance

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

3.1 Governance effectiveness and efficiency

24. **The Board has faced a demanding workload to translate the GCF from a paper concept to an operational fund over the past decade. From this perspective, the governance process has had many successes, including in the GCF-1 period specifically**. The Board has been effective in its routine functions, approving USD 10.8 billion in funding proposals (FPs), approving administrative budgets and accrediting 113 entities so far, of which 19 were accredited and 14 were reaccredited in GCF-1, consistent with its workplan. The Board also negotiated the USP and continued to establish and update its policy suite, including through approvals of the IRMF, the Private Sector Strategy and revisions to the simplified approval process (SAP) modality, and approaches to adaptation and climate impact potential. There are also positive signals that the Board is actively pursuing options to clarify and improve Board operations, such as through its approval of new guidelines for committees and initiating discussion on further options for enhancing their performance. While the Board was seriously challenged by remote meetings during COVID-19, the shift towards hybrid meetings is seen as a key supportive factor for the Board to address inefficiency challenges.

25. **Nevertheless, policy work has been slow, and the Board has still not reconciled differences in the strategic vision for the Fund, which contribute to operational inefficiency and inconsistency.** Most of the policy matters scheduled for GCF-1 have yet to be concluded, although there are signs of acceleration in 2022. Policy matters related to a programmatic approach, concessionality, and incremental cost and full cost methodologies have been pending now for three years or more. About 70 per cent of survey[10] respondents found the Board to be ineffective in approving policies.

26. The absence of standard policy classifications and associated responsibilities for approval has meant in practice that most "policies"[11] must be approved by the Board, contributing to a heavy workload for the Board and slowing down decision-making. Operational policy gaps – including, for example, on programmatic approaches, hedging and currency fluctuations, and adaptation approach (recently adopted through decision B.33/13) – as well as incoherence in the existing policy landscape are creating bottlenecks and inconsistencies among the Secretariat, countries and AEs.

27. The GCF Board has not yet fully set the overall strategic direction for the Fund. A key role of any governing body is to steer the organization strategically, including by setting priorities to manage and allocate resources. In interviews, developed and developing country Board members, along with Secretariat staff, repeatedly emphasized different visions for the nature and future of the GCF as an institution – for instance, whether the GCF takes on more of the character of an international financial institution or a fund provider – which have not been reconciled. There is also a tension between being demand-driven (and potentially less catalytic

[10] IEU-administered survey on governance and management.
[11] The term has been loosely understood to encompass documents titled "frameworks", "policies", "guidelines" and "standards".

or innovative) and wanting to focus on potentially more strategic global or regional transitions. The USP also included strategic tensions that left unanswered critical questions about how to allocate limited resources (see Box 1). Interview partners also expressed concern that specific strategies, such as the Private Sector Strategy and the current draft of the accreditation strategy, do not resolve major strategic questions about the GCF's operating model, such as whether the GCF should have an unlimited number of AEs.

Box 1. Lessons from the USP for future strategic planning

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

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

The USP also relies on unstated and overly optimistic assumptions about external factors and stakeholder actions outside of the GCF's control, including the characteristics of its incoming pipeline. There were also insufficient resourcing strategies to match the broad ambitions. Interview data from the Board and Secretariat indicate recognition of the challenges as well as a desire to strengthen the process of deliberations on updates to the USP going forward. As elaborated upon in section 6.1, the GCF's progress towards meeting the USP targets in GCF-1 is uneven and points to shortcomings. For example, efficiency, effectiveness and predictability targets are not yet being met.

28. **The capacity of Board members is being tested,** with many responsibilities remaining with the Board rather than being delegated to the Secretariat or effectively handled by Board committees. According to survey responses, most Board members spend less than half or even a quarter of their time on their GCF responsibilities, with variable but generally limited access to supporting staff (e.g. advisers). Significant turnover also poses challenges for effective Board member participation.

29. With some exceptions, committees are not yet meeting the needs of the Board. Policies tend to stall in committees, and issues settled by committees tend to be re-opened by the full Board. The Risk Management Committee has not been constituted and the Ethics and Audit Committee has not met regularly during GCF-1, creating delays for policy and operational matters, and even necessitating that the full Board re-assume committee responsibilities (e.g. related to approvals of accreditation master agreements (AMAs) for reaccreditations) to mitigate impacts on future programming.

30. **Many aspects of GCF governance performance are comparable to other multilateral institutions at similar levels of organizational maturity**. Like many multilateral institutions, the GCF was established and operates in a political context, as a financial mechanism of the UNFCCC and an implementation arm of the Paris Agreement. Parts of the structure and culture of the Board resemble those of other multilateral negotiations, particularly that of the UNFCCC. Politics are a natural and expected component of Board governance processes, especially given that the Board is guided by a consensus principle and composed equally of developed and developing countries. Similarly, like many intergovernmental boards, the GCF Board is non-resident, which sets boundaries on the level of information that Board members can reasonably collect and process. All boards are composed of individuals, whose personalities can colour interactions and influence the tone of negotiation, as they do in the GCF.

31. Similar governance dynamics can also be identified in comparator organizations at similar stages of institutional development. For example, the governance of the Global Fund, at its five-year mark, was found to be operating on an incremental policy basis, focused on more near-term and micro issues, and neglecting to address the larger strategic picture. The Global Fund Board also faced challenges with extreme workload and constraints on its board members' capacity, along with excessive revalidation of committee discussions in full board meetings.[12] In the GCF, both Board members and Secretariat staff anticipate that governance will become more efficient after remaining policy gaps are closed. Then, the majority of the Board's workload can focus on the routine functions that it already executes effectively, allowing the Board more time for strategic issues and policy oversight.

32. **Despite many similarities in the challenges faced by the GCF Board and other multilateral institutions, several unique features of GCF governance intensify these dynamics, with consequences for effectiveness and efficiency.** Board members frequently identified that the structure of the Board – with equal numbers of developed and developing country Party Board members, organized into two constituencies, and flowing down into selection of Co-Chairs and committee members – brings crucial legitimacy but also particular challenges for reaching consensus. The natural political tensions in the Board are also exacerbated by different institutional experiences among its Board members – with many of the developing country members serving as UNFCCC climate negotiators and many developed country members coming from ministries of finance or foreign affairs with fund management experience – contributing to a lack of understanding on both sides. The unprecedented scale of GCF climate finance, along with climate justice considerations, also heighten the governance stakes in the GCF.

33. With global political tensions running high, and trust and mutual understanding low, the GCF has been facing a particularly difficult governance environment. This contrasts with comparator funds, such the Global Fund at its five-year anniversary, which noted a positive "esprit de corps" among its Board, or the GEF more recently, where Council members report a high level of trust, goodwill and sense of common purpose.[13]

34. **An additional factor affecting governance in the GCF is that some norms or informal rules of governance in the GCF are not well established or commonly understood, including for Co-Chairs and advisers.** While the formal rules of governance are generally well described in the GI and the rules of procedure, some norms or informal rules are

[12] James Sherry and others, *The Five-Year Evaluation of the Global Fund to Fight AIDS, Tuberculosis, and Malaria: Synthesis of Study Areas 1, 2 and 3* (Geneva, The Global Fund to Fight AIDS, Tuberculosis, and Malaria, 2009). Available at https://www.theglobalfund.org/en/technical-evaluation-reference-group/evaluations/2009-five-year-evaluation/.

[13] Global Environmental Facility Independent Evaluation Office, *OPS6: The GEF in the Changing Environmental Finance Landscape* (Washington, D.C., GEF IEO, 2018). Available at https://www.gefieo.org/sites/default/files/documents/evaluations/ops6-report.pdf.

variously perceived as less clear and provide room for interpretation. Some examples include the norms for informal negotiations, the precise procedural role of advisers and the leadership role of Co-Chairs, as discussed below. Nearly three quarters of survey respondents agreed that an uneven understanding of informal Board practices/traditions makes it difficult for all members to participate equally. The shift to virtual meetings during the COVID-19 pandemic also upended the norms of informal consultations, with formal and informal Board processes moved online, and limitations of virtual participation experienced.

35. Co-Chairs perform a stronger leadership function in the GCF governance system compared to other organizations, but informal governance norms[14] for Co-Chairs are lacking. Section 4.2 of the rules of procedure of the Board describes duties of the Co-Chairs and refers primarily to procedural duties, such as opening, conducting and suspending meetings. In practice, however, the Co-Chairs are heavily responsible for setting agendas and overseeing consultations, including developing consensus among Board members and constituencies and advancing items for decision-making. At the same time, informal governance expectations for Co-Chairs are not commonly shared, such as expectations for the extent of Co-Chair control over processes (e.g. Board document transmission), for handovers from one Co-Chair to the next or for the extent of adviser roles and participation in the process. In this context, the annual rotation of Co-Chairs is often destabilizing, depending on the individual Co-Chairs' history in the Board, their approach and their relationship with each other and with their respective constituencies.

36. Similarly, advisers play an important role in the GCF Board, but there is no common understanding of the boundaries of their role. Advisers are experts designated by Board members and/or alternate members to provide advice related to Board meetings. Written rules only address advisers' participation in Board meetings and sessions; there are no guidelines for their designation or role. A better understanding the boundaries of advisers' roles is seen by interviewees as particularly important if advisers perform functions related to Co-Chairs or committees. Challenges around a lack of shared norms for advisers are also compounded by the high degree of variability in Board members' access to advisers, and the functions and skills of individual advisers.

3.2 Governance representation, voice and accountability

37. **The GCF compares well to other international organizations[15] in terms of non-state representation, with civil society and private sector organizations institutionalized in the GCF governance structure from the beginning**. The active observer function[16] has not changed much in GCF-1; however, revisions to the observer guidelines are nearly four years overdue. Some weaknesses in the observer function continue to constrain observers' ability to meaningfully influence GCF Board decision-making. Observer input has the potential to be more influential when it is provided earlier in deliberative processes, but consultation with observers is currently only mandatory under certain conditions and items. Observers are typically recognized last when making their interventions in GCF Board meetings or even, exceptionally, after a decision has been adopted. Observers often seek ad hoc and informal channels to convey

[14] Informal governance norms refer to shared expectations and rules that are not written or codified in formal or legally binding governance rules. These can be described as social norms, which govern the functioning of groups. According to research, informal rules serve to complete gaps in formal rules, coordinate the operation of overlapping parts of institutions and regulate political behaviour.
[15] Such as the Adaptation Fund, CIF and GEF, as well as the World Bank.
[16] Four observers are able to participate in Board sessions: two representatives from accredited civil society organizations, one each from developed and developing countries, and two from accredited private sector organizations, also one each from developed and developing countries. These observers, known as active observers in Board proceedings, are identified through a self-selection process. Representation is for a term of two years, with a maximum of two consecutive terms.

their views to Board members and Secretariat staff, to varied effect. The developing country civil society organization (CSO) active observer is also not financially supported to travel to GCF Board meetings.

38. **The GCF Board offers balanced representation between developed and developing countries, although there is room to strengthen representation in the overall GCF governance system.** Views are mixed on whether the structure of the Board represents the interests of its membership as a whole; about 40 per cent of Board, Secretariat and observer survey respondents do not think it does. The GI is vague in its guidance about the roles and responsibilities of Board members towards the constituencies that select them, with potential implications for the accountability of Board members. The GI calls for arrangements to ensure that the Fund is accountable to and functions under the guidance of the COP. In practice, however, the COP's role is perceived as a weaker one in terms of an accountability function for the GCF. The mandate for gender balance in the Board is not being met: on average 24 per cent of Board members have been women in GCF-1, a trend that carries over from the IRM. Gender balance is also not being met in Board committees.

39. Transparency and integrity are relatively strong in the GCF, which supports accountability. Information around policies, FPs and decisions is generally accessible, and the trend has been towards more disclosure in GCF-1. The GCF compares favourably to comparator organizations in terms of complaints-handling and grievance mechanisms; integrity policies are also in place.

40. GCF-1 has also marked a period of strengthened accountability of the Secretariat and Board-appointed officials. The Secretariat now has key performance indicators (KPIs) established, monitored and reported against; the Performance Oversight Committee has established an evaluation system for Board-appointed officials and conducted evaluations in 2020 and 2021, according to Secretariat reporting.[17]

3.3 Governance and management

41. **As core policy, operational and organizational frameworks have been developed, blurred lines and the balance of responsibilities between governance and management functions are now impeding further progress.** The assessment in the Forward-looking Performance Review of the GCF[18] that roles and responsibilities between the Board and the Secretariat were not completely clear has remained true through GCF-1 so far. More than two thirds of survey respondents, including developed and developing country Board members and Secretariat staff, do not agree that the overall balance of responsibilities between the Board and Secretariat is appropriate. In particular, the lack of policy classification in the GCF means there is a lack of clarity over what "specific operational policies and guidelines" the GCF Board should approve, per the GI, and which operational instruments would be the purview of the Secretariat and independent units.[19] As noted above, this has contributed to a lack of clear policy guidance, policy incoherence, delays and, at times, a lack of understanding of ownership or responsibility for policy implementation and oversight. A lack of clarity on what changes require Board approval or not has also been problematic at times.

42. Like some of the governance challenges described above, the GCF's experience is not unique. It is common for boards to be more involved in operational details in the earlier years, partly to provide due diligence as the management function matures. The Global Fund noted this tension five years after its founding, with its board's attention to operations perceived by

[17] GCF/B.31/Inf.13, "Reports from committees, panels and groups of the Board of the Green Climate Fund".
[18] GCF/B.23/20, "Forward-Looking Performance Review of the GCF".
[19] GCF/B.33/Inf.08, "Overall review of Green Climate Fund policy frameworks".

some as micromanagement.[20] The GEF also experienced similar issues in its sixth year of operation, when the GEF Council was found to be over-involved in project review that could be delegated to the Secretariat. Later evaluations of GEF governance found that roles and responsibilities between the Council and Secretariat were still not clearly delineated.[21]

43. **The Secretariat's performance vis-à-vis the Board has been inconsistent but is maturing.** As provided in the GI, the Secretariat services and is accountable to the Board. Views are mixed among both Board and Secretariat interviewees and survey respondents about the capacity and effectiveness of the Secretariat in supporting the Board. Interviewees appreciate the role of the Secretariat in developing and appraising FPs and other technical expertise. Interview partners report that the quality of documents and advice from the Secretariat is still variable, and room for improvement remains in terms of the Secretariat's capabilities in working with a diverse Board and facilitating policy decisions. The facilitative and discursive skills of the Secretariat vary across individual members, with implications for the efficiency and effectiveness of reaching Board consensus. The Secretariat has sometimes been perceived by one constituency's Board members as more closely aligned with the other constituency. While this is a subjective perception, it may create challenges for the Secretariat in facilitating the Board to reach agreement and for the Board to delegate authorities to the Secretariat. Relevant respondents from developing countries generally do not find the Secretariat effective in supporting the Board to resolve technical matters through policy consultation, while most developed country respondents do.[22] High turnover in Secretariat staff, and consequently low institutional memory, is a contributing factor. More than three quarters of all Board survey respondents believe that policies are often or sometimes presented to the full Board before they are ready – compounding the challenge of concluding items. The recent GCF Secretariat Policy Manual is an important step towards more consistent development and implementation of high-quality policies, as well as stronger monitoring and review to enhance policy effectiveness – although it is too early to assess.

44. At the same time, the Secretariat has often been in a difficult operational position. Ninety per cent of survey respondents believed that the Board often or sometimes provides vague and/or contradictory guidance to the Secretariat, which forces the Secretariat to make implicit implementation choices (see section 5.4 below). Trade-offs among the USP programming targets are an example. A key issue is that in the face of tensions in the GCF operating model, and in the absence of clearer strategic prioritization, the Secretariat is trying to "do it all" without the requisite resources. This means that some areas of business are receiving less attention than they should, and the Secretariat must make choices in terms of annual work programme delivery (e.g. the number of FPs that can be reviewed, timeliness and comprehensiveness in review of project annual progress reports (APRs), whether to focus more on risks during appraisal or implementation). There is a widespread view among GCF Secretariat staff that they lack appropriate personnel in terms of numbers, expertise and political acumen, including to both draft and implement GCF policies. Although recruiting is ongoing in line with Board approval to increase the Secretariat headcount, filled staff positions remain significantly below expectations to operationalize the USP (due in part to trends in the global labour market associated with the COVID-19, which affect both departures and hiring) – with increases in workload being partly absorbed by overtime commitment from employees.

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[20] Sherry and others, The Five-Year Evaluation of the Global Fund.

[21] Gareth Porter and others, *Study of GEF's Overall Performance* (Washington, D.C., Global Environment Facility, 1999). Available at https://www.gefieo.org/sites/default/files/documents/evaluations/ops1.pdf.

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

3.4 GCF and the broader partnership

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

3.4.1. GCF strategic positioning

46. **The GCF has struggled to support paradigm shift within countries and to maximize its value in the wider climate finance landscape, in part due to shortcomings in clearly articulating its value proposition and areas of competitive advantage**. The GCF is the largest climate fund and is clearly distinguished by its scale (particularly in grant funding), political legitimacy, orientation towards country ownership, diversity of financial instruments and partnership model. Beyond a high-level mitigation–adaptation balance and focus on more vulnerable geographies and populations, the focus of the Fund is less clear to stakeholders. From external perspectives, there is limited explicit prioritization or specialization (e.g. around sectors, strategic transitions or instruments) and an absence of consistent and coherent direction as to what the Fund seeks or avoids. Nor is there sufficient acknowledgement of trade-offs being made internally (particularly in a resource constrained environment). The relative importance of different allocation outcomes (e.g. climate outcomes, innovation, longer-term capacity-building, equity, scale and private sector leverage) is not clear. Predictability of funding for countries and AEs has also not improved. This ambiguity (and the lack of clear messaging) creates challenges for countries, AEs and other partners in understanding GCF programming priorities as well as for other climate finance institutions in assessing their own positioning. Such ambiguity may also hamper efforts to attract the right expertise to relevant roles. This lack of clarity also may be at the expense of maximizing outcomes and impact.

47. In practical terms, the types of programmes and projects supported by the GCF are often very similar to those originated by other climate funds and financing institutions. In many contexts, it is challenging to articulate how GCF investments differ significantly from those supported by other institutions such as the CIF, GEF and Adaptation Fund, or by MDBs and donors, beyond that of scale. As a result, the GCF's added or differentiated value in some investments, and thus any attribution to it, is difficult to articulate and to measure. For example, the GCF might play the role of co-investor alongside other MDBs or DFIs, or it might provide the small grants and capacity-building normally associated with donor-led programming. While there is some value in being "co-financier" given the scale of demand, the extent to which the GCF should be additional or add value in relation to the wider climate finance landscape is poorly articulated, as is the role that it expects others to play given its central positioning and scale. Increasingly, other climate funds are beginning to adopt more integrated systems-change approaches that link climate action to broader social, environmental and economic transitions.

3.4.2. GCF at the country level

48. **In line with its mandate, the GCF further articulated its commitment to promoting country ownership in the current USP, but this remains poorly defined.** This core commitment to promoting country ownership as well as strengthening countries' capacity to undertake transformational planning and programming informs various Secretariat and country-oriented initiatives. However, the updated standards and guidelines for country ownership and engagement remain absent after several years, which impacts both the

expectations for, as well as the implementation of, the GCF's various readiness, access and project modalities. Ongoing concerns about meeting USP targets have seen the GCF begin to consider articulating the extent to which it relies on operating through its partners or whether it intends to move into playing a more direct and strategic role in-country (e.g. in influencing climate finance flows, building country capacity, convening partners, supporting NDC implementation). These approaches imply very different delivery models.

49. **The GCF is currently highly reliant on its partnership model to facilitate engagement in-country, but to date has relied heavily on international institutions to deliver this.** The GCF is seeking to meet two broad and somewhat divergent objectives. The first is the need to deliver finance quickly and at scale (including through co-finance and leverage) to meet the urgency of the climate challenge. This has seen a significant proportion of funds programmed through international institutions (MDBs, United Nations entities and other high-capacity agencies), which also were among the earliest to be accredited and to submit FPs. Such an approach has raised questions as to the added value of the GCF as an intermediary between donors and institutions in which they are already shareholders and to which they already make direct financial contributions. The second objective is the longer-term need to build the in-country capacity of NDAs, direct access entities (DAEs) and other national institutions (including the private sector), recognizing that only a handful have the capacity to manage and mobilize funds at the requisite scale and speed.

50. **Owing in part to the design of the partnership model, the GCF Secretariat is seen by both NDAs and AEs more as a source of climate finance than as a strategic planning or convening institution.** The GCF is highly valued by country partners due to the scale of funding provided, the level of country ownership and the focus on capacity-building, which allows NDAs and DAEs to strengthen their operations over the medium term. However, as a result of the partnership model, the GCF Secretariat itself is seen as relatively distant, with limited visibility and presence on the ground. This has led to the perception of the GCF as a somewhat passive source of funding, rather than a more proactive and engaged partner in climate finance design and delivery. Interaction between NDAs and the Secretariat focuses to a large extent around GCF processes (e.g. accreditation, approval, implementation, reporting), with the primary day-to-day relationships occurring between NDAs and AEs or DPs. Under the existing partnership model, GCF support is likely to be most impactful in circumstances where there is strong NDA capacity (e.g. to undertake planning and prioritization), where there are high-capacity AEs or DPs (aligned with national sectoral priorities) bringing significant experience in climate finance programme management, and where there is sufficient scale and timeliness of GCF funds (and co-finance) relative to sector challenges.

51. **GCF Secretariat resourcing and structure currently prevent more consistent and in-depth engagement at the country level by the Secretariat**. Resource constraints in terms of staff and travel budget prevent more regular in-person planning and in-depth country engagement by the Secretariat. The GCF is not currently suitably resourced or structured to engage actively around a more ambitious agenda (e.g. convening partners around NDC investment planning, supporting more strategic partnership alignment). The country case studies suggested that the GCF may also lack the convening power to bring other (larger and more established) institutions together to drive national level complementarity and coherence. While having some value, GCF country programmes have to date failed to deliver paradigm shift at scale. They typically remain focused on identifying potential investment projects for the GCF pipeline and lack a sense of strategic cohesion for longer-term transformation. (Refer to section V for more on country programming.)

52. **The role of the GCF in the national climate finance ecosystem is important but should not be overstated.** The GCF is one of many sources of climate finance partners for most governments. MDBs, DFIs, donors, other climate funds and philanthropies provide a range of large-scale investment and technical assistance support programmes. Many of these partners have more established political relationships, in-country presence and networks. In some

countries, they may also be seen as being in a better position to support governments in leading strategic conversations around climate finance planning and investment or convening international partners, though past IEU evaluations have shown that this is much less likely in the most vulnerable countries – for example, in LDCs and SIDS or for adaptation and resilience. Often the NDA role represents a small share of a government staff position that is dealing more broadly with climate finance planning and institutional relationships, and rotation of government staff often erodes efforts to build institutional capacity. While the position of the NDA can support complementarity and integration (see below), it also potentially dilutes the visibility and additionality of the GCF. Likewise, projects are often associated with the AE or implementing entity rather than the funders (particularly where the GCF is a co-financier).

53. **There are differing views on whether or how the GCF should evolve its partnership model.** NDAs, DAEs and government stakeholders generally welcomed the idea of greater GCF in-country and regional presence, partly to improve engagement on strategic planning but also with a view to securing higher levels of funding and DAE support. The GCF Secretariat also tends to prefer increased engagement by the GCF. However, international accredited entities (IAEs) generally tend to prefer that the GCF remain a more distant funding organization, rather than engage more directly in origination and implementation in-country. This to a large extent reflects the existing relationship of IAEs with other funders. IAEs also expressed concerns around expectations that they might take on additional capacity-building roles (e.g. in twinning with DAEs), which would blur the lines of responsibility. They also cited the importance of maintaining clear boundaries between funding agency and programme implementer. Overall, the roles within the partnership structure are not well defined or understood and (I)AEs and DPs continue to fulfil functions that span contractor, intermediary and agent.

3.4.3. Complementarity and coherence

54. The GCF aims to support complementarity and coherence in its programming to improve alignment with wider climate finance and national policies and frameworks. These terms describe the ability of GCF programming to align with that of other climate finance (complementarity) and with national policies, strategies and planning frameworks (coherence). All stakeholders recognize the value of greater alignment in order to increase the relevance and effectiveness of GCF-funded activities and of international support more broadly. However, these terms are generally loosely applied and poorly understood by many stakeholders in the GCF context, both internally and externally (often being used interchangeably).

55. **The GCF has made some progress in mainstreaming complementarity and coherence into operational processes and templates in GCF-1, both raising awareness and encouraging consideration of both concepts in strategy, accreditation, programming and reporting** (e.g. Operations Manual, Programming Manual, Country and Entity Work Programming). This is considered critical in terms of driving focus on alignment and collaboration given the decentralized nature of the GCF partnership model and use of AEs for programming and delivery. There is evidence that this process of mainstreaming is resulting in greater familiarity and visibility, even if wider progress is slower (see below).

56. **At a global level, there has been some progress in pursuing complementarity with a small number of key global climate finance partners.** The GCF has made efforts during GCF-1 to align and integrate multilateral climate finance at the institutional level with like-minded funds (particularly with the GEF and Adaptation Fund). Although there has been some work on clarifying objectives, aligning processes and joint thematic programming, the work nonetheless remains at an early stage, and it remains to be seen how catalytic these partnerships will be in practice. Engagement with the CIF is also ongoing, but with more limited results. Interaction with other institutions (MDBs, DFIs, philanthropies) remains limited, potentially reflecting their different operating models, cultures and institutional mandates. A

question remains over whether the GCF has the political gravity to act as the coordinating centre around which this larger group of international institutions might align.

57. **At the country level, there is strong evidence of complementarity in individual programming, although less evidence of it at the portfolio level.** The country case studies, along with Secretariat reporting, provide evidence that individual GCF programmes aligned and engaged with other climate finance activities in developing countries, whether scaling up earlier initiatives, building on lessons learned, mobilizing co-finance from other climate funds, or implementing synergistically. It is not clear, however, whether the level of complementarity has strengthened in response to GCF processes and guidance, or whether the evidence identified simply reflects better reporting of business-as-usual in-country patterns of partnerships and programming cycles. At a portfolio level, there is not clear evidence yet that the alignment of institutional stakeholders is more structured and whether complementarity efforts are feeding through into more transformational impact and paradigm shift. Per discussions at B.17, complementarity is being applied in a way that does not limit access by developing countries.

58. **There is broad coherence of GCF programmes with national priorities, although less evidence of strategic use of GCF funds**. From a national perspective, there is good evidence that GCF-funded projects are (with some exceptions) broadly coherent with national objectives as set out in NDCs and policy frameworks (e.g. NAPs), irrespective of the level of engagement by the NDA. However, there is less evidence that GCF funds are being used to address the highest or most urgent priorities identified within national plans, and country programmes as currently formulated have not helped deliver this. The use of an NDA-issued no-objection letter sets a minimum threshold for alignment but does not give an indication of strategic prioritization. GCF funding appears to have been particularly effective when NDAs have proactively driven coherence by using GCF funds to address core sector priorities at national scale and link these to wider investment programmes. Tools such as country programmes have not necessarily advanced coherence.

3.4.4. Private sector participation

59. **The GCF has a clear and unique mandate to promote the participation of private sector partners and catalyse private climate finance, and while some progress has been made against this objective in GCF-1, long-term goals and systems are not yet fully aligned.** Given the limited availability of public finance, global stakeholders recognize the importance of rapid private sector mobilization in closing the investment gap and the need for catalytic use of funds. The GCF has had some success in approving its private sector portfolio, with USD 3.7 billion approved to date, and the GCF is projected to meet its USP private sector funding allocation targets. The main thrust has been on the deployment of relatively low-risk capital to mitigation projects, supporting financial institutions and development banks (primarily through debt but also increasingly equity investments in GCF-1; guarantees have been challenging to deploy given the GCF's lack of credit rating). Financial institutions in turn invest in private sector infrastructure projects or on-lend at a smaller scale to private sector micro-, small- and medium-sized enterprise beneficiaries. Since the adoption of the USP, there has been a more concerted effort to move towards greater de-risking and more innovative initiatives (e.g. the approval of several private sector adaptation proposals). However, private sector entities face a range of political and market risks beyond those associated with emerging climate market segments or technologies, and there is greater need for a stronger enabling environment as well as risk mitigation support (insurance, guarantees, first loss positions) if progress is to be made – as the new Private Sector Strategy recognizes. New asset classes identified by the GCF in its new strategy (e.g. resilient grey and green infrastructure), as well as a greater focus on poorer countries, will only serve to amplify these challenges.

60. **It is not clear whether the GCF operating model is currently well positioned to support private sector partnerships.** Experience of matching GCF programming cycles more

directly to private sector investment opportunities has not been positive, with long timescales associated with GCF accreditation and proposal approval, high transaction costs and alternative sources of capital making the GCF relatively unattractive as a source of funding for private sector entities. Private sector DAEs in particular have experienced long and complex accreditation processes, without a clear route to programming. Attempts to address this through a request for proposals (RFP) targeted to the private sector was not successful in attracting the quality of partners envisaged (in part due to complex processes for non-accredited entities and the hesitance of AEs to partner). The recently approved project specific assessment approach (PSAA) is expected to help but has yet to be operationalized. Private sector AEs may also find it somewhat challenging to undertake the wider responsibilities associated with GCF projects (e.g. representing the GCF programme design and delivery function in country, direct management of executing entities). In addition, the Readiness and Preparatory Support Programme (RPSP) activities have not focused on private sector related outcomes, contributing to poor levels of private sector integration into NDC and NAP design and investment planning processes. The GCF's recent forays into new supporting FPs with private sector instruments, including equity investments, have shown that the Fund's legal and operational structure is not particularly conducive to limiting exposure for these investments, creating challenges that must be worked around to minimize risk. Furthermore, a lack of internal clarity over roles, responsibilities (e.g. between the Private Sector Facility and the Division of Mitigation and Adaptation) and in reporting on private sector outcomes within the IRMF have contributed to challenges around articulating the GCF contribution.

IV. Access to the GCF

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

4.1 Accreditation and access outcomes to date

62. **Accreditation has generated a highly diverse network of AEs** that covers public, private and NGO entities, including large, medium and small ones, and entities of different global, regional and national coverage. The Board has approved a network of 113 AEs, of which 70 are currently fully accredited by having signed and made effective their AMA with the GCF.[23] The GCF network includes 71 approved DAEs, 58 of which are national DAEs and 13 regional DAEs. The remaining 42 AEs are IAEs. As of B.33, the GCF AE network has obtained Board approval for 200 projects.

63. **There are programming gaps at the GCF and country levels due, in part, to gaps with AEs**. A key challenge in GCF-1 has been to build a sufficient network of AEs with effective

[23] As of B.33, the Board has accredited 114 entities, of which one has so far finished its first term and did not seek reaccreditation. In total, 69 entities have a currently active first-term AMA, and 1 entity has an effective second-term AMA; 13 additional entities have been approved for reaccreditation but do not yet have an effective second-term AMA.

programming and implementation capacities that match country needs and priorities as well as GCF programming priorities. The GCF has an increasingly diverse set of AEs, offering a range of capabilities across financing sizes, financial instruments, risk levels and sectors. Yet the GCF's largely bottom-up, supply-driven approach to accreditation and relatively low capacities by some DAEs have contributed to programming gaps at the GCF and country levels, such as difficulties meeting goals to increase finance channelled through DAEs, for adaptation projects and for certain private sector operations. Board guidance on AE network composition and accreditation priorities has been limited because the GCF does not have an approved accreditation strategy as called for by the USP (a draft strategy is under review by the Board).

64. **Most DAEs have found it difficult to access the Fund so far.** Only 44 of the 200 approved projects are implemented by DAEs. Throughout GCF-1, DAEs have constituted an increasing proportion of AEs, yet the approved project portfolio remains skewed towards IAEs and a relatively small number of DAEs. The proportion of DAEs to AEs in GCF-1 increased slightly from 59 to 63 per cent. Some progress was also made on the funding allocated to DAEs. Yet the approved project finance remains skewed towards IAEs, with DAEs allocated only 20 per cent, versus 16 per cent at the end of the IRM in nominal terms. The top six DAEs account for 74 per cent of the total DAE nominal FP financing. These entities have strong capacities that pre-dated the GCF, and they are mostly financial institutions and regional DAEs. Their primary advantages were pre-existing fiduciary and environmental and social safeguards (ESS) standards, and easier bankable mitigation projects with lower climate rationale hurdles. DAEs are also underrepresented in the advanced stages of the concept note (CN) and FP pipeline. Untapped potential is particularly high in the private sector, where the proportion of private sector DAEs increased to almost half of all private sector entities in GCF-1, but only a few of them have approved FPs or advanced pipeline FPs.

4.2 Accreditation and access approach

65. **The accreditation function as currently operationalized is overburdened with multiple objectives, some of which may not be feasible or internally consistent.** In addition to the core function of accrediting entities that can deliver a high-quality project portfolio that is well aligned with GCF and country priorities, the GCF's current accreditation process includes several additional objectives. It is also expected to build DAE climate programming capacities, leverage finance and climate expertise through IAEs and certain DAEs, and contribute to shifting AEs' total portfolio of activities towards low-emission and climate-resilient pathways beyond those funded by the GCF.

66. **Reaccreditation processes have made the trade-offs between different objectives more apparent.** For example, there is a lack of clear performance benchmarks on requirements that would qualify (or disqualify) an AE for reaccreditation, such as for shifting AEs' overall portfolios towards low-emission and climate-resilient pathways, for tracking IAE capacity support provided to DAEs, and for AEs' overall performance in implementing funded activities (FPs), as well as RPSP grants for those that are also DPs.

67. **A lack of a long-term strategic vision for accreditation and access is challenging the effectiveness and efficiency of access and accreditation in the GCF**. According to interviewees, some accreditation goals could be achieved differently, and potentially be more effectively and efficiently met through other channels. For example, DAE capacities could be built through processes other than accreditation, unless entities are likely to implement projects with the GCF. Also, accreditation goals are closely linked with other GCF policies and partnership approaches. The Board is currently discussing an accreditation strategy, which offers an opportunity to reach beyond short-term operational improvements and clarify a vision to guide the optimal utilization of different accreditation models, goals and alternative approaches to Fund access for different partners.

68. **Decisions about the long-term vision for accreditation and access will have implications for the size, composition and functions of the GCF's long-term AE network, as well as for GCF budgets and network manageability.** The growth of the AE network has limitations. This is due in part to Secretariat capacities to accredit and reaccredit AEs, match AEs with FPs per GCF and country programming priorities, and to perform ongoing management of a diverse network of entities and their projects. Ultimately, GCF strategic choices will have implications for the AE-to-project ratio and hence the attractiveness of GCF accreditation to potential AE partners. The choices will also affect how the GCF allocates its financial and human resources. Accreditation is a costly process, for the GCF and AEs alike, that requires a good balance of costs, with ultimate benefits for all partners, to be viable and to avoid reputational risks. The Secretariat is already processing growing pipelines of accreditation and reaccreditation, with most current applicants having spent more than four years in the accreditation pipeline, and some accredited partners reducing or wishing to change their engagement with the GCF. For the Secretariat, even organizational efficiency gains, as expected for the responsible Accreditation and Entity Relations Unit in the coming years, may not be sufficient to free the capacity needed to process ongoing and new accreditation applications and reaccreditations, especially when all applications need to be reviewed and processed.

69. **Use of alternative or complementary Fund mechanisms to support access has not been sufficiently explored and implemented.** Institutional accreditation has so far served as the primary access mechanism to the GCF, which presents natural limits for broader participation and access as currently implemented. Other modalities to date have turned out not to be well designed or targeted for national direct access support, and some are currently less effective (SAP, RPSP), while others have been underutilized (the Project Preparation Facility (PPF), enhanced direct access (EDA)). For instance, the concept of EDA was designed to devolve decision-making on small subgrants/subloans to CSOs and small businesses to DAEs. Currently, 30 DAEs qualify for EDA, according to the Secretariat. An ongoing pilot resulted in three EDA projects, and there are plans by the Secretariat to reassess the concept and improve on the first version. Indirect ways to access the Fund, such as through organizations working as executing entities or in subprojects, are already pursued by NDAs and national organizations as an alternative to accreditation, but not yet systematically encouraged by the GCF. For instance, there is currently no institutionalized, GCF-supported pathway for entities to graduate from non-AE participation in GCF projects and other activities to a full accreditation status. Recently approved under the Updated Accreditation Framework, the PSAA is still in the process of being operationalized, with the pilot of 10 projects expected to open for applications in 2023. The PSAA mechanism is still limited in scope and eligibility. Therefore, it is too early to tell whether it will in practice provide a more effective and efficient way of direct access to the Fund.

4.3 Accreditation process efficiency

70. **Although the GCF has worked to address operational accreditation issues during GCF-1, the accreditation process remains protracted, inefficient and not sufficiently differentiated by entity characteristics.** There are continued challenges in operating an efficient accreditation process due to the complexity of the requested information, process duplications within the Secretariat, Accreditation Panel reviews and required adoption by the AE of new policies and standards. This process also suffers from shortcomings in both AE and Secretariat communication and the limited capacity of many candidate AEs. The Updated Accreditation Framework adopted at B.31 is meant to streamline the accreditation process by addressing several of these issues, and it is too early to assess its performance against improved access objectives as it will only become effective by 1 April 2023.

71. **Accreditation requirements and outcomes are not sufficiently tailored to the range of AE types and capacities.** There are differences in accreditation scopes,[24] but many requirements during accreditation and later expectations for FP programming are similar for all AEs. For example, the current accreditation process is not well suited for many interested private sector and CSO entities as they often cannot easily comply with policy and other requirements and do not have sufficient climate programme experience. DAEs also represent a broad range of capabilities and capacities. Accreditation requirements also do not sufficiently take account of an entity's capacity to prepare and implement climate projects, which contributes to uneven CN/FP qualities at pipeline entry. IAEs are typically differently positioned than DAEs but are subject to the same requirements.

4.4 Direct access

72. **Direct access through accredited DAEs remains the preferred method for many countries, but this competes with obtaining timely country funding for FPs from the GCF when countries must wait for DAEs to first go through the accreditation process**. Only 25 per cent of countries have access to accredited national DAEs; more countries have access to regional DAEs, especially SIDS. The appetite for accreditation among DAEs appears to be slowing down due to the length of the process and dimming expectations for FP approvals. Some entities prefer to act as executing entities for access, and others harbour expectations for the PSAA as an alternative access mechanism. Other access mechanisms remain, such as serving as a DP, project subgrant recipient or co-financier.

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

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

75. **Many DAEs struggle with accreditation requirements and require capacity support, while the Secretariat's more focused and tailored capacity support has still to show results.** DAEs in particular are concerned about a lack of transparency in the process requirements, length of time accreditation takes, and the likelihood for ultimate Fund access through successful FPs. Evidence from the IRM and GCF-1 demonstrates the lack of capacity of many DAEs as the primary challenge to increasing the role and effectiveness of DAEs in delivering climate finance. However, many DAEs are not getting their needs met through

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

existing accreditation and proposal development support. Capacity support for DAEs has increased in GCF-1, especially for CN/FP development, and the Secretariat and DPs have started moving from broader, thinly spread readiness support to DAE-specific approaches that are more focused on early stage, transformative development of concept notes that are prioritized by the country and could ensure GCF or other funding, but the effectiveness of this shift in support is still unclear.

76. **Building capacities of DAEs through IAE support as an explicit goal of IAE accreditation has not worked well in practice.**[25] There are few incentives for IAEs for playing this "twinning" role unless it is part of their own mandate. It is unclear who exactly IAEs should be supporting, how national entities should be selected, how such support would be resourced, and what the modalities and extent of such support should be. There are only few cases of DAEs working in executing entity functions in GCF projects. The submission of joint FPs as a consortium or in co-finance with IAEs or non-accredited experienced partners is favoured by some AEs and other stakeholders, but the GCF currently does not permit AE co-implementation, with multiple AEs becoming party to the same funded activity agreement (FAA). Unless IAEs' grooming of national DAEs is endorsed in advance by countries and the GCF, such support could even lead to conflict of interest and reputational risks for the GCF. In either case, the effectiveness of these steps to increase general DAE capacities is uncertain.

V. Programming for results in response to country needs

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

5.1 Upstream support for programming and capacity

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

5.1.1. Country and entity work programmes

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

80. **Despite individual success stories, the CPs and EWPs inefficiently consume limited resources and result in unpredictable value.** CPs and EWPs are not required and are inconsistently being completed.[26] Completed CPs are not necessarily useful for identifying the areas of highest impact and paradigm-shift potential, developing a country-owned pipeline linked to GCF goals, and/or identifying areas for strategic use of RPSP support. They are typically high level and do not reach the detail of investment plans that would better facilitate

[25] IAE support was required by decision B.10/06 and reaffirmed by the Board during B.33.

[26] In its latest activity reporting to the Board, the Secretariat reported slower than anticipated progress on new CPs and noted, "Countries are not currently prioritizing the finalization of CPs. Moreover, they are expressing doubts regarding the value of preparing such programmes given they do not currently have any practical application or implication in the proposal approval process given the current GCF policy setup" (GCF/B.33/Inf.06, "Report on the activities of the Secretariat").

coordination. Also, they quickly become outdated as countries update their broader planning processes and new project concepts are identified. Although the GCF and some DPs and AEs refer to CPs when assessing a request, there is often a gap between RPSP grant requests and CN or FP submissions and the project priorities outlined in the CP. Also, some countries or entities have interpreted CPs as guarantees of funding, leading to unrealistic expectations and potential disappointment. Countries are not clear on the level of funding they can expect, which complicates the development of CPs. Furthermore, country priorities do not necessarily align with the preferences, capabilities or risk profiles of AEs or DPs. Sufficient stakeholder engagement, from the private sector to Indigenous Peoples, is frequently lacking in the development of CPs to provide legitimacy to the articulation of country priorities and to support broader country ownership. Many DAEs and countries with resource constraints, including many LDCs, SIDS and African States in particular, have difficulties in developing CPs and EWPs. Similarly, providing support for the development and review of CPs and EWPs consumes scarce resources within the Secretariat.

81. **Improvements to the approach to CPs and EWPs are helpful but only incremental.** The GCF continues to work to clarify and communicate what it is looking for in CPs and EWPs. For example, the Secretariat narrowed its approach for CPs to focus on developing the GCF pipeline only and is expanding its technical support offerings and continuing its regional entity programming dialogues.[27] Partners appreciate the support regional desks provide but see them as quite resource constrained and also note they receive inconsistent feedback. The Secretariat has noted a gap in policies relating to "realizing the potential of country programming. For example, perceptions indicated that country ownership needed to be better defined and translated into actionable directions, beyond the no-objection procedure, including better articulating the role of countries and CPs in shaping the investment pipeline".[28] Also, there is still insufficient alignment between different Secretariat units on what to promote, so partners are receiving inconsistent feedback – for example, on which projects to prioritize.

5.1.2. Readiness and Preparatory Support Programmes

82. RPSP grants are intended to support NDAs / focal points and DAEs to build transformative pipelines and increase the capacity of relevant stakeholders throughout the project cycle, with priority given to supporting African States, SIDS and LDCs.[29] The RPSP strategy was approved in 2019 to provide new or improved operational modalities to assure quality and expedite the processes. Among other things, it also suggests resource allocation, considering the revised strategies and improved operations with a proposed work programme.

83. **The RPSP's scope is broad and relevant but lacks a clear pathway or prioritization approach for countries to follow.** First, the need for readiness activities continues to be extensive and ongoing for all types of countries. The RPSP covers a suite of relevant topics, and there are many examples of successes. Positive examples from existing RPSP grants cited by both the countries and the Secretariat include strengthening the role of NDAs, developing CPs and promoting stakeholder engagement. Other support for readiness also frequently comes from within countries, bilateral partners and other international channels. Yet what is missing is a robust identification and prioritization mechanism for a country to follow to meet its evolving readiness needs efficiently over time and to move quickly to develop transformative finance-ready projects. The GCF responds to RPSP grant request it receives but is not necessarily involved in the planning. The roles and responsibilities are diffused between many

[27] Document GCF/B.30/09, "2022 work programme of the Secretariat and annual administrative budget of the GCF Secretariat, Board and Trustee".
[28] Document GCF/B.33/Inf.08.
[29] The RPSP has five objective areas: (1) capacity-building, (2) strategic framework support (e.g. CP, EWP, investment plans), (3) adaptation planning, (4) pipeline development, and (5) knowledge and learning.

actors – for example, often low-capacity NDAs, DPs with their own preferences and capacities, understaffed GCF regional desks, other international development support providers and in-country stakeholders.

84. **The reliance on DPs means that the support requested is not necessarily aligned with country priorities, and experiences with DPs are mixed.** While NDAs do select DPs, the types of support requested are ultimately what the DPs are capable of or interested in providing, and the linkages to urgent country needs are uneven. For example, GCF staff and NDAs note DPs with no local presence or only a limited history of working in the country tend to miss key aspects of the local context. Capacity issues can be an issue even for those with a local presence, including government ministries. Gaps are particularly likely in countries with low-capacity NDAs or high staff turnover. In recognition of this, the Secretariat has created a roster of consultants to support specific needs, although some countries are wary of external consultants with insufficient presence or familiarity with the local context.

85. **Processing times for RPSP grant requests remain lengthy and disproportionate to grant size.** There has been little meaningful improvement in application processing speeds since the IRM phase, and processing can take one to two years (see Table 1 in section VI). Many partners have been surprised at the proportionally extensive documentation required and the extended delays in feedback for quite short projects and small grants (e.g. less than USD 1 million for one year) relative to the requirements for the larger and longer FPs. The SPR team found cases where partner institutions have preferred to seek capacity and readiness support elsewhere, to avoid GCF processes.

86. **Feedback from all stakeholder groups indicates widespread dissatisfaction with the RPSP as it is currently being implemented, although some of this is due to the magnitude of the volume of need.** Despite individual successes and the number of grants provided, the country case studies note many gaps where no support has been requested or has been requested but not received – for example, where no capacity-building support for a DAE has been requested or where NDA staffing support has been requested but not received. Key reasons for the lack of requests include perceptions of an unnecessarily burdensome and uncertain application process, lack of clarity or misunderstandings on the type of support available or the process to initiate it within a country, language barriers, inadequate DP matchmaking, and lack of NDA or DAE capacity. Feedback from countries and the Secretariat indicates that capacity development needs to move beyond focusing primarily on NDAs to building the capacities of other government and non-government entities as well. Experiences with multi-country readiness programmes have also been mixed.

87. **The recent approval of the readiness results management framework (RRMF) met a substantial and urgent need to establish a system to monitor and report results under the RPSP.** So far, the RPSP has not yet been able to systematically demonstrate value for allocated resources. Historically, Secretariat reporting on the performance of the RPSP has focused primarily on inputs (e.g. grants approved, types of support requested), grant cycle milestones (e.g. disbursement, no-cost extensions) and outputs (e.g. CPs or knowledge products prepared), with no reporting at the outcome level. Information is quite limited regarding how the funds are distributed or the results achieved from completed RPSP grants. Implementation or completion reports are overdue or of poor quality and deliverables are not consistently submitted or reviewed in a timely manner by the Secretariat, mostly due to lack of human resources. Additionally, information on the progress of existing grants is not being systematically used in feedback loops to inform the assessment of new RPSP grant requests.

88. **The new RRMF emphasizes results related to pipeline development. As this focus is different than the focus of RPSP grants issued in earlier stages, it will affect results achieved on the new pipeline development metrics.** The RRMF focuses on the five readiness-objective categories: (1) capacity-building, (2) strategic framework, (3) NAP and NAP process, (4) pipeline development, and (5) knowledge-sharing and learning. The new pipeline

development category includes indicators – for example, addressing the number of CNs and FPs developed, PPF requests made, and FPs approved as a result of RPSP support – none of which were systematically tracked previously. Also, pipeline development was not necessarily a focus of previously approved RPSP grants, which may mean there is relatively little progress to show on the new pipeline development metrics in the near term. It is too early in the implementation of RRMF to have sufficient data to corroborate anecdotal feedback that the types of activities covered in RPSP grant requests are slowly evolving in GCF-1, such as away from developing initial NDA capacities towards developing regional investment prioritization tools and sectoral plans and CNs, and the Secretariat has recently commissioned an analysis that is expected to include this information. There have been substantial readiness implementation delays, only some of which are related to the pandemic.

89. **The Secretariat continues to modify the RPSP but has not yet found the right balance to efficiently serve country needs, especially given existing caps and limited resources**. A readiness action plan is being implemented throughout 2022 that seeks to further streamline and simplify processes for faster access, though it is too early to meaningfully assess progress. An origination task force has been created that aims to further orient current RPSP support and country and entity programming efforts towards supporting the origination of high-quality paradigm-shifting proposals in alignment with the GCF mission and USP goals. The Secretariat now seeks to review prior RPSP grant progress when assessing new requests. The USD 1 million annual cap inhibits continuity and longer-term planning; the Secretariat now allows three-year instead of one-year RPSP grants if a readiness assessment has been completed, but uptake has been very low so far because few countries have the necessary assessments already and awareness of this opportunity is low. Regardless of any improvements made by the Secretariat, inherent challenges in building sustainable capacity within NDAs will remain due to formal government staffing rotations and general staff turnover.

5.2 Development, appraisal and approval systems

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

5.3 Project development

5.3.1. Project Preparation Facility

91. **Despite the clear need, use of the PPF to enhance the quality of FPs remains limited, though uptake is slowly increasing.** National DAEs perform less well compared to IAEs and regional DAEs on quality at entry of CNs and FPs, largely due to a lack of capacity to prepare projects and in some cases a lack of capacity even to manage PPF funding. Barriers include a lack of PPF awareness as well as perceptions that the PPF application process is too long and burdensome for the effort. The Secretariat's outreach efforts to improve awareness have been constrained by pandemic restrictions during GCF-1. Processing times have not noticeably improved since the IRM phase (see Table 1).

92. **The CN review stage required to obtain PPF support is excessively iterative and lengthy** for a variety of reasons, including issues with quality at entry of CNs, staff constraints, prioritizing processing of FPs over CNs to meet Board expectations, excessive risk aversion and lack of clarity around climate impact potential. There is still also lack of clarity within the Secretariat as to how many iterations are appropriate in cases where an AE does not address all feedback or when a CN may be ultimately rejected as lacking sufficient potential for alignment

with GCF investment criteria. Several issues are more difficult to handle for national DAEs, such as climate impact potential, gender and ESS requirements, for which the DAE may request support from the PPF. Feedback from the case studies indicated that partners want a single key point person or internal champion for their CN applications, as well as their RPSP grants and FPs.

93. **It is too soon to assess the impact of recent efforts to increase awareness and refine the PPF.** For example, the Secretariat has increased its support to DAEs, including via the PPF, and is seeking to more clearly define what the purpose of the PPF is, as well as the boundaries between the RPSP and PPF (e.g. in terms of providing PPF support only for CNs that are only of sufficient quality and alignment with GCF criteria). Also, a PPF service modality was developed in 2020 that provides independent technical services, either for full PPF support or for narrower on-demand services for DAEs (e.g. relating to gender) via a roster of international firms.

5.3.2. Requests for Proposals

94. **The concept of RFPs may be useful, but the RFPs issued so far have been insufficiently effective in generating viable FPs.**[30] So far, the RFP project cycle has involved additional requirements – for example, requiring a CN – making the process too long and complex. Specific challenges vary by RFP, although cross-cutting issues include insufficiently robust planning and design (e.g. on the submission and review requirements), a burdensome accreditation process, and unrealistic or unviable proposal submissions. Most GCF stakeholders still view the RFP concept as a reasonable option to consider, but the GCF has decided not to issue new RFPs until it further assesses ways to improve operationalization and implementation of the RFP concept.[31] Future RFPs would need careful design, including being based on a thorough project and entity portfolio gap analysis. Adjustments already planned include broader advertising to AEs and NDAs, clearer information on parameters and more consistent review criteria to increase the predictability and transparency of the process, a more comprehensive staffing strategy within the Secretariat. and, potentially, incentives for proposal proponents to participate. The recently approved PSAA pilot is being expected to help address issues with RFPs attracting submissions from unaccredited organizations seeking to partner with the GCF.

5.3.3. Simplified Approval Process

95. **The goal of the SAP is valued by all major stakeholder groups, but the SAP has not yet achieved its potential to meaningfully streamline the approval process or reach a different audience.**[32] The SAP process has not yet meaningfully reduced the burden of project preparation or improved the efficiency and effectiveness of the GCF project cycle, as the overall submission requirements and review processes are only marginally simplified relative to the proposal approval process. The lack of interest in applying via the SAP appears to be having limited information about it, as reported by private sector actors, as well as perceptions of a slow and unpredictable process, often related to what are seen as unreasonable expectations

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[30] Four RFPs have been issued to date, targeting (1) EDA, (2) micro-, small- and medium-sized enterprises, (3) the private sector, and (4) REDD+.

[31] Low uptake for RFPs led to the postponement of the RFP for Incubators and Accelerators, requested in decision B.18/03 para c; the Secretariat has provided a draft to the Board, and discussion of it is anticipated at a forthcoming Board meeting.

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

from the independent Technical Advisory Panel (iTAP) on climate impact potential, particularly for adaptation in LDCs and SIDS.

96. **Recent incremental updates to the SAP are likely to result in only modest improvements as they do not address key bottlenecks.** In addition to adjustments already made or in process, the recently approved updated SAP policy and the paper clarifying expectations relating to climate impact potential (climate rationale) should help, though it is too soon to tell how they will be implemented. Several key elements are still being considered – for example, ways to speed up approval processes for the SAP, such as the introduction of approvals in between Board meetings or delegation to the Executive Director, were not included in the recently approved policy. Also, the Secretariat is engaging a firm to develop SAP Programming Guidance (as recommended by the IEU SAP evaluation), the goal of which is to identify the opportunities the SAP has to unlock private sector finance and define the incentives for the private sector in the use of the SAP. Significant improvements to CN processing speeds, which until recently were required for the SAP, are also important to improve overall processing times.

5.4 Proposal appraisal and approval processes

97. AEs are responsible for developing and appraising FPs against the investment criteria[33] and submission requirements, as part of their first-level due diligence. For FPs submitted, the Secretariat performs a variety of review functions during the appraisal cycle, including completeness checks, multifaceted technical review,[34] risk assessments and second-level due diligence.[35] When the Secretariat considers the FP ready for Board consideration, it is submitted to iTAP for their review and assessment.[36] Submissions via the SAP and RFPs follow a similar review process, although the specific submission requirements may be different. The Board then considers the information provided by both the Secretariat and the iTAP along with the FP. The Board may (1) approve the FP, (2) provide an approval that is conditional on modifications to project or programme design or subject to availability of funding, or (3) reject the FP.

98. **Internal proposal review processes have improved significantly since the IRM phase, yet there is more to do.** The GCF is processing an increasing and substantial volume of CNs and FPs, even during the challenges of the pandemic. Internal processes have been much more systematized and requirements have been clarified both internally and externally in recent years, though these improvements are not yet producing meaningful changes in median processing times (see Table 1). The Secretariat acknowledges there is still more to do – for example, to reduce processing bottlenecks, increase consistency of reviews and further improve proposal quality. Both the Secretariat and the iTAP have increased staffing for reviews and have implemented rolling reviews, though key aspects are still being refined, such as those relating to consistency between reviewers or between iTAP and the Secretariat and overall review time frames. Potential efficiency gains from rolling reviews are limited by the need to have all documentation from AEs completed in a timely manner as well as the batch nature of approval

[33] The six investment criteria approved by the Board are (1) impact potential, (2) paradigm shift potential, (3) sustainable development potential, (4) country ownership, (5) needs of the recipient, and (6) efficiency and effectiveness.

[34] The technical review assesses, for example, (1) strategic fit with GCF portfolio-level goals, (2) evaluation against investment criteria, (3) alignment with CPs and EWPs, and (4) complementarity and coherence, as well as a more detailed review of completeness, alignment with GCF policies and Board decisions, and assessment of legal and execution risks.

[35] In the interest of brevity, the dozens of relevant GCF Board decisions, policies, procedures and frameworks linked to the review process are not listed in this short summary. Many are addressed separately later in this section or in other sections of this report. Refer to the GCF Appraisal Manual (June 2022) for a more detailed overview of the submission review process.

[36] The core of the iTAP review is an independent assessment against the six investment criteria, although they may also consider ESS and credit/commercial risks if they are likely to affect the delivery of the six investment criteria.

at scheduled Board meetings. There is a consistent perception that Secretariat and iTAP reviewers are insufficiently knowledgeable about local contexts and priorities. Several stakeholders also noted the variation in perceived technical review quality depending on the lead iTAP reviewer. Relating to forecasting the time frame for Board approval, the Secretariat noted that a key uncertainty continues to be AEs' response times to outstanding requests, as this continues to be inconsistent, especially from DAEs. Given the rigid time frames given by the iTAP, it is difficult to accurately forecast when projects will be ready for Board review. It remains to be seen how the newly approved climate impact potential policy[37] will affect processes and experiences. Throughout project origination and review, the GCF also must navigate through diverse expectations on guidance – for example, some stakeholders criticize the GCF for being too passive, whereas others complain it is too prescriptive on what projects should be put forward or how they should be modified to meet current GCF priorities.

99. **The quality at entry of project submissions is gradually increasing.** While there is no single definition of quality at entry, anecdotal feedback and various indicators (such as number of conditions placed as part of Board approval or number of feedback rounds) indicate that FPs submitted for Board approval under GCF-1 are more on track than under IRM. In addition to producing materials such as the sectoral guidelines, the Secretariat has been moving towards a more proactive approach to project solicitation and design, within staffing constraints, to help steer project concepts earlier in the process. A common critique from reviewers is that many projects submitted are fundamentally development projects that may also bring climate benefits rather than being climate projects at their core.

100. **Despite the high volumes, process improvements and increasing quality, the project appraisal and approval cycle is widely perceived as bureaucratic, lengthy, inconsistent, and non-transparent, with potential implications for the GCF's reputation.** The numerous efforts to improve the process in GCF-1 are not (yet) widely recognized by countries and AEs. Instead, SPR case studies indicate that while partners report they have good relationships with individual Secretariat staff, from the perspective of AEs and NDAs the process has become more rigid, repetitive, unpredictable and unwieldy, particularly in the CN stage. Most case studies report processes are taking even longer under GCF-1 than under the IRM. The approval cycle is still widely perceived as too long to be considered responsive to the urgency of climate change and insufficiently aligned with this urgency – in SIDS, LDCs and African States, in particular. Stakeholders from several case studies recall instances where some climate actors have either already decided not to pursue further engagement with the GCF, or are more cautiously assessing future activities due to the processes involved. Policy inconsistencies and gaps have been impeding appraisal processes as they each need to be decided case by case and are lacking feedback loops to streamline future discussions on similar issues; examples include concessionality, hedging, co-financing, full/incremental cost and use of financial instruments for the private sector. This leads to delays and inconsistencies within and among Secretariat units, resulting in partners receiving inconsistent feedback and lacking a sense of transparency as to what the GCF will accept. Recent policy approvals as well as the GCF Appraisal Guidelines finalized in June 2022 may further help to clarify and speed these processes.

101. **The Secretariat is making trade-offs due to administrative and staffing constraints and tensions between goals**. There is a widespread understanding among partners and GCF staff that staffing issues also contribute to processing delays. There are issues with the number of staff members as well as having the "right" staff – that is, those with appropriate and sufficient senior-level skillsets where needed. The internal incentives for staff and unit KPIs are also insufficiently aligned to collaboratively contribute to GCF goals. The Secretariat noted to the Board that it has made trade-offs in setting quantitative and qualitative KPIs for its annual work programme – for example, in the number of FPs that can be reviewed at one time, meeting

[37] Decision GCF/B.33/12, "Steps to Enhance Climate Rationale".

service standards (including communication timelines), comprehensive analysis of reporting and the depth of engagement it is able to offer to support DAEs.[38] Staffing issues also create difficulties in developing and implementing larger cross-unit strategic initiatives such as developing new policies or investigating bottlenecks.

102. **Project origination and approval processes are not tailored or flexible enough to meet private sector needs.** Most of the existing projects are programmes operated by development banks that seek to reach smaller entities, rather than single projects contracting directly with the GCF. The levels of uncertainty, bureaucracy, time lags, and project structuring and country engagement expectations when doing a project with the GCF do not match private sector needs well. Although the pool of private AEs has increased somewhat in GCF-1, it remains limited both in terms of numbers and project capacities, due in part to burdensome accreditation processes, lack of awareness, perceived value and unpredictability.

103. **The Secretariat continues to identify and address issues within its control, but it also needs further clarity from the Board on a variety of matters to achieve deeper improvements.** For example, the Secretariat has recently completed a comprehensive business process review that identified structural bottlenecks as well as associated root causes and recommended reforms at every stage, from accreditation to readiness and project origination to pre- and post-approval processes. Examples of where implementation of the recommendations are already under way are included in relevant subsections of this report. In several cases, staffing changes and/or further Board guidance or policy decisions (for example, on accreditation) are necessary to fully implement the recommendations.[39]

5.5 Post-approval processes

104. The post-approval processes centre on the clearance process for reaching a signed and effective FAA, disbursement of funds and ongoing implementation management. AEs have the first level of responsibility (first-level due diligence) for confirming that GCF requirements are fulfilled and ensuring that GCF funds are used to deliver results. The Secretariat has the second-level of due diligence, monitoring the implementation of readiness and funded activities. For example, the GCF has standards for projects and project implementers (AEs and DPs) that address project and performance risks, ESS, gender and social inclusion (including for Indigenous Peoples).

105. **FAA processes continue to be lengthy and have not meaningfully improved since the IRM phase** (see Table 1). Reasons for delays include (1) AMA (a prerequisite for an FAA) not yet effective at time of Board approval of FP, (2) internal AE approval timelines, (3) unresolved commercial/technical issues, (4) language/translation issues, (5) policy ambiguities allowing for differing interpretations including when an AE must follow GCF policies instead of their own existing policies, (6) retroactive application of new policies approved by the Board, and (7) misaligned internal incentives within the Secretariat. The IEU's 2021 evaluation of the adaptation portfolio further noted that adaptation projects take longer than mitigation projects to move through the pipeline and then to begin implementation once approved, particularly for DAEs. However, earlier start-up issues in finalizing FAAs are fading away as internal learning within the Secretariat smooths out bottlenecks and AEs gain experience.

[38] Document GCF/B.30/08, "Review of Secretariat capabilities to deliver the updated Strategic Plan for 2020 – 2023".
[39] GCF/B.30/08.

5.6 Ongoing implementation, risk and results management

106. In general, during the implementation of GCF projects, the AEs are responsible for the first level of defence against risk (through their own project risk management systems and due diligence through compliance with their FAAs and AMAs), and the Secretariat's second-level responsibilities serve as a control or oversight function, complemented by the independent units, to ensure that risks are in line with the associated frameworks.

107. **The GCF's underdeveloped approach to managing portfolio risks is placing the Fund at risk.** The Secretariat has made significant strides in better understanding the types of risk and internal and external responsibilities for managing it relative to the IRM phase, but the GCF's risk management structure remains underdeveloped. In particular, it lacks coherence among frameworks, policies and processes, or clarity on how roles and responsibilities for risks are shared and divided among different Secretariat units (including the independent units), the Board and with external partners such as AEs. The GCF is increasingly aware of potential and actual risks, and the Secretariat is actively seeking to identify and address weaknesses within their control and to communicate actions needed by the Board. Given staffing constraints, the Secretariat is taking an iterative approach and is in the process of making a second update to the risk management framework that will also include more information on roles and responsibilities and is expected to address many of the most critical issues identified. It is also in the process of updating the ESS standards to be better tailored to GCF needs. These updates are expected to feed into both the project appraisal as well as ongoing implementation management processes. However, to date there is insufficient information available to assess their reach.

108. **Many partners are frustrated with implementation management processes, especially relating to adaptive management.** GCF staff as well as external partners note that lack of clarity due to policy gaps or ambiguity leads to extensive internal discussions case by case, excessive risk aversion (particularly related to malpractices, safeguard issues, and other project risks) leading to stalled processing, and substantial inconsistencies on how risk parameters are applied. There are persistent perceptions that the GCF lacks the proximity and flexibility to consider the details on the ground, with many stakeholders perceiving this situation as worse than during the IRM phase. There is a perception among interviewees that there may be a tendency to aggregate minor changes, which lead to larger changes that require involvement of the Board. This perception refers equally to minor changes or changes that typically occur during implementation or as a result of legacy issues from early FAAs. GCF staff noted that there are times when they feel constrained by existing policy requirements that are not sufficiently nuanced to provide flexibility. Examples of implementation issues cited during SPR country case studies include perceptions that the Secretariat seeks to micromanage, long delays in receiving feedback, extreme aversion to any risk, difficulty in making even minor changes, disbursement processes that seem to be too disconnected from project needs and concerns, and challenges for restructuring in multi-country projects because all involved NDAs have to agree. Interestingly, the SPR country case studies demonstrated a mixed message that AEs simultaneously want the GCF to take more of a hands-off approach to project implementation management yet complain if the GCF does not quickly step in or adjust requirements to fix problems that arise.

109. **The GCF has not fully reconciled its approach to its second-level due diligence responsibilities with the significantly expanding scale of its portfolio under implementation and the highly diverse nature of its AEs. The GCF approach relies heavily on the capacities and transparencies of AEs, which are known to be uneven.** Anecdotal implementation experiences and reporting, along with reaccreditation assessments, are showing that some DAEs are insufficiently experienced and capacitated in performing their first-level due diligence functions, and that some IAEs have been unreliable at complying with AMAs or FAAs. The current system for overseeing and monitoring AEs and projects is not

sufficiently differentiated for AE and project types, capacities and track records, such as where more proximate oversight is needed in some instances and a more risk-based portfolio approach is viable in others.

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

111. **A key tool currently available to the GCF to support project risk and results management – APRs – is not effective or timely for this purpose**. APRs are a tool to track implementation and are not considered an effective tool for project risk management as they do not capture project and other risks such as country and AE performance well or in real time. The quality of APRs varies and the process is slow, with GCF feedback highly variable and often irrelevant by the time it reaches the field. AE stakeholders report limited engagement with the GCF on identifying and managing risks and results, slowness in obtaining APR feedback and responses to adaptive and restructuring requests, and an annual reporting format that is considered repetitive, not sufficiently adapted to different project stages and project types, not well balanced in quantitative and qualitative reporting, and to have online platform and templates that are "not so user-friendly". The GCF's APR feedback is frequently regarded as not well informed about the project and forgetful or unaware of past comments and exchanges (which is often associated with high staff turnover). Conversely, the Secretariat regards many APR submissions as incomplete and/or low quality. While this is partly related to AE capacities, particularly those of less experienced DAEs and their lack of training on the format, there are also problems with other AEs, often international ones, that appear not to comply with GCF reporting standards. The Secretariat reports some progress in 2022, such as on the speed of APR reviews, their quality, and the regularity and depth of communication with AEs, in part due to an improved Portfolio Performance Management System platform and a larger review team. A new APR format is being developed, as are training sessions with AEs on how to use the APR platform and strengthen their reporting capacities. Interim evaluations (IEs) of funded activities are expected to be increasingly included in the Secretariat's annual portfolio report to the Board.

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

113. The GCF is in the early stages of its knowledge management practices, a stage that is broadly consistent with its organizational maturity. The GCF knowledge management strategy and action plan are not yet implemented and institutionalized, and opportunities for feedback loops have been identified but not operationalized. The focus in the 2022 APR analysis and portfolio reporting will be on lessons learned. The country case studies showed that some projects already have strong knowledge and learning elements at the project level, and others were advised at midterm to enhance these aspects.

VI. Results and impact of GCF investments

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

6.1 Progress towards delivery of the USP targets

6.1.1. IEU's projections on the delivery of the USP strategic objectives

115. Table 1 summarizes the IEU's high-level projections on the delivery of the USP strategic objectives by the end of GCF-1, based upon data available as of B.33 (20 July 2022). This is an update from the projections provided in the report of the IEU *Rapid Assessment of Targets in the USP*. Some indicators in the "initial observation" column were developed by the IEU and are not explicit in the USP. The performance of the GCF on these indicators is mixed. For instance, IEU projections indicate that the GCF is likely to exceed its IRM baseline on funding channelled through DAEs and its portfolio-level target to mitigate CO_2e. The GCF is likely to meet from 1.4 to 2.6 per cent of mitigation needs and 1.2 to 2.3 per cent of adaptation needs stated in countries' new or updated NDCs.

116. In terms of balancing funding across different dimensions, the GCF is likely to reduce the proportion of adaptation allocations as adaptation project submissions are lagging behind mitigation projects in GCF-1.[40] The proportion of adaptation finance is likely be under 50 per cent if the current trend continues. The Fund is not likely to meet the Private Sector Facility target as per the IRM, considering the pool of private AEs remains limited both in terms of numbers and project capacities. In addition, this indicator reflects a slight improvement from the recent approval of large equity projects as the calculation is done in grant equivalent units.

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

[40] The IEU's recent evaluation of the GCF's adaptation portfolio and approach acknowledges that this gap is "because over 80 per cent of the adaptation portfolio utilizes grants, whereas mitigation projects have received higher amounts of funding, mostly through non-grants and loans with limited concessionality, increasing the nominal amount for mitigation at the same time as increasing the grant equivalent amount for adaptation. [...] Most adaptation finance is committed through IAEs, with more than half of it going through six IAEs." Independent Evaluation Unit, *Independent Evaluation of the Adaptation Portfolio and Approach of the Green Climate Fund*, Evaluation Report No. 9 (Songdo, South Korea, Independent Evaluation Unit, Green Climate Fund, 2021). Available at https://ieu.greenclimate.fund/evaluation/adapt2021.

Table 1. Summary findings on progress and projections for USP delivery as of B.33

Thematic area	Benchmark area	Initial observation from linear projection relative to IRM benchmark (IF-defined)*
Portfolio-level results (as per IRM results)	Million tCO2e/USD billion in mitigation**	Likely to exceed
	Million beneficiaries/USD billion in adaptation**	Not likely to meet or exceed
Translating NDCs, adaptation communications, NAPs and long-term national strategies into transformational investment strategies and project pipelines (not expressed in quantifiable terms)	Mitigation costed needs in the NDCs of eligible countries***	The GCF is likely to meet from 1.4 per cent to 2.6 per cent of the mitigation costed needs stated in the new/updated NDCs of GCF-eligible countries by the end of GCF-1.†
	Adaptation costed needs in the NDCs of eligible countries	The GCF is likely to meet from 1.2 per cent to 2.3 per cent of the adaptation costed needs stated in the new/updated NDCs of GCF-eligible countries by the end of GCF-1.†
	RPSP approved and disbursed amounts	RPSP approved amount is likely to reach USD 548.5M by the end of GCF-1.† RPSP disbursed amount is likely to reach USD 378.3M by the end of GCF-1.†
	PPF approved and disbursed amounts	PPF approved amount is likely to reach USD 44.3M by the end of GCF-1.† PPF disbursed amount is likely to reach USD 28M by the end of GCF-1.†
Balanced funding across different dimensions (as per IRM outcomes)	Themes**	The proportion of finance allocated for adaptation is likely to reduce to between 43 and 49 per cent (90 per cent confidence).
	Vulnerable countries**	Likely to exceed
	Geographical	Suggestive of a reduction in Asia-Pacific share and increase in Latin America and the Caribbean
	Private Sector Facility**	Not likely to meet or exceed
Scaled-up funding for ambitious projects	N/A (not expressed in quantifiable terms)	
Funding channelled through DAEs (as per IRM baseline)	Number of DAE projects	Likely to exceed
	Funding allocated to DAEs**	Likely to exceed
Portfolio-level mobilization of GCF contributions to projects under the Private Sector Facility (as per IRM)	Co-financing ratio**	Likely to meet, but not exceed

Thematic area	Benchmark area	Initial observation from linear projection relative to IRM benchmark (IF-defined)*
Balanced result area risk appetite	N/A (not expressed in quantifiable terms)	
Improved speed, predictability, simplified access, efficiency, effectiveness and transparency	Accreditation: 1. Application to accreditation 2. Accreditation to AMA execution (All entities submitted applications during IRM)	DAEs: • There is some predicted increase in absolute median time taken for both processes in GCF-1 versus IRM. Change over time is not likely. IAEs: • There is some predicted reduction in absolute time taken for IAEs in AMA execution in GCF-1 versus IRM. (Observations are indicative, the sample is too small.) Change over time is not likely. • Predictability is relatively higher for IAEs.
	Project approval cycle (from CN/FP submission to Board approval)	There is some predicted reduction in the absolute median days taken for project approval towards the end of GCF-1. However, change over time is not likely. Predictability is higher relative to other processes.
	Legal arrangements: 1. Approval to FAA execution 2. FAA execution to effectiveness 3. FAA effectiveness to first disbursement	1. Projections of FAA execution median is highly statistically unpredictable, despite some improvement in historical median values over recent periods. Projections towards the end of GCF-1 do not suggest improvement in GCF-1 relative to IRM. † 2 and 3. Projections of both FAA effectiveness and first disbursement suggest an increase in median duration in the GCF-1 versus IRM. FAA effectiveness is suggestive of continuous increase during GCF-1.
	RPSP processes Adaptation planning (NAPs) Other grants (non-NAPs) 1. Grant application to approval 2. Approval to (first) disbursement	Adaptation planning (NAPs): • There is some predicted increase in median days taken for grant application to approval in GCF-1 versus IRM. Change over time is not likely. • No predicted statistically significant change in median days taken for disbursement in GCF-1 versus IRM. Change over time is not likely. Other grants (non-NAPs): • No predicted statistically significant change for application to approval in GCF-1 versus IRM. Change over time is not likely. • There is some predicted reduction in the absolute median days taken for disbursement towards the end of GCF-1. Disbursement is suggestive of continuous reduction in duration during GCF-1. • Predictability is relatively better for disbursement rather than grant approval.

Thematic area	Benchmark area	Initial observation from linear projection relative to IRM benchmark (IF-defined)*
	PPF 1. Grant application to approval 2. Grant approval to disbursement	No predicted statistically significant change for both processes in GCF-1 versus IRM. Change over time is not likely. Both processes have very high uncertainty around estimating the average. Due to the small sample size, the estimates are not robust.

Notes: *The findings are relevant for the total portfolio, including IRM projects, as well as for a subset of projects approved in the GCF-1 period only.
† Based on the average value of the projected portfolio at the end of GCF-1.
In the interest of space, this report only presents a high-level status summary. Readers may refer to the latest reporting to the Board (e.g. GCF/B.33/Inf.01, "Status of the GCF pipeline, including the status of Project Preparation Facility requests"; GCF/B.33/Inf.06, "Report on the activities of the Secretariat") for fuller lists of indicators being tracked by the Secretariat.
** Indicators adopted in decision B.27/06.
*** Deutsches Institut fuer Entwicklungspolitik, "Global division by income", NDC Explorer. Available at https://klimalog.idos-research.de/ndc/#NDCExplorer/worldMap?NewAndUpdatedNDC??income???catIncome (accessed on 19 September 2022). The data on the NDC explorer platform were most recently updated in February 2022. A total of 160 new and updated NDCs were analysed and included in the data set. The number of non-Annex I countries reporting mitigation and adaptation costed needs is 56 and 48, respectively. Exact estimates and conditionality of costs will be presented in the full SPR report, based on the codified NDC data updated on a rolling basis towards the end of 2022.

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

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

120. **The USP targets are not necessarily complementary, as greater progress in one target may well inhibit success in another.** For example, it is not possible to simultaneously achieve adaptation, DAE and private sector goals with the same set of projects, given existing DAE capacities and projects as well as pipeline characteristics.

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

6.1.2. Caveats to these projections

122. The analysis by the IEU DataLab is updated through B.33 and utilizes projections through to the end of the USP cycle in 2023. For example, because the profile of approved

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

6.2 Project-level results and impact

123. **The GCF portfolio of funded activities under implementation is still young, but there are indications in more mature projects that the anticipated results will be forthcoming.** Only about half of all funded activities have been in implementation for at least three years or more, about 40 of these projects submitted their IEs,[41] and very few projects are either completed or close to completion. While few mature projects have completed activities and outputs that already led to outcomes and climate impact, many projects are making good implementation progress, based on IEU analysis of self-reported data from APRs and IEs, along with SPR country case studies. Most mature projects report preparatory activities such as for infrastructure, landscape and natural resource management, and finance of subprojects, and many projects also started major activities, construction and subproject support, but at a modest completion rate. Activities to strengthen beneficiary and institutional capacities and enabling environments at policy and institutional levels are also under way in many mature projects. About two thirds of funded activities with completed IEs are making reasonable or satisfactory progress, with the remaining third reporting major problems and delays. Weak project design in early FPs, restructuring needs, implementation challenges and COVID-19-related delays are affecting the delivery of results to varying degrees. Still, at the IE stage, 13 of 15 projects (for which IEs were available to the IEU) expect to achieve their development objectives.

124. **The quality of results measurement and reporting during implementation have been poor to date, with detrimental effects on monitoring and analysing portfolio progress, although improvements are under way.** Compared to the IRM, projects approved in GCF-1 have better results frameworks and measurable investment criteria, internal logic, and arrangements for monitoring and evaluation, data collection and reporting.[42] However, the effect of limited GCF guidance and oversight during the initial years of project approvals persists in the current portfolio. After finding widespread shortcomings in a review of 100 funded activities, the Secretariat is pursuing remedial actions on monitoring and evaluation and measurement gaps in this portfolio. Results reporting has been particularly weak for private sector projects, with the GCF currently unable to credibly measure and report private sector results. AEs are reluctant to report on specific projects due to claims of confidentiality, rightly or wrongly, and reporting formats are not conducive for private sector reporting. Little is known about subprojects benefiting from GCF financial support, especially in multi-country projects. The approval of a GCF programmatic approach policy is critical for increasing transparency and risk management for subprojects.

125. **The Board has taken an important step in GCF-1 towards results measurement and reporting by approving the IRMF.** Revised Division of Portfolio Management guidelines and training support will now be key to the success of the IRMF, including the pending approval of the draft IRMF handbook through the Board and the full operationalization of the Results

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[41] According to the Secretariat, only 15 of these IEs were available to the IEU, all of which were reviewed in-depth.

[42] Independent Evaluation Unit, Quality-at-entry analysis of FPs approved pre- and post-January 2020 (Songdo, South Korea, Independent Evaluation Unit, Green Climate Fund, forthcoming).

Tracking Tool. This tool is expected to use the architecture of the IRMF and link GCF climate results to resourcing and organizational results, in order to enable Fund reporting annually and against the USP. Such integration will be critical to ensure consistent application of concepts and methods, aggregability of results and a coherent results architecture.

126. At time of writing, many elements of the IRMF remain untested. For example, while the IRMF allows, in principle, better alignment with SDG reporting and capture systemic changes in the enabling environments, it remains to be seen whether countries and AEs have the capacity to align GCF IRMF reporting and their own reporting requirements on climate finance, SDG and other monitoring and evaluation mandates. The IRMF applies not retrospectively but only for FPs approved since B.30; it is too early to know what this may mean for the ability to report consistently for the coming years across the whole portfolio.

6.3 Climate impacts

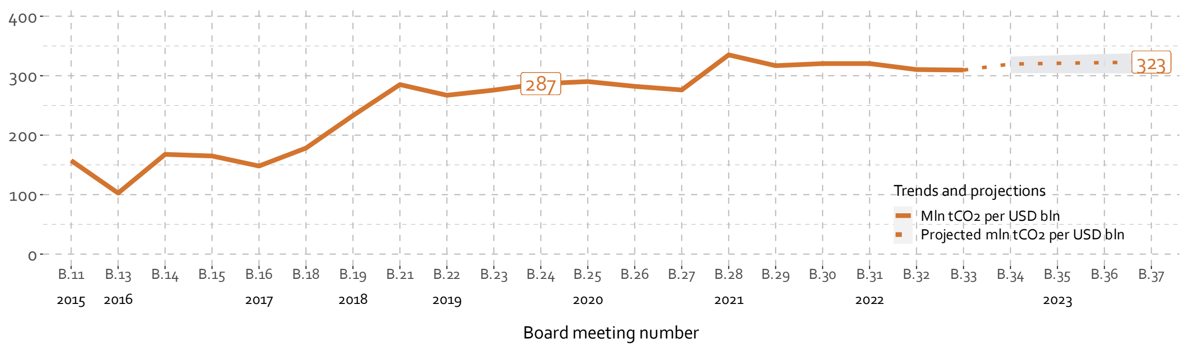
127. **Given the long-term nature of climate impact, relatively few projects already report significant actual achievements of GHG emission reductions or impact from adaptation interventions on beneficiary and asset resilience.** The achievements and impacts that are being reported are often planned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

6.3.1. Mitigation

128. As noted in Table 1, the IEU projects that, based on self-reported data, the GCF is likely to exceed its portfolio-level mitigation target defined in million tCO_2e/USD billion. The GCF is likely to meet from 1.4 per cent to 2.6 per cent of mitigation costed needs in the NDCs of eligible countries by the end of GCF-1.

129. The latest available self-reported, aggregated numbers of B.33 show that GCF investments have reduced or avoided emissions by 2,295 million tCO_2e across the portfolio (see Figure 1). As noted above, these self-reported mitigation impacts may also contain some planned (and not yet achieved) mitigation results.

Figure 1. GHG emissions avoided through GCF investments over time



Source: Tableau server iPMS data, as of B.33 (20 July 2022), analysed by IEU DataLab.

6.3.2. Adaptation

130. As noted in Table 1, the IEU projects that the GCF is not likely to meet its portfolio-level adaptation target defined in million beneficiaries/USD billion. The GCF is likely to meet from 1.2 per cent to 2.3 per cent of adaptation costed needs in the NDCs of eligible countries by the end of GCF-1. The projections indicate that the GCF is likely to reduce the proportion of adaptation allocation relative to mitigation in GCF-1.

131. According to the latest available aggregate numbers on climate impact presented in the 2020 annual portfolio performance report, produced by the Secretariat at B.30, the portfolio realized 7 per cent of its expected mitigation impacts (50 million tCO_2eq) and 16 per cent of its expected adaptation impacts (49 million beneficiaries), with most of these impacts expected to occur near and after project completion. These results could not be validated by the IEU due to the limitations of self-reported data.

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

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

6.4 Paradigm shift

134. **Paradigm shift was only partially defined during the IRM phase, and the GCF has now taken steps to define what it means for its funded activities through the IRMF.** To date, the GCF has not been able to consistently assess the promotion of and contributions to paradigm shift due to a lack of standardized ex post assessment tools in the initial results management framework. The new IRMF reflects the view that a paradigm shift will be enabled through a combination of actions to reduce emissions and/or increase resilience, as well as activities noted in the paradigm shift potential of the initial investment framework.[43] Each

[43] GCF/B.29/14, "Integrated Results Management Framework". As per paragraph 10, "Activity coverage areas comprise: (i) potential for scaling up and replication, and its overall contribution to global low-carbon development pathways being consistent with a temperature increase of less than 2 degrees Celsius; (ii) potential for knowledge and learning; (iii) contribution to the creation of an enabling environment; (iv) contribution to regulatory frameworks and policies; and (v) overall contribution to climate-resilient development pathways consistent with a country's climate change adaptation strategies and plans".

project/programme is expected to define or describe its own paradigm shift and sustainable development potential in the FP. The Secretariat is working on new evaluation guidelines that will include more detailed guidance on qualitative and quantitative reporting of paradigm shift and its contributing activities in interim and final reports.

135. **Paradigm shift towards low-emission and climate-resilient pathways is a long, multifaceted process that GCF funding contributes to at different levels.** Paradigm shift is complex and context specific, with GCF approved and funded projects and activities expected to contribute to but not be solely responsible for achieving such shifts. For example, project ownership, growing stakeholder awareness, and knowledge and learning can be steppingstones for paradigm shift. Country case studies illustrated that, depending on the project, contributions to paradigm shift are realized through the number of beneficiaries reached, through service providers and community-level institutions, and government policies.

136. **Innovation for the local context is often a component of paradigm shift.** Few GCF approved and funded projects focus on innovation itself, although many projects report numerous technical, social and organizational innovations within the local context as part of the broader strategy towards paradigm shift. Some new models of project approaches and investments were also developed through RPSPs.

6.5 Catalysing finance

137. The GI sets an objective for the Fund to catalyse additional public and private finance at international and national levels. Co-financing is an important tool to catalyse finance, as well as a means to achieve the highest possible impact for climate action and to strengthen country ownership to make such actions sustainable.[44] There is no minimum amount of co-financing required for a funded activity nor a specific source that must be complied with, although maximizing co-financing is stated as desirable. The GCF also expects to mobilize private finance as a result of GCF financing and to leverage private finance directly or indirectly.[45] The IEU's evaluation of the GCF's approach to the private sector found that co-finance and leverage is more limited than a potential catalysing role that the GCF can perform.

138. **Expected co-financing in approved FPs increased slightly in GCF-1, to 73.2 per cent of project funds, up from 71.8 per cent during the IRM, fully because of increased co-finance in public sector projects. This** is equivalent to a rise in the co-finance ratio from 2.5 to 2.7 in GCF-1. Private sector projects maintained their shares of co-financing at around 78 per cent, while co-financing in public sector projects increased from 67 to 70 per cent.

139. **Data on actual realized co-financing are still not often published, due in part to a lack of transparency and consistency of reporting.** The Secretariat system for tracking information on projects' co-financing levels at pre- and post-implementation phases has improved since the Forward-looking Performance Review, but published data are still rare. The latest available annual portfolio performance report, dated 2020,[46] reports realized co-financing of USD 1.06 billion representing 9 per cent of the total anticipated co-financing for the portfolio under implementation. A review of a limited number of available IEs indicated that co-financing materialized on time in several projects and contributed to project progress. In other cases, co-financing was delayed or even withdrawn due to slow project start-up, contractual and administrative problems, or reallocation by the co-financier due to shifting priorities. Public

[44] See paragraph 5, Green Climate Fund, Policy on co-financing (Songdo, South Korea, Green Climate Fund, 2019). Available at https://www.greenclimate.fund/document/policy-co-financing.
[45] Leveraged private finance means private investment resulting from the contribution associated with GCF involvement in an investment, regardless of whether or not the GCF was actively and/or directly involved in raising such financing or soliciting investors, and includes investments made as a result of the intervention of additional investors after the first project is completed.
[46] GCF/B.30/Inf.09, "Annual portfolio performance report (2020)".

sector co-financing was often lower than expected in GCF-1 as government activities were reduced or delayed by COVID-19 and budgets were scarce. Country case studies also suggested unresolved policy issues related to when co-financing does not materialize.

140. **This limited reporting on actual realized co-financing, combined with remaining conceptual gaps in measuring leveraged and mobilized private finance, means that the GCF remains constrained in analysing its contribution to making finance flows consistent with a pathway towards low-emission and climate-resilient development.** The IRMF does not provide core indicators to measure leveraged and/or mobilized finance at scale. However, the Secretariat is working on a methodology for measuring leveraged finance and parallel finance, including by source (public or private).

6.6 Gender equality and social inclusion

141. **The GCF has been steadily and systematically positioning itself to better address gender equality and social inclusion throughout GCF-1.** The GCF has strong gender and Indigenous Peoples policies and has made important strides in laying the groundwork to mainstream those concerns across the organization. A policy shift in 2019 from gender sensitivity towards the higher standard of gender responsiveness has been further supported by upgrading standards and expectations for partners and documents, though it is too early to assess the results of this shift in terms of gender outcomes. While gender and Indigenous Peoples have dedicated policies, there is less policy clarity or focus on disadvantaged populations at large.

142. **While gender policy compliance is high in terms of preparing the required documents, this has not automatically translated into meaningful influence or action on the ground.** AEs prepare gender action plans, for example, and FPs are no longer submitted to the Board without one. The quality of the plans, however, has been highly variable. The IEU’s initial review of a sample of GCF-1 gender action plans also identified patterns in how FPs approach gender, particularly in terms of capacity-building and consultative processes. Fewer opportunities have been generated to enhance women’s roles in leadership or decision-making, and for sharing benefits with women, Indigenous Peoples and other disadvantaged populations.

143. One significant remaining barrier is that gender and social inclusion is seen by many through a safeguard lens rather than as a technical field to be invested in. This contributes to a self-fulfilling cycle in which national entities do not grasp the extent of expectations, and thus do not pursue capacity-building opportunities. Gender and social inclusion is not usually prominent within requests for RPSP support, for example. Interviews suggest that gender and social inclusion is not consistently a priority among national entities, and that their capacities to mainstream these concerns are often limited. The result has been FPs and supporting documents that exhibit a low level of ambition in regard to gender and social inclusion. Few AEs specialize in working with Indigenous Peoples, and there are concerns that although systems and policies are in place for partnerships with Indigenous Peoples, they have few opportunities to access GCF funding.

144. **There are limited data available on the GCF’s results from a gender and social inclusion perspective during GCF-1, though the country case studies offer some examples.** No aggregate data are available on Indigenous Peoples, although some of the SPR’s country case studies pointed to positive examples that will be further elaborated in the final SPR report. The aggregate data on targeting and benefiting females specifically are also not encouraging. A small share of adaptation beneficiaries are female (based on submitted APRs through 2020); gender-disaggregated beneficiary data are not mandatory at all for mitigation projects and are therefore unavailable. Some FPs that are expected to generate positive outcomes for women and girls are identified in case studies and IEs. Overall, however, the pattern is to capacitate and consult with women and other disadvantaged populations, but there

is limited action in regard to targeting them. Much of the portfolio under mature implementation was approved prior to the more stringent gender expectations set by the GCF in 2019, however. Time, effort, clearer strategic direction and a robust measurement system will be needed to generate more meaningful results.

VII. Key findings and areas of recommendation

145. This summary report is an interim deliverable of the SPR, and thus may not represent the comprehensive set of findings and recommendations that could be included in the final SPR report due in early 2023. The following are the key findings and areas emerging for recommendations, which will be further elaborated in the final SPR report.

7.1 Key findings

146. **The GCF has steadily evolved and matured as an organization over the first three years of GCF-1, as it works to deliver on its GI mandate and USP objectives.** Critical work has been done to institutionalize policies and processes, building on the IRM period, and some benefits are starting to be realized, including through higher-quality funding and readiness proposals, increased programming volumes, and incremental improvements in process efficiency. The size of the portfolio doubled in the first two years of GCF-1 and now exceeds USD 10 billion as of B.33, with four fifths of approved projects under implementation. Readiness support has been delivered to 141 developing countries, and 128 countries have had projects approved and are working with 51 AEs. Yet, there has been a tendency to focus on incremental improvements rather than clarifying the larger questions around objectives and priorities (e.g. accreditation). Operational processes continue to be protracted, to the point of harming the GCF's reputation.

147. **As the GCF considers updates to its strategic plan for GCF-2, it finds itself at a crossroads in its strategic development.** The Board has an opportunity to set clearer strategic direction and provide a focus through the USP-2 that can clarify operational priorities and the operating model. Stakeholders do not yet share a common vision for the Fund, leading to an overly broad "do it all" approach. In light of finite resources, the time has come to clarify the GCF's vision in certain areas, such as the balance between the urgency of the challenge and the long-term need to build climate finance capacity in countries and entities, the extent to which the GCF works through its partners or takes a more direct and strategic role (e.g. to influence climate finance flows, or convene partners around NDC investment planning processes), and the extent to which countries' demand directs GCF programming compared to the GCF's orchestrating of larger strategic global or regional paradigm shifts. This ambiguity makes it difficult for the GCF's results and impacts to be cumulative in any one area or to drive significant transformational change or a wholesale paradigm shift. Many of these possible priorities could be simultaneously achievable within the broader GCF portfolio but would require more direct priority setting and significant changes in the GCF's capacity and its operating model. Currently, these as yet unresolved or competing visions manifest as a lack of focus and strategic tensions in the USP, with negative consequences for operational effectiveness and efficiency. They also keep the GCF from being a fully articulated organization, with implications for beneficiaries and countries.

148. **Through accreditation, the GCF has established a network of diverse AE partners, including many national and regional DAEs.** But the GCF accreditation approach is not yet optimized for direct Fund access, and some current accreditation goals could be more effectively and efficiently met through other channels. This includes other forms of GCF partnerships, country capacity-building and access mechanisms. The accreditation function is overburdened with multiple goals, some of which are partially conflicting. 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, high-quality project implementation and the GCF's fundamental goal of direct access. A growing network may affect the AE-to-project ratio and the Secretariat's capacity to manage it, and thus affect the attractiveness of accreditation to potential AE partners, especially with a continuously protracted accreditation process. This ambiguity in strategy for accreditation relates directly to the need for the GCF to fully articulate its role internally as well as to its partners.

149. Throughout GCF-1, DAEs have constituted an increasing proportion of AEs, yet the approved project portfolio remains skewed towards IAEs and a relatively small number of DAEs. Country accreditation decisions, programming and capacity-building are not yet sufficiently aligned and targeted to facilitate direct access. Building the capacities of DAEs through IAE support has not worked well in practice.

150. **Within the context of the GCF's commitment to country ownership and of countries' evolving needs, the role of the GCF and its partner institutions in supporting countries remains poorly defined.** The GCF has not yet fully articulated the role that it wishes to play at the country level, nor the respective contributions expected of the Secretariat, NDA, AEs and other partners. At the same time, the needs of countries are evolving from core policy and target formulation towards the more complex process of sector-level investment planning and project delivery. Yet, many countries lack the capacity to prioritize investment opportunities and manage structured dialogues with financing partners and DPs in an integrated and holistic way. Currently, the GCF is generally not directly engaged in the NDC investment planning and delivery process, with other institutions more directly involved (often AEs). A high-capacity NDA is central to this process, but GCF readiness support, while valuable, is not being systematically targeted to the highest priority areas to meet both country and GCF goals. As a result, opportunities for strategic-level synergistic effects and transformational impact are being lost, not only within the GCF portfolio but more widely.

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

152. **The results and risk management strategies are underdeveloped to serve the GCF's need to demonstrate results as its portfolio matures.** Given the global urgency, the need for the GCF to deliver climate results is only becoming more critical. While the portfolio under implementation is still quite young, there are indications that mitigation and adaptation results will be forthcoming. As the GCF's portfolio under implementation triples in GCF-1, the Secretariat has an important and growing responsibility to oversee the implementation of projects to manage for risks, results and knowledge feedback. These systems are currently underdeveloped and insufficiently differentiated by risks and AE characteristics/capacities, although many efforts to improve them are under way.

153. **The GCF's novel governance design of parity between developed and developing countries brings legitimacy but compromises efficiency, especially given the Fund's proximity to UNFCCC politics.** The Board has been more effective and efficient on routine expectations such as approving FPs and accrediting entities, and less so on policy and strategic direction, particularly in the face of virtual meetings during GCF-1. While the formal rules of the Board are laid out and clear, informal governance norms are not well established and can set differing expectations. Policy gaps and blurred lines between governance and management

functions and authorities are also now impeding progress. The unique GCF governance model provides an opportunity to navigate through these challenges and provide strategic leadership and clarity moving forward.

7.2 Emerging areas of recommendation

154. While there is solid evidence behind all the findings in this summary report, articulating the specific recommendations that will be in the final SPR, expected to be published for the first Board meeting of 2023, is more challenging. Data collection is advanced but still incomplete, and this report is coming at a unique time in the GCF's organizational development, as it is now actively working to update its strategic plan in light of the GCF-2 replenishment. In the meantime, the Board and Secretariat actively continue to work to approve new policies, refine existing modalities, better align resources to organizational priorities and make other adjustments that would affect the relevance of any recommendations provided. Therefore, we only identify areas of recommendation here at a level that will still be relevant for the final report, at which time they will be reviewed to provide more details and examples. The final report will also consider major policy and operational changes made through to the conclusion of B.34, as relevant. For the purpose of this summary report, we have also refrained from repeating recommendations made in previous IEU evaluations in GCF-1, including those related to the private sector, SIDS, LDCs, adaptation, accreditation, the SAP and RFPs, and those made in the forthcoming evaluations on direct access and Africa.

155. Within this context, it is clear the key findings point to five emerging areas of recommendation for the GCF as of the writing of this summary report.

156. **Emerging area of recommendation #1: Clarify the GCF's strategic positioning and strengthen priorities.** There are numerous areas identified throughout this report indicating where the GCF would benefit from a clearer focus, short- and medium-term implementation prioritization, and increased overall coherence. For example, the USP update process could be optimized in the following ways:

(a) **Fully articulate vision and strategic choices.** The ongoing update to the strategic plan provides an opportunity for deeper agreement on focus – to best leverage comparative advantages, communicate priorities, increase policy and operational coherence, maximize impact, and better match modalities and resources to ambition. There is also a need for clearer articulation around the GCF's short-, medium- and long-term priorities and constraints. The GCF would be better served by a stronger collective focus, expressed through the next USP, that articulates a vision with boundaries relating to its comparative advantages and that provides coherent and realistic strategic programming guidance clarifying the implementation priorities and accountability mechanisms. It should also provide a pathway for how trade-offs or tensions should be handled at the policy level, while allowing operational flexibility. Handling those trade-offs may require the Board to make difficult choices about what the GCF will and will not do, and should be based on the GCF's growing institutional experience, increasingly specialized mandate and evolving country needs. The USP should be time-bound so that it clarifies what the immediate strategic priorities are, given the current context relative to the long-term vision.

(b) **Set indicators and targets.** While the current USP focused its targets primarily on investments and allocations, a future USP could consider clear targets for strategic impact. Any strategic plan should include a complete theory of change and results framework, with associated indicators and targets that cover outcomes and impacts.

(c) **Resource appropriately.** The USP should also envisage the capabilities necessary to deliver on the plan. In making strategic choices, the GCF should also consider the associated allocation of resources to specific areas or actions. Given ongoing resource challenges, it will be critical to exercise realism in terms of the resources available to meet the agreed ambition in the context of an organization that needs to build robust systems to invest in its long-term future and address present needs.

(d) **Ensure that the strategy is widely communicated throughout the broader GCF partnership.** Strategic priorities for GCF-2, including programming priorities, should be communicated to countries and partners in a clear and transparent manner. Communication at the country and AE scopes should be tailored to those audiences and consider all areas where the GCF has an active role, from origination and accreditation to approval.

157. **Emerging area of recommendation #2: Clarify GCF and partner roles in countries.** It is important to clarify and strengthen the roles of the GCF and countries in partnerships so that the GCF can better meet country needs and its climate imperatives in the context of country ownership. This will also help partners better understand and work with the GCF, as well as drive greater complementarity and coherence at a portfolio level. For example:

(a) **Clarify the GCF's role in country planning processes.** The Board should give clear guidance to the Secretariat with regard to strengthening or limiting its roles relative to those of its partners in order to better articulate the expected role of the GCF in countries' climate architecture and supporting country ownership and associated capacity. Within the bounds of the GCF's mandate, the scope and balance of responsibilities and roles should account for the relative strengths of institutions within the partnership model (e.g. who is best positioned in terms of in-country presence and networks, convening power and other political economy considerations), along with the capacity support being provided in-country by AEs, DPs and other development partners (e.g. donors, climate funds, multilateral technical assistance platforms). Realism is warranted in terms of expectations for AEs taking on responsibilities beyond project implementation (e.g. for representing the GCF, providing capacity-building to and partnering with DAEs and private sector institutions) and engaging in support for NDC, NAP and wider climate investment planning.

Areas that might require greater clarity include the Secretariat's direct engagement with strategic planning processes within countries, noting that countries are differently positioned in their access to highly capacitated partners. The GCF may wish to play different roles, depending on the context and customized for countries. Such roles could include being an educator and builder in countries with limited articulation for climate action, a planning and convening partner in countries with limited capacities, and/or a provider of climate finance in countries with limited climate finance. These roles could be additional as appropriate for the local context and needs and are not mutually exclusive. The GCF may wish to communicate these desired roles and their limitations to countries and partners.

(b) **Clarify any future role for CPs and EWPs.** If the GCF wishes to continue with CPs and EWPs, there is a need to update the approach to country and entity programming so that it is more streamlined, useful and relevant for partners as well as the GCF. The core elements of CPs and EWPs – alignment and prioritization – are critical but should be met more efficiently; major changes to the CP and EWP processes would be required to better contribute to meeting other objectives, such as more systems-oriented approaches for paradigm shift. For example, if the GCF decides to continue CPs, it should help a country or entity develop investment plans or otherwise prioritize which of their projects or concepts best align with GCF goals. However, a clearer focus and support strategies would be needed. Also, resourcing would need to be aligned within the Secretariat to implement the GCF's desired role in such strategies. It would be important for the Secretariat to ensure there is sufficient coordination and alignment between the different units and groups involved in partner engagement and upstream pipeline development.

(c) **Clarify the role of readiness support.** There is a need to further clarify and refine the overall vision and purpose for readiness support and to more efficiently direct the resources necessary to facilitate GCF goals – for example, further strengthening the link between the RPSP and GCF programming, or what role the RPSP plays in delivering on the GCF's private sector goals. Compared to the IRM, there is now a much deeper understanding of ongoing country needs, the role differing local contexts play in these needs, practical intervention approaches, other actors that are better positioned to support readiness, as well as bottlenecks and inconsistences within the Secretariat. Regardless of depth, readiness activities should link more coherently to other activities within the Secretariat. For example, readiness is a key element of the DAE Action Plan, which seeks to address challenges across the entire DAE engagement cycle, from accreditation to project development and implementation.

(d) **Review accreditation and access priorities.** To meet its current programming, country ownership and direct access goals through accreditation, the GCF needs to continue to re-evaluate its accreditation priorities and DAE capacity-building efforts. In articulating a strategic approach to accreditation, the GCF needs to define the main goal(s) of accreditation (relative to the other objectives) and the means of achieving those goals, including the path towards alternative mechanisms for reaching current accreditation goals, especially access to the Fund. This would require better alignment and targeting of its IAE and DAE selection with programming and capacity-building, communicated in full consultation with its country partners. The GCF should also consider the resource and efficiency implications of its accreditation decisions for the Secretariat and AEs, including the implications of available Fund resources and project opportunities for the composition and size of the overall partnership.

158. **Emerging area of recommendation #3: Ensure streamlined and fit-for-purpose systems.** There is a clear need for the GCF to continue to pursue streamlining and efficiency gains and to further consider not only the expectations of partners but to improve their experience interacting with the GCF. Some of these gains may emerge from strategic clarity in the USP. In addition to process improvement initiatives already under way within the Secretariat, the following actions will be important:

(a) **Refine operational modalities as needed per USP guidance.** Efforts to improve the various operational modalities are ongoing (e.g. accreditation, readiness, project approval). Some deeper potential refinements have already been identified and could be pursued if they are consistent with future Board priorities and guidance. As with the policy suite, the operational modalities and day-to-day processes should be assessed to more optimally reflect the new USP.

(b) **Have mechanisms in place to ensure systems and processes are, and continue to be, fit-for-purpose and appropriately resourced.** As the Board makes strategic choices, systems and resources need to be revisited to make sure they are fit-for-purpose to the scale and model of the GCF. This also includes ensuring that modalities are sufficiently differentiated to reach and serve the totality of the targeted audience, such as entities and countries in Africa, LDCs and SIDS. Effective and streamlined systems will also require sufficient alignment of the staffing and internal incentives of different Secretariat units, as well as establishing feedback loops to facilitate reaching the same overarching goals. This also includes regularly soliciting feedback from partners.

159. **Emerging area of recommendation #4: Pivot to a results and learning orientation.** It is time for the GCF to shift from an approval orientation towards one that emphasizes results and learning, with a more coherent results architecture for GCF-2. For example:

(a) **Fully operationalize the IRMF and RRMF.** Effective operationalization of the newly approved IRMF and RRMF is needed, along with continued attention to the quality of results monitoring and reporting – including for readiness results, climate results and mobilized finance – to ensure that the GCF can crucially provide a clear and credible accounting of its aggregate results during GCF-2.

(b) **Improve implementation management processes.** Further development of the GCF's approach to project implementation management is also critically required, including clarifying decision-making processes and authorities so that GCF administrative issues do not delay implementation, and developing a comprehensive and coherent risk management system.

(c) **Review approach to due diligence.** Consideration should be given to a more differentiated approach to the GCF's second-level due diligence responsibilities for portfolio risk management, in light of the scale of its portfolio and the highly diverse characteristics and capabilities of its AEs.

(d) **Strengthen learning and feedback loops.** As the GCF solidifies its fundamental results and risk management systems, it should also start shifting towards a structure and resourcing that can encourage learning and feedback loops across projects, countries and agencies more systematically.

160. **Emerging area of recommendation #5: Strengthen governance processes to provide more effective and efficient leadership for the Fund.** For example:

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

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

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

(d) **Support trust-building and self-reflection among Board members.** Consideration should also be given to supporting mutual understanding and learning among Board members through establishing a regular process of self-assessment. This confidential process should facilitate honest and constructive reflection on the strengths and weaknesses of the Board as a whole, rather than individual members, seats or constituencies, and focus on integrating lessons from the experience into more effective leadership of the Fund.

(e) **Revisit the observer function to address weaknesses.** Revisions to the observer guidelines should be finalized, as has been planned for four years now. Examples may include clarifying processes for observer consultation to ensure that input is systematically sought at an appropriate time during deliberations, and financially supporting the developing country CSO active observer to travel to Board meetings.