

# INDEPENDENT EVALUATION OF RELEVANCE AND EFFECTIVENESS OF THE GREEN CLIMATE FUND'S INVESTMENTS IN THE LEAST DEVELOPED COUNTRIES

## Executive summary

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GREEN  
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Independent  
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GREEN CLIMATE FUND  
INDEPENDENT EVALUATION UNIT

# Independent evaluation of relevance and effectiveness of the Green Climate Fund's investments in the Least Developed Countries

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## EXECUTIVE SUMMARY

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*Cover photo:* A Khmer woman earns a living on the Tonle Sap Lake, Cambodia, ©Andrey Bayda/Shutterstock

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## ABBREVIATIONS

<b>AE</b>	Accredited Entity
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>COP</b>	Conference of the Parties
<b>DAE</b>	Direct Access Entity
<b>GCF</b>	Green Climate Fund
<b>IAE</b>	International Accredited Entity
<b>IEU</b>	Independent Evaluation Unit
<b>LDC</b>	Least Developed Country
<b>NDA</b>	National Designated Authorities
<b>PPF</b>	Project Preparation Facility
<b>RPSP</b>	Readiness and Preparatory Support Programme
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change



## EXECUTIVE SUMMARY





## A. INTRODUCTION

This evaluation is part of a concerted effort by the Green Climate Fund (GCF)'s Independent Evaluation Unit (IEU) to examine the relevance and effectiveness of the GCF's investments in the most vulnerable countries. As an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), the GCF provides support to developing countries to reduce their greenhouse gas emissions and to adapt to the impacts of climate change. In fulfilling this mandate, the GCF's Governing Instrument states that the urgent and immediate needs of countries that are most vulnerable to the adverse effects of climate change must be taken into consideration. These particularly vulnerable countries include Least Developed Countries (LDCs), Small Island Developing States and African States.

At its twenty seventh meeting in October 2020, the GCF Board, in decision B.27/08, approved the IEU's annual workplan for 2021, which includes an independent evaluation of the relevance and effectiveness of the GCF's investments in LDCs. The United Nations defines LDCs as "low-income countries suffering from the most severe structural impediments to sustainable development." Currently, the United Nations uses three criteria to classify LDCs: Gross National Income per capita; a Human Assets Index, and an Economic and Environmental Vulnerability Index. Currently, there are 46 LDCs eligible for the GCF's support.

This evaluation assesses whether the GCF's approach and investments have been relevant and effective in reducing the vulnerability of local communities in LDCs and of their livelihoods to the effects of climate change, and whether these impacts are likely to be sustained. It examines how and to what extent the GCF's approach, mechanisms and financial modalities respond to the conditions facing LDCs. Moreover, the evaluation assesses the key enabling conditions for the GCF to support a paradigm shift towards low emission and climate resilient development pathways in LDCs.

The evaluation team has structured the main findings and recommendations according to the core chapters of the report: responsiveness and relevance of the GCF to LDCs, coherence and complementarity of the GCF with other climate funds, country ownership and capacity development in LDCs, performance of the GCF's business model and processes in LDCs, and results and impacts.

## B. KEY FINDINGS

### Key findings 1: Responsiveness and relevance of the GCF to LDCs

**Finding 1(a):** Conference of the Parties' (COP) decisions related to LDCs are not consistently followed up with specific GCF Board guidance to the Secretariat.

**Finding 1(b):** There is no established mechanism for the GCF's national adaptation plan support through the readiness and preparatory support programme (RPSP) and adaptation project origination to ensure the adaptation allocation target will continue to be met. There is little evidence that existing national adaptation strategies and plans are systematically integrated with GCF's programming and operations in the LDCs.

**Finding 1(c):** Access to GCF support remains cumbersome for the LDCs. In LDCs, which face significant structural barriers, this lack of access particularly disadvantages Direct Access Entities (DAEs).

**Finding 1(d):** The GCF has attempted to simplify the process and shorten the time to access GCF finance and has not yet achieved these objectives to date.

**Finding 1(e):** The GCF's approach has had a limited contribution to the engagement of private sector entities within the context of LDCs, particularly the small and medium-sized enterprises and the local private sector. The GCF has not addressed this lack through accreditation efforts, including project-specific accreditation approaches.

**Finding 1(f):** The GCF has identified some possible actions relevant to averting, minimizing and addressing loss and damage. Lack of clear definitions and approaches to financing remain key obstacles for GCF programming and operations.

### **Key findings 2: Coherence and complementarity of the GCF with other climate funds**

**Finding 2(a):** While the UNFCCC's guidance encourages coherence and steps to build synergies have been laid out, there is no systematic approach to coherence and complementarity. For the LDCs, there is a need to consider coherence and complementarity in national programming and especially the GCF's RPSP and project preparation facility (PPF) with other funds.

**Finding 2(b):** Compared to other climate funds, the GCF places additional emphasis on country ownership and capacity building in the LDCs. This affects complementarity and coherence with other climate funds.

### **Key findings 3: Country ownership and capacity development in LDCs**

**Finding 3(a):** Multiple structural barriers and procedural bottlenecks limit the role of national designated authorities (NDAs), and access of countries to resources to enhance their capacity in the LDCs. Current attributes of country ownership, i.e. the no-objection procedure and DAEs, are insufficient to guarantee ownership in the LDCs, particularly for multi-country projects.

**Finding 3(b):** On average, USD 0.95 million is approved for RPSP in the LDCs, which is less than other country groups. Disbursement of RPSP funding is slow, especially for adaptation planning.

**Finding 3(c):** Country programmes are not fully incorporated into the GCF business model, and there is limited use of country programmes for GCF programming.

**Finding 3(d):** The COP has requested the GCF to enhance consideration of local indigenous and traditional knowledge. The GCF has not done so yet. The GCF lacks tools to track the extent to which and how indigenous people's concerns and local knowledge are incorporated in projects, including how such knowledge can provide valuable information on climate trends.

**Finding 3(e):** Compliance with the gender policy, particularly required gender action plans, is consistent in the LDCs. However, the quality and depth of gender assessments and reporting vary, making tracking gender impacts hard.

**Finding 3(f):** GCF's current approach to knowledge management is not based on a framework, nor does it provide opportunities to facilitate dialogue and learning.

**Finding 3(g):** LDCs have only 14 national DAEs, and most are accredited to implement low-risk and micro and small projects. Only three national DAEs are accredited for medium-sized projects. DAEs in LDCs find it difficult to meet accreditation standards and require more time and support to enhance the necessary technical and institutional capacities. The median time for accreditation of national DAEs from LDCs is 688 days versus 317 for regional DAEs and 490 days for international accredited entity (IAEs).

**Finding 3(h):** The GCF has rightly identified capacity constraints. GCF support programmes are not guided by strategies that lay pathways to enhance the capacities of DAEs to manage larger projects in LDCs. Nor has the GCF put in place mechanisms and incentives to engage IAEs in the capacity development of DAEs in LDCs. Although IAEs benefit from technical expertise, and often country

presence, they are not incentivized by the GCF to ensure technology transfer throughout the project's implementation.

#### **Key findings 4: Performance of the GCF's business model and processes in LDCs**

**Finding 4(a):** More than half of LDCs have not accessed the PPF. A lengthy and resource-intensive process discourages them from applying.

**Finding 4(b):** The simplified approval process was designed to ease access to funding, but it has neither shortened nor simplified the process for LDCs.

**Finding 4(c):** The GCF concept note and proposal development process is particularly challenging for LDCs, increasing preparation and transaction costs for project development are not considered. Difficulties meeting the stringent climate rationale requirements for adaptation projects are further aggravated by the duplicated review process through the Secretariat and independent Technical Advisory Panel.

**Finding 4(d):** Disbursement to LDCs has remained slow and low, compared with other country groups. Lack of legal expertise for DAEs contributed to delays in the funded activity agreement negotiations.

**Finding 4(e):** The Fund's position as a risk-taking institution is limited as it primarily funds low-risk projects. The GCF relies on the experience of IAEs in funding a limited number of projects in high-risk contexts. Overall, the GCF does not offer incentives to AEs to work in LDCs that reflect high risks for project implementation.

#### **Key findings 5: Results and impact**

**Finding 5(a):** Data on results of GCF projects in LDCs is not always consistent and complete. Gaps in monitoring prevail in LDCs. Measures to independently verify data on project implementation and results have not been fully operationalized. There is no system in place for risks-based annual reviews or annual ad hoc project checks to assess the veracity of data.

**Finding 5(b):** According to the AE's self-reporting through Annual Performance Reports, the LDC single-country projects portfolio has higher CO<sub>2</sub> emissions targets as a proportion of annual emissions than the rest of the GCF portfolio, despite contributing a fraction of overall global CO<sub>2</sub> emissions. However, the achievement of the targets is still limited, with very limited disbursement of only 2 per cent of the approved mitigation funding.

**Finding 5(c):** There is no systematic data on GCF targeting of vulnerable communities. Although not representative of the portfolio, evidence from country case studies and the baseline data from the IEU's Learning-Oriented Real-Time Impact Assessment from Rwanda, Madagascar and Bangladesh suggest that GCF projects in LDCs, particularly in adaptation, may target vulnerable communities.

**Finding 5(d):** Projects in LDCs consistently disaggregate the number of targeted beneficiaries by gender. However, the variance within gender reporting makes it difficult to make a portfolio-level assessment.

**Finding 5(e):** GCF's support of sustained low-carbon and resilient development pathways is hampered by systemic barriers to paradigm shift in the LDCs.

## C. KEY RECOMMENDATIONS

Based on the above findings, the evaluation has a number of recommendations for how the GCF can better align approach and investments with its mandate in the LDCs.

**Recommendation 1:** The GCF should consider operationalizing, through board decisions, COP guidance specifically about the most vulnerable countries, and particularly LDCs.

**Recommendation 2:** The GCF Secretariat should urgently operationalize frameworks and plans on coherence and complementarity into a systematic approach with other climate funds at global, national and project levels.

**2(a):** The Secretariat should clarify processes that consider coherence and complementarity in project origination and appraisal.

**2(b):** The Secretariat should urgently develop and implement guidance on coherence and complementarity for GCF support programmes. Such guidance should consider other support programmes of bilateral and multilateral agencies as well as enabling conditions for climate action and barriers to paradigm shift.

**Recommendation 3:** The GCF should strengthen guidance and support to LDCs to enable them to assume ownership in engaging with the GCF.

**3(a):** The Secretariat should urgently clarify the strategic plan and use of country programmes in the LDCs. It should consider strengthening the linkages between GCF country programming and national adaptation plan implementation. Country programmes should link country needs with a pipeline of projects and indicate the scale of resources. A country investment strategy aligned with country needs should also be considered.

**3(b):** The Secretariat should urgently strengthen upstream pre- and post-accreditation support for DAEs to enhance capacity around climate data, accreditation requirements and legal obligations.

**3(c):** To address structural and institutional capacity constraints in the LDCs, the Secretariat should consider sustained GCF support for the secretarial functions of the NDAs/focal points and long-term training for NDAs/focal points. Accountability and tracking of GCF support should urgently be ensured to measure the results of GCF support credibly.

**3(d):** The GCF should strengthen the approach to stakeholder engagement by introducing a policy-level instrument, ensuring definitions and principles of engagement, especially for non-state local actors. This instrument should recognize the engagement of minorities, civil society and particularly vulnerable groups most affected by climate change. It should put special emphasis on project implementation and multi-country projects.

**Recommendation 4:** The GCF should support building structures and incentives that provide opportunities and motivation for countries, accredited entities and the Secretariat to engage DAEs.

**4(a):** The Secretariat should assess and develop incentives and accountability mechanisms for IAEs, to enhance project design, implementation and monitoring and evaluation capacities of DAEs in the LDCs. An updated accreditation framework and accreditation strategy should address the critical question of purpose and vision for Direct Access at the GCF.

**4(b):** The Secretariat should promote the twinning of AEs in the project development and project implementation phase, to strengthen the capacity of DAEs through early engagement and involvement in GCF projects in the LDCs.

**4(c):** The GCF should encourage and incentivize countries and DAEs to take a strategic approach when nominating for direct access.

**4(d):** While considering fiduciary and environmental and social safeguards performance, the Secretariat should provide tailored support to DAEs that demonstrate adequate capacity and ambition to fight climate change in the country through engagement with the GCF. A tailored approach should consider developing qualifying criteria and pathways to help DAEs graduate and deliver medium and large projects.

**Recommendation 5:** The GCF should clarify the links between GCF support programmes, such as RPSP and PPF, and funding modalities, including simplified approval process, and streamline these connections to increase efficiency in project appraisal and programming.

**5(a):** The PPF application process should be streamlined and requirements simplified. The GCF should also address the coherence and complementarity of GCF support programmes internally. Externally, it should support programmes of other funds.

**5(b):** The Secretariat should consider integrating the concept note review into the project appraisal process to avoid duplication in reviewing the concept notes.

**5(c):** The Secretariat should acknowledge and contribute towards the additional costs, specifically owing to the context of the LDCs.

**Recommendation 6:** The GCF should adopt, implement and promote an inclusive knowledge management framework across the Secretariat and stakeholders, based on lessons learned, project evaluations, impact assessments and structured dialogues to guide NDAs, AEs and DAEs.

**Recommendation 7:** The GCF should ensure the tools and systems for effective results management, including the monitoring and accountability framework, are operationalized, transparent and accurate, to ensure trust and results.

**7(a):** The GCF should consider incentivizing, in particular in data poor contexts, the development and use of country monitoring systems to strengthen monitoring and evaluation capacity and management in the long term.

**7(b):** The Secretariat should consider revisiting indicators and reporting on gender to allow for the monitoring of gendered outcomes.

**7(c):** The GCF Secretariat should develop and implement tools to define and track how the use of indigenous people's concerns are addressed in the project development and implementation of GCF projects.





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