GREEN CLIMATE FUND | Independent Evaluation Unit

QUESTIONS

Q1 What is the GCF's role in adaptation finance?

Q2 Has the GCF adequately supported countries in adaptation planning?

Q3 Is the GCF engaging the private sector in adaptation?

KEY CONCLUSIONS AND FINDINGS

F1-1 The GCF is uniquely positioned to finance projects at scale with a high-risk appetite, if appropriate and consistent with country needs. However, the GCF has *not* clearly defined a specific approach for adaptation programming.

F1-2 Project-level interactions between GCF proposals and projects of other climate funds, multilateral partners and the private sector are not yet systematically identified nor actively pursued.

F1-3 For coherence and complementarity, the GCF can clarify its role beyond adaptation finance through its (i) resources dedicated to adaptation planning, (ii) convening power, and (iii) knowledge management and sharing potential.

F2-1 In accessing RPSP* for adaptation planning, requirements for proposals, capacity concerns and matchmaking with adequate delivery partners remain as hurdles.

F2-2 The approval process for RPSP adaptation planning varies significantly, with times ranging between 14 days and more than 3 years.

F2-3 Fully attributing GCF's RPSP to concrete outcomes or assessing quality remains challenging as no outcome or impact measurement framework is operational yet.

F3-1 Among climate funds, the GCF has the strongest private sector focus and greatest ability to scale projects. But the GCF is yet to fully utilise this opportunity. Most PSF* projects are managed by public entities with a private sector focus, such as MDBs.

F3-2 The GCF's ability to source and support PSF projects has stalled: since B.21 (October 2018), only USD 10.8 million (0.4% of total adaptation finance) has been committed.

F3-3 Despite the GCF's high-risk appetite and flexible suite of instruments, only an estimated 18 cents per 1 GCF-invested dollar is generated on average as co-finance from the private sector. External market-related factors (e.g. fewer investable opportunities and predictable return flows) and internal factors (e.g. the reactive business model, lack of predictability and high upfront costs) constrain private sector engagement.

F3-4 Cooperation between the GCF's DMA* and PSF in jointly assessing projects and identifying opportunities is mainly informal and ad hoc.

RECOMMENDATIONS

R1
The GCF should clarify its role in adaptation finance and enhance complementarity with other climate funds.
- Consolidate its unique position in adaptation finance.
- Pursue greater coordination of adaptation efforts with NDAs*, AEs and local stakeholders.
- Use its convening and catalytic power to develop and share best practices across the GCF ecosystem.

R2
The GCF should clarify the role of its RPSP* in supporting adaptation planning.
- Raise awareness/reach of RPSP grants for adaptation planning in vulnerable countries.
- Address technical capacity challenges in NDAs, including through training clusters of government officials.
- Facilitate matchmaking between countries and locally/regionally embedded RPSP delivery partners.
- Monitor the quality of RPSP adaptation planning through an outcome/impact measurement framework.

R3
The GCF should define an approach for the private sector, in particular in adaptation finance.
- A new private sector strategy should include guidance on what is considered minimizing market distortions and moral hazard.
- Address capacity support to small and medium-sized firms. Clarify what the RPSP can do for small and medium-size firms.
- Adaptation needs should be addressed in piloting the project-specific assessment approach.
- Strengthen incentives to support cooperation between the GCF's DMA and PSF in jointly assessing projects and identifying opportunities, particularly for blended finance.

RPSP: Readiness and Preparatory Support Programme*
NDA: National Designated Authority*
PSF: Private Sector Facility*
DMA: Division of Mitigation and Adaptation*

The final report of this evaluation was submitted in time for B.28, held in March 2021.

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QUESTIONS

Q4 Is the GCF's business model working for adaptation?

Q5 Is the GCF achieving intended results in adaptation?

Q6 Is the GCF sufficiently innovative and risk taking in adaptation?

KEY CONCLUSIONS AND FINDINGS

F4-1 Regional DAEs* are the most underrepresented, while IAEs* are overrepresented in the adaptation portfolio (87% of committed finance), with more than half of adaptation finance going through six IAEs.

F4-2 There is an opportunity to channel more adaptation financing through regional DAEs. High upfront costs of doing business with the GCF are a concern. Programmatic approaches, especially for longer-term and larger-scale interventions, can limit such burdens.

F4-3 The average adaptation project is small and has a lengthy approval process, especially for DAEs. Some 40 per cent of all registered concept notes for adaptation projects are withdrawn during the review process.

F4-4 Key challenges specific to adaptation projects are the availability of data to prove a climate rationale, non-standardized business models and complex execution structures.

F4-5 The GCF is directing 67% of its adaptation finance to the most vulnerable countries, but 59 countries are yet to be reached

F4-6 Because adaptation requires multi-stakeholder engagement, the inclusion of CSOs* via NDAs can benefit the adaptation portfolio.

F5-1 The only Fund-level indicator currently operationalised is the number of beneficiaries.

F5-2 The four adaptation result areas, defined by the RMF*, are the only measures available for identifying GCF's adaptation projects and cross-cutting projects with adaptation components.

F5-3 The depth of impact for adaptation interventions *cannot* be monitored with the current set of indicators.

F5-4 In terms of the GCF results areas for adaptation, with 91% coverage, the "Most Vulnerable People and Communities" area acts as a chapeau and is too broad to aid learning.

F5-5 Results-based financing holds considerable potential within the GCF's adaptation portfolio.

F6-1 The GCF's view on innovation in adaptation is overly technological and under-emphasizes the importance of social and institutional innovation, including traditional knowledge.

F6-2 Replication of innovation is not pursued at the GCF level. Programmatic approaches present an opportunity to leverage lessons from one project to another.

RECOMMENDATIONS

R4

The GCF should respond to the urgency in adaptation.

- Resolve data availability barriers for verifying climate vulnerability.
- Urgently clarify climate rationale in the funding proposal review/appraisal process.
- Finalise the policy on programmatic approaches, recognising the regional aspects of adaptation challenges and solutions, including the potential of regional DAEs.
- Diversify financial instruments in adaptation projects, particularly to increase scale through higher co-finance ratios.
- Develop a stakeholder engagement policy.

R5

The GCF should address adaptation-related measurement challenges.

- Engage further with other climate funds and communities of practice to refine indicators, measurement and aggregation clarity.
- Recognise the limitations of the current set of indicators and develop project- and fund-level indicators.
- Trace results at the sectoral level for portfolio management.
- Utilize results-based financing to a greater extent within its adaptation portfolio.
- Link results areas to an indicator for a country's adaptation needs.

R6

The GCF should address the ongoing lack of clarity and guidance in its approach on innovation.

- Define the delivery of successful structures, systems and organizations as actual project impacts (e.g. blended finance vehicles).
- Strengthen programmatic approaches in adaptation finance as they are important for leveraging lessons from one project to another and for fostering innovative replication.

DAE: Direct Access Entity* *IAE*: International Accredited Entity* *RMF*: Results Management Framework* *CSO*: Civil society organization*

Binet, Silvia, Matthijs De Bruijn, Daisuke Horikoshi, Rene Kim, Byungsuk Lee, Max Markrich, Peter Mwandri, Kulthoum Omari-Motsumi, Martin Prowse and Galyna Uvarova (2021). Independent evaluation of the adaptation portfolio and approach of the Green Climate Fund. Evaluation Report No. 9, February 2021. Independent Evaluation Unit, Green Climate Fund. Songdo, South Korea.