



**GREEN
CLIMATE
FUND**

Meeting of the Board

4 – 7 October 2021

Virtual meeting

Provisional agenda item 17(b)

GCF/B.30/14/Add.01

29 September 2021

Management response to the Independent Evaluation of the Relevance and Effectiveness of GCF Investments in Small Island Developing States

Summary

This document presents the Secretariat management response to the *Independent Evaluation of the Relevance and Effectiveness of GCF Investments in Small Island Developing States* undertaken by the Independent Evaluation Unit (IEU). This is a reissue of document GCF/B.28/19/Add.01, published on 15 March 2021, and does not incorporate recent developments.

I. Introduction

1. The Secretariat welcomes the *Independent Evaluation of the Relevance and Effectiveness of GCF Investments in Small Island Developing States* undertaken by the Independent Evaluation Unit. Small Island Developing States (SIDS) are facing urgent and immediate needs due to their unique vulnerability to the adverse effects of climate change. The Fund's Governing Instrument and *Updated Strategic Plan for 2020-23* recognize these needs and call for allocating resources to address these needs and engage with the private sector, focusing on market activation, enabling environments and facilitation of the aggregation of demand for mitigation and adaptation services.

2. This evaluation report makes four major recommendations to the GCF Board and Secretariat to improve the relevance and effectiveness of GCF investments in SIDS. The Secretariat agrees or partially agrees with all these recommendations, and it has either already taken actions on many of them or is in the process of doing so. Such actions include improvements to support under the Readiness and Preparatory Support Programme to improve direct access and address the capacity difficulties that SIDS are facing, accelerating and simplifying aspects of the project cycle, and coordinating across the Secretariat to promote private sector engagement in SIDS. Some of the recommendations, such as policy guidelines for programmatic approaches or project-specific accreditation, would require further mandates from the GCF Board. In those cases, the Secretariat stands ready to implement and operationalize the relevant Board decisions.

3. Specific responses to each of the key recommendations in the evaluation are detailed further below.

Recom- mendation #	Recommendation	Response
<p>RECOMMENDATION 1. Make improvements to RPSP support to improve direct access and address the capacity difficulties that SIDS are facing. GCF-funded capacity-building in SIDS should take more of an accompaniment approach, providing human resources to work side-by-side with government and DAE staff to build capacity over longer periods (months to years).</p>		
1(a)	<p>The GCF Secretariat should bridge the gap between pre- accreditation and post-accreditation RPSP support by incorporating resources specifically for concept note development into pre-accreditation RPSP grants, with the release contingent on Board accreditation. This could be a small amount, approximately USD 20,000–30,000, based on the cost to develop a concept note as reported by DAE interviewees.</p>	<p>Agree.</p> <p>Such support is important and is already provided within the RPSP. This support facilitates Direct Access entities in meeting the standards of GCF as soon as possible. It also aids their ability to programme projects with GCF.</p> <p>One proposal by the Secretariat is captured in the programmatic approach policy draft which was published for B.25 but was not opened by the Board. Support for capacity building of DAEs post-accreditation is available to DAEs upon the request of NDAs under the RPSP. Such support covers the entire project cycle, from pipeline development and project preparation to also supporting capacity development for implementation, monitoring and evaluation. While such support has been principally provided in the form of grants, the Secretariat is expanding such support in the form of technical assistance provided through rosters of individual consultants and firms</p>
1(b)	<p>The GCF Secretariat should make entity- and project development-related support more accessible to regional DAEs and consider a separate window of funds that does not count against the per-country allocation of USD 1 million.</p>	<p>Agree.</p> <p>The Secretariat agrees that project development support should be made more accessible to DAEs, especially regional DAEs. The Secretariat will present a proposal to the Board on modalities for supporting Direct Access Entities, separate from the per country allocation of USD 1 Million.</p> <p>In this regard, the Secretariat already took action to further simplify the application process to PPF and expanded the scope of its PPF and technical assistance by setting up a roster of international firms that can support DAEs’</p>

		<p>project preparation more efficiently and effectively. It also reduces the administrative burden associated with the management of PPF grants. Starting 2021 the PPF roster of firms will be promoted among national and regional DAEs especially in the SIDS to increase SIDS access to project development support.</p>
1(c)	<p>The GCF Secretariat should promote the availability of multi-year support for embedding advisers in NDAs and/or make that support more easily accessible (e.g. through a roster approach).</p>	<p>Agree.</p> <p>Embedding advisers with NDAs could support GCF tasks and towards that end the GCF will work in the course of the next two years to make such a roster available.</p>
1(d)	<p>The GCF Secretariat should adjust its offer of technical assistance through the RPSP to reflect the need for more hands-on support for writing concept notes in SIDS.</p>	<p>Agree.</p> <p>The Secretariat agrees that technical assistance is of key importance to support DAEs, especially DAEs from SIDS, in project/programme preparation. Starting end of 2020, the Secretariat has strengthened its capacity to provide TA to developing countries, including SIDS, by setting up a roster of 3 international firms that can support the development of projects/programmes with RPSP and PPF resources.</p>
1(e)	<p>The GCF Secretariat should expand the roster and contribute to building the capacity of RPSP delivery partners in SIDS. This would facilitate shifting the business model for regional DAEs from readiness to investment and help relieve the bottleneck caused by regional DAEs being the partner of choice for both the RPSP and preparing funding proposals. Sharing lessons learned with NDAs and RPSP delivery partners could also help improve the effectiveness of capacity-building support offered to SIDS. For example, delivery partners could write terms of reference for consultants that focus less on one-off training or workshops and more on approaches that</p>	<p>Agree.</p> <p>See response to 1 (a), 1(b) and 1 (d) above</p>

	reflect the need for more accompaniment and mentoring.	
RECOMMENDATION 2. Accelerate and simplify the project cycle, especially for the SAP.		
2(a)	The IEU's recent review of the SAP recommended that the Board develop a strategy for the SAP while focusing on processes that accelerate and simplify the project cycle, including consideration of delegation of authority to the Secretariat. Simplifying and accelerating the SAP is especially important for SIDS, because the growth in their pipelines is shifting towards this modality. The Board and the Secretariat should operationalize and implement the IEU's recommendations on the SAP.	<p>Agree.</p> <p>The Secretariat agrees that further simplifying the SAP and changing its approval modality is important for SIDS. It will consider this recommendation from IEU in the drafting of the further development of the SAP policy due to be presented to the Board in 2021.</p> <p>The Secretariat will consider these recommendations in the "Further Development of the SAP" policy.</p>
2(b)	In piloting the project-specific accreditation approach, the Board of the GCF should focus on making access faster and streamlined, to provide access through entities in SIDS that may otherwise not implement GCF projects.	<p>This recommendation is for consideration by the GCF Board.</p> <p>The updated accreditation framework, including the project-specific accreditation approach (PSAA), continues to be developed by the Accreditation Committee of the Board and is included in the Board workplan for 2021. Pending consideration by the Board of the framework and PSAA, including any areas of focus that the Board may identify therein, the Secretariat would implement and operationalize the framework and PSAA accordingly.</p>
2(c)	The GCF Board and Secretariat should consider simplifying the funding proposal template to allow SIDS to cross-reference GCF country programmes, NDCs, NAPs, IPCC reports or other equivalent analyses in demonstrating overall national vulnerability to the impacts of climate change.	<p>Partially Agree.</p> <p>In 2021, the Secretariat will propose to the GCF Board a policy on Climate Rationale, which should outline the scope of the required information to demonstrate suitable and acceptable information to be used for vulnerability to the impacts of climate change. The present template already allows AEs to include as an annex (Annex 2 Feasibility Study) the suitable climate information.</p>

RECOMMENDATION 3. Approve a policy on a programmatic approach with urgency and with consideration to the issues raised by this evaluation.		
3(a)	The GCF Board should finalize the policy on the programmatic approach, with due consideration of the perspectives of SIDS and AEs in that policy. In particular, programmatic approaches should include both single- and multi-country programmes and include provisions to streamline the processes for subproject approval and changes, while ensuring appropriate due diligence.	<p>Agree.</p> <p>Proposals for policy on programmatic approach have been submitted to the Board in previous meetings, most recently at B.25. The Secretariat currently is planning further consultations with AEs and NDAs before submitting a new proposed policy later in 2021.</p>
3(b)	Once a policy is adopted, the GCF Secretariat should provide AEs with guidance on the policy to build their confidence to prepare such programmes. The GCF Secretariat could also provide more “matchmaking” support for the development of these programmes, to encourage AEs and countries to pursue innovative elements within these programmes and subprojects, including those requested by SIDS’ constituencies.	<p>Agree.</p> <p>The Secretariat – as with other GCF policies – would provide guidance to AEs, NDAs and relevant stakeholders on such a policy once adopted by the Board.</p> <p>The Secretariat has already launched the GCF Programming Manual in August 2020, which provides guidance to AEs, NDAs and stakeholders on the GCF programming cycle, starting from country programming and entity work programming in the earliest stages, to project and programme concept note and funding proposal preparation and project development support available, as well as implementation, monitoring and reporting on outcomes achieved.</p> <p>In addition, the Secretariat will organise (virtual) structured dialogues to facilitate matchmaking and providing a platform for NDAs and AEs to engage with the aim to address country programming priorities</p>
3(c)	In appraising programmatic approaches, the GCF Board and Secretariat should ensure that they are closely linked with participating countries’ NDCs, NAPs and long-term strategies, as well as other national efforts for complementarity and coherence. Programmatic	<p>Agree.</p> <p>Previous proposals for a policy on programmatic approaches incorporated options for the Board to allow some of the mechanisms suggested here.</p> <p>The Secretariat believes that the Enhancing Direct Access (EDA) RfP could possibly be instrumental to address some aspect of this recommendation. EDA can be particularly beneficial to SIDS, as it devolves decision making to national</p>

	<p>approaches should be ambitious and could be innovative. For example, the GCF could consider financing an individual SIDS' adaptation pathway with funding tranches associated with trigger points or thresholds; such an approach would provide ample opportunities for managed flexibility, robust measures and bounded innovation in project development and implementation. Such approaches could help SIDS meet long-term visions and objectives with robust and predictable finance, while maintaining the flexibility SIDS need to adapt to climate change.</p>	<p>and local actors, promotes country ownership and finances sub-projects at national and local levels that align both with the relevant national climate policies/strategies while identifying the actual climate needs with the local stakeholders.</p>
<p>RECOMMENDATION 4. Ensure the GCF's approach to private sector engagement reflects the complexion of the local private sector in SIDS and a coordinated approach across the Secretariat and its divisions and facilities.</p>		
<p>4(a)</p>	<p>The Board should adopt a private sector strategy that includes the following:</p> <ul style="list-style-type: none"> • A clear common understanding of the private sector, including a reflection of the characteristics of local private sector actors in SIDS • Objectives of private sector engagement, which should include leveraging private sector investment to realize the scale of climate ambitions, as well as improving the resilience of the local private sector and de-risking their climate-related investments • A coordinated strategy among the GCF Secretariat's DCP, DMA and PSF teams for private sector engagement, including in SIDS, ranging from early stage consultation and awareness building to later-stage project development 	<p>Agree.</p> <p>Strengthening the private sector in SIDS would benefit from engaging with local AEs, although a coordinated strategy across the Secretariat also needs to consider prioritizing the accreditation of AEs that understand the local context.</p>

4(b)	<p>The Secretariat should develop approaches for innovative financing structures and instruments, as requested by SIDS. It should also develop approaches for engagement with micro-, small- and medium-sized enterprises operating in constrained environments such as SIDS. Such approaches could include intermediary models that combine lines of credit with technical assistance for subproject preparation, or suites of options to support the private sector to build resilience in specific sectors common to SIDS, such as tourism, fisheries, local traders/merchants and local private transport providers.</p>	<p>Agree.</p> <p>For SIDS, relevant financial instruments could also include insurance/reinsurance and disaster risk funding mechanisms. Local currency financing might be another helpful tool for SIDS.</p>
4(c)	<p>The Secretariat should develop performance indicators that encourage development of private sector projects in a larger number of SIDS.</p>	<p>Agree.</p> <p>As part of its implementation of the Updated Strategic Plan, the Secretariat will closely monitor the number and volume of private sector projects in SIDS.</p>
4(d)	<p>Following a critical review of the GCF's experience with the current RfPs, the GCF Secretariat should consider an RfP for private sector investments in SIDS. To ensure the success of the RfP, it should be sequenced after any structural or incentive issues with the RfPs are addressed and access issues are improved for SIDS.</p>	<p>Partially Agree.</p> <p>One of the major bottlenecks with past RfPs is those concepts submitted by non-AEs. Consideration needs to be given to lessons learned from those experiences and practical approaches to address that issue.</p> <p>In addition, existing modalities are already building capacity and regulatory frameworks in many SIDS. PSF has provided support to some Caribbean SIDS through Readiness. Furthermore, an essential part of the support for SIDS is helping MSMEs in these countries, which was the goal of the MSME RfP. The Secretariat would prefer to find means and incentives to use existing modalities more effectively before undertaking a new RfP which could add further complexity.</p>