FORWARD-LOOKING PERFORMANCE REVIEW OF THE GREEN CLIMATE FUND

Executive Summary

June 2019

GREEN CLIMATE FUND | Independent Evaluation Unit

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GREEN CLIMATE FUND
INDEPENDENT EVALUATION UNIT

Forward-Looking Performance Review of the Green Climate Fund (FPR)

EXECUTIVE SUMMARY

June 2019

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FOREWORD

Even as I write this, temperatures in Europe are uncharacteristically at an all-time high. In India, water is transported by train from around the country in response to an unexpected, critical water shortage. Unpredicted food shortages and floods in Africa, Asia and Latin America are causing climate migrants to abandon lands they have called home for centuries.

Today we are in the midst of a climate emergency that calls for concerted and urgent action. In this context, the Green Climate Fund (GCF) was established by the United Nations Framework Convention on Climate Change (UNFCCC) as a promise to our generation and all generations to come, for a healthier, more resilient and greener world. It was created after a long process of negotiation and represents a confluence of visions and a combined spirit for realising a better Earth now and in the future.

It is in this context that I introduce you to the first performance review of the GCF. This Review is an essential step for a young organisation that wants to learn, improve and become faster, better and smarter. Indeed, recognising the value of this learning, the GCF Board, at its twenty-first meeting (in Manama), requested the GCF's Independent Evaluation Unit (IEU) to conduct a Forward-looking Performance Review (FPR) of the GCF.

The purpose of the FPR is to encourage learning from the experience of the GCF so far, to assess the extent to which the GCF has delivered its objectives and to look forward to the future by providing recommendations for enhancing the GCF's performance. The overall objective of this Review is to understand how the GCF can better serve the needs of developing countries by fulfilling the mandate provided by the UNFCCC.

The short time given to complete this Review highlights the urgency of the problem: The Review was conducted within a very intense period of eight months. From the start, it was clear this timeline was ambitious, but warranted, given the importance of learning – and learning *quickly* – when confronted with the nature of the task.

During its four years, the GCF has achieved a lot. In numerous areas it has fulfilled the mandate received from the UNFCCC through the GCF's Governing Instrument. Specifically, the GCF has established a new functioning institution that has been able to commit 83 per cent of its available, pledged funding to finance 102 projects and more than 200 readiness grants, totalling USD 5.3 billion. It has an influential Board that gives equal representation and voice to recipients and contributors, a Secretariat, independent learning and accountability units, and a global network of 147 national designated authorities and 84 accredited entities.

The Review makes four critical recommendations. *First*, the GCF should strengthen its implementation and business processes (at headquarters and in-country) so they can better address differentiated developing country needs and capacities, with a focus on increasing the use of direct access entities. The focus of these changes should be promptness, predictability and transparency. *Second*, the GCF should institute a new strategic plan that positions it as a thought leader and policy influencer by establishing its reputation and niche in innovation and making an impact on country needs. *Third*, the GCF should re-emphasise its support for adaptation investments, while recognising the role of new actors in mitigation. Additionally, developing countries will be well served if the GCF strengthens the role and participation of the private sector, improves access through greater transparency and predictability of processes, and encourages innovative solutions to climate-related problems. *Lastly*, the Review recommends greater delegation of authority that emphasises responsibility, agency and speed in delivering country climate needs.

It does take a village. I owe an enormous thanks to the FPR team of experienced evaluators for sharing my belief that we, together, can contribute to helping the GCF become smarter and more effective. The FPR makes recommendations that are pragmatic and timely and will be constructive as the Board considers a new strategy for the Fund. The Annexes of the Report provide data and information to complement the main Report and include summaries of visits to the 12 countries selected for an in-depth study of specific topics. This Review will also inform the first replenishment of the GCF.

The IEU is very optimistic about the GCF. The FPR team is confident the GCF has the requisite capacity, learning disposition, leadership and structures to be an agent of change. Going forward, it has the critical foundations to develop and incorporate fit-for-purpose policies, procedures and organisational ability so that it can *act speedily, deliver rapidly and address developing country climate needs more innovatively, transparently and significantly, with a larger, clearer impact*.

The FPR was undertaken by a large team led by the IEU, consisting of staff, consultants and interns, and a consortium of external firms (Le Groupe-conseil baastel and Steward Redqueen). While led by the IEU, a Review of this size would not have been possible without the collective contributions of many individuals. The FPR team interviewed more than 500 people and received responses from more than 300 participants in our online survey. The IEU also developed an extensive and in-depth data set that will be useful for future similar work.

We are grateful to GCF partners for their assistance with the FPR. Complete support and encouragement were provided by the GCF Board, the Secretariat and other independent units, GCF accredited entities, GCF national designated authorities and focal points, representatives from civil society and private sector organisations, representatives of indigenous peoples, and GCF beneficiaries.

For too long institutions in this world have wanted to take the lead, but when called to action, shied away from taking the first step. Fortunately, the GCF is exceptionally well positioned to be a leader *and* make these initial advances towards climate action. The GCF is and will remain key to fulfilling the aspirations of the Paris Agreement, and for realising a future that requires action *now*. The IEU is proud to be part of this effort by the GCF.

Dr. Jyotsna Puri

Head of the Independent Evaluation Unit

Green Climate Fund

30 June 2019

ACKNOWLEDGEMENTS

The Forward-Looking Performance Review (FPR) of the Green Climate Fund (GCF) was a global effort. Many people deserve to be acknowledged. The FPR was prepared by a team led by the GCF IEU consisting of IEU staff, consultants, interns and a consortium of two external firms: Le Groupe-counseil baastel and Steward Redqueen.

The FPR was undertaken between October 2018, when the Board requested the Review, and July 2019, when the Review was presented to the Board. Its completion would not have been possible without the full support of representatives from GCF partners, including: the GCF Board, the GCF Secretariat and Independent Units, the GCF accredited entities and other entities partnering with the GCF, GCF national designated authorities and focal points, civil society and private sector organisations, indigenous peoples and nations, and many beneficiaries of GCF investments.

The Head of the IEU, Dr. Jyotsna (Jo) Puri, led the evaluation. Dr. Claudio Volonte (Le Groupe-counseil baastel) was the team leader for the consortium of two external consultancy firms and co-managed the Review with Dr. Roberto La Rovere and Mr. Daisuke Horikoshi from the IEU. The Le Groupe-counseil baastel team was composed of Dr. Alain Lafontaine, Dr. Colleen McGinn, Ms. Margarita Gonzales, Ms. Meg Spearman, Ms. Sara Nielsen, Mr. Saïd Kolawolé Hounkponou and Dr. Aime Tsinda. The Steward Redqueen team was composed of Dr. René Kim, Mr. Matthijs deBruijn, Ms. Anne Van Drunen Little and Ms. Silvia Binet. Dr. Archi Rastogi (Universalia), was particularly instrumental in drafting the FPR's synthesis study.

All members of the IEU were involved in the Review: Ms. Liza Ottlakan and Mr. Peter Mwandri provided outstanding support from the IEU DataLab, along with Mr. David Huang, Ms. Nayeon Kim, Mr. Aemal Khan, Mr. Byungsuk Lee, Ms. Pamela Urbina Juarez, Ms. Fatima Moussas, Mr. Joseph Mutunga and Ms. Viktoriya Khan. IEU's interns Ms. Elangtlhoko Mokgano and Mr. Manav Khanna assisted with coordination and logistics throughout the Review. AidData at College of William and Mary (United States) helped with GIS data and analyses. Dr. Solomon Asfaw and Mr. Andreas Reumann provided comments during critical phases of the Review, as well as data and support in the field during country missions. Mr. Greg Clough and Mr. Courtland Matthews edited the Report, and Ms. Giang Pham managed its design and formatting. Two external editors were also engaged: Mr. Toby Pearce (consultant) and Ms. Beverly Mitchell (consultant).

Gratitude is also expressed for the contribution made by the FPR Advisory Group, composed of Dr. Vinod Thomas (IEU adviser), Dr. Juha Uitto (Director, GEF IEO), Dr. Indran Naidoo (Director, UNDP IEO), Dr. Jos Vaessen, (World Bank, IEG), Ms. Nancy McPherson (Independent Consultant), and Ms. Ivory Protzel (Director, OEV, IDB) for their insightful and practical advice at crucial junctures during the Review.

The IEU acknowledges more than 500 people who were interviewed and more than 300 who completed the online survey. Many others took part in dozens of focus group discussions (a list of interviewees and meeting participants is in **Error! Reference source not found.**). The IEU also extends its gratitude to representatives from government entities, organisations and projects who assisted the FPR team in the 12 countries visited during this process.

The IEU is responsible for all views expressed in this Report. Views expressed here do not reflect the official views of the Board of the GCF or its members, or of the countries they represent.

This Review was submitted to the Board of the Green Climate Fund at its twenty-third meeting in July 2019.

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Abbreviations

AE	accredited entity
AMA	accreditation master agreement
CO_2	carbon dioxide
COP	Conference of the Parties
CSO	civil society organisation
DAE	direct access entity
FAA	funded activity agreement
FP	funding proposal
FPR	Forward-looking Performance Review
GCF / (the) Fund	Green Climate Fund[1]
GDP	gross domestic product
GI	Governing Instrument
GIS	geographic information system
IAE	international accredited entity
IEO	Independent Evaluation Office
IEU	Independent Evaluation Unit
IPs	Indigenous Peoples
ISP	Initial Strategic Plan
KPIs	key performance indicators
LDC	least developed country
LDCF	Least Developed Countries Fund
NDA	national designated authority
PSF	Private Sector Facility, Green Climate Fund
PSO	private sector organisation
RfP	request for proposals
RMF	results management framework
SIDS	small island developing states
TC	Transitional Committee
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States dollar

[1] 'GCF' and 'the Fund' are used interchangeably in this Review.

EXECUTIVE SUMMARY

A. Introduction

Context: The global community is at a decisive moment for climate action. Financing is key to realising the potential of the Paris Agreement, and a climate-safe future for all requires catalytic investment now. As the world's largest dedicated climate fund, **the Green Climate Fund (GCF) is uniquely positioned** to help developing countries turn their climate ambitions into action. In its five years of operation, the Fund – or 'the GCF' as it is interchangeably referred to in this Review – has reached 97 countries with project funding and over 120 countries with project preparation and readiness support programmes. The GCF has committed just over USD 5.3 billion (or 75 per cent) of the USD 7.1 billion of available pledged capital to projects and programmes and is expected to leverage additional co-financing of up to USD 12.6 billion in investments in GCF supported projects. These projects are expected to reduce 1.5 billion tons of CO_2-equivalent and benefit over 276 million people. With approximately USD 15 billion of funding proposals and concept notes in the pipeline, and more than USD 20 billion in project ideas emerging from developing countries' and entities' work programmes according to the GCF Secretariat, demand for financing support to meet needs is and remains strong.

The GCF's initial resource mobilisation (IRM) phase of operations has seen both successes and challenges and provides valuable opportunities for learning and identifying where the GCF can optimise efficiency, effectiveness and impact as it moves into its first replenishment process.

The mandate for the FPR: It was timely therefore that at its twenty-first meeting (Manama, 17–20 October 2018) the GCF Board initiated and approved a review of the GCF and asked the GCF Independent Evaluation Unit (IEU) (decision B.21/17) to finalise the process by 30 June 2019. The purpose of the FPR is to encourage the GCF to learn from its experience so far, support accountability, assess how the GCF has performed in delivering its objectives, and look forward, by providing actionable and pragmatic recommendations for enhancing performance. **This Report contributes to the overall ambition of making the GCF faster, better and smarter**, **so the GCF can target the needs of developing countries**.

The **FPR aims to assess** (decision B.21/17):

(i) Progress made by the Green Climate Fund so far in delivering on its mandate as set out in the Governing Instrument for the Green Climate Fund as well as in terms of its core operational priorities and actions as outlined in the initial Strategic Plan of the GCF and the GCF's business model, in particular, the extent to which the GCF has responded to the needs of developing countries and the level of country ownership;

(ii) The performance of the GCF, including its funded activities and its likely effectiveness and efficiencies, as well as the disbursement levels to the funded activities; and

(iii) The existing GCF portfolio and pipeline, the application of financial instruments, and the expected impacts of funding decisions and other support activities, including in terms of mitigation and adaptation, on both a forward- and backward-looking basis."

The GCF Board, in its various decisions, also requested that the FPR inform the strategic plan of the GCF and that the outcome of the Review help inform the replenishment process of the GCF.

The performance review of the GCF contributes to accountability by examining emerging evidence on the performance and the likelihood of impact of GCF investments. In doing so, the Review takes into account the current (early) stage of the GCF's evolution and its context. The FPR is evidence-based and examines the past performance of the GCF to learn and make inferences regarding the future likelihood of impact of the Fund's investments. The FPR aims to be constructive as it seeks to inform the next phase of the GCF and its first replenishment process. In this sense, the Review is both backward-looking and forward-looking.

Questions: Taking into consideration the aims of the FPR set out in the Board decision, the FPR takes guidance from the Governing Instrument (GI) of the GCF. Accordingly, **the overall purpose of the FPR is primarily to assess if the GCF will be able to actively promote a paradigm shift in climate finance**. The FPR explores seven topics: (i) the context in which the GCF was established to respond to the question of if the GCF was fit for purpose, (ii) an assessment of the initial Strategic Plan (ISP) and the consequent priorities and criteria, (iii) the effectiveness and efficiency of GCF policies, including the accreditation process, (iv) the GCF business model, (v) the performance of the Fund, particularly its project cycle, (vi) the role of the private sector and the GCF Private Sector Facility (PSF), and (vii) actual and expected results. These seven topics are assessed for **four critical questions**:

- Has the GI translated into an adequate **structure for the GCF** to operationalise its mandate?
- Is the GCF **able to channel and leverage** significant and large climate finance flows?
- Is the GCF able to **deliver and prioritise climate change needs in developing countries**?
- Is the GCF **business model** efficient and ready for the future?

Methods: The Review uses a mixed-methods approach that combines quantitative and qualitative methods and data. The IEU DataLab input data from various sources, internal and external to the GCF, ensured the data's consistency and analysed key statistics. The main data sources and analysis methods used in the FPR are as follows:

Semi-structured interviews, focus groups and an online survey

- An extensive review of Board decisions and other GCF documents as well as external literature on climate and climate finance
- A synthesis of existing and past reviews and GCF evaluations and their critical appraisal
- An analysis of the GCF's investment portfolio
- Geographic information systems (GIS) data and analyses
- Evaluation missions to 12 countries that represent a diversity of implementation experiences, including Small Island Developing States (SIDS), African States and Least Developed Countries (LDCs).

The FPR examined all activities supported by the GCF during the IRM phase, such as policies, strategies, the business model, systemic and emerging corporate topics, organisational structure and partnerships, processes and the performance of the GCF's programmes and initiatives. The period of analyses used in the FPR is 2015 to early 2019: data included in the FPR are for the period to 28 February 2019, including decisions at the twenty-second meeting of the Board, unless otherwise noted. Contributors to the GCF from 43 countries, including developed and developing countries, pledged USD 10.3 billion during this period.[2]

Report structure: The report is organised in 12 chapters. Chapter I introduces the scope and methodology of the FPR. Chapter II

[2] 75 per cent of the pledges came from five countries: the United States (29 per cent), Japan (15 per cent), the United Kingdom (12 per cent), France (10 per cent) and Germany (10 per cent) contributing between USD 1 billion and USD 3 billion; 10 countries pledged amounts between USD 100 million and USD 500 million; six between USD 10 million and USD 100 million, and the rest below USD 10 million each. Developing countries that have pledged funds are Chile, Colombia, Mexico, Mongolia, Panama, and the Republic of Korea (GCF, Status of Pledges and Contributions made to the Green Climate Fund, 8 May 2018).

discusses the history and the context of the GCF. Key actors in the GCF, their roles and responsibilities and interaction are discussed in Chapter III. Chapter IV reviews the ISP, including the investment framework. Chapter V reviews the set of policies that play a pivotal role in the GCF. Chapter VI analyses the GCF's accreditation process. Chapter VII builds on the previous chapters and discusses the efficiencies of the overall business model of the GCF. Chapter VIII assesses the GCF project cycle as part of the business model. Chapter IX assesses the participation of the private sector in the GCF. Chapter X looks at actual and potential results and the likelihood of impact from the current portfolio of GCF funded projects and at the performance of the GCF in responding to Guidance from the Conference of the Parties (COP). Chapter XI provides an analysis of how the GCF fits in the context of climate change financing, and Chapter XII concludes with key recommendations.

B. The GCF – context and history

At the sixteenth COP (COP 16), held in Cancun (Mexico), under Article 11 of decision 1/CP.16/Add.1 (December 2010, paragraph 102), 194 Parties to the United Nations Framework Convention on Climate Change (UNFCCC) established the GCF as an operating entity of the Financial Mechanism of the Convention. Parties to the UNFCCC decided that the GCF would be governed by a Board that would be accountable to, and function under, the guidance of the COP.

The GCF was designed by a UNFCCC-appointed Transitional Committee (TC) comprising 40 individuals (25 from developing countries and 15 from developed countries), with regional/geographic distribution. Based on the report of the TC[3] submitted at COP 17, held in Durban (South Africa), Parties to the UNFCCC adopted decision 3/CP.17 and approved the GI of the GCF. The GI, in its first paragraph, underscores the urgency and seriousness of responding to and combating climate change. It mandates that 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." Furthermore, the GI states that the GCF is to contribute to the achievement of the ultimate objectives of the UNFCCC. Within the context of countries' sustainable development, the objective of the GCF is to "promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change."

The GCF was set up as a new global, multilateral fund. It was established in response to identified and perceived shortcomings in the arrangements and operating procedures under the existing operating entities of the Financial Mechanism of the UNFCCC, as well as other climate financing arrangements available at the time. The historic context in which the GCF was established included the need for the following:

- New, additional, adequate and predictable financial resources
- Funding at scale to respond to the Fourth Assessment of the Intergovernmental Panel on Climate Change
- A shift of financial investment flows to climate-friendly development at scale
- Increased private sector engagement
- The promotion of country ownership

[3] FCCC/CP/2011/6 and Add.1.

- Direct access to funds to undertake transformative, innovative and country-owned climate change adaptation and mitigation actions on the ground
- A governing board with equal representation from developing and developed countries
- The flexibility to use a wide variety of financial instruments, particularly non-grants
- Improvement in efficiency in accessing financial resources
- Balance in the financing of adaptation and mitigation
- Support for technology transfer
- Innovative financing and outreach initiatives aimed at the most vulnerable communities[4]

KEY OUTPUTS

Some key milestones and achievements by the GCF, at the end of February 2019, include the following:

- An influential Board with equal representation and voice for recipients and contributors[5]
- Establishment of a new Fund that is independent of other existing climate funds, with an organisational structure, staff and an ISP[6]
- A Secretariat with an executive director (the first was appointed in June 2013), and three independent units
- Pledges of up to USD 10.3 billion
- Approval of key policies and frameworks that form the backbone of the Fund, including the initial investment framework[7] and policies related to environment and social safeguards (ESS), risk, gender, indigenous peoples, results, performance and information disclosure
- Eighty-four accredited entities (AEs) (national, regional and international) with the potential capacity to operationalise the GCF's overall mandate in countries
- A portfolio of 102 approved funded projects (valued at above USD 5.0 billion along with USD 12.6 billion in co-financing)[8] as well as USD 324 million to other key programmes such as the Readiness Preparation and Support Programme and the Project Preparation Facility
- A little more than two fifths (41 per cent) of the Fund's committed capital to projects is under implementation, and 9 per cent of its project commitments are disbursed
- Continuing responsiveness to guidance from the UNFCCC/COP

C. KEY FINDINGS AND OPPORTUNITIES

The FPR focused on **four key questions**.

QUESTION 1: HAS THE GI TRANSLATED INTO AN ADEQUATE STRUCTURE FOR THE GCF TO OPERATIONALISE ITS MANDATE?

***Key finding 1a*: The GCF has a functional structure including an influential Board with strong representation and an equal voice from recipients and contributors.** The GCF's overall structure includes a Board, a Secretariat and independent units. The GCF's staff have the necessary expertise to fulfil its current objectives. Its business model includes 84 AEs and national designated authorities (NDAs) in more than 140

[4] Various sources.
[5] The GCF Board convened for the first time: August 23-25, 2012.
[6] Decision B.12/20/Annex I, March 2016.
[7] Decision B.07/06, May 2014.
[8] Since the first project cohort that was approved at the eleventh meeting of the Board, in Zambia in 2015.

countries. **Its remit for working through direct access entities (DAEs) is matched by few other agencies, and the GCF's provision for a wide variety of financial instruments, and its focus on portfolio balance,** implies that most if not all elements of the GI have translated into an operational structure with the potential to learn and grow.

Key finding 1b**: The ISP was fit for purpose while being flexible:** this has enabled the GCF to grow and emerge while exploring competing objectives. It represented the Board's vision for the GCF and was rightly envisioned to be a "living document", which was appropriate for the beginning phases of the Fund.

Key finding 1c**: Within the Fund, the presence of approved rights-based policies, such as the ESS, Gender Policy and Indigenous Peoples Policy (IPP), and the IRM procedures and guidelines, represent emerging best practices within climate finance.** Overall the GCF has developed, in a relatively short period, a set of more than 50 policies, frameworks and procedures based on global best practices. These policies were part of the operationalisation process of the GCF during the IRM. This suite of policies has the potential to contribute to a paradigm shift in the global context of climate change policies.

Opportunity

Opportunity 1a**: The GCF's processes and current strategy need to adapt quickly, going forward, and this also needs to be reflected in the new strategic plan.** The global climate finance landscape has evolved rapidly in recent years, particularly since the GCF was established. In this context, the GI provides a strong direction for the GCF, and going forward the Secretariat's new strategy will need to reflect this. In particular, the new strategic plan needs to focus on allocating resources using a results-based approach and to respond to developing countries' needs with speed, transparency, predictability and impact.

Opportunity 1b**: At the time of its establishment, the GCF aimed to fill gaps in global climate financing. This needs to be re-assessed in the new context of climate finance and climate emergency. Specifically, the GCF should embrace the possibility of "leapfrogging" by learning from other agencies.** Two things are important to consider here. First, a paradigm shift is already occurring in the subsectors of mitigation (arguably in renewable energy in most countries). Concurrently, there is an increasing urgency for investments in adaptation. Second, other (climate and non-climate) organisations have experimented and innovated rapidly in project management processes, operational research and structures. The GCF can learn from them, avoid established pitfalls and advance more rapidly. Both these changes need to be reflected in the new strategy.

Opportunity 1c**: GCF policies need to be rationalised and made commensurate with the capacities/context of countries, AEs and the Secretariat to truly contribute to a paradigm shift** towards low-emission climate-resilient development pathways. A few things inform this. First, the existing set of GCF policies has significant overlaps, unclear definitions, unclear delegation for implementation, questionable climate value and critical gaps. Importantly, the policies do not address several parts of the GI, including evaluation; results-based allocation; termination of the Fund; financing issues such as incremental costs, co-financing and concessionality; and some areas of stakeholder engagement and the participation of civil society organisations (CSOs), private sector organisation (PSOs), indigenous peoples and vulnerable communities. Second, DAEs have particularly articulated concerns with the investments and capacities required to be compliant with GCF policies, although a few have indicated that compliance with policies such as the ESS, IPP, and gender and integrity policies, and the IRM procedures and guidelines, have improved their safeguards. **Overall, however, the current set of policies are viewed as being burdensome for a significant subset of AEs. These policies have, firstly, contributed to the GCF gaining a reputation as non-transparent and unpredictable and, secondly, have affected the GCF's efficiency and effectiveness.** This has implications for access as some entities have been discouraged from participating in the Fund. Third, many key policies (and guidelines and standards prepared by the Secretariat) are still pending approval from the Board. Three Board meetings per year are unlikely to be sufficient to resolve this backlog. This will require careful action from the Secretariat and guidance from the GCF Board.

Opportunity 1d**: The Board may wish to consider clarifying lines of supervision and management and delegating additional authority to the Secretariat, while explicitly recognising the role of key actors in GCF policies and guidance.** Four things support this. First, over a short period of time, the Secretariat has built its structures, staffing and capacities to support the operationalisation of the GCF as prescribed by the GI. Simultaneously as the GCF's operations have grown, the Secretariat's role has expanded beyond managing processes and operationalising activities, to providing technical support for project development and developing strategies and policies for review and approval by the GCF Board. Consequently, confusion about roles and responsibilities exists among the GCF staff and external stakeholders, particularly concerning the separation of oversight and decision-making between the Board and the Secretariat. Second, the expanded volume of work and the urgency required for action suggest that a devolved decision-making process may be more suitable for meeting the GCF's objectives while also enhancing its reputation. Third, although the current structure for implementing the priorities of the GCF relies heavily on AEs and NDAs, the structures and capacities of these AEs and NDAs vary significantly across countries. This has important consequences for operationalising the GCF mandate. To build a strong, high-quality investment portfolio GCF policies, procedures and standards need to ensure that implications for the entire GCF ecosystem are taken on board while formulating these policies, standards and guidelines. Clear terms of reference that delineate roles and responsibilities will be useful. Lastly, at present, GCF structures and processes do not leverage the capacities of CSOs and PSOs in countries and do not assure visibility for the GCF. CSO and PSO engagement at the country and global levels is limited, and there is no mechanism currently to ensure that the voices of indigenous peoples and other vulnerable communities are heard sufficiently and in ways they demand.

QUESTION 2. IS THE GCF ABLE TO CHANNEL AND LEVERAGE SIGNIFICANT INVESTMENT FLOWS?

Key finding 2a**: The GCF is the largest international climate fund. In 2018, its USD 2.1 billion in commitments represented 73 per cent of total commitments by multilateral climate finance funds.** The GCF's annual total commitment rate of ±USD 1.5 billion (over the past two years) represents 2.7 per cent of the international climate finance flows of USD 57 billion. It has generally operated cost-efficiently, and based on current administrative cost projections, it will continue to do so. Although costs per project are high, this may be expected given the young age of the organisation and the initial set-up costs required in these contexts.

Key finding 2b**: GCF capital is new, partially additional, but inadequate given the estimated needs of developing countries. The GCF remains relatively small in terms of the total volume of climate finance beyond multilateral climate finance funds**. Climate adaptation and mitigation needs in developing countries are estimated to be USD 220 billion and USD 1,200 billion per year, respectively. The adaptation and mitigation financing available in developing countries is estimated to be USD 22 billion and USD 249 billion per year, respectively, or 10 per cent and 21 per cent of the identified needs. Current GCF capital is inadequate to meet these needs.

Key finding 2c: **The GCF has not leveraged sufficiently for scale,** and specifically, it has not generated the significant scale needed for meeting developing country needs. The Fund's ability to create impact at scale and support innovative investments has been constrained by several management attributes (e.g. project-by-project approval/management approach) and processes attributes (e.g. those associated with accreditation, compliance with policies, and the project cycle) as well as by limited co-financing. The GCF's expected co-financing ratio is low at USD 2.5 for every USD 1of GCF funding.[9]

Key finding 2d: **Disbursement has been slow and limited**. Implementation of the business model has translated into limited disbursement of funds in developing countries and does not reflect the sense of urgency that climate change requires.

Key finding 2e: **Having to respond at once to all key principles and priorities, including country ownership/needs, effectiveness, efficiency, paradigm shift and the participation of the private sector creates tensions and conflicts. This results in a process that is perceived as insufficiently predictable and inadequately transparent.**

Key finding 2f: **The Board approved 102 projects in 63 per cent of developing countries and more than 66 per cent of countries in African States, LDCs and SIDS. Eighty-eight per cent of project funding is committed as either a grant or a loan.** Additionally, about 82 per cent of the commitments have been channelled through international accredited entities (IAEs).

Key finding 2g: **In its design, the GCF has the strongest private sector focus of the multilateral climate finance funds.** It also has the highest *potential* among these funds to scale projects through its mandated ticket size and flexible suite of financial instruments. The GCF Board has approved 23 projects financed through the PSF, representing 41 per cent of GCF funding. Of this, eight are effective, represent USD 730 million of committed funds and have disbursed USD 283 million.

Key finding 2h: **Despite the availability of financial instruments that enable high-risk investments, the GCF has only partially embraced this opportunity.** Additionally, it has been a challenge for the GCF to get the private sector involved **in adaptation projects.** Only 2 per cent of PSF funding is for adaptation projects. Currently, PSF projects are predominantly focused on mitigation; hard currency debt; are committed for larger, more developed markets; and have a high concentration on energy production and/or energy efficiency. Sectors such as transport, forestry and land use, and ecosystems and ecosystem services are underrepresented.

Key finding 2i: **There is limited engagement and cooperation between NDAs and private sector AEs at the country level.** This has led to perceptions of limited country ownership in private sector projects, since private sector projects are predominantly executed by international development banks, through global or regional projects. There is little communication and few well-defined reporting requirements between NDAs and the IAEs (particularly after the no-objection procedure).

Key finding 2j: **PSF projects have an expected co-financing ratio of 2.9 (versus 2.2 of Division of Mitigation and Adaptation projects) but with limited**

[9] Compared to other multilateral climate finance funds.

leverage from the actual private sector. Almost 70 per cent of co-finance in PSF projects is leveraged from publicly owned or funded international organisations and development banks, and only 29 per cent is co-financed by private sector entities. This means there is a 0.83 expected private sector co-finance ratio for PSF projects. This is insufficient to meet the GCF's mandate of maximising private sector engagement and catalysing new and additional finance to reach the scale required to combat climate change.

***Key finding 2k*: The PSF has so far primarily co-invested in climate projects of development finance institutions (in some cases on the same financial terms), rather than leverage the private sector.** The PSF's mandate and concessional financing has untapped potential to work with private sector entities and finance more innovative, riskier projects where the PSF has the prospect of becoming a market leader or shaper.

Opportunity

***Opportunity 2a*: The GCF has an opportunity to leverage the range of the financial instruments at its disposal, more effectively**. To date equity, guarantees and result-based payments have been utilised in only nine projects. If the GCF wants to move into more pioneering and innovative projects, increased use of equity and guarantee instruments (mixed or otherwise) should be encouraged.

***Opportunity 2b*: While the Secretariat is learning and improving as time progresses, the legacy of the GCF's decisions in its early years is affecting its current effectiveness**. A new strategic plan that focuses the GCF on being a global thought leader and establishing a niche in climate finance will help it break away from its early experience of competing priorities, a culture focused excessively on compliance, unpredictable processes and a reactive, supply-driven portfolio.

***Opportunity 2c*: To achieve scale, much of the financial leverage for climate change action, will have to come from the private sector.** The GI clearly underscores the crucial role of the private sector in climate and, therefore, in the GCF. The GCF's private sector engagement is currently constrained for several reasons that need to be addressed by the Secretariat through improvements in the business model:

- The GCF needs to better leverage the private sector for innovative projects. So far, the PSF has only one commercial private AE with approved and effective projects. The AEs that the GCF works with are predominantly publicly owned and/or funded (international) development banks. Although there are benefits of working with development banks, the GCF is at present mostly a co-investor in these projects.
- The GCF is dependent on project origination by AEs. Presently most AEs are mostly (international) development banks and the GCF seems to be dependent on responses from them even for requests for proposals (RfPs). The GCF has not yet used its mandated ability to directly fund private sector projects.
- Private sector actors perceive long timelines and a lack of predictability in project appraisal and GCF decision-making. The average time of 15 months from funding proposal (FP) submission to effective funded activity agreement (FAA) (based on eight effective PSF projects) fares poorly compared with the time period the private sector requires for making investment decisions. The GCF's longer time frame discourages potential private sector actors from approaching it for their (more innovative) projects.
- The GCF has a limited number of private sector AEs, and an even more limited number of private sector DAEs, and both are held back by the burdensome accreditation process.

***Opportunity 2d*: The GCF has the opportunity to contribute far more significantly to the adaptation financing gap.** The financing gap in adaptation (90 per cent) is larger than in mitigation (79 per cent). The GCF's ability to bring scale in the adaptation market is larger than in mitigation. The GCF's share of developing countries' adaptation needs (at 2.2 per cent) is five times larger than its share in mitigation finance needs (0.4 per cent).

***Opportunity 2e*: The GCF needs to establish its own niche that is responsive to the current climate finance landscape and developing country needs.** Development finance institutions are losing "market share" in renewable energy financing in developing countries, from 3.4 per cent in 2013 to 2.3 per cent in 2017 due to a significant increase in domestic and commercial financing in this sector. In adaptation, the GCF provides mostly grants. Although participation by the private sector in adaptation finance is below 20 per cent for all multilateral development banks, some report a higher participation of the private sector than the GCF. The GCF has the potential to be a leader in this field. A potential niche for the GCF may be to leverage the private sector far more in adaptation. Another potential niche may be to integrate and phase grants and non-grant instruments better, especially if the GCF wants to demonstrate both innovation and impact.

***Opportunity 2f*: By implementing a *phased* strategy, the GCF can manage the potential tensions faced in addressing all its priorities.**

QUESTION 3: IS THE GCF ABLE TO DELIVER AND PRIORITISE CLIMATE CHANGE NEEDS IN DEVELOPING COUNTRIES?

***Key finding 3a*: GCF investments have targeted sectors and results areas that are consistent with priorities in nationally determined contributions, national adaptation plans, nationally appropriate mitigation actions and others.** The GCF's investments are largely aligned with the sectors identified for mitigation and adaptation among LDCs, SIDS and African States. However, there are important missed opportunities. The current GCF portfolio is delivering limited or no support to low-emission transport needs in 64 countries, which include African States, LDCs and SIDS, in which the GCF currently operates. Furthermore, GCF resources meet less than 0.6 per cent of quantified adaptation financial needs in these specific 64 countries and 0.3 per cent of their quantified mitigation financial needs.[10]

***Key finding 3b*: In nominal terms, a balance between adaptation commitments and mitigation is still to be achieved. Currently, nominal adaptation commitments are half the nominal commitments made to mitigation.** Of the more than USD 5.0 billion of Board-approved funding, 63 per cent goes to mitigation projects and 37 per cent to adaptation projects.[11] Allocating the Fund's resources according to grant equivalence reveals a portfolio with 52 per cent of GCF funding committed to adaptation and 48 per cent committed to mitigation, demonstrating that most of the adaptation projects are still in the grant space, further demonstrating limited innovation.

[10] In most cases the financial need is expressed in cumulative needs, and not annual needs as referred to under Opportunity 2d.

[11] Cross-cutting projects are distributed across adaptation/mitigation according to the funding amount per results area; with 60 per cent of GCF cross-cutting funding going to mitigation results areas.

***Key finding 3c*: The GCF portfolio is not as balanced in terms of targets or access entities as anticipated in the GI, ISP and Board decisions.** 82 per cent of GCF funding (USD 4,193 million) is committed through IAEs. There was an expectation that there would be more active DAEs participating in the GCF. Additionally, resource allocation is still unbalanced within the eight results areas with a concentration on mitigation, particularly the results area of power generation and energy access.

***Key finding 3d*: Although the results management framework (RMF) represents a flexible menu, the current investment portfolio of the GCF does not have sufficient ability to report credibly on its impact and effectiveness in delivering sustainable development related results, reducing greenhouse gases and assisting people in adapting to climate change-driven variability.** There are two reasons for this concern. First, the RMF at the project level is weak in a majority of the approved projects so they will not provide sufficient evidence to measure results in the future. In the current portfolio, half of the investments do not include plans for baseline data collection, two thirds do not have theories of change, and a majority of the investments (more than 90 per cent) will overstate their results because they do not have realistic assumptions or the ability to measure their results credibly. This compromises the GCF's ability to demonstrate its achievements credibly. Second, the RMF does not articulate how project outcomes contribute to the GCF's overarching aims of a paradigm shift towards low-emission and climate-resilient sustainable development pathways. There are no guidelines or protocols for how the indicators are defined and measured.

Opportunity

***Opportunity 3a*: The Secretariat needs to help entities report credibly on results areas.** Having a full set of operational guidelines, standards and procedures for reporting credibly against the results framework should be a key focus of the Secretariat.

***Opportunity 3b*: The GCF may re-consider and emphasise the extent to which adaptation opportunities are supported through its investments.**

Question 4. Has the GCF business model been appropriate and is it ready for the future?

***Key finding 4a*: The design and essential elements of the business model are valid and represent the GCF's mandate.** The business model has created a portfolio that, for the most part, responds to country needs. The business model potentially offers those accessing the GCF a diversity of financial and non-financial instruments.

***Key finding 4b*: The GCF's portfolio is not very different from that of other multilateral funds.** The portfolio is skewed to mitigation (in nominal terms), the public sector, and grants and loans, mostly implemented by international development entities.

***Key finding 4c*: The GCF business model is characterised by a compliance-driven culture with little room for risk-taking.** Both accreditation and project cycle are heavy, compliance-driven processes. This has become a bottleneck since compliance requirements accumulate and then continue into the project cycle. Currently, in practice, accreditation and project cycle processes do not differentiate significantly between experiences and capacities of entities, investment attributes and contexts of countries. They are also not sensitive to the needs of entities that have little experience with complying with rigid and numerous policies. Required policy and procedure compliance levels are the same across entities, countries and types of projects.

***Key finding 4d*: Two key consequences of a compliance-driven culture have created a portfolio of effective agencies and**

investments that make the GCF's portfolio much like those of other organisations. Long and costly processes to get an accreditation master agreement (AMA) and FAA negotiated and signed have discouraged a number of institutions from engaging with the GCF, including institutions that would likely add value to the achievement of the GCF. This was also one of the key causes for delays in FAA signing and thus, start-up of project implementation.

Key finding 4e**: The *implementation* of the business model has not delivered in a number of areas for which the GCF was set up or that were in the GI or ISP. Thus far, the GCF has disbursed 9 per cent of project commitments, and this does not reflect the urgency that characterises the climate problem today.** Some proximate causes for these are as follows:

- The clarity of roles and responsibilities of key actors with respect to the processes involved in implementing the business model still needs to be dealt with.
- The business model has been implemented mostly as one-size-fits-all, and this does not sufficiently consider the heterogeneity of country context, AEs, and types and objectives of project proposals.
- The business model has not been solutions driven, particularly with respect to how different actors work in the system.
- Presently, there are no incentives and structures to induce a one-GCF business model approach to solutions rather than each of the parts playing a disjointed role.
- The GCF business model at the country level is frequently centrally managed and operated by the national government. Some key stakeholders are not consistently participating in the GCF. There is consequently limited consistency in the quality and delivery of implementation at the country level across countries.

Key finding 4f**: The GCF's portfolio is not as balanced as anticipated (in nominal terms between adaptation and mitigation; IAEs versus DAEs) caused primarily by employing a reactive/supply-driven approach within the current business model.** This is especially the case in the PSF portfolio, where there are only two small adaptation projects and a significant dominance of larger IAEs. It is also demonstrated by the generally unsuccessful RfPs.

Key finding 4g**: The limited set of specific targets and measurable indicators in the ISP make it difficult to assess the GCF's performance.** The associated absence of an effective and used RMF has caused insufficient direction on portfolio management.

Key finding 4h**: The investment criteria are linked to the higher-level strategic vision of the GCF, as well as to the Action Plan and operational priorities.** As a representation of the ISP, the investment criteria serve their purpose well. However, they are very broad and not well defined, and when applied across the portfolio, there is not much variation in the Secretariat and independent Technical Advisory Panel ratings. The small variations in ratings indicate that these investment criteria are not a good investment prioritisation tool. Additionally, despite being central to the mission of the GCF, the investment criteria do not give sufficient weight to the climate dimension.

Key finding 4i**: The project cycle is a central element of the GCF operational processes, set of policies and governance arrangements.** It aims to ensure that the projects that meet the Fund's investment criteria move from the initiative of individual countries, regions or entities through the Fund's assessment and approval processes towards effectiveness and implementation.

Key finding 4j**: Some of the key reasons for delays in the project cycle** include policy gaps and overlaps; the retroactive application of policies; lack of internal coordination within the Secretariat; and the absence of a public tracking system that would enable entities to check the status of their proposals. This has led to uncertainty and a lack of transparency.

***Key finding 4k*: While it is too early to tell if the simplified approval process (SAP) will improve timelines, the average approval times for the six approved SAP projects were similar to FPs going through regular channels (eight months compared to nine months).** A key reason for this is that while project preparation time has been reduced due to better guidance developed for AEs, the Review, approval and legal steps of the project cycle have not been simplified.

***Key finding 4l*: Decision-making related to projects, including project approvals by the Board, is perceived as insufficiently predictable and not transparent.** Currently, entities are not informed of potential concerns beforehand, and there are policy gaps in areas such as portfolio distribution and exposure. Additionally, there is slow decision-making, project-by-project approval, and unplanned or unpredicted postponement of project approvals and/or condition-setting.

***Key finding 4m*: Post-Board-approval processes especially on GCF legal requirements and policy clearance is still very long.** Due to a variety of reasons in the GCF, legal clearance is lengthy and a barrier to project implementation. On average, FAA negotiations, after the proposal is approved by the Board, have taken 12 months for the 49 projects with signed and effective FAAs; of the 53 projects still in legal negotiations, 6 have been in these negotiations for an average of 31 months.

This is very lengthy, and these delays frequently imply that the fundamentals of projects are not relevant after such delays. A variety of reasons cause these delays, not all necessarily within the sphere of influence of the Secretariat. These include an absence of an effective AMA; internal AE approval times, particularly those of the larger IAEs that are not in sync with the GCF's timelines; commercial or technical matters, such as incomplete logical frameworks, incomplete budgets, and other commercial and technical matters that could have been addressed before Board approval; lack of understanding of policies and conditions among AEs; strict compliance with all policies irrespective of needs, objectives and contexts of countries and entities; and retroactive application of policies – that is, the introduction of new policies in FAA negotiations (even if they were not included in the signed AMA).

***Key finding 4n*: Accreditation is an essential part of the GCF business model, and the GCF relies squarely on AEs for delivering its mandate and implementing on the ground.** Unfortunately, the accreditation process is mostly a uniform approach and does not sufficiently differentiate by type of country, entity or project regarding compliance with GCF policies.

***Key finding 4o*: The accreditation process generated 84 AEs, more than any other climate fund, but this is not the list anticipated given the low number of DAEs that have GCF funds committed to them.** In practice, the current GCF portfolio is concentrated on 10 AEs, most of which are international development institutions. Countries are still using international entities (82 per cent of the funding goes through IAEs). Many are development organisations with a long history and with very specific procedures and policies (that are complex themselves).

Opportunity

The GCF business model has given the GCF the instruments, policies and procedures for the Board to commit 75 per cent of the available pledges during the IRM to projects and programmes, but the GCF has only disbursed 9 per cent of these commitments in countries. It is time, therefore, to make some adjustments to the model, by building on the opportunities listed here, so the business model can assist the GCF's mandate to provide significant and urgent support to developing countries in relation to climate change.

***Opportunity 4a*: The project cycle is perceived as insufficiently predictable by AEs and other potential partners**, due to the lack of transparency on the real-time status of applications, the large numbers of comments and questions on proposals, and the perceived lack of guidance on the eligibility of projects. In some cases, this has declined. On average, time for approved projects to move from FP submission to Board approval is nine months, which is a good accomplishment for the GCF. Some of the key delays occur between Board approval and FAA execution or start-up of implementation.

***Opportunity 4b*: In particular, country ownership, country needs and sustainable development are rated medium or higher for at least 90 per cent of the projects that received a rating.** This creates an opportunity, and the GCF may consider them as minimum requirements for projects and programmes, given their salience for the GCF rather than as part of the investment criteria.

***Opportunity 4c*: The accreditation process was designed and implemented to mainly assess institutions on how they can manage projects, but it does not review their capacity for climate change action.** Most institutions accredited are development institutions (with a climate change strategy). It may be useful for the GCF to consider how these institutions and their (own) portfolios may leverage the GCF's influence and reach, to then promote a paradigm shift in climate change.

***Opportunity 4d*: The GCF may consider a model that makes access and delivery mechanisms differentiated by capacity and purpose of investments.**

D. KEY CONCLUSIONS AND RECOMMENDATIONS

The GCF represents a **promise** to this generation and all generations to come. Since its establishment, and while considering its relative youth, the GCF has achieved much over the last four years (2015 to early 2019). The FPR provides evidence on these achievements.

The GCF has the mandate to actively promote a paradigm shift in the response to climate change. So far in the context of climate change financing, the GCF remains small relative to developing country needs for adapting to and mitigating climate change.

The FPR recognises that the world has changed tremendously since the GCF was conceived, in terms of the needs, challenges and actors in climate finance. All these highlight the need for urgency and speed of action. **Going forward, it is imperative that the GCF develops and incorporates fit-for-purpose policies, procedures and organisational ability to act speedily, deliver rapidly and address developing country climate needs transparently, predictably, significantly and with larger impact.**

With this overall conclusion, the FPR makes **four key recommendations:**

***First*, strengthen criteria, business processes and implementation structures that are likely to better address differentiated developing country needs and capacities, with a focus on DAEs.** Within this, develop key performance indicators and targets to track transparency, speed, predictability, impact and innovation.

***Second*, develop a strategic plan that focuses the GCF on being a global thought leader and a climate policy influencer, and one that establishes its niche commensurate with innovation and impact.**

***Third*, re-emphasise adaptation while recognising (and leveraging) the role of new actors in mitigation (and their special**

needs), and strengthen the role of the private sector in an overall symbiotic ecosystem of financial instruments and modalities that enable better access, transparency and predictability for entities, and innovative solutions and global climate impact for countries.

***Fourth*, clarify and re-examine the separation of supervision and management in the GCF and consider delegating authority to emphasise agency, responsibility and urgency in delivering on developing country climate needs** (predictably, transparently, speedily, innovatively and with impact).

DETAILED RECOMMENDATIONS

OVERALL RECOMMENDATION 1

Strengthen criteria, business processes and implementation structures that are likely to better address differentiated developing country needs and capacities with a focus on disbursing through DAEs. Develop key performance indicators and targets to track transparency, predictability, speed, impact and innovation.

***Recommendation 1a*: Consider revising the accreditation framework and process.** Develop a strategy for accreditation that will bring in institutions that have capacities and strategies commensurate with those of the GCF and that will help it achieve its mandate and strategic plan. It will be important to ensure that the strategy articulates what it will help the GCF achieve, how and when. To the extent possible, it should also set yearly targets for accreditation, and specifically for DAEs, as well as to create a portfolio of entities that mirror the Fund’s new strategy and priorities. To achieve greater participation and disbursement of GCF investments through DAEs, also consider integrating readiness far more closely into accreditation (to create GCF-ready entities). Also, consider announcing business standards and clear expected requirements for processes to improve transparency, predictability, expectation and communication.

***Recommendation 1b*: Consider building a solutions-driven structure in the Secretariat that encourages a one-GCF approach (rather than the current public/private sector division) and in which staff are incentivised for providing solutions and meeting needs of countries in effective ways including by using innovative financial solutions and leveraging other institutions for the greatest impact of GCF investments on country needs.** Additionally, build teams that are custodians of GCF investments from beginning to end and are incentivised for both innovation in providing advice/instruments and for realising impact and results.

***Recommendation 1c*: Consider incorporating processes in the business model that are more sensitive to the different needs of countries, entities and investments.** In the business model, view accreditation and the project/investment cycle in an integrated way so that entities can expect reasonable turnaround times and clarity in expected requirements, from their first engagement with the GCF to realising disbursements. One way in which the Secretariat may consider this is to build processes that ensure high scrutiny during accreditation *or* during project appraisal but not both (a differentiated model that is sensitive to needs and objectives of entities, capacities of countries and purposes of investments). Ensure that project investment sizes are also differentiated in the overall compliance structure of the GCF (with a special focus on fast-track entities in the accreditation process, and SAP and private sector projects for types of projects).

***Recommendation 1d*: Consider revising the investment framework and making it a true prioritisation tool.** In the longer run, consider moving some criteria to minimum requirements while ensuring that remaining criteria are well understood and transparent and can be used as a prioritising tool that may be used for investment selection or timely feedback. Ensure that the investment criteria reflect the basis of what is supported by the GCF and consider mainstreaming "climate value" into the investment criteria. While doing this, it will be critical to ensure that the investment criteria and the RMF are aligned and that while the investment criteria may help provide indicators of quality, the results framework is usable without contradiction for effective management and delivery.

Recommendation 1e: **In the longer run (two years), lead a dialogue across the GCF ecosystem to underscore the "climate dimension" of GCF policies** and consider articulating this in a single "climate policy" document that establishes the climate additionality of the GCF's policies over and above AE's own policies. Some entities may use this as a communication tool, and others as a document that may be used by their own management to gauge the merit of the GCF's policies and create a culture of "climate value" in these institutions while disposing them towards climate-drivenness in their own portfolios.

Recommendation 1f: **Clarify roles and responsibilities across the GCF business model, including those of AEs and NDAs and within the Secretariat to ensure management and delivery for greatest impact.**

Recommendation 1g: **Learn from the experiences of other organisations in project management and focus attention on managing the current portfolio of projects for results.** Additionally, ensure that the RMF is operationalised and applied to the current portfolio and that projects are provided tools and guidance for credible monitoring and results reporting.

Recommendation 1h: **Support an active network of in-country and international CSOs/PSOs, and representatives of indigenous peoples and vulnerable communities**, both financially and operationally, so they are able to provide much-needed support, voice and guidance for climate projects and investments that by themselves are likely to have repercussions for a vast cross section of people and households in countries, with disproportionate effects on the vulnerable.

OVERALL RECOMMENDATION 2

Develop a strategic plan that focuses the GCF on being a global thought leader and a policy influencer and establishes its niche commensurate with innovation and impact.

Recommendation 2a: **The following is a non-exhaustive list of attributes the Board may consider for the new strategic plan.**

- The Secretariat may consider leveraging influence by building knowledge-based and policy-driven enabling environments in-country and globally. This means it will need to staff and create the capacity to be a knowledge hub, provide on-demand advisory services and play an influential role in international policy.
- To be a solutions-driven institution, that provides advice to maximise the global impact of its resources, and to secure additional finance, as recommended by the GI, the Board may consider the Secretariat taking on the role of a broker for appropriate opportunities in climate finance (and not just as a disburser of resources).
- Recognise that structure and incentives induce behaviour. Accordingly incentivise staff in the Secretariat using a variety of approaches to create a culture of risk-taking, innovation and management for impact. Incentives should be put in place especially to innovate in creating/combining/using a diversity of financial instruments, including creatively phasing grants/non-grants that are applied to create a rich, innovative and climate-driven portfolio that maximises the impact of GCF resources for countries.
- Take on board the GI's recommendation to have a results-based approach for

allocating resources. This may take the form of emphasised impact, replication and scaling up, while still keeping some room in the portfolio for innovative, risky investments that are likely to fail but represent new thinking and the potential to learn from what may work and what may not. To accommodate this, the Board may consider including some "stretch goals" in the investments portfolio as well as in the entities profile.

- Recognise that much of the "scale and additional finance" that the GI mandates will only be possible by leveraging the private sector. Include key performance indicators (KPIs) in the strategy for private sector investments (those that use high-risk instruments and those that support high-risk opportunities); non-grant instruments for adaptation; and disbursements through DAEs. Also, consider including ambitious goals for mitigation-related investments linked to a paradigm shift in the immediate run. These KPIs should supplement the KPIs on commitment and disbursement that are reported annually to the Board.
- Consider developing a longer rolling plan (over 15 years) that indicates how the overall priorities of the GCF will be achieved in a phased manner while ensuring that the Secretariat is able to concentrate on a shorter list of priorities organised by strategy period. This will enable the Secretariat to realise its full mandate as specified in the GI over a longer but predictable period of time without sacrificing quality or predictability.

***Recommendation 2b*:** **Consider informing the GCF niche after a review of evidence, including that from science, evaluations and market assessments.**

Overall recommendation 3

Re-emphasise adaptation while recognising (and leveraging) the role of new actors in mitigation. Strengthen the role of the private sector in an overall symbiotic ecosystem of financial instruments and modalities that enable better access, transparency and predictability for entities, and innovative solutions and global climate impact for countries.

***Recommendation 3a*:** **Rationalise current allocations to mitigation and adaptation to balance them in the nominal portfolio, and specifically consider goals related to the creation and use of innovative private sector financial instruments in adaptation that are able to better serve developing country needs.** Alongside, define, after careful assessments, a potential niche for investing in mitigation projects that are innovative and directed in either programmatic, results area or geographic settings that are likely to contribute to a paradigm shift in mitigation in the *nearer term* (while providing for a grace period for adaptation projects).

***Recommendation 3b*:** **Consider reviewing the current compliance-driven culture** in the GCF and provide incentives for increased innovation.

Overall recommendation 4

Clarify and re-examine the separation of supervision and management in the GCF and consider delegating authority to the Secretariat to highlight agency, responsibility and urgency in delivering developing country climate needs (predictably, transparently, speedily, innovatively and with impact).

***Recommendation 4a*:** **Consider delegating authority to the Secretariat for developing procedures, guidelines and standards for Board-approved policies** as well as for some investments while taking stock of the ability of Secretariat staff to deliver these and report these appropriately and regularly.

***Recommendation 4b*:** **Emphasise the strong, influential and trend-setting structure of the GCF Board, but also consider current**

dissatisfaction in some quarters with access, transparency and the predictability of GCF decision-making processes to support a review of processes that may help to mitigate these. In such a Review, consider, in particular, the source of delays in post-approval phases of funded projects as well as causes for slow and limited disbursement, while requesting the Secretariat to clarify different staff roles to overcome redundancies and clarify responsibilities during different phases of the project cycle.

Recommendation 4c: **Build a robust and transparent tracking, monitoring and information system** that is publicly accessible and enables entities, CSO/PSOs, NDAs and other stakeholders to view the status of their proposals.

Recommendation 4d: **Consider clarifying policy overlaps, filling policy gaps and the delegated authorities associated with them in the current set of GCF policies.** Consider also including a requirement in all new policies that come for Board consideration, an analysis of repercussions on Secretariat staff, budgets, and the current set of entities and investments.

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