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Management response to the Second Performance Review (SPR) of the Green Climate Fund

Summary

This document presents the Secretariat management response to the *Second Performance Review (SPR) of the Green Climate Fund* undertaken by the Independent Evaluation Unit (IEU). The SPR is one of the foundations of the Fund's second replenishment and the development of an updated strategic plan for GCF-2. The findings and recommendations of the evaluation broadly resonate with the Secretariat's experience and lessons learned, and the Secretariat is taking steps to address the issues within its authority.

I. Introduction

1. The Secretariat welcomes the *Second Performance Review (SPR) of the Green Climate Fund*¹ undertaken by the Independent Evaluation Unit (IEU) and published on the IEU website.² This evaluation comes at a critical time, as the Fund completes the final chapter of its first replenishment period (GCF-1) in 2023 and prepares for a second replenishment period (GCF-2), set to begin in 2024. The findings and recommendations of this evaluation broadly resonate with the Secretariat's experience and lessons learned during GCF-1. To prepare for GCF-2, an update to the Strategic Plan for 2024-2027 (USP-2) will be considered by the Board later this year. The USP-2 aims to chart in actionable terms how GCF will seek to deliver the highest levels of catalytic impact through its key assets – its financial resources, partnerships, convening power, people and knowledge – to maximize the ambition of its contribution to international climate goals and promote a paradigm shift for developing countries, while also maintaining focus on supporting the urgent needs of those most vulnerable to climate change. The Secretariat has incorporated the findings and recommendations of the SPR into drafts of the USP-2 that have been circulated to facilitate Board discussion and consideration at a future meeting.

2. While looking ahead, it is also important to look back at what has been accomplished during GCF-1. GCF has since 2020 been the largest dedicated multilateral provider of climate finance, with a present total of USD 11.4 billion of approved projects, plus USD 31.3 billion in co-financing, and USD 9.3 billion under implementation. The project portfolio has grown to 209 projects and programmes, which will increase the resilience of 666 million people and avoid an estimated 2.4 billion tons of CO₂ equivalent. These achievements came during a time of incredible global change, including the COVID-19 pandemic, which forced the GCF and its partners to find new ways to work together and face the unprecedented need for adaptive management to ensure projects stayed on track.

3. The Secretariat thanks the IEU for their diligence and professionalism in producing this timely report. The evaluation scope was comprehensive, and it produced constructive recommendations based on the evidence gathered. The IEU encouraged feedback and dialogue from the Secretariat throughout the process, presenting webinars on methods, findings and recommendations. The Secretariat provided comments at key points in the evaluation process, including verbal comments presented to the Board during its thirty-fourth meeting, and many Secretariat staff provided interviews that contributed to the findings and recommendations of this report. In accordance with the Evaluation Policy for the GCF, the Secretariat will incorporate these evaluation findings and recommendations into its decision-making, management, operations, strategies, budgets and practices.

4. This management response is divided into three parts, including this Introduction. The second section will provide general responses to the findings of the SPR. The third section will provide some general responses to the SPR recommendations before elaborating the response to each specific recommendation.

II. Response to findings

5. Several of the conclusions of the SPR point to the Fund's strategic focus, which it describes as "an overly broad 'do it all' approach." As noted in the USP implementation reports, the Secretariat has encountered many tensions and trade-offs in managing GCF-1 portfolio targets within the resources available. The GCF pipeline is much larger than available commitment authority, and in some cases the GCF-1 portfolio targets conflicted with one

¹ Document GCF/B.35/07.

² <https://ieu.greenclimate.fund/evaluation/second-performance-review-spr-green-climate-fund>

another. The Secretariat substantially evolved the GCF's pipeline management and review procedures throughout GCF-1 to resolve these tensions and address these trade-offs in a consistent and predictable manner. Although the Secretariat has managed these tensions, it could do so more effectively if some of the tensions were reconciled in USP-2 through clear programming goals aligned with pathways to meet the goals of the UNFCCC and the Paris Agreement.

6. The Secretariat recognizes the diversity of stakeholders and partners as a strength of the Fund, as described in the SPR. These stakeholders and partners have varied needs, goals and policies. While the Fund cannot be everything to everyone, it also cannot follow a one-size-fits-all approach. Instead, the Secretariat proposes to tailor its approach to the needs of individual developing countries, partnering with them on climate investment planning, origination and implementation, to translate national climate ambitions into an increasing flow of impactful investments. At the same time, the Secretariat proposes to harmonize its processes and policies with other climate funds and accredited entities, where appropriate, to help countries navigate different finance sources more easily.

7. Looking back at GCF-1, the SPR notes the GCF's ever-increasing volumes, process improvements and increasing quality, but concludes that "partners continue to perceive the project appraisal and approval cycle as bureaucratic, lengthy, inconsistent and non-transparent." The imbalance between the demand for GCF financing and available resources is likely to persist, and the Secretariat has responded in part by producing manuals, tools and guidance to improve consistency and transparency. In managing its pipeline, the Secretariat has also taken steps to improve its efficiency by focusing its resources on high-priority projects in line with GCF investment criteria and GCF-1 targets and a focus on managing expectations through clearer communication with partners.

8. Looking ahead to GCF-2, the SPR rightfully notes that results from GCF's investments are forthcoming as the portfolio matures, and the Secretariat has an important and growing responsibility to oversee the implementation of projects to manage for risks, results and knowledge feedback. The Secretariat has taken several steps in this direction by increasing portfolio management staff and developing and implementing the Integrated Results Management Framework (IRMF). The Secretariat's internal risk management and control functions have been enhanced to meet the challenge, and knowledge management is being systematized to better capture lessons learned.

III. Response to recommendations

9. The SPR recommendations identify seven main areas for improvement, ranging from strategic decisions about priorities, partnerships and governance to operational imperatives such as results and risk management. Secretariat management has made similar observations during GCF-1 and has taken steps to address those within its remit. For example, the recent updates to the risk register and risk management practices increases the robustness, coherence, continuity and consistency of the Secretariat's implementation of the Risk Management Framework. When Board action is required, the Secretariat has worked with the Board to develop and approve policies that improve operations and increase access to the Fund, as illustrated by the development and approval of the IRMF. There are a few recommendations in the SPR that will require similar collaboration between the Secretariat and the Board in order to operationalize them. For recommendations that are solely within the Board's mandate, the Secretariat stands ready to support the Board in its decision-making.

10. Detailed responses to each recommendation can be found in the table below.

Recom- mendation	Recommendation	Response
RECOMMENDATION 1. The GCF's strategic plan should clarify the Fund's strategic positioning, articulate programming and operational priorities, and address long-term and short-term trade-offs. The ambition and strategic direction should align with available resources.		
1.1	The update to the USP should clarify the vision for GCF-2, making critical choices.	<p>Agree.</p> <p>Noting that this is a recommendation for action by the Board, the Secretariat has endeavoured to structure the most recent draft (DRF.01) of the update to the USP-2 to focus the Board's attention on critical strategic choices on: (i) further articulating GCF's long-term vision, ambition and place in the climate finance landscape; (ii) setting concrete mid-term programming goals, aligned with resourcing allocations, to orient GCF toward targeted climate results, and (iii) establishing a prioritized set of strategic programming objectives and the actions needed to deliver those objectives. The Secretariat also stands ready to advise the Board on potential risks and trade-offs that may be involved in such strategic choices, and feasibility of implementation. The Secretariat agrees that the open ended "do it all" strategy of GCF has led to challenges in relation to both access (as it undermines transparency and predictability in GCF's engagements with stakeholders and has also led to operational modalities not being optimized as they strive to serve multiple aims) and resourcing (as GCF's capacity is stretched across many objectives). Clearer strategic choices will help address these issues.</p>
1.2	Resource appropriately and in a timely manner.	<p>Agree.</p> <p>As part of the development of the USP-2, the Secretariat stands ready to support the Board with a resourcing scenario analysis to help the Board determine what level of ambition is realistic, and how resources may be allocated to align with programming goals/objectives. The Secretariat can also advise the Board on the feasibility from a resourcing perspective of pursuing certain strategic programming directions.</p> <p>The Secretariat notes that the ultimate level of resourcing for GCF will be determined through the Fund's replenishment process. It recommends that the Fund conduct updated capability assessments after the conclusion of the replenishment process to stress test its capacity for delivery. The Secretariat also agrees on the utility of keeping resourcing regularly under review during the replenishment period.</p>
1.3	Develop a results framework for delivery of GCF-2 with targets and indicators.	<p>Agree.</p> <p>Targets for GCF-2 contained in the USP-2 will be monitored through an updated Results Tracking Tool, which is based on and coherent with the IRMF.</p> <p>The Secretariat does not anticipate change to the GCF's overall results framework, as captured in the IRMF, at this time. The Secretariat will review the IRMF in line with the policy review timeline approved by the Board which states that "<i>The IRMF will be reviewed by the Board in the third year of GCF's replenishment cycle, as part of the overall policy review cycle, starting from the GCF-2 policy review cycle in 2026.</i>" The Secretariat will, during that cycle, update the results indicators as needed.</p>

1.4	Ensure that the strategic vision is widely communicated throughout the broader GCF partnership.	<p>Agree.</p> <p>National Designated Authorities (NDAs), Accredited Entities (AEs) and Delivery Partners (DPs) are an integral part of GCF and are essential for the delivery of its mandate. GCF’s strategic vision is informed by feedback from stakeholders, and it is communicated to them upon Board approval through the availability of strategic documents; the development of guidance materials; bilateral engagements; and global and regional events, including the sessions of the Conference of the Parties to UNFCCC and relevant strategic meetings of the constituted bodies, among others. Strategic and guiding materials available are USP-2, programming guidance, sector guides, the Readiness and Preparatory Support Guidebook and country programme guidelines. Guidance materials under development are the updated Readiness guidebook and guidance on investment planning. Stakeholder engagement is also critical in the delivery of GCF’s strategic vision, including as channels for co-financing, expertise, knowledge sharing and for enhanced complementarity and coherence.</p>
<p>RECOMMENDATION 2. At the country level, the GCF should clarify its intended approach and possible roles, aligning with the resources.</p>		
2.1	Articulate the extent of GCF’s ambition to engage strategically in country and the role(s) it wishes to play, based on a clear assessment of opportunities, challenges, and strategy.	<p>Agree.</p> <p>In line with the GCF core principle of country ownership and with the Updated Strategic Plan 2020-2023 (USP-1) strategic priority of “strengthening country ownership of programming”, GCF is committed to strengthening developing countries’ capacity to undertake transformational planning and programming, guided by a country driven prioritization of the most impactful adaptation and mitigation investments for countries. As stated in USP-1, “The GCF 2020-23 programming depends at its core on fully implementing and strengthening country ownership”, the Secretariat has implemented and continues to improve following actions:</p> <ul style="list-style-type: none"> • Through Readiness, the Secretariat supports countries in establishing strong and well-resourced coordination mechanisms for engagement of national stakeholders, including civil society organizations, private sector, indigenous peoples and different levels of government; • The Secretariat is promoting the development of climate investment plans for GCF recipient countries to guide country investments for Nationally Determined Contributions (NDC), National Adaptation Plans (NAP) and Adaptation Communication (AC) implementation, intended to be used as the primary source for pipeline development for GCF and other sources of climate finance; • The Secretariat requests AEs and DPs to align to countries’ programming and capacity building priorities; • Enhanced co-development support is provided by the Secretariat to all countries and direct access entities (DAEs) to support and guide the alignment of interventions under the Readiness and Preparatory Support Programme (RPSP) to GCF recipient countries’ priorities, including though climate investment planning; and • The Secretariat, along with countries and relevant stakeholders, co-creates knowledge products and makes them available to support countries’ programming efforts.

2.2	Widen the GCF partnership definition, undertake a systematic mapping of partners' capacity and interest to engage strategically at country level, culminating in a strategic approach for GCF country partnership.	<p>Agree.</p> <p>GCF encourages NDAs and AEs to engage national stakeholders (e.g., national or subnational government agencies, private sector, civil society organizations, academia, etc.) in identifying country climate priorities and in planning, designing and implementing national climate actions. In this context, climate investment plans are promoted as a systematic way for countries to advance progressively in their national investment planning, including through the identification of local, national and international partners that can support their priorities.</p>
2.3	Clarify any future role for CPs and EWPs.	<p>Agree.</p> <p>In line with decision B.17/04, the Secretariat provides NDAs with tailored support for the development of Country Programmes (CPs) and Entity Work Programmes (EWPs) for regional DAEs including through the RPSP. The Secretariat is promoting the development of climate investment plans for GCF recipient countries to guide country investments for NDC, NAP and AC implementation, in consideration of other national climate strategies, such as Technology Needs Assessments (TNAs), for funding from a variety of public, private and innovative sources of finance, including GCF. CPs will remain an important tool to inform GCF pipeline development and will be strengthened and reshaped as an integral part of the wider climate investment plans. The CP will focus specifically on those investments to be undertaken by GCF, identifying co-investing opportunities and informing concept note and funding proposal development. EWPs are to be aligned to countries' priorities, including as expressed in their investment plans.</p>
2.4	Clarify the role of readiness support, particularly in the context of strategic engagement.	<p>Agree.</p> <p>The revised Readiness Strategy to be presented for Board consideration at a future meeting is guided by the GCF strategic objectives of promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development and supporting countries in the implementation of the Paris Agreement and the UNFCCC. Aligned to GCF strategic priorities, the Readiness Programme vision is that by 2027 GCF recipient countries will have strengthened their capacity and enabling environment to develop, finance, implement, evaluate and share experience of integrated climate change strategies, including their NDCs, ACs, NAPs, and TNAs. This vision of the Readiness Programme builds on the following theory of change statement:</p> <p><i>If</i> GCF provides more targeted, agile and accessible readiness support to countries and DAEs through updated modalities that advance the five objectives of the RPSP aligned across an investment planning framework,</p> <p><i>Then</i> GCF recipient countries will be better equipped to translate their NDC, AC, NAP and other climate priorities, such as TNA, into low-emissions climate-resilient catalytic investments to promote paradigm shift and advance implementation of the UNFCCC and Paris Agreement,</p> <p><i>Because</i> GCF recipient countries will have developed the necessary capacities and enabling environments to engage in systemic climate investment planning and increase the flow of impactful, country-owned and bankable mitigation and adaptation investments ready for funding from a variety of public, private and innovative sources of finance, including GCF.</p> <p>At the country level, the existence of strong national coordination mechanisms led by the NDAs has been identified as a critical factor to ensure the RPSP supports the engagement of stakeholders at the national level, including from the private sector and civil society organizations.</p>

RECOMMENDATION 3. Review accreditation priorities. Support and explore other access mechanisms beyond accreditation. Build capacities for better access and country-owned FP development and enhance accreditation process efficiency and transparency.

3.1	Identify the Fund’s accreditation objectives and communicate them clearly, both internally and externally.	<p>Agree.</p> <p>The Board, in its decision B.34/19, adopted the Accreditation Strategy of the GCF, which states, “In the context of the GCF operating model, the purpose of accreditation is to identify potential programming partners – AEs – that will channel financing for and deliver impacts from climate change projects and programmes responding to the needs of developing countries and in alignment with the mandate of the GCF as well as its objectives and programming goals, in a manner that meets the standards of the GCF.” The Accreditation Strategy also clearly identifies the objective of accreditation is “to clarify the GCF operating model and guide the evolution of the GCF network of AEs in order to deliver on the GCF’s mandate, objectives and programming directions.” The Accreditation Strategy includes key actions to support internal and external communication of the accreditation objectives, including calling for the development of clear guidance on the various types of partnerships that can be built with GCF, and clarifying the obligations and responsibilities of AEs. Based on such guidance, a key action of the Accreditation Strategy is to encourage entities and NDAs to choose the right approach to accreditation depending on the project/programme pipeline size.</p> <p>The Board also agreed to further consider at its thirty-fifth meeting³ the strategic matters relating to accreditation that require further Board consideration contained in section II of annex IX to decision B.34/19. The strategic matters relating to accreditation under further consideration include: the balance between re-accreditation and new accreditation applications given the GCF’s historic processing capacity of 15 entities per year and a pipeline far exceeding such capacity; types of entities to be prioritized under institutional accreditation; optimizing incentives for partners to invest in a dedicated capacity to programme for GCF; and measures to further optimize performance of the AE network, including developing key performance indicators to define AE performance and non-performance, and retiring non-performing AEs at the end of their accreditation term. When the Board decides on these matters, the Secretariat will communicate these decisions related to accreditation to AEs, applicants and NDAs.</p>
3.2	Identify and proactively support alternative and graduated pathways for developing country entities to access the Fund; explore long-term alternatives to the current AE model.	<p>Agree.</p> <p>One of the key pillars of the Accreditation Strategy is to enhance the efficiency, effectiveness and inclusiveness of the GCF accreditation and re-accreditation process. GCF commits to improving guidance on the role of AEs and the accreditation process through a series of actions, including developing clear guidance on the various types of partnerships that can be built with GCF. Options include partnering as an AE, or as an entity under the project-specific assessment approach (PSAA), or in another role such as executing entity that works with programming partners as well as delivery partners to provide readiness and preparatory support.</p> <p>The Accreditation Strategy also commits GCF to encouraging entities and NDAs to choose the right approach to accreditation depending on the project/programme pipeline size. To support DAEs, the accreditation strategy includes key actions of providing support through</p>

³ Although these matters were not included in the provisional agenda (document GCF/B.35/01/Drf.02), the Secretariat has prepared documentation in response to decision B.34/19 and stands ready to present once tabled by the Board.

		<p>the RPSP and Project Preparation Facility (PPF), as well as by the Secretariat directly, throughout the partnership term with DAEs (i.e., from accreditation to pipeline development to portfolio implementation).</p> <p>The Board also agreed to further consider at its thirty-fifth meeting⁴ the strategic matters relating to accreditation that require further Board consideration contained in section II of annex IX to decision B.34/19. One of the strategic matters relating to accreditation under further consideration is the proposal to provide options to AEs to (1) continue the partnership with GCF as an AE; (2) graduate out of the AE role and into other forms of partnering or engaging with GCF; or (3) end the partnership with GCF as an AE.</p>
3.3	<p>Manage accreditation and access to fit with GCF and country programming priorities and needs. Align them well with Fund project resources and Secretariat management capacities.</p>	<p>Agree.</p> <p>One of the key pillars of the Accreditation Strategy adopted in decision B.34/19 is to strategically use accreditation of partners to advance the goals of GCF by filling gaps in capabilities and coverage to deliver on high quality, transformational and paradigm-shifting programming while increasing the share of DAEs. The key actions under this pillar include:</p> <ul style="list-style-type: none"> • Providing programming directions and guidance to support AEs to deliver on such programming; • Addressing GCF programming objectives by (i) prioritizing expanding the AE network to align with programming gaps and to enable GCF to implement its strategic priorities and respond to developing countries' needs, particularly for adaptation; (ii) using PSAA strategically to identify new partners, countries and technologies that have been underserved by GCF to date and contribute to GCF programming goals; and (iii) optimizing the performance of the AE network; and • Providing capacity development support for climate programming. <p>Regarding Secretariat management capacities, the Board requested in its decision B.34/19, paragraph (c), that the Secretariat present the resourcing implications of implementing the accreditation strategy for the Board's consideration at its thirty-fifth meeting. The Secretariat has prepared a document on the resourcing implications of the Accreditation Strategy and looks forward to presenting it at a future meeting.</p>
3.4	<p>Target DAE capacity building for country-owned project development and implementation.</p>	<p>Agree.</p> <p>The RPSP provides tailored support to DAEs for the implementation of the IRMF, which can be accessed directly by DAEs. Support from RPSP is also provided to DAEs at the request of NDAs for institutional capacity strengthening and for the development of quality concept notes, with several successful cases of DAEs receiving support for concept note development leading to Board approved funded activities. The proposed revised Readiness Strategy to be presented for Board consideration at a future meeting considers the creation of a dedicated DAE operational modality that could expand the support provided to DAEs at the institutional and at the transactional levels, identifying alignment to countries' priorities as an essential aspect to be ensured through co-development of RPSP interventions. GCF also promotes the development of climate investment plans for GCF recipient countries to guide country investments for NDC, NAP</p>

⁴ Ibid.

		<p>and AC implementation for funding from a variety of public, private and innovative sources of finance, including GCF. DAEs are a critical partner in realizing countries' priorities in the context of investment planning.</p> <p>New modalities under PPF were introduced in 2020 to further support DAEs in project preparation. One of these new modalities is PPF Service, which allows the Secretariat to supply project preparation services directly to the AEs through a roster of independent consultancy firms. This provides fast and quality delivery of project preparation support to DAEs that wish to reduce their transaction costs by avoiding taking on the procurement and management of PPF grants by themselves. Another relatively new modality is the technical assistance (TA) modality, which is provided to DAEs that require support in concept note development (e.g. strengthening the climate rationale, aligning their proposals with the investment criteria as well as fulfilling specific studies when needed) or funding proposal strengthening (e.g. fulfilling missing technical studies and sharpening the project design).</p> <p>Such support for DAEs is further reinforced in the Accreditation Strategy adopted in decision B.34/19. The Accreditation Strategy includes key actions to support DAEs during accreditation, project development and portfolio implementation, monitoring and reporting. Such support is to be provided through the RPSP and PPF, as well as by the Secretariat directly (such as through consolidating programming engagement with capacity-ready DAEs).</p>
3.5	Enhance the efficiency and transparency of accreditation and reaccreditation processes and clarify benchmarks for reaccreditation.	<p>Agree.</p> <p>The Board adopted, through decision B.31/06, updates to the Accreditation Framework aimed to improve efficiency of the process. The updates to the Accreditation Framework will come into effect on 1 April 2023. Efficiency measures include improvements to the scope of the Stage I accreditation application reviews by the Secretariat to address suitability of potential applicants with the role and responsibilities of AEs and alignment with country programming priorities and GCF strategic and programming goals. Additionally, improvements were adopted to reduce potential duplication of reviews and consolidate technical reviews of applications against the GCF accreditation standards fully under the independent Accreditation Panel under Stage II (step 1) of accreditation, rather than dividing this over both Stages I (by the Secretariat) and II (step 1).</p> <p>The Board, in its decision B.34/19, adopted the Accreditation Strategy. One of the key pillars of the Accreditation Strategy is to enhance the efficiency, effectiveness and inclusiveness of the GCF accreditation and re-accreditation processes. Actions under this pillar include improving guidance on the role of AEs and the accreditation process; streamlining the accreditation and re-accreditation processes; enhancing engagement and build institutional capacity. Specifically, the Accreditation Strategy calls for establishing milestones and performance indicators for the GCF processing of accreditation/re-accreditation applications.</p> <p>The Secretariat has since 2020 included service standards for accreditation as part of its key performance indicators, and regularly reports to the Board.</p>
<p>RECOMMENDATION 4. Continually improve the efficiency, predictability and relevance of operational systems, ensuring they reflect policy priorities, strategic objectives and climate urgency, especially targeting the delays within the GCF's control.</p>		
4.1	Continually streamline and refine operational modalities.	<p>Agree.</p> <p>The GCF has grown from a simple, first-come-first-processed co-financier, still putting its policies, processes and systems in place during the Initial Resource Mobilization, to an organization nearing maturity, engaging confidently with a diverse global network of partners to structure investments, convene coalitions and capture greater opportunities for impact, and with the task of managing a</p>

		<p>high-quality pipeline that now well exceeds available resources. Throughout GCF-1, the Secretariat developed manuals, guidance and tools to clarify standards and procedures for GCF staff and make processes more predictable for partners.</p> <p>In the draft USP-2, the Secretariat proposes to focus on “enhancing access” as GCF’s core operational commitment, while recognizing that GCF is a partnership institution and the health of GCF’s partnerships is critical to operational effectiveness and developing country access. Access will be increased across several dimensions:</p> <ul style="list-style-type: none"> • <i>Speed</i> will be pursued by setting ambitious commitment and implementation rates, implementing tools for full transparency of where proposals sit in operational processes and responsibilities for action, and setting realistic expectations of GCF and partner response times; • <i>Simplicity</i> will be increased through the introduction of the PSAA and increased deployment of SAP, EDA and other devolved financing approaches; • <i>Harmonization</i> will be promoted through examination of opportunities to align processes and policies with AEs and other climate funds; • <i>Volume</i> will be pursued through channelling of funding to global climate finance goals and catalysing climate finance from wider sources; and • <i>Partnerships and direct access</i> will be strengthened through active management of the accreditation and project pipelines and continuing to increase the role of DAEs in GCF programming.
4.2	<p>Realign staffing, organizational structures and monitoring strategies to better facilitate reaching the same collective goals.</p>	<p>Agree.</p> <p>During GCF-1, the Secretariat undertook an organizational redesign to better align with the Secretariat’s divisions and offices with the objectives of the USP-1. A People Plan was developed through a consultative and collaborative effort across the Secretariat to provide a pathway for the GCF to attract, nurture and empower a workforce with the necessary values and skills to deliver on the strategic plan. With the Board approval of additional headcount following a capability review, the Secretariat moved to deploy more flexible recruitment tools to effectively attract talent from around the world. The Secretariat also invested in new systems and staff to improve its corporate performance management monitoring and reporting and better cascade corporate key performance indicators down to divisional and individual workplans. The Secretariat also added staff in critical areas, such as portfolio management and environmental and social inclusion, and the Sustainability Team was upgraded into the Office of Sustainability & Inclusion, linking it closer to programming and reporting to the Deputy Executive Director and Chief Investment Officer.</p> <p>Looking ahead, the Secretariat will review GCF operational capabilities and resourcing to deliver the USP-2, taking account of the scale of GCF-2 replenishment. The Fund’s employee value proposition will be secured through modernizing its human resources framework to maintain a talented, diverse, gender and geographically balanced workforce.</p>
4.3	<p>Ensure modalities and operational structures are sufficiently nuanced to address the range of partner needs and experiences.</p>	<p>Agree.</p> <p>The Secretariat is taking steps within its mandate to provide differentiated support to better meet country needs. In 2020, new modalities under PPF were introduced to better support DAEs in project preparation. One of these new modalities is PPF Service, which allows the Secretariat to supply project preparation services directly to the AEs through a roster of independent consultancy firms,</p>

		<p>enabling DAEs to reduce their transaction costs by avoiding taking on the procurement and management of PPF grants by themselves. Another new modality is the technical assistance modality, which is provided to DAEs that require support in concept note development (e.g., strengthening the climate rationale, aligning their proposals with the investment criteria as well as fulfilling specific studies when needed) or funding proposal strengthening (e.g., fulfilling missing technical studies and sharpening the project design).</p> <p>Under the draft USP-2, the Secretariat proposes expanding the differentiation of GCF support, both through the RPSP and Secretariat technical assistance, to where it is needed the most, including to developing countries that have not yet been able to access GCF support for funded activities or who are not regularly able to access resources for readiness activities.</p>
4.4	Continue to upgrade direct communication, as well as guidance documents developed to articulate GCF expectations, and share emerging lessons with partners.	<p>Agree.</p> <p>As a continuous learning organization delivering its mandate in a changing environment GCF is committed to regularly updating guidance documents and to sharing lessons learned. As part of this, the Secretariat is in the process of updating the Readiness Guidebook and templates. This new enhanced guidebook reflects the programmatic developments, the operational improvements and lessons learned from the past years' implementation of the programme, and greatly improves the overall guidance in preparing RPSP proposals. It also aims to improve the user-friendliness of templates and tools to make the submission of proposals clearer and more efficient. A consultation draft was released at COP 27, and an interim version will be available in early 2023 to help guide NDAs and DPs through RPSP proposal development. The final version will be made available following any changes to the RPSP after Board consideration and adoption of a revised Readiness Strategy.</p> <p>As part of its 2023 work programme approved through decision B.34/05, the Secretariat will develop climate investment planning guidance building on programming lessons learned. The guidance will facilitate countries' progression through the planning, development, resourcing, implementation and tracking of climate investments focusing on a systemic view of NDC/NAP implementation and exploring the climate investment landscape beyond what the GCF can support, empowering countries to prioritize their investment decisions and choose the right financial partners.</p>
RECOMMENDATION 5. Pivot from an approval orientation towards one that emphasizes results and learning, with a coherent results architecture for GCF-2.		
5.1	Urgently operationalize the IRMF and RRMF.	<p>Agree.</p> <p>The Secretariat has taken steps to operationalize the IRMF, including updating the FP template and related guidance and producing a results handbook that has been consulted with AEs and stakeholders and is now awaiting Board approval.</p> <p>The Secretariat launched the Readiness Results Management Framework (RRMF) in 2022 through a series of webinars with NDAs and DPs and has embarked on retrofitting the RPSP grants approved up to December 2022 (with grants approved till December 2021 having been fully retrofitted) to ensure consistent assessment of the portfolio performance against the RRMF.</p> <p>To further operationalize the RRMF implementation, in January 2023 the Secretariat launched the Readiness reporting module in the Portfolio Performance Management Systems (PPMS) in alignment with the RRMF. This module enables delivery partners to report implementation and results achievement progress against the RRMF results and indicators.</p>

		<p>For RPSF proposal development, the Secretariat has designed the logical framework template, which will be launched in 2023, that allows the delivery partners to select relevant RRMF results and indicators. The launch will followed by webinars and guidance materials to assist DPs and NDAs implement the RRMF.</p>
5.2	<p>Improve implementation management processes, with full examination of the received feedback that GCF needs flexibility to adapt to realities of implementation.</p>	<p>Agree.</p> <p>The Secretariat’s implementation management processes are guided by the policies and frameworks approved by the Board, notably the Monitoring and Accountability Frameworks, Policy on Restructuring and Cancellation, revised Environmental and Social Policy, updated Gender Policy, Indigenous People’s Policy and the Information Disclosure Policy, and the flexibilities enshrined therein.</p> <p>The Secretariat is considering the lessons learned from implementation and feedback from its partners to inform the reviewing of the above-mentioned policies, some of which are currently under review for future Board Consideration (e.g., the new ESS standards, Information Disclosure Policy, etc.). This is in addition to working to provide guidance on other policies/processes that impact implementation, such as country ownership guidelines.</p> <p>In the interim and within the authority delegated to it, the Secretariat has continued to improve and codify its implementation management processes, including reviewing the reporting templates and frequency for RPSF, increasing delegation of certain decisions to directors, and facilitate online submissions for faster processing and tracking of progress.</p>
5.3	<p>Strengthen learning and feedback loops.</p>	<p>Agree.</p> <p>In 2022, the Secretariat implemented a pilot project on learning loops for the RPSF. The study included gap analysis and yielded recommendations that informed the development of the revised Readiness Strategy to be presented for Board consideration at a future meeting. Moreover, the exercise included a reflection paper on lessons learned from the first cycle.</p> <p>By building on collaboration with external stakeholders in 2022, the Secretariat will expand the exercise on RPSF including external stakeholders and will focus on its implementation. To ensure this, a generic standard operating procedure on the learning loops will be developed and operationalized to ensure consistency in following a learning cycle and to identify roles, responsibilities and timelines for implementation and reporting to ensure learning. As part of the 2023 work plan, the Secretariat will launch a new learning loops exercise on the project and programme activity cycle to enable the Secretariat to systematically confirm or inform assumptions made during project appraisal on climate impact, technical soundness, commercial soundness, efficiency/effectiveness of policy de-risking instruments, country ownership and co-benefits and risks. To systematically extract internal knowledge and lessons learned from funded activity implementation, an internal assessment process and associated assessment form has been integrated in the portfolio performance management system (PPMS). This can serve as a critical foundation for the new learning loops exercise. In addition, a Project Success module was added to the PPMS in 2022, where AEs are expected to provide their own lessons learned and knowledge from implementation for eventual wider dissemination by the Secretariat. These learning loops will enable GCF to feed lessons learned from implementation back into future project origination and development.</p> <p>Additionally, the Secretariat continues to share lessons learned with internal and external stakeholders through various channels including AE engagement, Regional Dialogues and programming conferences. The Secretariat will continue building on knowledge platforms such as the Open Data Library which was externalized in July 2022 to share lessons and learning. The Secretariat will also be launching the Readiness Knowledge Bank which will contain amongst other things resources and references for DPs/NDAs including</p>

		case studies, success stories, readiness results analytics, and tools and guidance that facilitate learning from other countries and partners' experiences.
5.4	Enable efficient GCF oversight and learning during implementation, with resources aligned for this objective.	<p>Agree.</p> <p>The Secretariat has recently shifted to an approach to knowledge management combining (a) a central knowledge management function in the Office of the Executive Director, for providing strategic overview, coordination and setting frameworks, and (b) embedded functions in the divisions and offices across the Secretariat, for content development, sharing and reuse.</p> <p>Efforts are underway to right size resources to central knowledge management and embedded functions to coordinate and implement the effort. Gradual increase of human and financial resources will be commensurate to the efforts needed for ongoing effective learning.</p>
RECOMMENDATION 6. Urgently clarify the GCF's approach to managing entity and project risks, for funded activities and RPSP grants.		
6.1	Review approach to due diligence of entities and projects.	<p>Agree.</p> <p>The Secretariat has been monitoring its approach to due diligence in order to adapt it to its own internal changes and to changes in the global operating environment. For example, a differentiated approach to second-level due diligence over Environmental and Social Safeguards (ESS) is embedded in the safeguarding approach, based on the ESS category of the project.</p> <p>The Secretariat is reviewing and updating the Risk Register to address the risks arising from the implementation of the 2023 work plan. It is also starting a review of its assessment of portfolio risks (covering programmes, projects and sub-projects) in light of these updates to the Risk Register. This will include an assessment as to whether its differentiated approach to second-level due diligence needs to be strengthened or amended.</p>
6.2	Match the evident risk appetite to stated risk appetite.	<p>Agree.</p> <p>The Secretariat notes this recommendation is primarily addressed to the Board. The Secretariat stands ready to assist the Board in its review of the Fund's risk appetite and in any updates that are needed.</p> <p>The Secretariat is developing a Risk Appetite Statement Handbook, which will enable Secretariat management and staff to accurately apply the Fund's risk appetite in the areas where they are working.</p>
6.3	Clarify project risk ownership, including expectations and accountability mechanisms for partner entities and project implementation.	<p>Agree.</p> <p>The Secretariat notes this recommendation is addressed to the Board. The Secretariat stands ready to assist the Board in its review of policy coherence relating to risk appetite and risk assessment.</p>

6.4	Increase robustness, coherence, continuity and consistency of risk management practices throughout the program cycle and entity oversight processes.	<p>Agree.</p> <p>The Secretariat regularly monitors and updates its risk management practices, reflecting internal development and changes to the Fund’s external operating environment. It is currently reviewing and updating the Risk Register to address the risks arising from the implementation of the 2023 work plan. For each risk in the Risk Register, the Secretariat has assessed the inherent and residual risk severity and developed a timebound action plan, taking account of the residual risk severity and the GCF’s stated appetite for that risk.</p> <p>These action plans include, where needed, addressing the quantity and capacity of the available resources. In addition, the Secretariat has identified talent management as a separate issue and has identified an action plan to manage that risk.</p>
6.5	Secure P&I agreements.	<p>Agree.</p> <p>While it is not within the Secretariat’s power to expedite these, the Secretariat is actively continuing its pursuit of bilateral privileges and immunities agreements. In November 2022, an Agreement on the Privileges and Immunities of the GCF was signed with the Republic of Rwanda, bringing the total number of signed bilateral privileges and immunities agreements to 29. Overall progress on other negotiations is slow due to various factors outside of the Secretariat’s control. These include lengthy national approval processes, limited impetus on the side of some counterparts and high rotation of focal points for negotiations. Nevertheless, the Secretariat continues to proactively engage and explore new avenues for engagement, taking every opportunity to advance negotiations and wrap up final steps, insofar as within the Secretariat’s remit. The Secretariat is currently proactively engaging with around 30 countries in various stages of negotiations. Internal processes have been streamlined to further improve internal coordination among relevant divisions to keep the momentum with the countries through email communications, virtual and in person bilateral meetings as well as high-level engagements.</p>
RECOMMENDATION 7. Strengthen governance processes to provide more effective and efficient leadership for the Fund.		
7.1	Improve governance efficiency.	<p>Agree.</p> <p>The Secretariat notes this recommendation is partially addressed to the Board. The Secretariat is aware there are varying views within the Board on the roles and responsibilities of the Board’s committees to facilitate efficient consensus and decision-making and the comprehensiveness and inclusiveness of consultation processes. The Secretariat stands ready to assist the Board in any actions to improve the efficiency of governance.</p>
7.2	Support trust-building and self-reflection among Board members.	<p>Agree.</p> <p>The Secretariat notes this recommendation is addressed to the Board and stands ready to support trust-building initiatives. In line with this recommendation, the Secretariat regularly holds onboarding sessions for new Board members to bring them up to speed on GCF functions, structures, strategies, policies and programming. The most recent sessions were held in early 2023.</p>
7.3	Build the capacity of the Secretariat to support Board decisions.	<p>Agree.</p> <p>During GCF-1, the Secretariat expanded its Board Affairs team and separated it from document and information management to provide better support to the Board in reaching policy decisions.</p>

7.4	Continue working to update the policy suite.	<p>Agree.</p> <p>The Secretariat agrees that further work will be needed to update the GCF policy suite. However, this should generally involve a lower frequency of policy change than in the start-up years of the Fund, and it should be better targeted in response to identified policy coherence, implementation and impact challenges, rather than through an ongoing cycle of policy reviews. As concluded by the Secretariat’s overall policy review (OPR), the vast majority of strategically and operationally essential policy gaps have now been closed. There are some historical mandates which have been overtaken by circumstances and should be retired. Policy work should accordingly pivot toward improving the coherence and impact of GCF’s policies, learning lessons from implementation. The Secretariat agrees that policy-making processes could be enhanced by clarifying the Fund’s overall policy framework, classifications and associated responsibilities, noting this was also a recommendation of the OPR.</p>
7.5	Clarify blurred lines between governance and management.	<p>Agree.</p> <p>The Secretariat notes this recommendation is addressed to the Board, and the Secretariat stands ready to support as needed. The Secretariat values the Board’s role in strategy and policy implementation and that of the independent units to promote accountability and learning. The Secretariat is aware there are varying views within the Board on the roles and responsibilities of the Fund’s governance and management entities, including the Board and the Board members’ advisors, the Co-Chairs, Board Committees, Independent Units and the Secretariat. Greater direction on these matters and a clearer delineation of responsibilities could enhance consistency and bring about more streamlined policymaking and decision-making. Such direction could also enable the Board to focus its limited meeting time on issues of a more strategic and oversight nature, while enabling the Secretariat to provide essential guidance more quickly to stakeholders aimed at, among other things, improving the quality of proposals on entry, accelerating the speed of access to the Fund, and enhancing the Fund’s ability to assess its climate impact.</p>
7.6	Revisit the observer function to address weaknesses.	<p>Partially Agree.</p> <p>The Secretariat notes this recommendation is addressed to the Board, and the Secretariat stands ready to support as needed.</p> <p>The recommendation to finalize revisions to observer guidelines (i.e. Guidelines relating to observer participation, accreditation of observer organizations and participation of active observers) is subject to the Board Work Plan. Moreover, consultations led by the Secretariat would need to be revived to obtain new inputs.</p> <p>The recommendations on “clarifying processes for observer consultation to ensure that input is systematically sought at an appropriate time during deliberations” and “financially supporting the developing country CSO active observer to travel to Board meetings” are matters covered by the following review points listed in the Board-approved terms of reference (TOR) for the review (B.BM-2016/11): “Active observer participation in Board discussions” and “Financial support for developing country observers” respectively.</p> <p>The recommendation on “clarifying processes for observer consultation to ensure that input is systematically sought... consistently for policy and strategy documents” was not specifically referred to in the TOR; however, the Secretariat has received similar input as part of consultations, and this can be addressed in the context of the review.</p>