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CLIMATE  
FUND**

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# Report on the activities of the Secretariat

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## Summary

This report provides an overview of progress against the 2022 Secretariat work programme, structured as follows:

- (a) An executive summary, highlighting key outcomes and Secretariat observations on the delivery of the annual work programme;
- (b) Annex I: Progress against the key performance indicators in the 2022 work programme and a snapshot of activities conducted to support their delivery;
- (c) Annex II: Summary of requests the Secretariat received from the Board;
- (d) Annex III: Status of policy implementation for policies approved in the first replenishment period of GCF;
- (e) Annex IV: List of memorandums of understanding in effect as at 31 December 2022;
- (f) Annex V: Risk management framework review;
- (g) Addendum I: Information report on the salary structure; and
- (h) Addendum II: Annual report on the implementation of the updated Strategic Plan 2020-2023.

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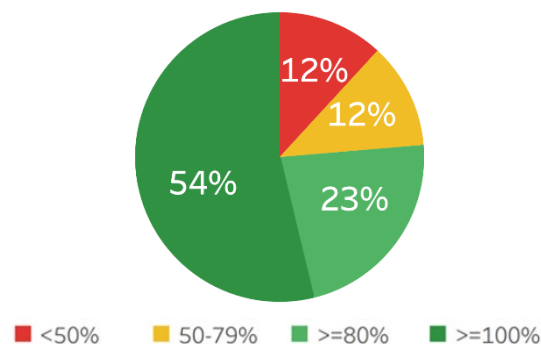
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## Executive summary

1. This final report on the activities of the Secretariat in 2022 gives an overall summary of the year's performance with emphasis on progress achieved from 1 September to 31 December 2022. During this period the Secretariat took significant adaptive management actions to improve the performance of the at-risk KPIs. The summary highlights key challenges experienced by the Secretariat, adaptive management actions taken, and lessons learnt over the course of the year. Details of progress against the key corporate performance indicators are included in annex I.

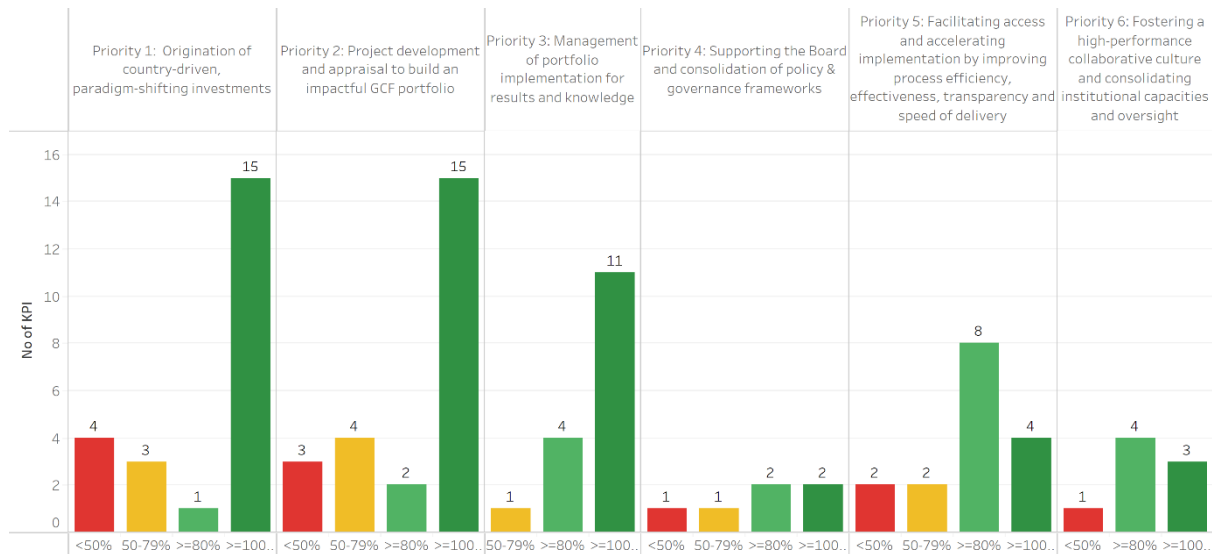
2. The Secretariat's overall performance for 2022 was strong with 77 per cent of its key performance indicators (KPIs) either exceeded, met, or substantially met (over 80 per cent) their targets (see figure 1). Out of the 77 per cent of high performing KPIs, 23 per cent were at over 80 per cent of their targets and 54 per cent met or exceeded their 100 per cent targets. These results were attained in a context of the Secretariat experiencing one of its most demanding years in terms of support to the Board with the hosting of four board meetings to advance some key policy issues as well as of some major programming events in preparation for the 2024-2027 Updated Strategic Plan. These events included the Global Programming Conference (GPC) and GCF Private Investment for Climate Conference (GPIC), in addition to participating in the seventy-seventh session of the United Nations General Assembly, the twenty-seventh session of the Conference of the Parties (COP 27) to the United Nations Framework Convention on Climate Change (UNFCCC) and COP 15 of the United Nations Convention on Biological Diversity (UNCBD). Noteworthy is that the last Board meeting and the latter five events were all held in the last quarter of 2022.

**Figure 1: 2022 GCF's overall key performance indicator results**



3. Focusing on the 12 per cent of KPIs lagging, the analysis of the KPI's bucket categories across the six 2022 work programme priorities reveals that Priority 1, Origination of country-driven paradigm shifting investments, contains the most low performing KPIs (see figure 2). These KPIs include country programmes, entity work programme (EWP), multi-year readiness non-NAPs and implementing a direct access entity (DAE) action plan. It is also noted that the country programmes KPI continues to show slow progress, despite the Secretariat's adaptive management actions. The lessons learnt from adaptive management actions conducted for these KPIs informed the readiness strategy prepared for the thirty-fifth meetings on the Board (B.35). Notably, the revised strategy integrates the five Readiness objectives across an investment planning framework and proposes several adjustments to existing Readiness operational modalities.

**Figure 2: Location of key performance indicators across priorities**



4. The performance of priority 2 - Project development and appraisal to build an impactful GCF Portfolio was strong for the most part except for the KPIs of the simplified approval process (SAP). The Secretariat undertook several adaptive management actions in 2022 to improve the performance of these KPIs, including the introduction of an updated SAP policy. The other four priorities also had strong performances for the most part. The KPI in priority 4 on the number of Secretariat-led policies submitted to Co-Chairs in accordance with the Board work plan was not met. However, this reflects a decision to focus on a limited number of key policy gaps during the year. Whilst fewer policies were submitted, a higher proportion of policies in the 2020-2023 Board workplan was successfully adopted. These comprised the approval of six Board policies out of a total of seven submitted to the Board including (i) updated of SAP policy; (ii) private sector strategy; (iii) adaptation approach; (iv) steps to enhance climate rationale; (v) accreditation strategy; and (vi) hedging policy. Another lagging KPI was the SAP services standards in priority 5, which will be addressed through the introduction of the SAP Revised Policy and Toolkit, and lastly the Privileges and Immunities (P & Is) KPI in priority 6, which is a KPI with known issues.

5. Regarding KPIs either meeting or exceeding their 2022 programming targets, some noteworthy achievements include the increase in the readiness requests approved, with 93 approved against a 2022 target of 81; the number of accreditation master agreements (AMAs), where 16 AMAs were approved and signed against a target of 3 thanks to the greater delegation of authority granted by the Board to the Secretariat at B33; the number of funded activity agreements (FAA) signed; and the increase in the volume of adaptation and DAE proposals submitted to the independent Technical Advisory Panel (independent TAP).

6. The Secretariat also launched the second replenishment period of GCF (GCF-2) in mid-2022 and held its first consultation meeting in December 2022, which resulted in the announcement of Germany that they would host the pledging conference in Bonn on 5 October 2023. This early announcement will greatly facilitate the organization of the pledging conference. In addition, the Secretariat engaged with key global stakeholders to lay the foundations for a successful replenishment at GPC and GPIC in the Republic of Korea, the UN General Assembly in the United States of America, COP 27 in Egypt, Group of 20 (G20) in Indonesia, and COP 15 in Canada.

7. Other areas of progress during 2022 include (i) Review and update of the GCF Strategic Plan resulting in the second updated Strategic Plan (USP-2), with a zero draft and consultation DRF.01 delivered to the Board; (ii) development of new project appraisal tools such as the Effectiveness and Efficiency Assessment Tool to increase the consistency of project reviews; (iii) preparation of the first draft of the updated Readiness Guidebook and (iv) launch of the consultation process for its finalization at COP27; (v) review of our corporate risk management framework and associated risk control mechanisms and risk management structure (see Addendum I); (vi) greater complementarity and coherence with the development of seven (7) FPs at B.34 in alignment with other climate funds; (viii) update of the Secretariat KPI Performance system; (ix) accelerated recruitment to build a full-strength workforce in line with the USP requirement and the Dalberg capability assessment.
8. Last but not least, the Secretariat has systemically followed-up on all dimensions of access to GCF resources discussed during the Global Programming Conference in September 2022, namely:
- (a) **speed** – continuing to automate operational processes; developing programming guidance and refining technical assistance to improve quality at pipeline entry; and leveraging enhanced direct access (EDA) to decentralize small grant decision-making in order to accelerate access to GCF resources, notably for the most vulnerable communities;
  - (b) **simplicity** – simplifying processes for accessing GCF climate finance, i.e. the simplified approval process (SAP) and project-specific assessment approach (PSAA);
  - (c) **harmonization** – engaging with its partners to harmonize processes and increase access to finance from other climate financing institutions;
  - (d) **direct access** - increasing the share of climate finance managed by DAEs;
  - (e) **flexibility** - broadening the range of programming strategies and non-grant instruments to address a wider range of needs and make blended work better for adaptation, ecosystem-based approaches and the most vulnerable; and
  - (f) **volume** - catalysing public and private climate finance at scale through innovative risk repricing and de-risking approaches and tools.

These areas of progress, issues and adaptive management actions executed during this reporting period under the Secretariat's six work programme priorities are further discussed below.

## 1.1 Priority-1: Supporting origination of country-driven, paradigm-shifting investments and enhancing direct access.

9. The Secretariat conducted 33 direct engagements in support of country origination and enhanced direct access during the reporting period, compared to a target of 10. This included organization or participation in five global events during the last quarter 2022: GPC, GPIC, UNGA 77, COP 27 and COP15. These engagements allowed the GCF to (i) showcase its results and share its experience in climate finance; (ii) advance programming dialogue; and (iii) lay the foundations for an ambitious GCF-2 replenishment.

10. Other notable outreach events during the last quarter of 2022 included a needs-based workshop on climate finance access for Arab states (Tunisia), an Africa adaptation workshop (Morocco), joint regional discussions with UN regional commissions on energy security, low carbon and resiliency (EECA), a regional write shop for a blue economy co-investment platform (Bahamas).

11. The implementation of the DAE action plan did not progress as fast as expected in 2022. With new staff now onboard, as well as a revised DAE action plan and a new monitoring system it is anticipated that performance of this KPI will increase in 2023. The new monitoring system will allow the Secretariat to track GCF's end-to-end support to DAEs on pre/accreditation, programming, implementation, and monitoring.

12. Performance on readiness support was strong, with the number of readiness requests approved during 2022 exceeding the target of 81 by 12. The development and implementation of a new revised readiness strategy in 2023 should further strengthen results in this area. However, 2022 also saw a significant increase in the number of Readiness activities change requests. The Secretariat processed 156 amendments requests against an anticipated target of only 50. This resulted in a major demand on the Secretariat's resources towards adaptive management. Similarly, the number of Funded Activity minor/major changes processed doubled at the end of 2022, reaching 80 against an anticipated target of 40.

13. The Board's decision at B.33 to delegate authority to the Secretariat to approve accreditation master agreement (AMA) amendments, has led to significant efficiency gains within GCF's operational processes. As a consequence, 16 AMAs were approved, compared to the annual target of 3 AMA approvals. The approved AMAs included 11 concluded with DAEs and 5 with IAEs.

## 1.2 Priority-2: Project development and appraisal to build a USP-aligned, impactful GCF portfolio

14. The Secretariat submitted its last batch of funding proposal to the independent TAP valued at USD 1.5 billion for B.34 in August, bringing the total submitted for 2022 to USD 2.2 billion, against a target of USD 1.7 - 2.33 billion. While there were no further updates for the reporting period, the Secretariat underscores its effort during 2022 to manage pipeline in line with available funding resources in view of the continued issues of limited commitment authority and exchange rates fluctuations.

15. The attention focused on offering the Project Preparation Facility (PPF), technical programming and appraisal guidance in supporting the delivery of portfolio goals resulted in 17 funding proposals receiving PPF (including 11 to DAEs) by the end of 2022, compared to a target of 12 funding proposals (8 to DAEs). A total of USD 8.2 million was committed for 2022 for this programme bringing the cumulative resources committed to USD 38.3 million out of USD 58.0 million allocated by the Board. The Secretariat will continue to upgrade the PPF operating modalities through consultations with AEs and NDAs to improve the programme.

16. The socialization of the 10 draft "Sector Guides" was completed and they are now published on the GCF website. The Effectiveness and Efficiency Assessment Tool (EAAT) was developed to ensure the consistency of project reviews with a series of training to take place during the first quarter 2023. The Secretariat progressed the implementation of its Private Sector Strategy with the organisation of the GPIC event in the fourth quarter of 2022. Some resource constraints were addressed during the latter part of 2022 to assist with this effort. It is noteworthy that the majority of private sector funding proposals submitted to the independent TAP in 2022 have an equity or a guarantee component (five out of seven funding proposals approved at B.34), signalling improved alignment with the ambitions of the Private Sector Strategy.

### 1.3 Priority-3: Management of portfolio implementation for results and knowledge

17. The GCF's portfolio under implementation continues to progress at a steady pace with an implementation rate of 87.5 per cent compared to 83.5 per cent for the last reporting period. In 2022, an aggregate of USD 749 million was disbursed against the Board approved target of USD 913 million. Challenges noted with the disbursement shortfall of USD 164 million for 2022 include COVID-19 disruptions, operational, procurement, financial, and political issues. There were also issues relating to capacity constraints of executing entities. The Secretariat notes the implications of a growing GCF portfolio under implementation and is constantly reviewing its adaptive management actions to address resulting implications in terms of demand.

18. The Secretariat continues to strengthen its Portfolio Performance Management System (PPMS) and has expanded the scope with several additional modules including a Readiness Report module and a Readiness Disbursement module. The focus of these actions is to streamline the management process for implementation and results. Work was also advanced on the RRMF during the reporting period. The launching of the public Open Data Library on the GCF website is a significant enhancement to GCF's transparency on portfolio data. The Secretariat also achieved its target of generating 22 evidence-based knowledge products showcasing GCF results at the end of 2022.

### 1.4 Priority-4; Supporting the Board and consolidating policy and governance frameworks

The Secretariat notes that 2022 was a challenging and demanding year considering the need to prepare for and support four Board meetings in parallel to progressing other programming and operational priorities under the Work Programme. Meetings required special logistical support for hybrid formats, in addition to the usual support provided in terms of preparing required documentation and supporting an extensive number of technical and consultation sessions in advance of each board meeting. Nonetheless, 2022 was a highly productive year that advanced and concluded numerous mandates on the Board workplan, including on priority policy and strategic planning issues. Noticeable progress was made in advancing the policy agenda, including through an active and efficient use of Board meeting time to conclude consideration of policy matters. All eleven new policy or policy review matters published for a Board Meeting led to a policy decision in 2022, of which six (6) were for Secretariat-led policy mandates. End-of-year observations indicate that focusing GCF-wide attention (Secretariat and Board) on a prioritized sub-set of policy items and allowing sufficient time for their development, consultation and finalization does prove useful in shepherding matters through to Board consensus.

19. Following adoption, the Secretariat progressed work on policy implementation of the eleven (11) mandates concluded by the Board in 2022 and actively oversaw the process of monitoring and tracking mandate implementation in line with Board decisions to ensure timely operationalization. The status of this progress is included in annex II. The Secretariat also progressed work on other policies on the 2022 agenda, including GCF's new Environmental and Social Safeguards (ESS) standards, which went through several rounds of public consultation and the review of the Information Disclosure Policy.

20. Finally, 2022 saw the Board adopt a decision at B.32 on the process and timeline for concluding GCF strategic planning in advance of the second Replenishment period. The Secretariat supported these efforts by (i) preparing initial strategic planning and programming analysis for Board consideration and feedback during an informal Board session at B.33, (ii)

organizing an open call for written inputs from all stakeholders and conducting additional targeted consultations with Board constituencies, observers, countries and partners and (iii) processing feedback and views into a zero-draft of the 2024-2027 GCF Strategic Plan published for B.34. Following its consideration of the zero draft and an ad. Referendum draft at B.34 the Board also took a significant decision on the timeline and next steps for concluding consideration of the updated Strategic Plan by B.36. The Secretariat advanced analytical work based on Board feedback, with the 2024-2027 Strategic Plan Drf.01 submitted for Board consultation before the end of the year.

21. The Secretariat also conducted engagements and collaboration activities with UNFCCC Constituted Bodies, the Technology Executive Committee (TEC), and the UNFCCC Secretariat. Notably, the supplement to the eleventh GCF report to the COP was finalized and submitted to the UNFCCC in early November 2022.

## 1.5 Priority-5: Facilitating access and accelerating implementation by improving process efficiency, effectiveness, transparency and speed of delivery

22. The Secretariat exceeded for the most part all its services standards target for 2022 with the exception of the SAP concept note and funding proposals. The performance of the latter two services standards at the end of 2022 were 36 per cent and 24 per cent, respectively. The minimum target set for both were 70 per cent SAP concept notes reviewed within 21 days and 70 per cent SAP funding proposals reviewed within 30 days. The specific modalities introduced as part of the updated SAP policy and toolkit including guidance on streamlining the review and preparation process, the endorsement process and adding dedicated capacity for reviewing SAP proposals are all expected to improve performance of the SAP KPIs in 2023. The broader initiatives on simplification, acceleration and facilitation measures adopted as part of the updated Board SAP Policy will also have positive impacts on the SAP KPIs.

23. In addition to improving programming efficiency and effectiveness with revised and new modalities, strategies and tools, the Secretariat has also been working through its Digital Agenda to significantly improve efficiency and effectiveness of the GCF's operational and critical processes. Some of the progress made for this reporting period includes the integration of knowledge taxonomy into key systems and processes, use of artificial intelligence, enhancement to the IPMS with the implementation of the Open Data Library and Digital Proposal Submission platform to aid in project categorization and discoverability. Other major efficiency projects include the commencement of the GCF Data Factory and the recalibrated Data Strategy, which will substantially unlock bottlenecks in the efficiency of collaboration and data flows between systems and stakeholders. The focus of the recalibrated Data Strategy is to put GCF on the cutting edge of data automation analytics and management. Work was also done during the reporting period to finalize the development of the Project Review and Tracking Platform Version 2, which was launched in January 2023.

24. The latter half of 2022 also saw the Secretariat make significant progress in reforming its Performance Management system and internal controls. The reformed KPI Performance Management system, which was approved at B.34 and is now embedded in the GCF 2023 work programme is beginning to positively change the GCF's performance culture. The quarterly KPI performance reports are currently being used as an early warning system to inform adaptive management actions on poorly performing metrics. Moreover, regarding risk management, the Secretariat has developed and implemented a risk control self-assessment framework across the Secretariat. This process will improve the Secretariat's ability to effectively monitor and respond to identified risks at the divisional level.



## 1.6 Priority-6: Fostering a high-performance collaborative culture and consolidating institutional capacities and oversight

25. The Secretariat undertook significant efforts in 2022 on recruitment and retention to scale up staff numbers in accordance with the Board's decision at B.30/06 and UPS capability review. Streamlining recruitment reduced the average time to fill from 179 days in 2021 to 140 days at the end of 2022. The number of Letters of Appointment issued (job offers) reached 104, an increase of 12 per cent compared with 2021. 88 new staff were hired by the end of 2022, compared to 57 in 2021. These efforts resulted in the Secretariat reaching a headcount of 237 by the end of 2022. This net increase was realised notwithstanding an increased turnover rate of 19.3 per cent for 2022 against 8% in 2021 (GCF annual turnover target range is 10-20 per cent). Secretariat staff now represent 73 different nationalities. Gender balance also improved, with 48 per cent of new appointees being women, and nine senior positions (above IS-4) filled by female candidates. Senior positions that were filled during 2022 included the Deputy Executive Director, Deputy Director of Division of Country Programming (DCP), Deputy Director of Division of Portfolio Management (DPM), Deputy Director of Private Sector Facility (PSF), Deputy Director of External Affairs (DEA), Chief Administrative Officer, Division of Support Services (DSS) as well as recruiting a fully outfitted procurement unit with a new Head of Procurement (DSS).

26. The Secretariat also implemented other HR initiatives to improve recruitment and retention. These included the implementation of a revised People Plan, an action plan which was refined in line with feedback from staff received through the engagement survey. The 2022 engagement survey and net promoter score showed some positive results from efforts that commenced in 2021, with a 12 per cent increase in the net promoter score (reflecting 48 per cent) and a 5 per cent increase in overall engagement compared to 2021. The net promoter score is an indicator of employee satisfaction, which gauges how likely an employee is to recommend GCF as a great place to work. OHR also launched an outreach programme for recruitment, enhanced the new staff onboarding experience and developed an enhanced training programme. The Administrative Guidelines on Human Resources were also revised and the salary scale updated following Board approval.

27. Following the launch of the GCF-2 replenishment process at B.33, the Secretariat continued activities to progress the replenishment process for this reporting period with the coordination of the first consultation meeting held on the 1 and 2 December 2022, at which 117 participants representing 37 potential contributors participated. This event allowed the Secretariat and the Independent Evaluation Unit to make a strong replenishment case to donors by presenting on the organization's financial position and performance. The early announcement by Germany that it would host the high-level pledging conference in Bonn on 5 October, 2023, will also greatly assist in the organization of the conference. In addition, the Secretariat laid the foundations for a successful replenishment during the GPC and GPIC in the Republic of Korea, United Nations General Assembly in the United States, COP27 in Egypt, the G20 in Indonesia, and COP15 in Canada.

28. Regarding the status of the Secretariat's Business Continuity Planning, several emergency management and safety procedures were reviewed, updated, and implemented to ensure that the GCF's staff is protected and kept safe in the event of any emergencies. Phases 1 and 2 of the office Restack Project were completed, with phase 3 - the refurbishment of floors 10F and 13F - currently underway. The construction on the Seoul liaison centre is also in progress and expected to be completed in March/April 2023. Plans were also made to commence construction on the IBS Tower Board Room facility in the first quarter of 2023.

29. Regarding the Secretariat budget performance for 2022, the utilization rate achieved was 81 per cent and remains below 100 per cent for all divisions. The main reason for the low

execution rate was staffing levels, which had both a direct impact on budget (lower than expected staffing budget expenditure) and indirect (lack of staff in some units resulted in execution challenges for other budget headings such as professional services). The Secretariat also implemented the Asset and Liability Management Committee (ALCO), developed policy to minimise the effect of currency fluctuations and progressed work on concluding the procurement process for the Green Climate Fund Financial Management Suite (GFMS).

30. For this reporting period, the Secretariat has continued its pursuit of finalizing bilateral privileges and immunities agreements with countries. 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. The Agreement with Rwanda must now be ratified before entering into force. Overall progress on other negotiations has, however, remained slow. As of 31 December 2022, the GCF portfolio under implementation spans 98 countries where it does not have privileges and immunities, meaning that GCF is now disbursing USD 2.5 billion in countries where GCF, staff and assets do not have privileges and immunities coverage. As previously noted<sup>1</sup>, not only can these risks give rise to significant financial liabilities and affect the amount of resources available for programming, they can materially and adversely affect the reputation of GCF, thereby impacting on its ability to achieve its mandate. It could also directly jeopardize the capacity of GCF staff to discharge their oversight functions.

31. The Secretariat is also focusing on a broader issue concerning the legal status of GCF. The organisation has legal personality and capacity in the international plane, but it has also faced a number of challenges, both in the context of its programming and in other fora. For example, in a number of countries where GCF has approved projects and programmes, relevant regulatory authorities have raised questions with regard to the legal status of GCF within the relevant country, which has delayed implementation of projects and programmes, or affected GCF partners' compliance with the relevant project/programme legal documentation slowing down reflows to GCF which could have been used for new projects/programmes. It has also hampered the capacity of GCF to participate in global policy dialogue, share its experience and forge new partnerships. For instance, GCF was not accredited to fully participate in pivotal high-profile events, including the 2022 UN Oceans Conference, despite being a significant and transformative funder with respect to oceans projects. If not properly addressed, GCF may be faced with similar constraints for other major events. In addition to addressing each situation on its own merit, as GCF matures, the Secretariat will continue to consolidate the narrative surrounding the legal status of the GCF.

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<sup>1</sup> Footnote [1] FCCC/CP/2017/5 and FCCC/CP/2019/3

## Annex I: Progress against the key performance indicators in the work programme and a snapshot of activities conducted to support their delivery

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
<b>Priority 1: Supporting origination of country-driven, paradigm-shifting investments and enhancing direct access</b>				
1.1	Coordinated engagement of NDAs, AEs and DPs on USP and GCF-1 programming goals	Fund-level programming communications and guidance developed and maintained	<ul style="list-style-type: none"> <li>General messaging brief and reactive/thematic guidance on programming and other topics developed and disseminated to teams in preparation for COP27, including communications guidance on Readiness, to ensure consistency in messaging at COP27.</li> <li>Through a joint inter-divisional effort, the Secretariat revised and updated the Readiness Guidebook. A zero draft version was presented at COP27 and shared via email with all NDAs and DPs in mid-November 2022. A final version will be available in Q1 2023.</li> </ul>	Two (2) interdivisional meetings completed for 2022
		10 dedicated programming engagements	<ul style="list-style-type: none"> <li>The Secretariat accelerated the organization of additional dedicated engagement events for this reporting period capitalizing on conducting side engagements during the GPC event and at B34. Other engagements included; capacity building and knowledge sharing sessions for Rwanda National Coordination Team in Songdo during 21-25 November, 2022, UNFCCC Need-based training workshop on climate finance access in Tunisia for Arab States (18-20 September, 2022), Africa adaptation initiative workshop in Rabat: Working session with Morocco NAD and 2 DAEs (ADA Morocco/AWB – 3-7 October, 2022), Regional discussion with UN RCs from the EECA on energy</li> </ul>	33 dedicated programming engagements with countries

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
			<p>issues and climate resilient development in the energy sector – December 2022 and Workshop for the Blue Co. – Caribbean concept note in Bahamas – December 2022. These discussions/workshops involved NDAs, DAEs, DPs and other stakeholders and they covered a wide range of topics from capacity building, financial access, projects in the energy sector and other related climate issues</p>	
		<p>Collaborative plans with other climate funds on complementarity and coherence implemented</p>	<ul style="list-style-type: none"> <li>• Seven (7) approved FPs at B.34 in alignment with other climate funds</li> <li>• Three (3) collaboration meetings were held this reporting period.</li> <li>• Summary with latest dialogue and roadmap activities for joint vision was produced by the multilateral governance team and shared with the Secretariat for consultation.</li> <li>• Under the GCF-GEF LTV framework several virtual meetings were conducted. During these discussions the GGW initiative was progressed and 3 GEF projects that would need GCF co-investment/scaling opportunities were identified</li> <li>• The inception report from the Complementarity and Coherence study was circulated.</li> </ul>	<p>100%</p>
<p>1.2</p>	<p>Number of country programmes and multi-annual entity work programmes endorsed with</p>	<p>30 country programmes (including national DAEs);</p>	<ul style="list-style-type: none"> <li>• During this reporting period the Secretariat secured five (5) additional country programmes (CPs) from Philippines, Mexico, Indonesia, Colombia and Lebanon through the provision of</li> </ul>	

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
	aligned, GCF-facing investment plans and pipelines		<p>technical support services, ending 2022 with 13 country programmes.</p> <ul style="list-style-type: none"> <li>• <b>Some of the challenges encountered with this KPI include:</b> <ul style="list-style-type: none"> <li>○ The engagement (both for first submissions and resubmissions of CPs) by countries was lower than expected, potentially due to a lack of understanding of (or of interest in) the value that the CP brings to countries' engagement with the GCF.</li> <li>○ Virtual work in some countries presented challenges, NDAs and DCP have been exploring country missions as a way forward, but country missions were largely impossible in 2022 and it took time to settle the dates.</li> <li>○ In the meantime, GCF has deployed individuals and firm's TA support as well as dedicated staff time to develop and strengthen at least 24 draft CPs (in addition to the endorsed 13) in 2022. These are ongoing and not yet presented to CIC1 for endorsement.</li> </ul> </li> </ul>	13 country programmes
		5 IAE entity work programmes, 3 regional DAE	<ul style="list-style-type: none"> <li>• Two (2) IAE EWP were endorsed in 2022. The Secretariat also undertook several programming engagements with IAEs covering topics such as portfolio implementation and pipeline</li> </ul>	

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
		entity work programmes	<p>prioritization, including in-person workshops with UNDP and GIZ and bilateral meetings during GPC/GPIC in September 2022.</p> <ul style="list-style-type: none"> <li>• Fundacion Avina, CABEI and DBSA's EWP were endorsed by CIC1 during Q1 2022 and in both cases alignment with GCF's USP was highlighted both in terms of geographic and thematic scope.</li> <li>• The notable challenge with this KPI is the existing limitation in terms of the Secretariat's capacity to engage and provide guidance on IAEs to develop their EWPs. The Secretariat focused instead on programming engagements with the entities, including during workshops at GCF headquarters. The Secretariat was also able to engage with many AEs on their programming plans during the Global Programming Conference held in 2022.</li> </ul>	<p>2 IAE entity work programmes</p> <p>3 regional DAE entity work programmes endorsed by CIC 1; total 5 EWPs endorsed</p>
1.3	Implementation of DAE Action Plan with system in place for monitoring progress and results	50% reflecting initiation of key activities in 2022 towards full delivery by 2023	<ul style="list-style-type: none"> <li>• The Secretariat onboarded an AE manager for this reporting period to manage the DAE action plan and monitoring system. This system will now track GCF's end to end solution support for DAEs on pre/accreditation, programming, implementation, and monitoring. Specific indicators on trialling expert placement in DAEs, curating a DAE onboarding, training programme and dedicated DAE support window will now be included in the monitoring system.</li> <li>• 72 DAEs are accredited to GCF, as at 31 December 2022. In 2022, 2 new DAEs were accredited (1 SIDS and 1 African LDC).</li> </ul>	<p>DAE Action Plan Monitoring System has been developed and will continue to be expanded in 2023, with progress on implementing some initiatives.</p> <p>Dedicated DAE window to be advanced through proposal on revised Readiness Strategy in 2023</p>

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
			<ul style="list-style-type: none"> <li>• A total of 29 DAEs (40% of total DAEs with approved FPs), including 4 private sector DAEs, had 55 FPs approved as at 31 December 2022. Of these, 7 DAEs (including 1 private sector DAE) had 9 FPs approved in 2022. This included 3 DAEs that had their first FP with GCF approved.</li> <li>• A total of 2 DAEs had 2 approved FPs as at 31 December 2022 that promoted the participation of local private sector actors and MSMEs. These projects are the first approved GCF projects of these 2 AEs.</li> <li>• There are 9 DAEs in 2021 and 12 DAEs in 2022 which received support through resources from PPF funding service and technical assistance modalities.</li> <li>• Delay in trialling of expert's placement with NDAs and DAEs was caused by COVID-19 travel restrictions. This KPI sub indicator will be flowed into 2023 with resourcing requirements to be potentially allocated from Readiness budget.</li> <li>• There are 29 DAEs with approved FPs which supported to undertake programming with GCF and there were 32 countries with approved FPs supporting local private sector and MSMEs.</li> </ul>	
1.4	Readiness support delivered to enhance country access to GCF		<ul style="list-style-type: none"> <li>• The Secretariat for this reporting period registered a significant uptick in the number of Readiness requests approved compared to the</li> </ul>	

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
		81 readiness requests approved (55 Single year; 10 Multi-year; 16 Adaptation Planning)	<p>last reporting period with just 51 Readiness requests approved.</p> <ul style="list-style-type: none"> <li>The challenge for multi-year readiness non-NAP grants is that they require readiness needs assessments and/or CPs. Countries which did not feel ready to submit multi-year readiness proposals still applied for single-year grants. GCF has been deploying readiness supports for countries to develop the readiness needs assessments, but most of them had not come to fruition in 2022. Furthermore, in the consultations to revise the Readiness Strategy, there was a request from countries for more flexibility of multi-year proposals. The revised Readiness Strategy has included corresponding revisions.</li> </ul>	93 Readiness requests approved (73 single-year; 3 multi-year; 17 adaptation planning)
		141 countries accessing readiness	<ul style="list-style-type: none"> <li>No change from last report</li> </ul>	141 countries accessing readiness
1.5	High-quality, country-driven concept notes developed through readiness, TA and/or regional desk support	Concept notes supported: at least 40	<ul style="list-style-type: none"> <li>At least 59 CNs developed through readiness, TA and/or regional desk support</li> </ul>	59 concept notes supported



KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
		Concept notes entering GCF pipeline: 20	<ul style="list-style-type: none"> <li>At least 20 CNs supported by readiness, TA and/or regional desk support were cleared by CIC2 and beyond.</li> <li><b>Challenges:</b></li> <li>1) Re-accreditation delays (at least 2)</li> </ul>	20 concept notes entering GCF pipeline
1.6	Number of AMAs signed (incl. DAE and private)	3-5 (1-3 IAE AMAs; 2 DAE AMAs including 3 private)	<ul style="list-style-type: none"> <li>Progress in the signing of AMAs continue to significantly improve after decision B.33/02 which granted the Secretariat authority to sign off on amendments to the AMA template in the absence of RMC. The Secretariat ended 2022 with 16 AMA signed compared to 4 reported for in the last RAS.</li> <li>The Secretariat is also continuing to engage with AEs and is aiming to conclude negotiations where possible for first or amended and restated AMAs.</li> <li>In addition to signing AMAs, the Secretariat continues to follow-up with AEs to address conditions precedent to making their AMA effective. One (1) DAE AMA (public sector) was made effective during the reporting period. Additionally, one (1) IAE's (public sector) amended and restated AMA was signed and made effective during the reporting period.</li> </ul>	16 AMAs signed (11 DAEs, 5 IAEs including 2 private sector)
1.7	Number of entities submitted for re-accreditation	15	<ul style="list-style-type: none"> <li>Since the launch of re-accreditation in 2021, 19 AEs were presented to the Board and approved for their second accreditation term (including four AEs applying for an upgrade in their accreditation scope jointly with their re-</li> </ul>	14 entities submitted for consideration by the Board for

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
			<p>accreditation applications). Of these, 14 AEs were submitted by the Secretariat from Stage I to Stage II (Step 1) for consideration by the Accreditation Panel and re-accredited by the Board in 2022.</p> <ul style="list-style-type: none"> <li>• The Secretariat also progressed from Stage I to Stage II (Step 1) 4 AEs applying for an upgrade in their accreditation scope jointly with their re-accreditation application.</li> <li>• To minimize the lapses in AE accreditation terms, the Secretariat is continuing to focus on processing re-accreditation applications in 2023. GCF (including the Secretariat, the AP and the Board) has historically been able to accredit around 15 AEs annually (including re-accrediting AEs to continue the partnership, upgrading AEs to expand their scope for GCF programming, and new entities). As outlined in the Accreditation Strategy adopted at B.34 and the Secretariat work plan for 2022, the Secretariat aims to submit 25 entities (including re-accreditation and new accreditation) from Stage I to Stage II (Step 1) Accreditation Panel review. The pipeline continues to be about 30 AEs per year expected to seek re-accreditation from 2022 and onward, and over 140 applicants seeking to become accredited to GCF. AEs must renew their partnership with GCF every five years</li> </ul>	<p>re-accreditation including 4 with upgrade in parallel with re-accreditation</p>
<p><b>Priority 2: Project development and appraisal to build a USP-aligned, impactful portfolio</b></p>				

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
2.1	Total number and volume of FPs submitted to ITAP	PAP: 32-37 (1700M-2330M)	<ul style="list-style-type: none"> <li>No change from last report</li> </ul>	Public sector PAP: 17 (1331.84M) Private sector PAP: 6 (821.2M)
		SAP: 7-9 (70-90M)	<ul style="list-style-type: none"> <li>Despite the slow performance in the SAP service standards, the Secretariat is optimistic about an enhanced performance in 2023 based on the changes introduced to SAP with the approval of the updated policy. The Secretariat has already observed a positive impact on the SAP proposal pipeline with an increase of 14% in the number of proposals submitted to GCF since B.34. The Secretariat has also introduced new guidance on the review and preparation of proposals in the new SAP review toolkit to support the review and approval of SAP proposals, in addition to streamlining the endorsement process of concept notes by a simplification of the CIC2 process. During the reporting period the Secretariat implemented additional capacity for the review of proposals with a roster of technical experts dedicated to reviewing SAP projects. It is expected that these changes will facilitate the review and endorsement of proposals in 2023 and beyond as they are internalized by the review teams within the Secretariat and implemented throughout the GCF project cycle.</li> </ul>	Public sector SAP: 1 (9.57M) Private sector SAP: 1 (10M)

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
2.1.1	Adaptation proposals (including cross-cutting) submitted to iTAP	18-22 (800M-1100M*)	<ul style="list-style-type: none"> <li>No change from last report</li> </ul>	Public sector adaptation: 15 (1142.54M) Private sector adaptation: 3 (352.1M)
2.1.2	DAE proposals submitted to iTAP	9-14 (350M-550M*)	<ul style="list-style-type: none"> <li>No change from last report</li> </ul>	Public sector DAE: 7 (455.28M) Private sector DAE: 2 (115M)
2.1.3	Private sector proposals submitted to iTAP	12-14 (750M-900M*)	<ul style="list-style-type: none"> <li>No Change from last report</li> </ul>	Private sector FPs: 7 (831.2M)
2.2	Number of AEs/FPs receiving active PPF or project development support through grants or TA	12, including 8 DAEs	<ul style="list-style-type: none"> <li>The Secretariat for this reporting period supported 17 proposals including 11 from DAEs with the PPF facility and Technical Assistance. This includes support to resilient agriculture, ecosystems and blue economy, and Caribbean and SIDS climate financing.</li> <li>Uptake on the PPF Service and Technical Assistance increased dramatically in 2022. Compared to only six proposals supported in 2021</li> <li>Since the introduction of the PPF, a total of USD 38.3 M out of a total of USD58.0 million in PPF resources allocated by the Board has been committed to support 34 AEs.</li> </ul>	17, including 11 DAEs

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
			<ul style="list-style-type: none"> <li>• Notable is that in accordance with decision B.33/03 the Secretariat is in the process of reviewing and revising the PPF operating modalities to make the process even more streamlined and efficient. Also, it should be noted that 35 PPF applications worth USD 14.9 million are currently in the pipeline and are in different stages of review.</li> </ul>	
2.3	USP and Board directions on private sector strategy implemented	100%	<ul style="list-style-type: none"> <li>• Following approval of the Private Sector Strategy at B.32 the Secretariat developed an Implementation Plan, as presented to the Board at B.34.</li> <li>• Supporting the implementation of the Strategy, the Secretariat successfully held the Global Private Investment Conference (GPIC) in September 2022 in the Republic of Korea for the first time since the onset of the COVID-19 pandemic.</li> <li>• Programming-wise, the majority of private sector FPs submitted to ITAP in 2022 have an equity or a guarantee component (5 out of 7 FPs), signalling improved alignment with the ambitions of the private sector strategy.</li> <li>• In line with the Board guidance, PSF has been strengthening its capacity recruiting 2 additional private senior experts in November 2022.</li> </ul>	100%

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
2.4	Delivery of practical tools to guide project development and appraisal	Completion and socialization of 8 sector guides	<ul style="list-style-type: none"> <li>The ten Sectoral Guide drafts have been completed and published on the GCF website and are ready for Board's consideration and review. Notable is that with the exception of the health &amp; wellbeing Sectoral Guide, the rest of Sectoral Guides have been translated into Spanish and French and are soon to be uploaded to the website after the internal review process</li> </ul>	All ten sector guides published on the GCF website
		Operationalization of project appraisal manual: 100%	<ul style="list-style-type: none"> <li>Further to last update the Secretariat progressed work on the Effectiveness and Efficiency Assessment Tool (EAAT) essential to enabling the consistency of project review assessments</li> </ul>	100%
2.5	Percentage of approved FPs including gender assessments, gender action plans and gender disaggregated data	100%	<ul style="list-style-type: none"> <li>The Secretariat continued upholding the highest gender standards and all FPs approved meet the requirements under the Updated Gender Policy.</li> </ul>	100%
<b>Priority 3: Management of portfolio implementation for results and knowledge</b>				
3.1	Number of FAAs signed	28	<ul style="list-style-type: none"> <li>In 2022, 8 new FAAs were executed for the private sector – meaning that as of date, a total of 38 private sector projects out of 45 approved private sector projects have signed FAAs. On the public sector side, 19 new FAAs were signed in</li> </ul>	19 Public FAAs 8 private FAAs

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
			<p>2022- meaning that 158 out of 164 public sector projects have signed FAAs. More FAAs are now being executed immediately after Board approval, which has contributed immensely to reducing the time taken by projects to progress from Board approval to 1st disbursement milestone.</p> <ul style="list-style-type: none"> <li>The Secretariat has instituted a proactive engagement with AEs so that FP with the potential to be signed after each board meeting could be identified.</li> </ul>	
3.2	% of projects under implementation	80%	<ul style="list-style-type: none"> <li>The Secretariat adoption of the flexible approach to accepting sworn English translation of subsidiary agreements which may be in another language has significantly accelerated the progress of approved projects towards implementation. The adoption by management in the first quarter of 2022 that AEs can submit the sworn English translation for subsidiary agreements 60 days after FAA effectiveness, has increased the speed of implementation of approved projects</li> </ul>	<p>87.5% (183 out of 209 FPs)</p>

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
3.3	Aggregate disbursements for funded activities	+913-1,193M in 2022 for cumulative total of 3,376M - 3,391M	<ul style="list-style-type: none"> <li>As at December 31, 2022, the Secretariat had 183 projects worth USD 9.2 billion under implementation with USD 3.0 billion disbursed resulting in a disbursement rate of 33% (amount disbursed/amount under implementation)</li> <li>Notable is that the Secretariat is expecting the implementation of the PPMS disbursement module in 2023 to improve the efficiency of the disbursement process, in addition to proactive engagement with AEs.</li> <li>In 2022, an aggregate of USD 749 million was disbursed against the Board approved target of USD 913 million. A review of the Funded Activities that were projected to disburse in 2022 but did not materialize indicates that the projects/programmes reported delays in implementation mainly attributed to COVID-19 disruptions, operational challenges, procurement, financial challenges, political challenges, and Executing Entity capacity constraints. The AEs will be submitting APRs in Q1 2023, and the Secretariat will monitor the latest implementation progress and actively engage with the AEs to unlock the disbursements.</li> </ul>	+ USD 749 M in 2022 USD 3,044 M cumulative
3.4	% of approved readiness requests	>90%	<ul style="list-style-type: none"> <li>As of 31 December 2022, the Secretariat had approved 649 readiness requests for a total value of US\$ 467.92 million, including 93 grants for adaptation planning and 601 grants for other</li> </ul>	84%



KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
	receiving disbursements		<p>readiness support, with 554 receiving disbursements.</p> <ul style="list-style-type: none"> <li>One reason for the reduced number of approvals is the extension of the calculation date of the Annual Readiness cap from the date of 31 December in any given year to 31 March in the next year. This new date was applied starting for 2022, where all proposals approved before 31 March 2023 would be counted towards a countries' 2022 allocation. By moving this the cap calculation date, a number of readiness proposals developed and submitted during 2022 are expected for approval up to the end of March 2023, impacting the number of approvals and associated disbursements in a calendar year.</li> </ul>	
3.5	Readiness & funded activities reports reviewed for results	Readiness Reports (IPRs & CRs): 200	<ul style="list-style-type: none"> <li>During the reporting period, the Secretariat made significant progress in exceeding its annual target for reviewing Readiness Interim Progress and Completion Reports. Specifically, the Secretariat was able to review a total of 339 reports, with 113 of those reports being reviewed during the reporting period alone.</li> </ul>	288 IPR & 51 CRs completed
		Funded Activities (APRs, interim and final evaluations,	<ul style="list-style-type: none"> <li>The Secretariat continues to exceed its target in conducting multiple APR reviews with 73% of the reports reviewed for 2022 being APRs (145), Interim and Final evaluations (14%, 28 reports)</li> </ul>	198 Funded Activities reports reviewed for results

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
		inception/baseline): 155	and the remainder being Inception reports and baseline assessments (13%, 25 reports)	
3.6	Readiness/Funded activities change requests processed	Readiness/PPFs amendments processed: 50	<ul style="list-style-type: none"> <li>The Secretariat was able to process a total of 156 amendment requests during 2022, of which 81 were corresponding to No-Cost Extension requests, 62 budget reallocations, 12 restructuring, and one cancellation request. Of these processed in 2022, 51 were processed during the reporting period.</li> <li>the Secretariat has already exceeded the annual projection on number of amendments it would need to process in 2022 and is using the Interim Progress Report (IPR) reviews to monitor and mitigate challenges/risks arising from the implementation process</li> </ul>	156 amendment requests
		Number of FA minor/major changes processed: 40	<ul style="list-style-type: none"> <li>Five (5) major change requests and seventy-five (75) minor change requests were processed.</li> <li>The minor change requests relate mainly to extension of project Closing Dates or Reporting timelines (65%), minor changes to project activities (12%), requests for waivers (8%) and budget revisions (7%).</li> <li>The trend in implementation change requests continues to be mostly concentrated on duration extensions followed by minor change requests, budget revisions and requests for waivers. These continued to be submitted on a regular basis. The Secretariat, however, has been continuing its streamlining effort to the portfolio</li> </ul>	80 minor and major change requests processed

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
			implementation process and adaptative management approaches to address these issues.	
3.7	Knowledge generated from implementation of readiness and funded activity portfolio	Learning loop established for the Readiness and Preparatory Support Programme	<ul style="list-style-type: none"> <li>Progress in this area included developing a concept note to conduct a study on knowledge flow and possible learning loops for the readiness programme grant cycle, literary review, surveys and interview were used to compile a series of suggestions and possible identified interventions, A roundtable was conducted with identified relevant internal stakeholders for final review and prioritization, A full list of recommendations in order of prioritization was shared with the teams developing a new readiness SoW and included as part of the action plan, A draft document was prepared as lessons learned from the first learning loops exercise to inform next cycles.</li> </ul>	97%
		22 evidence-based knowledge products generated showcasing GCF results	<ul style="list-style-type: none"> <li>Further to the last update the Secretariat progressed work on the First draft of UNDP Portfolio Performance Review, which was completed.</li> <li>Annexes to the GCF Sector Guides finalized.</li> <li>GCF position paper 'Climate-adapted Project Pipelines' developed.</li> </ul>	100%
3.8	Expanding Portfolio Performance Management System (PPMS) and	100%	<ul style="list-style-type: none"> <li>For this reporting period, the Secretariat continued work to significantly expand the scope of the PPMS greatly enhancing its efficiency and effectiveness, including strengthening risk management processes and internal and performance assessments. Some of these modules</li> </ul>	100%

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
	strengthening of risk management approaches to enable proactive approach to adaptive management and integrity risk management		<p>include APR, including a financial information report and unaudited financial statement; semi-annual financial information report module; annual audited financial statement module; inception report module;</p> <ul style="list-style-type: none"> <li>• Interim evaluation report module; final evaluation report module; project completion report module; and</li> <li>• Waiver requests or deadline extension requests modules for all the aforementioned reports, Disbursement module</li> <li>• Readiness Reports module (progress reports) and Readiness Disbursement module</li> <li>• Disbursement module, including batch request functions</li> </ul>	
<b>Priority 4: Supporting the Board and consolidation of policy &amp; governance frameworks</b>				
4.1	Secretariat-led policy documents delivered to the Co-Chairs, in line with the updated Board workplan, for Board consultations or publication for a Board meeting	100%	<ul style="list-style-type: none"> <li>• The Secretariat intentionally prioritised its effort on seeking approval by the Board of a smaller number of policies instead of trying to progress all Board policies based on the Board workplan via the consultation process.</li> </ul>	<p>47%</p> <p>7 out of 15 policies scheduled for 2022 consideration delivered</p> <p>6 out of 7 consulted policies approved</p>

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
4.2	Secretariat-led information and standard operational documents delivered to the Co-Chairs in line with the provisional agenda at least 21 calendar days before a Board meeting	100%	<ul style="list-style-type: none"> <li>Most of the Secretariat-led information and standard operational documents were delivered and/or published on time for Board meetings in 2022, including: reporting items, funding proposals, accreditation proposals, dates and venues, and work programmes.</li> <li>The documents not delivered or published on time (16%) were generally those that required input from outside of the Secretariat. The short time periods between Board meetings also provided less time for the preparation of documents, especially impacting those requiring external consultation. Some documents were published late due to ongoing discussion with the Co-Chairs and/or due to urgent matters emerging close to the publication deadline.</li> </ul>	84%
4.3	Secretariat-led policy drafts developed in line with the Secretariat Policy Manual, including impact assessment, implementation plans and resourcing requirements	100%	The Secretariat continued the application of standards set out under the Policy Manual for the policies under its lead for 2022. All seven policies released for consultation or published for a Board meeting followed internal interdivisional collaboration policy development processes and six included an assessment of the anticipated policy impacts. All were produced in the standard policy template developed under the Policy Manual. In addition, three policies had preliminary policy implementation plans at consultation or publication phase. The Secretariat has identified improving the rate of pre-approval policy implementation planning as a key follow-up area for 2023.	76% for all policies submitted for consultation or publication

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
4.4	Policy implementation planning, monitoring and reporting in place for all newly approved policies	100%	<ul style="list-style-type: none"> <li>Eleven (11) policy mandates were concluded by the Board in 2022. The Secretariat began implementation planning for all 11 in line with Board decisions with regular tracking and monitoring of progress. The status of implementation of all policies adopted during GCF-1 can be found in annex IV.</li> </ul>	84%, with implementation planning to be concluded in January 2023 for B.34 approved policies
4.5	Overall policy review delivered for Board consideration	100%	<ul style="list-style-type: none"> <li>No change from the last report</li> </ul>	100%
4.6	COP guidance addressed including through collaboration with the UNFCCC and on-time submission of COP report	11th GCF report to the COP submitted on time demonstrating how COP guidance has been addressed	<ul style="list-style-type: none"> <li>OGA held engagements and collaboration activities with UNFCCC Constituted Bodies, TEC, and UNFCCC SEC; some of these meetings were: the 17th WIM ExCom, TEC25, CTCN Board, and 29th SCF.</li> <li>During COP27 in November, the GCF engagements included side-line meetings with TEC co-chairs and others. GCF's active participation during COP27 in different workstreams (strategic engagement, outreach, negotiations)</li> <li>On COP guidance, the supplement to the 11th GCF Report to the COP was finalized and submitted to the UNFCCC in early November</li> </ul>	120%

**Priority 5: Optimizing operational efficiency, effectiveness and transparency for enhanced access and implementation**

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
5.1	% of requests reviewed within target service standards	Accreditation: 90% stage I applications reviewed within 105 days	<ul style="list-style-type: none"> <li>Out of 32 applications that reached the 105 days deadline in 2022, 15 met the service standard. Fifteen (15) of 18 re-accreditation applications reviewed met the service standards, while no new accreditation application did. This is because the workload of accreditation and re-accreditation exceeds the GCF capacity, and the Secretariat is prioritizing re-accreditation applications to minimize the risks of accreditation lapses.</li> <li>The number of AEs seeking re-accreditation is reaching an average of 30 per year while the GCF accreditation pipeline has 140 new applicants, totalling over 150 entities requiring processing in 2022 alone.</li> <li>The Secretariat has also been prioritizing the further development and launch of the new Digital Accreditation Platform (DAP), with the aim to streamline the accreditation and re-accreditation processes and increase the efficiency of reviews.</li> </ul>	55% achievement against the KPI target
		Readiness (non-NAP): 70% reviewed within 35 days	<ul style="list-style-type: none"> <li>62 out of 63 proposals received met the service standards</li> </ul>	142% achievement against the KPI target
		Readiness (NAP): 70% reviewed within 45 days	<ul style="list-style-type: none"> <li>16 out of 18 proposals received met the service standards</li> </ul>	133% achievement against the KPI target

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
		PPF: 80% reviewed within 21 days	<ul style="list-style-type: none"> <li>All the 18 PPF applications received in 2022 were reviewed and responded to within the service standard of 21 days.</li> </ul>	125% achievement against the KPI target.
		CN review: Public: 50% reviewed within 30 days; Private 75% reviewed within 30 days	<ul style="list-style-type: none"> <li>Public: 24 out of 46 CNs reviewed within 30 days</li> <li>Private: 12 out of 18 CNs reviewed within 30 days</li> </ul>	Public: 98% achievement against the KPI target Private: 82% achievement against the KPI target
		FP review: 70% within 75 days	<ul style="list-style-type: none"> <li>Public: 8 out of 11 FPs reviewed within 75 days.</li> <li>Private: 7 out of 7 FPs reviewed within 75 days</li> </ul>	Public: 54% achievement against the KPI target Private: 143% achievement against the KPI target
		SAP CN review: 70-75% within 21 days	<ul style="list-style-type: none"> <li>Public: 11 out of 22 CNs reviewed within 21 days</li> <li>Private: 1 out of 1 CN reviewed but not within 21 days</li> <li>Process needed streamlining which will be done with the updated SAP toolkit in addition to be resources with a roster of technical experts to review proposals.</li> </ul>	Public: 36% achievement against the KPI target Private: 0% achievement against the KPI target.
		SAP FP review: 70-75% within 30 days	<ul style="list-style-type: none"> <li>Public: 2 out of 3 FP reviewed within 30 days</li> <li>No PSF SAP FP has been received / reviewed during the reporting period.</li> </ul>	Public: 24% achievement against the KPI target Private: 0% achievement against the KPI target
		Minor portfolio change requests reviewed: 75% within 30 days  Major portfolio change requests	<ul style="list-style-type: none"> <li>56 of 75 Minor changes were processed within service standards (74.64%)</li> <li>Minor changes mainly related to extensions of implementation Closing Dates and reporting</li> </ul>	Minor requests: 99.58% against the KPI target Major requests: 100% against the KPI target



KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
		reviewed: 60% within 180 days	<p>timelines (49 requests), changes to project/programme activities in the log frame (9 requests), requests for waivers of conditions (6), request for changes in budget allocations (5)</p> <ul style="list-style-type: none"> <li>Major Changes – 3 out of 5 (60%) major change requests were completed within the service stand</li> </ul>	
5.2	Project cycle/IPT reviews undertaken in line with the Operations Manual and project appraisal manual	80%	<ul style="list-style-type: none"> <li>&gt;95% of projects to receive climate guidance input from the internal climate network (CNET) prior to submission to CIC2, and Interdivisional Project teams hold kick-off meeting prior to beginning the technical review.</li> <li>SOP for simplification of SAP CN reviews approved and implemented.</li> </ul>	89% with updates to the programming and operations manuals deferred to Q2, 2023.
5.3	Digital agenda – 2022 workplan delivered, including advancing systems integration, and automation of financial management, recruitment and procurement systems	100%	<ul style="list-style-type: none"> <li>The Digital Agenda of the Secretariat continues to make significant progress and impact on the overall efficiency and effectiveness of the GCF's operational and critical processes. This reporting period demonstrated even further progress from the last reporting period with the Integration of taxonomy into key systems and processes, assisted by artificial intelligence, enhancement to the IPMS with the implementation of the Open Data Library and Digital Proposal Submission platform to aide in project categorization and discoverability, commencing the GCF Data Factory and the recalibrated Data Strategy projects, which will dramatically unlock bottlenecks in efficiency of collaboration and data flows between the various stakeholders internal and external and between various digital systems across the Secretariat.</li> </ul>	Digital Agenda Overall Performance is 91%

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
5.4	Initiate implementation of the data management strategy	100%	<ul style="list-style-type: none"> <li>The Secretariat established an internal Data Council to oversee development of a data strategy. A first draft of the data management manual is currently under internal review.</li> <li>The related Data Factory project is also progressing well with a governance and resourcing approach established internally. With external consulting support the Secretariat is conducting a follow-up exercise of stress-testing progress to date and carrying a cost-benefit analysis of follow-up stages.</li> </ul>	100%
5.5	Establishment of operations control and change management functions to oversee corporate performance and organizational reforms	100%	<ul style="list-style-type: none"> <li>The Secretariat has significantly progressed work in 2022 in operations control and corporate performance reforms. An internal control framework is currently being implemented and an entire new performance management framework has been developed approved by SMT and the Board (B34), implemented and is now embedded in the 2023 Work Plan.</li> </ul>	97%
<b>Priority 6: Consolidating institutional capacity, culture and performance in preparation for the GCF second replenishment</b>				
6.1	Vertical alignment between strategic directions, work programme and staff performance plans	100%	<ul style="list-style-type: none"> <li>A total of 200 staff participated in the 2022 PMDS Stage 3 which includes final reviews and assessments. Self-assessments and supervisor assessments are still in progress.</li> <li>The Secretariat is also still in the process of researching an appropriate replacement Performance Management System for GCF.</li> </ul>	100%

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
6.2	End of year fill ratio	90%	<ul style="list-style-type: none"> <li>For this reporting period the Secretariat continued advancing its aggressive recruitment, retention, and enhanced staff value proposition and People Plan to strive for achieving the scaling up of staff in accordance with the Board's decision at B.30/06 and UPS capability review. This included expanding the talent acquisition outreach activities utilising webinars, social media and job sites, attendance to career fairs etc, streamlining HR processes via data-driven approaches among other innovative initiatives.</li> <li>The Secretariat also recorded significant win with evolving staff value proposition with the board approved increase in staff salaries at B34.</li> </ul>	79%
6.3	Staff undertaking GCF onboarding and core knowledge training	100%	<ul style="list-style-type: none"> <li>The Secretariat continues to see a relatively high completion rate for its mandatory training course with a progress of 90% being recorded for this reporting period.</li> <li>The Secretariat also provided guidance training to hiring managers to enhance the quality of the recruitment process and hiring decisions.</li> <li>The Secretariat's onboarding satisfaction survey score has also increased to a 100% at the end of 2022 compared to a score of 87.5% reported in the last RAS.</li> </ul>	<p>Mandatory training completion is 90%.</p> <p>Onboarding satisfaction increased to 100%.</p>
6.4	SMT fosters a respectful, harmonious and safe work environment	100% implementation of engagement survey action plan	<ul style="list-style-type: none"> <li>The Secretariat made progress regarding implementing an action plan in response to the staff engagement survey. Several initiatives were taken to advance GCF's Corporate Culture and the Peoples Plan. An external consulting firm was also</li> </ul>	80%

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
			engaged to conduct workshop with each division to create an action plan that will inform actions of each division after consultation with SMT	
6.5	Coverage of privileges and immunities expanded	Three (3) agreements and explore other options to fulfil mandate; pursuit of the initiative with the UN for P&Is at the multilateral level	<ul style="list-style-type: none"> <li>In the reporting period one new P &amp; I agreement was signed with the Republic of Rwanda. Further aspects and issues related to privileges and immunities are provided in the Executive Summary.</li> </ul>	33%
6.6	On-time preparation for and launch of the GCF-2 replenishment process	On-time submission and approval of documents, hosting of meetings and consultations	<ul style="list-style-type: none"> <li>Further to the last update the Secretariat continued its efforts regarding resource mobilization for replenishment including leveraging engagements with key global stakeholders during COP27 in Egypt, G20 in Indonesia and COP15 in Canada.</li> </ul>	100%
6.7	Partnerships strengthened and targeted outcomes delivered	At least 4 strategic partner engagements executed with potential to drive programming outcomes	<ul style="list-style-type: none"> <li>The Secretariat for 2022 conducted strategic partner engagements with three high-profile stakeholder organizations for this reporting period: the United Nation's General Assembly (UNGA 77), the UNFCCC COP27, and the UN CBD COP15 respectively.</li> <li>The Fund considered these strategic partnerships critical to its operation since it allows its strategic partners and stakeholders to profile the organization as a credible and innovative partner on transformative climate action.</li> </ul>	100%

KPI	Description	Target	Activities conducted to support delivery of the KPI	KPI status as at 31 December 2022
6.8	Percentage of high risks audited or reviewed in a year	90%	<ul style="list-style-type: none"> <li>The Secretariat finalized the audits of Risk Management Processes and Post Approval Process and is currently in the process of finalizing the audits of Readiness and Preparatory Support Programme and the usage of GCF Apps Portal.</li> </ul>	86%

## Annex II: Summary of requests the Secretariat received from the Board

A summary of information requests made by the Board members, alternate Board member and advisers on behalf of Board members between 1 January and 31 December 2022, is provided below.

ID	Query	BM/ABM/ADV	Name	Date received
001/2022	Questions on BAO's performance-related payment document	ADV	Maria Presmanes	12/31/21
002/2022	A few questions regarding GCF procedures	ADV	Catherine Potvin	01/10/22
003/2022	AE Contacts	ADV	Maria Presmanes	01/11/22
004/2022	Point of contact for GCF follow up of accredited entities	ADV	Ragnhild Marie Falkenberg Valstad	01/21/22
007/2022	Information - GCF relations with MDB	ADV	Marie Lannoy	01/25/22
005/2022	Request for status updates and documents	ADV	Jeanny Chong	01/27/22
006/2022	Question on COP guidance	ADV	Vincent Van Zeijst	01/27/22
008/2022	Staff Data Updates	ADV	Maria Presmanes	02/04/22
009/2022	GCF Grants	ADV	Maria Presmanes	02/10/22
010/2022	Query on the accreditation of Centre for Environment, Fisheries and Aquaculture Science	ADV	Victoria Situ	02/21/22
011/2022	Biodiversity projects in GCF pipeline	ADV	Marie Lannoy	02/23/22
012/2022	Funding data for 2021 for reporting purposes	ADV	Marie Lannoy	02/24/22
013/2022	Request on Russian accredited entities	ADV	Simon Stumpf	03/03/22
014/2022	Request on Belarus accredited entities	ADV	Simon Stumpf	03/04/22
015/2022	Question about Ps&Is	ADV	Jeanny Chong	03/04/22
016/2022	Secretariat report to the Board	BM	Lars Roth	03/04/22
017/2022	Number of GCF staff	ADV	Ran Yagasa	03/07/22
018/2022	Status update - FP146: Bio-CLIMA	ADV	Hendrikje Reich	03/08/22
019/2022	GCF Board committees- request information	BM	Marta Mulas	03/09/22
020/2022	GCF Board committees- request information (additional follow-up)	BM	Marta Mulas	03/11/22
021/2022	Co-financing kick off process	ADV	Maria Presmanes	03/25/22
022/2022	B31 synthesis	ADV	Maria Presmanes	04/04/22
023/2022	Information request on last salary increase for GCF staff	ADV	Maria Presmanes	05/05/22
024/2022	Question on GCF pipeline	ADV	Ramon Lopez Perez	05/10/22
025/2022	NAPs Funding/ Readiness Programme	ADV	Simon Stumpf	06/10/22
026/2022	Pipeline projects for five countries	ADV	Shelby Millen	06/10/22
027/2022	Initiation of the public consultations process on the development of the GCF's ESS- Stage 2: Proposed ESS Standards updates	ADV	Julien Volery	06/17/22
028/2022	GCF Disbursements per year	ADV	Maria Presmanes	06/17/22



ID	Query	BM/ABM/ADV	Name	Date received
029/2022	List of firms/ experts who have prepared GCF funding applications.	ADV	Victoria Macdonald	06/20/22
030/2022	Request for meeting: UK GCF Audit	ADV	Shelby Millen	07/28/22
031/2022	GCF Mobilizing Funds at Scale RFP	ABM	Kevin Adams	08/04/22
032/2022	External audit	BM	Lars Roth	09/05/22
033/2022	GCF audited financial statement	ADV	Ragnhild Valstad	09/05/22
034/2022	Funding data for 2021 for reporting purposes	ADV	Marine Lannoy	09/08/22
035/2022	Data for Swiss GCF Monitoring and Reporting	ADV	Matthais Bachmann	09/08/22
036/2022	AMA and MDB' s accountability mechanisms	ADV	Maria Presmanes	09/20/22
037/2022	GCF projects in Kenya	ADV	Victoria Macdonald	11/15/22
038/2022	Data Request - Accredited Entities (SIDs)	ADV	Erik Rubinyi	12/12/22

### **Annex III: Status of policy implementation for policies approved in GCF-1**

Name of item	Status of follow-up actions requiring Board/Committee attention	Current status of policy implementation
Addressing gaps in the current portfolio for measurement (Approved B.28; decision B.28/02)	<ul style="list-style-type: none"> <li>• Secretariat finalized budget proposal for Phase 1, approved by Board via B.BM-2021/17.</li> <li>• Phase 2 budget for implementation of remedial actions pending Budget Committee submission, and Board approval (B.33).</li> </ul>	<ul style="list-style-type: none"> <li>• Secretariat policy implementation planning completed (Aug 2021).</li> <li>• Phase 1 - vendor procured, and remedial action individual work plans designed and budgets for target projects completed (May 2022).</li> <li>• Phase 2 - vendor procured (Sept 2022) and individual remedial actions under negotiations and or implementation with AEs.</li> </ul>
Update of iTAP modalities (IC-led) (Approved B.28; decision B.28/03)	<ul style="list-style-type: none"> <li>• Secretariat presented to Budget Committee (Nov 2021) a proposal on how to align the remuneration structure of members of ITAP with other GCF panels and comparable multilateral institutions. Proposal referred to Investment Committee, and follow-up consultation pending.</li> </ul>	<ul style="list-style-type: none"> <li>• Secretariat implementation planning completed (June 2021).</li> <li>• Rolling review procedure under implementation. Regular communication between the independent TAP, the Secretariat have informed the advanced drafts of the following documents pending finalization by the Secretariat or presentation to the Board for approval: Appraisal Guidance (Q2), Adaptation Approach (B.33), Climate Rationale (B.33), and Programmatic Approach (B.33/B.34).</li> <li>• Secretariat procuring firm for the next review of the structure of the independent Technical Advisory Panel (expected Mar-May 2023).</li> </ul>
Evaluation Policy (co-owned with IEU) (BBM-2021/07)	<ul style="list-style-type: none"> <li>• No Board/Committee items for Secretariat action.</li> </ul>	<ul style="list-style-type: none"> <li>• Secretariat Policy implementation planning completed (Feb 2022).</li> <li>• IEU in consultation with the Secretariat finalized the Evaluations Standards (May 2022).</li> <li>• MAF, AMA, FAA, and Term Sheets reviewed and revised as applicable for policy coherence. Outreach webinars to stakeholders on Policy implications planned for June 2022.</li> <li>• Procurement concluded for advisory services to develop the Evaluation Operational Procedures and Guidelines. Stakeholder consultation process and Evaluation Operational Procedures and Guidelines completed.</li> <li>• Training materials development and implementation to follow (expected April 2023).</li> </ul>



Name of item	Status of follow-up actions requiring Board/Committee attention	Current status of policy implementation
Revised Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH) (BBM-2021/08)	<ul style="list-style-type: none"> <li>No Board/Committee items for Secretariat action.</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat implementation planning ongoing.</li> <li>SEAH Declarations implemented for all recruitment, procurement, employment and onboarding processes for covered individuals.</li> <li>Communications materials developed and mandatory trainings implemented on Prevention and Protection against SEAH for GCF Personnel. Awareness raising and trainings pending for BMs, ABMs, Advisers, and External Members.</li> </ul>
Administrative Remedies and Exclusions (ARE) Policy (IIU-led) (BBM-2021/09)	<ul style="list-style-type: none"> <li>Secretariat in ongoing consultation with the IIU on the development of 4 subsidiary documents (Q1, 2023): 1) The Administrative Remedies and Exclusion Procedures; 2) the Administrative Remedies and Exclusion Guidelines for the implementation of this policy; 3) The Integrity Compliance Guidelines; and 4) the Settlement Guidelines. <ul style="list-style-type: none"> <li>Documents to be submitted to the EAC and Board post development.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Secretariat implementation planning ongoing. Finalization pending receipt of 4 finalized subsidiary documents for the ARE Policy.</li> </ul>
Integrated Results Management Framework (Approved B.29; decision B.29/01)	<ul style="list-style-type: none"> <li>Secretariat developed Results Handbook to support IRMF implementation and submitted to the Board for presentation (B.31, B.32, B.33).</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat Implementation planning completed (Aug 2021).</li> <li>Updates to FP template consulted with AEs, and finalized FP template and Guidance Note published in January 2022.</li> <li>Secretariat implementing 1) AE capacity-building initiatives for on results management, measurement and reporting systems for IRMF implementation (TOC training completed, logframe training underway, topical guidance note in development), and 2) a new dedicated funding window for DAEs under the Readiness Programme (Jan 2202), with a fast track approach (expected Jan 2023).</li> </ul>
Guidelines to facilitate Board consideration of IRM reports on reconsideration requests, grievances or complaints (BBM-2021/16)	<ul style="list-style-type: none"> <li>No Board/Committee items for Secretariat action.</li> </ul>	<ul style="list-style-type: none"> <li>No Secretariat implementation actions required.</li> </ul>

Name of item	Status of follow-up actions requiring Board/Committee attention	Current status of policy implementation
Establishment and support for the Indigenous Peoples Advisory Group, under the Indigenous Peoples Policy (B.19.11)	<ul style="list-style-type: none"> <li>No Board/Committee items for attention</li> </ul>	<ul style="list-style-type: none"> <li>In accordance with its Indigenous Peoples Policy, GCF established the IPAG (Q4, 2021) to enhance coordination between GCF, Accredited Entities and Executing Entities, governments, and indigenous peoples in relation to matters concerning indigenous peoples. The first term of the IPAG runs from January 2022 to December 2024.</li> <li>The IPAG had its first meetings in 2022 (1 informal meeting and 1 formal meeting). The three-day formal meeting (IPAG-1) saw the articulation of the IPAG multi-year workplan that outlines advice on activities affecting indigenous peoples, defines practical steps in implementing and monitoring GCF's Indigenous Peoples Policy, and provides other guidance, as may be requested by the GCF Board. The IPAG also gave advice on, inter alia, the USP and public and private sector funding proposals.</li> </ul>
SEAH revisions to the Environment and Social Policy (ESP) (BBM-2021/18)	<ul style="list-style-type: none"> <li>No Board/Committee items for Secretariat action.</li> </ul>	<ul style="list-style-type: none"> <li>Policy made effective at B.32, and SEAH risk assessment and measures to prevent, mitigate and respond including through the AE and project-level Grievance Redress Mechanisms integrated in all future GCF-financed activities. Specialists recruited to support policy implementation, and AMAs reviewed and revised for policy coherence.</li> <li>Secretariat completed Development of SEAH Action Plan (Q1, 2022), and implementation is in progress.</li> <li>Firm procured, and SEAH Risk Assessment Tool and training materials have been completed (Q4, 2022).</li> </ul>
Investigation Standards (IIU-led) (BBM-2021/22)	<ul style="list-style-type: none"> <li>Secretariat and IIU work on products for consultation and presentation to the Ethics and Advisory Committee and Board pending finalization of 4 subsidiary documents for ARE Policy.</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat implementation planning ongoing. Finalization pending receipt of 4 finalized subsidiary documents for the ARE Policy.</li> </ul>

Name of item	Status of follow-up actions requiring Board/Committee attention	Current status of policy implementation
<p>Updated Accreditation Framework including PSAA (Approved B.31, decision B.31/06)</p>	<ul style="list-style-type: none"> <li>• Secretariat conducted AE portfolio analysis and presented it to the Board at B.32.</li> <li>• Secretariat in consultation with the Board (and other stakeholders) developed an Accreditation Strategy, and under the Co-Chair’s guidance to present the Accreditation Strategy (AS) at B.33. The AS was re-presented at B.34, and Part 1 approved by the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation planning ongoing (expected June 2022).</li> <li>• Updated Accreditation Framework streamlining, and project-specific assessment approach (PSAA) as an accreditation approach are underway.</li> </ul>
<p>Update of the Simplified Approval Process (SAP) (Approved B.32; decision B.32/05)</p>	<ul style="list-style-type: none"> <li>• Secretariat in consultation with the iTAP to address the matter of presumed existence of climate rationale for SAP adaptation proposals in the “Steps to enhance climate rational paper,” which was approved at B.33.</li> </ul>	<p>Secretariat implementation planning completed (June 2022).</p> <ul style="list-style-type: none"> <li>• The Secretariat approved the SAP Standard Operating Procedures to simplify and accelerate the internal review/endorsement of SAP concept notes.</li> <li>• The procurement of the firms that can support the increase the speed and capacity of SAP reviews have been completed and it is currently under implementation.</li> <li>• The SAP review toolkit was published (September 2022) and shared with the AEs and NDAs/FPs and is available on the GCF website. The review toolkit standardize the appraisal of SAP proposals and provides AEs visibility on the expected type and quality of information to be provided in the FPs and CNs.</li> <li>• The Secretariat started the development of the SAP Results-Based Monitoring and Reporting and the SAP programming guidance to simplify and accelerate the reporting requirements during the projects implementation stage.</li> <li>• The Secretariat engaged with the AF, the GEF and CREWS to develop scale up approaches to fast-track the preparation and appraisal of SAP proposals which scale up projects previously implemented by these funds and facilities-</li> <li>• The Secretariat started the drafting of the fast-tracking guided templates for SAP in widely demanded impact areas, starting with the template for SAP projects supporting countries in climate information, observation and early warning systems.</li> </ul>

Name of item	Status of follow-up actions requiring Board/Committee attention	Current status of policy implementation
Review of the initial private sector facility modalities and private sector strategy (Approved B.32; decision B.32/06)	<ul style="list-style-type: none"> <li>The secretariat submitted a report on implementation of the private sector strategy for Board consideration (B.34).</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat implementation planning completed (June 2022).</li> </ul>
General guidelines for the operation of Board committees: Co-Chairs' proposal (CC-led) (Approved B.32; decision B.32/09)	<ul style="list-style-type: none"> <li>Secretariat to support the Co-Chairs to present to the Board the review of committees, panels and groups (B.34).</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat implementation planning completed (August 2022).</li> <li>Secretariat supported the Co-Chairs in developing standard operating procedures for the operation of Board committees completed (August 2022).</li> </ul>
Balloting Procedure: Next steps in the event that a Board member is unable to join consensus regarding the outcome of the balloting procedure (CC-led) (Approved B.32; decision B.32/10)	<ul style="list-style-type: none"> <li>No Board/Committee items for Secretariat action.</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat implementation planning completed (August 2022).</li> <li>Secretariat supported the Co-Chairs to update the B.23/03 voting procedures to reflect the balloting procedure adopted at B.32.</li> </ul>
BBM Guidelines: Co-Chairs' proposals on the guidelines to determine in which cases decisions without a Board meeting may be requested (CC-led) (Approved B.32; decision B.32/11)	<ul style="list-style-type: none"> <li>No Board/Committee items for Secretariat action.</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat implementation planning completed (August 2022).</li> <li>Secretariat to support Co-Chairs in documenting process 1) for proposing decisions for approval without a Board meeting; their transmission; and recording, and 2) addressing objections to or requests for clarification to decisions proposed for approval without a Board meeting.</li> </ul>
Steps to enhance the climate rationale of GCF-supported activities (Approved B.33; decision B.33/12)	<ul style="list-style-type: none"> <li>No Board/Committee items for Secretariat action.</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat implementation planning completed (Sept 2022).</li> <li>First meeting of Global Forum on Climate Information Science held (Sept 2022), and website with climate information resources and training materials under development.</li> <li>GCF guidance for the preparation of funding proposals for mitigation activities has been prepared, and Secretariat review complete. ITAP review pending recruitment of new members (expected Q2, 2023).</li> </ul>
Guidance on the approach and scope for providing support to adaptation activities (Approved B.33; decision B.33/13)	<ul style="list-style-type: none"> <li>No Board/Committee items for Secretariat action.</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat implementation planning completed (Sept 2022).</li> <li>Work ongoing to integrate the Secretariat's approach to adaptation in the USP-2 and revised Readiness Strategy (B.35).</li> </ul>

Name of item	Status of follow-up actions requiring Board/Committee attention	Current status of policy implementation
Second review of the GCF's financial terms and conditions (Approved B.33; decision B.33/14)	<ul style="list-style-type: none"> <li>• Secretariat to consult with the IC in development of the third financial terms and conditions of the GCF financial instruments for Board consideration (B.36).</li> <li>• Secretariat to consult with the IC in development of the third financial terms and conditions of the GCF financial instruments for Board consideration (B.37)</li> </ul>	<ul style="list-style-type: none"> <li>• Secretariat implementation planning completed (Sept 2022).</li> <li>• Firm procured for studies on local currency financial pilot programme, and the more efficient deployment of GCF's financial instruments.</li> </ul>
Accreditation Strategy of the GCF (Approved B.34; decision B.34/19)	<ul style="list-style-type: none"> <li>• Secretariat to prepare a resourcing paper for implementing the Accreditation Strategy Part 1; and further Board consideration of the Accreditation Started Part 2 - Section II of Annex IX to decision B.34/19 (B.35).</li> <li>• Secretariat to integrate the establishment and details of a DAE window in the revised Readiness Strategy (B.35).</li> </ul>	<ul style="list-style-type: none"> <li>• Secretariat implementation planning ongoing (expected Jan 2023).</li> <li>• Re-accreditation prioritization, and PSAA pipeline planning ongoing.</li> </ul>
Policy to minimize the effect of currency fluctuations on the commitment authority of GCF (Approved B.34, decision B.34/22)	<ul style="list-style-type: none"> <li>• No Board/Committee items for Secretariat action.</li> </ul>	<ul style="list-style-type: none"> <li>• Secretariat implementation planning ongoing (expected Jan 2023).</li> <li>•</li> </ul>

## Annex IV: List of memorandums of understanding in effect as at December 31, 2022

No	MOU type	Partner organizations	Title	Date signed	Term	Legality	Category/purpose
1	General cooperation	Global Green Growth Institute (GGGI)	MOU on administrative and institutional cooperation	14 April 2017	Until terminated by either party (2 months prior notice in writing)	Non-binding	To formalize a framework of cooperation and to facilitate collaboration between the parties to promote joint activities in support of their administrative and institutional functions
2	General cooperation	China Development Bank	MOU between the China Development Bank and GCF	8 December 2017	3 years + 3 year extension	Non-binding	To developing capacity building programmes and knowledge exchange across a number of thematic areas, explore opportunities including existing projects and pipeline and jointly organising virtual meetings on technical issues of common interest.
3	General cooperation	International Solar Alliance	Joint declaration for the promotion of solar energy globally	10 March 2018	N/A	Non-binding	The parties expressed their intention to deepen cooperation in support of renewable energy, and to promote solar energy within the countries of common operation
4	General cooperation (Letter of intent)	African Development Bank, African Development Fund and Africa 50 Project Development	Letter of intent concerning the Desert to Power programme	25 May 2018	N/A	Non-binding	The parties expressed their intention to explore opportunities and modalities for possible collaboration in the implementation of the Desert to Power programme
6	General cooperation	Swedish International Development Cooperation Agency (SIDA)	Framework agreement on secondments	5 December 2018	Valid until terminated by one or both parties, subject to thirty (30) days' written notice of termination to the other Party	Binding	Sweden, represented by SIDA and GCF, agree to cooperate around a Secondment Programme from SIDA to GCF for staff at middle and senior levels

No	MOU type	Partner organizations	Title	Date signed	Term	Legality	Category/purpose
7	General cooperation	World Meteorological Organization (WMO)	Framework MOU between WMO and GCF	10 December 2018	5 years	Binding	Subject to applicable internal rules and procedures of each party, and any necessary clearance required thereunder: (a) Strengthening integrated global/regional/national operational hydrological and meteorological systems and associated climate information services; (b) Providing GCF accredited entities with information and technical support upon their request; and (c) Aligning and leveraging GCF-funded hydrological and meteorological investments
8	General cooperation	International Development Finance Club (IDFC)	Statement of partnership between GCF and the International Development Finance Club	<u>9 November 2022</u>	3 years	Non-binding	(a) Sharing knowledge for climate finance and action; (b) Integration of climate consideration within financial institutions; (c) Facilitation of access to GCF resources with co-financing from IDFC members and support for capacity-building activities; and (d) Outreach and awareness-raising

No	MOU type	Partner organizations	Title	Date signed	Term	Legality	Category/purpose
9	General cooperation	Seoul National University	MoU between Seoul National University and the Green Climate Fund	18 November 2020	5 years	Non-binding	(a) Establishment of a center of excellence on global green smart sustainable paradigm shift; (b) Talent nurturing and development; (c) Enhancement and development of GCF staff's professional; (d) Knowledge sharing; (e) Joint work programs that mobilize and nurture developing countries' stakeholders on issues related to climate change and sustainable development; (f) Joint programs on climate action; (g) Organization of events; (h) Educational content;
10	General cooperation on Secondment	<ul style="list-style-type: none"> <li>• Korea Water Resources Corporation, Republic of Korea (K-Water)<sub>1</sub></li> <li>• UK Foreign, Commonwealth and Development Officer (FCDO)</li> <li>• Swedish International Development Cooperation Agency (SIDA)</li> <li>• ICEX España Exportacion e Inversiones</li> <li>• Ministry of Foreign Affairs (MOFA) of Denmark</li> <li>• Expertise France (EF)</li> <li>• Ministry of Economy and Finance (MOEF), Republic of Korea (in development)</li> <li>• Japan International Cooperation Agency (JICA) (in development)</li> <li>• The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (in development)</li> </ul>				binding	For staff secondments

Abbreviations: MOU = memorandum of understanding; N/A = not applicable.



## Annex V: Risk Management Framework Review

### Summary

This document has been drafted in response to the mandates of the Board in Decisions B12/34, paragraphs (a) and (h), and B.19/04, paragraph (d), to evolve the Risk Management Framework over time.

Accordingly, the Secretariat continuously refines the implementation of the framework, reviews its individual components and adjusts its internal risk management structure in step with the evolution of the Fund's operating environment and its strategic orientation. This document reports on the operational application of the Risk Management Framework adopted by the Board in decision B.17/11 and the most recent evolution of some of its key components, namely: (i) Risk Register; (ii) Risk Appetite Statement; and (iii) Risk guidelines for funding proposals. The Secretariat stands ready to prepare, for the review of the Risk Management Committee, an updated Risk Dashboard reflecting the evolving risk universe of the organization.

## I. Introduction

1. In Decision B.12/34, the Board adopted a Risk Register and determined that the risk register would be updated at least once a year. The Board also requested the Secretariat to monitor, and report to the Board at each Board meeting, any changes in priorities of the Risk Register.
2. In Decision B.19/04, the Board recognized that the Risk Management Framework would evolve over time and should be subject to reviews and revisions as stated in each individual component of the Risk Management Framework, and that any resulting revisions of a material and/or substantive nature should be presented to the Board for its consideration and approval.
3. The Secretariat continuously refines the implementation of the Framework, reviews its individual components, and adjusts its internal risk management structure in step with the evolution of the Fund's operating environment and its strategic orientation.
4. This paper contains a summary of risk management at the Green Climate Fund, a review of the Fund's evolving understanding of risk and the tools put in place to apply the Risk Management Framework. It ends with a note of the next steps to be taken.

## II. Enterprise Risk Management (ERM) for the GCF

### 2.1 Basic Principles

#### 2.1.2. The definition of risk

5. The notion of risk can be defined as the possibility that an event will occur and adversely affect the achievement of an objective. Reciprocally, it can also be expressed as the possibility of missing an opportunity to become more effective or efficient in the achievement of

an objective. The complementarity of these two definitions of risks is fundamental to the GCF's holistic risk management.

6. Moreover, the cumulative effect and interrelations of risks also justify an overall approach. The accumulation of individually minor risks over a transaction or a process can result in a severe impact. Similarly, the existence of one risk may intensify the potential impact of another, or the mitigation measures taken to address one risk may create or boost another set of risks.

7. Management must be informed of those interrelations and trade-offs to properly assess the risks when making specific decisions; this is why risks must be managed at the level of the organization, integrating different layers of risk levels (macro level, process level, project level etc.) into the Enterprise Risk Management process.

### 2.1.3. Enterprise Risk Management

8. ERM is an organization-wide approach to risk management as opposed to a siloed approach by unit or by division. It is not a department or a function, but an iterative process led by senior management, applied across the organization and designed to identify, assess and manage current and existing risks.

9. In managing risks, organizations choose to avoid, transfer, mitigate or accept risks (or a combination of the four) aiming at reducing risk to an acceptable level. Trying to eradicate the possibility of a risk may be counterproductive or impossible to achieve.

10. Because ERM is tied to the achievement of objectives, it must be tailored to the pursuit of an organization's particular strategic and operational objectives. Therefore, as strategies and objectives evolve, the ERM also evolves to integrate the latest changes.

## 2.2 The importance of ERM for the GCF

11. The Fund has identified "trusted" as one of its core values. The GCF is "trusted to serve the best interests of developing countries with the diligence expected by its contributors, and strive for the highest standards of integrity, accountability, and transparency." The Fund needs to manage its risks in order to earn this trust and to avoid damaging the interests of its partners.

12. By establishing systems to identify, assess and respond to strategic and operational risks, the Risk Management Framework (RMF), together with the Internal Control Framework, provides internal and external stakeholders with a reasonable assurance that the GCF will operate with effectiveness, efficiency and compliance.

13. GCF has received over USD 18 billion in pledges (of which USD 14.3 billion has been converted into promissory notes or cash) from over 45 contributors in its initial resource mobilization and first replenishment and is now preparing for its second replenishment. Since its inception, the GCF has committed over USD 11.8 billion in 200 projects with a total asset value of USD 42 billion. The GCF makes patient investments to support developing countries' capacity to mitigate and adapt to climate change. And, driven by the urgency and ambition of its mission given by the Governing Instrument, it exercises its risk appetite to support early-stage, highly innovative and scalable investments.

14. This capacity to take risks is supported by a robust framework which includes mechanisms to identify programming risks and rewards as well as to ensure the implementation of adequate mitigating measures and controls.

## 2.3 The GCF Risk Management Framework

15. The first set of components of the Risk Management Framework, adopted by the Board in decision B.17/11, comprises the following:
- (a) Risk Register – this documents the institutional and programming risks faced by the organization and provides an assessment of the likelihood, impact and severity each. It is reviewed at least annually or in case there is a significant change in internal or external risk factors;
  - (b) Risk Appetite Statement – this identifies the desired level of risk that the GCF is willing to accept by risk category;
  - (c) Risk Dashboard – this is a quarterly report to the Board which consists of 1) a portfolio overview 2) a report on concentration and funding risks 3) a report on illegal practices, integrity breaches and policy breaches and 4) a report on project delays and financial investment risk; and
  - (d) Risk guidelines for funding proposals – these describe the approach of the Fund to investment risks.
16. Under decision B.19/43, the Board adopted the second set of components of the Risk Management Framework, namely: (a) Investment risk policy, (b) Non-financial risk policy, and (c) Funding risk policy. The Board also adopted a Compliance risk policy under decision B.23/14 to provide a framework to deal with compliance risks.

## 2.4 The GCF Internal Control Framework

17. The Internal Control Framework operationalises the Fund’s response to risk.
18. As stated in decision B.BM-2015/06 Annex I, the Internal Control Framework “sets a baseline for establishing a system of control activities that is proportionate to the level of risk required to safeguard the Fund’s assets, taking into account the Fund’s risk profile, including its risk appetite.”
19. In the same decision, the Board adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework as the internal control framework for the Fund. The COSO framework consists of 5 components:



Figure 1 - COSO Internal Control Components

- (a) The Control Environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board of directors and senior management establish the “tone at the top”, the expected standards of conduct and the importance of internal control.
- (b) The Risk Assessment involves a dynamic and iterative process for identifying and assessing risks to achieving the organization’s objectives. In this area, efforts are coordinated with the ERM process to seek synergies and complementarities.
- (c) Control activities are actions established through policies and procedures that help mitigate the risks.
- (d) The Monitoring component consists of all activities carried out to ascertain whether each of the five components of internal control is present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner, with serious matters reported to senior management and to the Board.
- (e) Information and Communication is necessary for the Board, management and staff to understand the importance of internal control, be aware of the expected standards and perform control activities accordingly.

### III. Structure of GCF Risk Management organization

#### 3.1 Role of the Board

20. According to the Governing Instrument for the Green Climate Fund approved by the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) (decision 3/CP.17), the Fund is governed and supervised by a Board that has full responsibility for funding decisions.

21. As set out in decision B.BM-2015/06, Annex I paragraph 7, “as part of its governance, risk and compliance oversight responsibilities, the Board has a critical role in ensuring the effectiveness of internal controls by: (a) Setting the “tone at the top” and the organizational climate for the Fund; (b) Providing oversight for the system of internal control; (c) Overseeing the adequacy of the Fund’s system of internal controls; and (d) Being informed of any significant control deficiencies or breakdowns in the Fund.”

22. As a Board Committee, the Risk Management Committee (“RMC”) is responsible for: (a) ensuring the existence and enforcement of the RMF, (b) considering changes to the RMF and ensure the subsequent implementation, (c) providing guidance on the implementation of industry best practices in risk management applicable to the GCF, (d) overseeing the management by the Secretariat of the Fund’s overall risks, (e) overseeing the GCF’s level of risk, particularly through the Risk Dashboard and in consideration of the GCF’s risk appetite, and (f) supporting the Secretariat in ensuring the existence and continuous development of a risk-aware culture in the GCF.

#### 3.2 Role of the AEs (portfolio risk management)

23. GCF is a partnership institution, which operates through a network of accredited entities (AEs) that work directly with developing countries, to propose projects and programmes for GCF funding, and to implement them once approved. AEs are accredited to GCF for a five-year

period and are re-assessed against GCF accreditation standards after each period, if they seek to continue as a GCF AE.<sup>2</sup>

24. The accreditation process ensures, among other things, that our partners possess a robust Internal Control Framework to allow them to manage the risk inherent to the first level due diligence.

25. Primary due diligence and appraisal is an extensive process undertaken by the originating organizations (i.e., the AEs), to document, assess, and verify the details of the investment or financing opportunity being proposed:

- (a) AEs are responsible for developing and initially appraising the concept note or funding proposal, as part of their primary due diligence responsibility. These obligations are set out in the legal agreements, including the Accreditation Master Agreement (AMA), signed between an AE and the GCF. These agreements require each AE to conduct the necessary appraisal of potential GCF investments and apply the same rigor that it would apply to its own portfolio or investing its own funds, or funds for which it has management or investment responsibility, pursuant to its policies and procedures. AEs are thus required to perform an initial risk assessment of each Funding Proposal; this is documented in Section F of the Funding Proposal (Annex 7 of Funding Proposals submitted under the Simplified Approval Process template).
- (b) AEs also conduct due diligence on the Executing Entities (EEs), which will implement the projects or programmes, as well as on other responsible parties or implementing partners which are the subject of procurement by the AEs. GCF assesses these frameworks, and the capacity of the AE to carry out its primary due diligence responsibilities effectively, during the GCF accreditation process outlined above.

26. During the implementation of a project or programme, AEs are responsible for complying with accreditation standards and for monitoring performance and risks related to funded activities. They are expected to address these risks as they arise and report them to the Secretariat through regular annual reports and, if a risk is important or urgent, on an ad-hoc basis. The Fund monitors AEs' activities through reviews and analyses of the AE reports and ad-hoc missions, as well as information from the Independent Units.

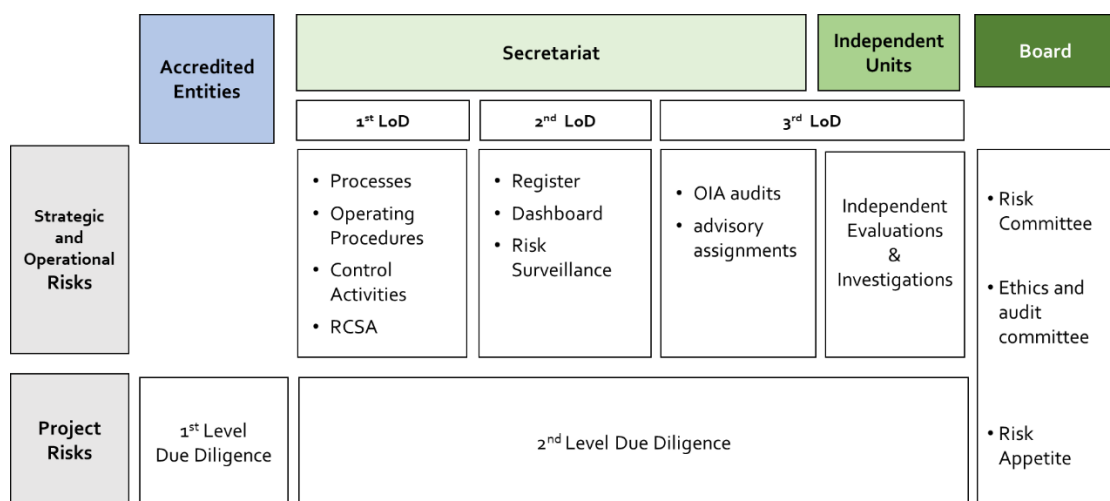


Figure 2 - GCF Risk Management Structure

<sup>2</sup> A summary of GCF's current guidance on Project risk management was issued in February 2022: <https://www.greenclimate.fund/document/gcf-project-risk-management>

The details of the Risk Management Structure are set out in Appendix 1.

### 3.3 Role of the Secretariat and Independent Units - 3 lines of defence

27. The Risk Management Framework (RMF), in agreement with the Appraisal Guidance, establishes three lines of defence (LOD) for GCF:

- (a) The First Line of Defence (LOD1): comprises owners and managers of risk from many units within the Secretariat.
- (b) The Second Line of Defence (LOD2): comprises a control and oversight function which is independent of the first to ensure that funding proposals comply with GCF strategic priorities, investment policies, environmental and social safeguards, and Risk Management Framework.
- (c) The Third Line of Defence (LOD3): independently verifies and validates the effectiveness of the first two in fulfilling their mandates and managing risk.

## IV. Risk Management Framework Review and Refinements

### 4.1 The scope of the review

28. When the RMF was established at B.17 in July 2017, the GCF was still at a very early stage of operations: the first Funding Proposals had been approved 18 months before, at B.11, and only 45 Funding Proposals had been approved by B.17. Since then, the Secretariat has gained strategic knowledge and significant operational experience with more than 200 projects, 80% of which are now under implementation. Building on this, the Secretariat has reviewed and refined the Risk Register, mainly by increasing its level of granularity and by developing a complementary approach.

- (a) **Top-down:** The Secretariat has reviewed the Risk Register to assess where it needs to be expanded or refined based on its operating experience. It is also reviewing the operational application of the Risk Appetite Statement to assess whether this application needs to be refined based on its experience.
- (b) **Bottom-up:** The Secretariat is initiating a Risk and Control Self-Assessment (RCSA) exercise. This will examine every process performed by the Secretariat, identifying the risks inherent to that process and the controls in place to mitigate and manage those risks. It leverages the comprehensive business process mapping, streamlining, codification and automation exercise conducted during GCF-1. See Section 4.4 below for details on the RCSA.

29. In addition, the Secretariat constantly seeks to enhance its risk management processes through a greater level of standardization, integration and automatization. As part of this continuous improvement process, the Secretariat is developing a Risk Management System which will improve accuracy and timeliness of reports.

### 4.2 The Risk Register

#### 4.2.1. Approach by objective methodology

30. The Secretariat's approach to reviewing and updating the Risk Register has been as follows:



Figure 3 - The Risk Register Log Frame

- (a) The starting point has been the Risk Register approved by the Board in Decision B.17/11, along with the Secretariat's objectives for 2023 approved by the Board in Decision B.34/28.
  - (b) For each objective the Secretariat considered what risks could arise that might hinder or prevent the Fund from achieving the objective as planned and what control mechanisms are required to enable the Fund to manage these risks.
  - (c) For each risk the Secretariat identified, it considered:
    - (i) The inherent risk – i.e., the possibility that an event might occur and adversely affect the achievement of an objective;
    - (ii) Any mitigating factors that reduced the likelihood or the severity of the risk; These mitigating factors include internal controls that are already in place (i.e., systems effected by people designed to provide reasonable assurance that objectives will be achieved effectively, efficiently and in compliance with GCF policies and procedures).
    - (iii) The residual risk remaining after applying the Fund's controls.
    - (iv) The appetite identified for that risk.
  - (d) Finally, the Secretariat compared the residual risk with the Fund's appetite for that risk in order to identify whether additional actions were needed and, if so, to draw up a timebound action plan.
31. The Risk Register is a living document. It is reviewed annually and updated when significant changes occur or if any new strategic orientation is taken by the Fund.

#### 4.2.2. The reviewed Risk Register

32. The Secretariat conducted a granular risk identification exercise in 2022 to explicitly consider the full range of risks faced by the organization. The risks were split between institutional and programming risks and the level of detail of the Risk Register was increased to finally identify 136 risks. As the Risk Register is a living document and a continuous process, the number of risks will vary over time, reflecting changes in the Fund's operating environment and its agreed strategic objectives.

33. 50 institutional risks were identified across 8 risk areas: People, Operational Excellence, Financial Management, Risk Management, Reputation, Governance & Strategy, Legal & Compliance, and Funding. For example, "renewing the Trustee agreement" and "unethical behaviour by a member of GCF staff" were identified as risks in the Financial Management and Reputation areas, respectively.

34. 86 programming risks were identified across 5 risk areas: Business model, Operating model and three areas corresponding to the stages of the project life cycle, i.e., Origination and Development, Project Appraisal and Project Implementation. “Investment in early-stage projects”, for example, is a risk inherent to the GCF Business model and “Second-line agency: limited information over funded activities” is inherent to GCF’s Operating model. Some risks are linked to the project life cycle, like “the potential negative impact on human lives of a GCF funded activity.”
35. For each risk, the corresponding control mechanisms were identified. They encompass:
- (a) Institutions and committees (e.g., the Climate Investment Committee, the Operations Committee, the Readiness Working Group, All Staff Meeting, etc.)
  - (b) Policies and procedures (e.g., the Accreditation Guiding Framework, the Hedging Policy, the Administrative Guidelines on Human Resources, etc.)
  - (c) Reference Documents (e.g., the Updated Strategic Plan, the Appraisal guidance, the Integrated Result Management Framework, the Knowledge Taxonomy, etc.)
  - (d) Manuals and operational documents (e.g., the Operations Manual, the Finance Manual, the Procurement Manual, etc.)
  - (e) Tools (e.g., the Effectiveness and Efficiency Assessment Tool, the People’s Plan, etc.)
  - (f) Control activities (e.g., the Annual Performance Report review, Sanction screenings, Double set of reviews, etc.)
  - (g) Legal contracts (e.g., the Trustee Agreement, the Accreditation Master Agreement, the Funded Activity Agreements, etc.)
  - (h) KPIs (e.g., the Project/AE ratio, the Position Fill Rate, etc.)
  - (i) Independent evaluations and audits performed by the third line of defence.
36. Where the control mechanism could be complemented or improved, time-bound action plans were designed and assigned to an owner. These action plans will be followed-up by the Secretariat’s Senior Management Team.

### 4.3 The Risk Appetite Statement

37. In Decision B.17/11, the Board defined three levels of appetite for risk taking, from zero to considerable tolerance, as follows:
- (a) Prohibited risk taking (“zero risk tolerance”): The Fund’s core objective in respect of these risks is to avoid them.
  - (b) Risks to be carefully managed and where practicable minimized (“moderate risk tolerance”): The Fund’s appetite for these risks ranges from taking an extremely conservative approach to preferring safe delivery.
  - (c) Risks taken to achieve strategic impact (“considerable risk tolerance”): These represent risks that need to be taken if GCF is to fulfil its mandate. In some cases, the Fund is willing to take justified risks; in others the Fund actively seek risks in order to accomplish its objectives.
38. As noted above the Secretariat has identified the appetite for each risk identified and is using this to help assess what controls need to be in place. As part of this exercise, the Secretariat has split “moderate” and “considerable” tolerance into two categories to refine the identification of the appropriate risk control mechanisms. Moreover, the risk appetite scale



provides a more detailed definition by describing, for each level of appetite, the attitude towards risks and the tolerance for uncertainty.

39. Whereas the Secretariat seeks to fully apply the “zero tolerance” policy on risks like corruption or misconducts, reducing the likelihood of occurrence to zero is impossible in practice and may even be counterproductive, leading to inaction, missed opportunities, high transition costs, delays and unacceptable increase in other risks. Therefore, the organization must be equipped with coping mechanisms in the event of such a risk materializing.

Risk Appetite Scale		
	<b>Attitude towards risk</b>	<b>Tolerance for uncertainty</b>
<b>Risk Seeker</b>	Will seek risk to accomplish objectives	Fully Anticipated
<b>Open</b>	Will take justified risks	Anticipated
<b>Cautious</b>	Preference for safe delivery	Limited
<b>Minimalist</b>	Extremely conservative	Low
<b>Risk Averse</b>	Avoidance of risk is a core objective	Extremely low

Board Decision B.17 /11	
Risk Tolerance	
Considerable	
Moderate	
Zero	

Figure 4 - The Risk Appetite Statement

40. 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 they are working, and the implications for their work.

#### 4.4 The Risk and Control Self-Assessment (RCSA)

41. The RCSA is a risk and control assessment conducted by the first line of defence, whose objectives are: 1) to map and document processes through flowcharts and standard operating procedures defining roles and responsibilities; 2) identify process-related risks and assess their severity; and 3) assess the effectiveness of our controls in mitigating the risks (residual risk evaluation).

42. The exercise is process-based (as opposed to division-based or unit-based) and analyses transactions from beginning to end, ensuring that proper controls exist at hand-offs between different divisions or units.

43. Whenever gaps are identified, remediating measures and action plans are immediately prepared, assigned to an action owner and followed-up by the Operations Control unit.

#### 4.5 The Enterprise Risk Management System

44. The Secretariat is developing a new tool to integrate the different components of the RMF, centralize the documentation of its risks, controls and action plans as well as to automate the risk reporting process.

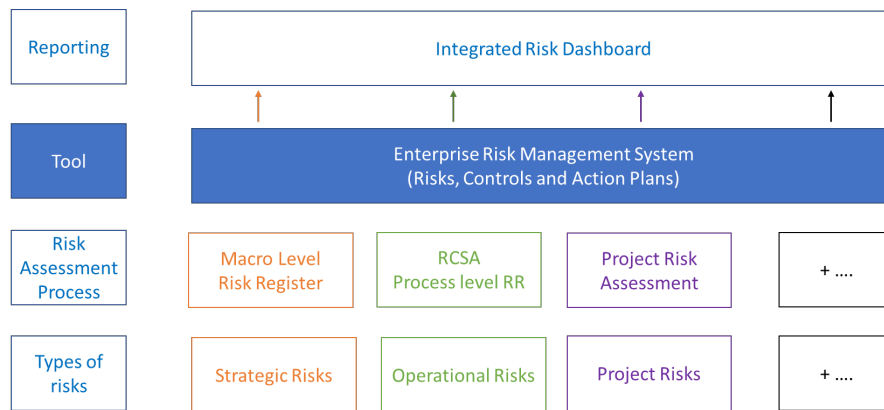


Figure 5 - GCF Integrated Risk Management System

## 4.6 The Risk Dashboard

45. The Secretariat prepares a quarterly Risk Dashboard to enable the Board and the Risk Management Committee to oversee the Fund's level of risk in consideration with the risk appetite. The Risk Dashboard enables GCF management and Board to:

- (a) Monitor risks and our risk management on an ongoing basis; and
- (b) Assess any trends in the risks.

## V. Next Steps

46. The Secretariat will continue its efforts to refine the implementation of the Risk Management Framework, as outlined in the previous sections, including but not limited to (1) the development of a Risk Appetite Statement Handbook, to support Secretariat management and staff in the application of the Fund's risk appetite, and (2) regular reviews of the Risk Register, to ensure that it addresses the risks and opportunities faced by the Fund.

47. Additionally, the Secretariat will continue and complete the Risk and Control Self-Assessment, to ensure that it covers all the processes implemented by the Secretariat.

48. Once the Risk Management Committee is operating, the Board may wish to request that Committee to review the Board-approved risk policies, appetite and dashboard to address and monitor emerging risks. If so, the Secretariat will be very happy to support the Committee in this review as required.

## Appendix I: Risk Management Structure

		1st Level Due Diligence	2nd Level Due Diligence											Board		
			Secretariat						Independent Units							
			First Line of Defense			Second Line of Defense			Third Line of Defense							
Accredited Entities		Staff	Management	Operations Control	ORMC	ED + SMT	IC (*)	OIA	IEU	IIU	IRM	Risk Committee	Ethics & Audit Committee	Board		
Risk Identification & Assessment	Risk Register			Act	Input	OWNER	Input + Act	Review	Input	Input	Input	Input	Review			
	Risk Appetite			Act	Act		Input	Input + Act	Act				Review		OWNER	
	RCSA		Input + Act	Input + Act	OWNER		Review	Review					Review			
	Project Risk	1st DD OWNER	Input	2nd DD OWNER	Act		Review	Review	Review + Act		Review					
Risk Response	Processes	1st DD OWNER	Act	Input + Act	2nd DD OWNER		Review		Review							
	Policies	Input + Act		Act	Act		Input	Input	Review						OWNER	
	Policy implementation	Act	Act	Act	Act			OWNER	Review							
	Operating Procedures	1st DD OWNER	Input + Act	Input + Act	2nd DD OWNER		Review	Review		Review						
	Control Activities	1st DD OWNER	Input + Act	Input + Act	2nd DD OWNER		Review	Review		Review						
Risk Monitoring	Risk Dashboard	Input		Input + Act	Input + Act	OWNER	Review		Input				Review			
	Internal Control Dashboard		Input + Act	Input + Act	OWNER		Review	Review	Review							
	Action Plans Implementation		Input + Act	Input + Act	OWNER		Review	Review	Review							
	PIR	Input			Act						OWNER			Review		
	Risk Surveillance	1st DD OWNER		Input		2nd DD OWNER	Input + Review						Review			
Assurance	Planned Audits		Act	Act	Act		Review	Review + Act	OWNER					Review		
	Follow-up Audits		Act	Act	Act		Review	Review + Act	OWNER					Review		
	Ad Hoc Audits		Act	Act	Act		Review	Review + Act	OWNER					Review		
	Advisory		Act	Act	Act		Review	Review + Act	OWNER							
	Integrity Invest.	Input			Act		Review	Review + Act			OWNER			Review		
	Redress Invest.	Input			Act		Review	Review + Act				OWNER			Review	
	Indep. Eval	Input		Act	Act		Review + Act	Review + Act		OWNER		OWNER			Review	

Note: The AEs have a role in addressing programming risks, but not for institutional risks. For institutional risks, the "2nd DD Owner" is the Owner of the risk.  
(\*) = Interdivisional Committees (Climate Investment Committee, Operations Committee, ALCO, Readiness Working Group, Climate Policy Committee etc...)