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Annual portfolio performance report (2018)

Summary

The annual portfolio performance report presents a review and analysis of the GCF-funded activities under implementation and the performance of the Readiness and Preparatory Support Programme as at 31 December 2018.

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Executive summary

1. This annual portfolio performance report (PPR) presents a summary of the performance of the funded activities under implementation, as well as that of the Readiness and Preparatory Support Programme (Readiness Programme) and Project Preparation Facility (PPF) support for the period spanning January to December 2018. The PPR provides an overview of the progress made in the implementation of projects and attainment of results, challenges encountered, and lessons learned to date. It also presents proposed actions for 2020 to strengthen management of the growing GCF portfolio and to address challenges identified over the reporting period.

2018 performance review and implementation progress

2. **Funded activities:** the submission of the 2018 annual performance report represents the third year of implementation of GCF-funded activities. Over the past three years, the portfolio under implementation has registered some initial successes and challenges which have provided valuable learning and pointers on how GCF can optimize its support to, and impact of, country-led transformative and innovative climate change adaptation and mitigation actions.

3. As at 31 December 2018, USD 1.8 billion of the total approved GCF portfolio of USD 4.6 billion had been accounted for by 40 projects under implementation out of 93 approved projects. This proportion equates to 43 per cent of approved projects, representing a more than tenfold increase in the value of projects under implementation and more than double the number of projects under implementation from the USD 147.4 million (18 projects) registered in 2017.

4. In terms of results, the reporting projects contributed to the reduction of 26 million tonnes of carbon dioxide equivalent (MtCO₂eq) as at the end of 2018 (26 per cent of the total target of 100 MtCO₂eq) and reached 7 million beneficiaries (approximately 5 per cent) of the 128 million beneficiaries targeted under these projects. Mitigation projects reported abatement costs of USD 12.3 per tCO₂eq against an expected cost of USD 18.8 per tCO₂eq, with GCF investment per tCO₂eq staying at USD 1 per tCO₂eq against an expected cost of USD 9.2 per tCO₂eq, showing higher efficiency of the mitigation activities under implementation.

5. **Readiness Programme:** as at 31 December 2018, the Secretariat had approved 204 readiness grants amounting to USD 131.8 million. Of this amount, USD 43.1 million had been disbursed, tripling the amount disbursed in 2017 (USD 12.9 million; USD 3.2 million in 2016). The disbursements benefited 162 readiness grants, including 15 grants which completed implementation of their activities in 2018. The overall expenditure rate of the readiness portfolio against the disbursed amount stood at 46 per cent as at December 2018.

6. **Project Preparation Facility:** as at 31 December 2018, 16 PPF grants had been approved totalling USD 10.8 million. Out of these 16 grants, 7 had received disbursements amounting to USD 5.4 million and an overall expenditure rate of 48 per cent, representing a growth of 238 per cent compared with USD 1.6 million for 2017.

Key issues reported and actions undertaken to address challenges

7. All funded activities with the exception of only five funded activities reported project implementation challenges similar to those experienced in 2017. The challenges reported by the accredited entities (AEs) were mainly (i) general implementation challenges such as delays in project commencement, difficulties in recruiting staff and the lengthy process of building country ownership; (ii) financial challenges such as weak local financial management capacity despite the initial capacity assessments having shown adequate capacity, foreign exchange rate

fluctuations, the need to include necessary but initially unbudgeted activities, and delays in raising capital; and (iii) procurement delays related to slow or delayed procurement processes.

8. Readiness and preparatory support activities also continue to face issues and challenges similar to those reported in 2017, namely: (i) limited communication and coordination between the national designated authorities (NDAs) and other stakeholders; (ii) weak quality of country programme designs; (iii) lack of standard operating procedures and inadequate project timelines; and (iv) insufficient local capacity at the NDA level.

Lessons learned

9. Despite the reported challenges, all AEs indicated that they were on track to deliver the projects within their original implementation timelines.

10. Based on the number of projects reporting slow implementation due to government-related challenges, a conducive political climate and environment is highly critical to smooth project implementation and achievement of planned objectives, particularly as it relates to procurement and signing of contracts.

11. Ensuring engagement and ownership of projects among local stakeholders and institutions is essential to achieving integrated planning, coordination and ownership of projects and programmes.

12. The continuous dialogue and engagement of GCF with AEs is necessary for stronger partnerships, compliance with key GCF requirements and improving/accelerating delivery and results.

Actions undertaken to address challenges identified in implementing funded activities

13. In order to respond to and address the challenges reported by the AEs in implementing funded activities, the Secretariat in its 2017 PPR committed to undertake several actions to enhance portfolio implementation. These actions included **continuous engagement with stakeholders** in order to improve feedback, get timely information and find solutions to emerging problems.

14. Moreover, in a bid to improve the quality of submitted proposals and be able to track progress and reporting, the Secretariat has invested in **strengthening its tools and guidance to stakeholders**.

15. In addition to the above measures, the Secretariat has engaged a consulting firm, which is currently **working on an integrated results management framework** that would merge the existing (initial) results management framework and the performance measurement framework in order to facilitate the aggregation and harmonization of results at the portfolio level.

16. **For the Readiness Programme, the Secretariat has been proactively engaging NDAs** so as to support them in their efforts to streamline project and monitoring activities.

17. In order to improve and clarify GCF requirements and **guidance for the development of proposals for country programmes and pipeline development**, the Secretariat revised and streamlined the process of reviewing readiness proposals and progress reports and developing a set of criteria that proposals are expected to fulfil.

18. Furthermore, the Secretariat is now outsourcing the administration of selected grants as well as the monitoring and reporting of their implementation performance in order to improve the **efficiency of existing readiness operating procedures**, thus allowing the Secretariat to focus on the management of implementation and results of the Readiness Programme and PPF.

Proposed priorities for 2020

19. To further resolve the challenges identified during the 2018 review cycle on **funded activities**, GCF proposes a number of actions, including: (i) establishing a web-based tracking system and dashboard to increase transparency and track portfolio status and performance; this will also aid online submission of annual performance reports and facilitate their public disclosure; (ii) strengthening the monitoring of portfolio implementation through more structured and regular engagement with AEs on projects under implementation; (iii) developing a portfolio performance management system for the identification of early warnings in projects and to facilitate timely execution of corrective actions, and improve portfolio performance; and (iv) strengthening results monitoring and management through a raft of measures, including the development of an integrated results and resources framework under the 2020–2023 Strategic Plan for GCF.

20. For the **Readiness Programme and PPF support**, the Secretariat proposes a more proactive communication with NDAs and delivery partners (DPs) through regular dialogues and face-to-face meetings. The Readiness Programme will make efforts to ensure that not only NDAs and DPs engage with each other more meaningfully but that other interest groups such as civil society and private sector players participate proactively in the design and roll-out of the Readiness Programme and PPF support.

I. Introduction

1.1 Background and reporting structure

1. In line with the GCF monitoring and accountability framework (MAF),¹ this annual portfolio performance report (PPR) presents the performance status of the funded activities under implementation,² as well as the performance of the Readiness and Preparatory Support Programme (Readiness Programme).
2. The report presents some initial indications of progress and results from projects funded with resources under the initial resource mobilization and sets an indicative baseline for the performance of GCF as it prepares for its first replenishment and gears up towards accelerated implementation of its support of developing countries' transition to low-emission and climate-resilient development.
3. The performance progress and results analysis in this PPR is based on qualitative and quantitative information on funded activities drawn from the annual performance reports (APRs), financial information reports and annual financial statements submitted by the accredited entities (AEs). It is also drawn from the interim progress reports and completion reports submitted by delivery partners (DPs) and national designated authorities (NDAs) on the readiness activities and PPF grants, in line with the relevant legal agreements for the reporting period ending 31 December 2018.
4. The report starts with an executive summary, followed by section 1, which provides an overview of the PPR for the reporting period (January to December 2018) and briefly outlines the actions undertaken in 2018 to address the implementation challenges reported in the 2017 APRs, in line with the Secretariat's undertaking set out in the 2017 PPR (GCF/B.21/Inf.12, section V), presented at the twenty-first meeting of the Board, in October 2018. Section 2 focuses on the progress of implementation and attainment of results for the funded activities. It highlights the trends in implementation, disbursement and results performance. Section 3 highlights the progress and status of implementation of Readiness Programme and Project Preparation Facility (PPF) support as at 31 December 2018 while section 4 focuses on the challenges and lessons learned in projects, from the implementation of funded activities and from interim and completed progress reports of the Readiness Programme and PPF projects. The report ends with section 5, which sets out the actions proposed for 2020 to strengthen portfolio implementation and performance.

1.2 Actions taken as a follow-up to the 2017 portfolio performance report

5. In the 2017 PPR, AEs reported on implementation challenges falling under three main categories: (i) general implementation challenges such as delays in setting up the project management unit, difficulties in recruiting staff and the lengthy process of capacity-building to reach communities; (ii) financial challenges such as difficulties in local financial management capacity on the ground despite the initial capacity assessments, fluctuations in the exchange rate, the need to include necessary but initially unbudgeted activities and delays in raising capital; and (iii) procurement delays related to slow or delayed procurement processes.

¹ Initial monitoring and accountability framework for accredited entities, decision B.11/10, paragraph 14.

² A project under implementation means a project with an effective funded activity agreement.

6. The Secretariat has taken the following actions (with some currently ongoing) towards resolving the aforementioned challenges for funded activities:
- (a) **Continuous engagement and communication with AEs and local stakeholders:** to strengthen engagement with AEs, local development partners on the ground at the country level and government entities, with a view to identifying and resolving emerging challenges in a timely manner, the Secretariat engaged and strengthened communication with a number of AEs (with an initial focus on those AEs to which GCF has a high exposure). As a result, the number of AEs reporting potential implementation challenges or receiving clarifications from the Secretariat on reporting and procedures increased. This has led to an increasing number of cases with timely resolution of project challenges and timely submission of reports or requests for extension;
 - (b) To assist AEs in developing their stakeholder engagement strategies, the Secretariat published a sustainability guidance note on designing and ensuring meaningful stakeholder engagement on GCF-financed projects.³ The note provides practical ideas on how to effectively engage communities and individuals, appropriately receive and manage concerns and grievances, and ensure the conduct of information disclosure, meaningful consultation and informed participation. The Secretariat also published “Operational guidelines: Indigenous Peoples Policy”,⁴ containing technical and administrative references and tools for implementing the GCF Indigenous Peoples Policy, and the “Sustainability guidance note: Screening and categorizing GCF-financed activities”,⁵ providing practical information and considerations in categorizing the environmental and social risks of activities supported by GCF;
 - (c) In addition, the Secretariat, under the guidance of the Accreditation Panel, developed an initial template to facilitate self-assessments by AEs, and a template for updates for support from international access entities (IAEs) to direct access entities (DAEs). These templates were shared with AEs and then revised to reflect the inputs of AEs and lessons learned from the previous reporting year before being recirculated to AEs to facilitate their self-assessments for calendar year 2018, due on 28 February 2019;
 - (d) **Development and harmonization of tools:** operational tools are being refined and strengthened to enhance the monitoring by AEs of funded activities performance and results. In consultation with the AEs, the APR template was revised in preparation for the 2018 review; the revisions removed redundancies identified in the 2017 reporting format and added a requirement for AEs to report on implementation progress against investment criteria;
 - (e) In addition, the simplified approval process and general funding proposal templates were revised to improve the quality of the funding proposals being submitted. The provisions included more detailed guidance so as to further clarify GCF requirements and standards with respect to submitted proposals;
 - (f) The Secretariat has also finalized the draft policy guidelines on programmatic approaches that allow for consistent and coherent treatment of programmes for consideration during the twenty-fourth meeting of the Board. These provide informed guidance on programme-level reporting requirements as well as assessment of the impact of the programme beyond that which individual projects would have achieved;
 - (g) **Refinement of the results management framework (RMF) and performance measurement framework (PMF):** the Secretariat has engaged a consulting firm to

³ Available at <<https://www.greenclimate.fund/documents/meaningful-stakeholder-engagement>>.

⁴ Available at <<https://www.greenclimate.fund/documents/guidelines-indigenous-peoples-policy>>.

⁵ Available at <<https://www.greenclimate.fund/documents/screening-categorizing-activities>>.

- work on an integrated results management framework that would merge the existing (initial) RMF and the PMF in order to facilitate the aggregation and harmonization of results at the portfolio level. Among other things, the framework is addressing: (a) the establishment of a harmonized approach to greenhouse gas calculations that can be applied across the portfolio and facilitate aggregation and assessment of credibility; (b) the simplification and harmonization of indicators to facilitate credible reporting and aggregation of outcomes; and (c) inclusion of indicators that facilitate better tracking of implementation progress, etc. The work began in June 2019 and is at an advanced stage, and will be finalized by the twenty-fifth meeting of the Board; and
- (h) The review of the RMF/PMF will also benefit from the findings of a monitoring and evaluation (M&E) gaps analysis exercise that the Secretariat is conducting in response to the Independent Evaluation Unit's independent review findings on the RMF/PMF. The gap analysis primarily entails an assessment on the funded activity logic framework components (prioritizing indicators, baselines, targets, means of verification) and expected results to identify gaps that can be remedied to tolerable levels through the allocation of additional resources to targeted evidence-generation/verification activities. The result of the analysis, including options to address the identified gaps, will be presented to the Board at its twenty-fifth meeting for its consideration with a view to it taking a decision on the matter.
7. For the Readiness Programme, the Secretariat is undertaking the following actions:
- (a) **Proactively engaging NDAs and DPs:** efforts in this regard include the organization of a global NDA conference in October 2018 aimed at strengthening the Secretariat's engagement with NDAs. The conference included topics related to private investment for climate change allowing NDAs, high-level government representatives, institutional investors and the private sector to interact and understand how to better align their investments with country priorities. This conference was particularly relevant as it reinforced the Readiness Programme's contribution to crowding in private sector investment and encouraging climate-sensitive investments by the private sector;
- (b) **Increasing technical support and guidance for country programmes and pipeline development:** the Secretariat made considerable efforts to improve the efficiency and effectiveness of readiness grants. These included the establishment of the direct climate action platform, a global online platform for institutions and experts from across the world to exchange knowledge, share technical expertise and foster capacity-building. The Secretariat also organized a number of conferences and workshops on adaptation planning to help NDAs to articulate the climate rationale. This exercise resulted in the approval of 15 adaptation planning proposals for developing countries;
- (c) **Improving efficiency of existing application and GCF operating procedures:** the Secretariat prepared a procedural document on the implementation of readiness support grants and also developed a clear set of criteria to enhance quality at entry of national adaptation plan (NAP) proposals. The Secretariat has also embarked on efforts to improve the guidance on proposal templates and the *Readiness and Preparatory Support Guidebook*. To improve operational efficiencies and allow its staff to focus on core portfolio management functions, the Secretariat engaged the United Nations Office for Project Services to support the administration, monitoring and implementation of, and reporting on, selected readiness grants;
- (d) The internal monitoring and regular reporting of readiness portfolio performance to the senior management team was strengthened in 2018 when a separate dashboard on the readiness portfolio was rolled out. The readiness portfolio performance is now being monitored and tracked by region and DPs in order to identify issues and inform the

corrective measures required to improve implementation performance. These efforts are complemented by weekly interdivisional meetings and bi-monthly calls with the DPs to take stock of portfolio issues and identify remedial actions to improve/assure portfolio health; and

- (e) As part of measures aimed at facilitating communication and coordination with NDAs on portfolio performance, portals were designed to allow NDAs, FPs and AEs to submit readiness proposals and for the Secretariat to effectively monitor their status. The Secretariat has also begun a process of documenting good practices, lessons learned and knowledge for sharing across the readiness portfolio, using the readiness knowledge bank as a platform for the analysis.

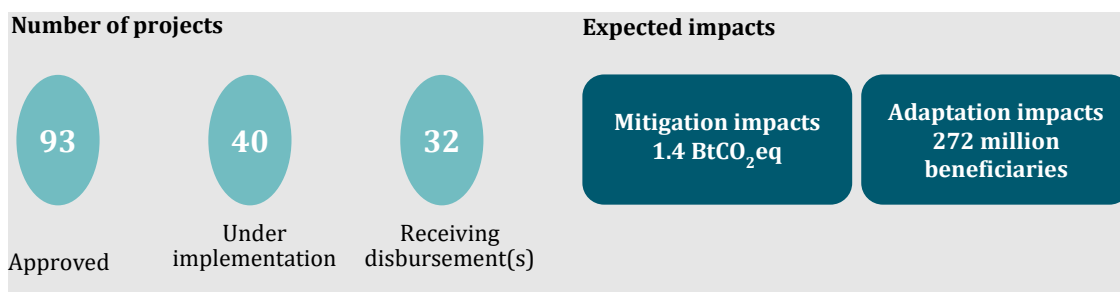
II. Funded activities 2018 performance review

8. This section provides a review of the implementation of funded activities for the year ending 31 December 2018, the third year of implementation since the submission of the first APR for a GCF project. Implementation to date has registered some successes and challenges and provided valuable opportunities for learning. This experience has also helped to identify areas where GCF can optimize its impact and provide support to countries to undertake country-driven transformative and innovative climate change adaptation and mitigation actions on the ground.

2.1 Implementation performance

9. **Portfolio distribution:** the size of the portfolio of GCF projects under implementation more than doubled from 18 projects in 2017 to 40⁶ projects in 2018 equivalent to USD 633 million of funding. These projects were channelled through 14 AEs and are being implemented across 41 countries. Of the 40 projects, 36 submitted APRs and the remainder were evenly split between those whose APRs were not due (in line with the funded activity agreement (FAA)) and those that were granted waivers because their respective FAAs became effective only towards the end of 2018. Of the 36 reporting projects, the majority (30) are public and 6 are private sector projects, and 32 projects have received first disbursement. Figure 1 presents a snapshot of the status of the GCF portfolio as at the end of 2018.

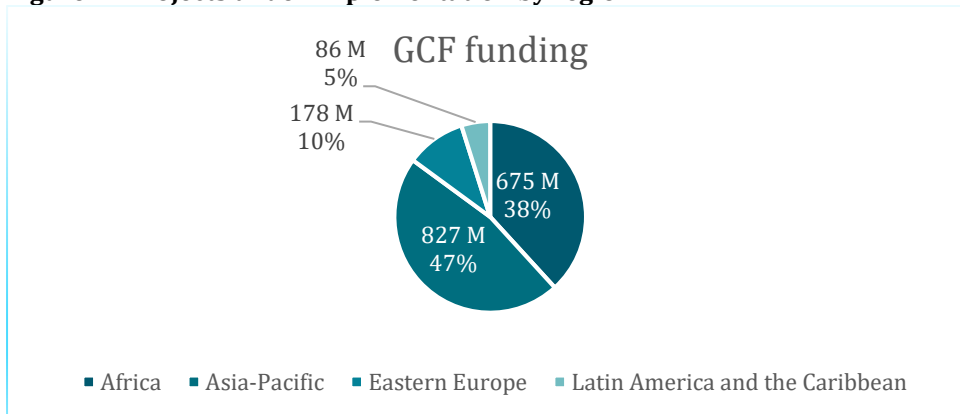
Figure 1: Key GCF portfolio metrics as at the end of 2018



⁶ Excluded is FP026 by the Conservation International and European Investment Bank (EIB). While the Conservation International part of the project is under implementation and had received the first disbursement of USD 0.8 million, the EIB part is pending the effectiveness of the accreditation master agreement. Once the implementation of the EIB part commences, this project will be added to the list of projects under implementation.

10. In terms of thematic distribution of the 40 projects under implementation, 8 were under mitigation, 23 were under adaptation and 9 were cross-cutting. Regionally, the largest portion of GCF funding (47 per cent, USD 827 million) is allocated to the Asia-Pacific region, followed by the African region (38 per cent, USD 675 million), Eastern Europe (10 per cent, USD 178 million) and lastly by Latin America and the Caribbean (LAC) (5 per cent, USD 86 million) as shown in figure 2.

Figure 2: Projects under implementation by region



Abbreviation: M = million.

11. **Funding modality:** the 40 projects are being implemented by 14 AEs with the IAEs accounting for the biggest proportion. The European Bank for Reconstruction and Development (EBRD) accounts for the largest GCF exposure to a single AE with USD 729 million (5 out of its 6 approved projects) under implementation. The Asian Development Bank has USD 265 million from 6 out of its 9 approved projects under implementation while the United Nations Development Programme (UNDP) has the largest number of projects with 17 out of its 19 approved projects under implementation. For DAEs, the National Bank for Agriculture and Development accounts for the largest volume of GCF funding with USD 134 million for its 2 approved projects (1 currently under implementation).

12. The number of projects under implementation by IAEs and DAEs grew from 13 to 31 and from 5 to 9, respectively, over the 2017–2018 period. The largest portion of the portfolio under implementation is financed through grants (47 per cent, USD 2.1 billion) and loans (42 per cent, USD 2 billion), followed by equity (9 per cent, USD 417 million) and guarantees (2 per cent, USD 80 million).

Implementation pace

13. Using funds drawdown as a proxy for implementation pace, the projects implementation start-up pace was slow in 2018, as evidenced by the doubling of the length of the time between FAA effectiveness and first disbursement from slightly over 2 months (66 days) in 2017 to about 4 months (115 days) in 2018. While there were no distinct differences in the time taken between effectiveness and first disbursement of funds across the different regions, multiregional projects registered the slowest start-up pace, taking twice as long as country-specific projects to receive first disbursement.

14. After first disbursement, the implementation pace for private sector projects remained steadily on course while public sector projects registered an average 50-day delay in second drawdown relative to the projected annual disbursement dates (indicated at FAA signing). The implementation speed also seemed to differ across thematic areas with adaptation projects registering a slower pace (425 days between first and second disbursement) compared with

cross-cutting and mitigation projects, which registered a 233-day and 238-day interval between first and second disbursement, respectively.

15. The faster implementation speed in mitigation projects is mainly because all of the projects fall under the private sector, which had reported timely implementation for all its projects. The private sector also accounted for one of the two cross-cutting projects that had accessed second disbursement, thus positively impacting the average number of days between first and second disbursement. Projects under IAEs appear to register a longer time (407 days) between drawdown of funds compared with 226 days taken by projects under DAEs oversight.

16. In terms of geographic trends, projects in the Asia-Pacific region registered faster implementation, with a 48 per cent disbursement ratio,⁷ followed by the African region (41 per cent disbursement ratio). The LAC region recorded the slowest pace with a 4 per cent disbursement ratio. For projects that had received second disbursement, the African region registered faster implementation, with projects recording 310 days between first and second disbursement compared with 365 days for the Asia-Pacific region. No projects from other regions had received a second disbursement.

17. The slowdown in implementation pace witnessed across the majority of projects may be partly attributed to challenges related to slow procurement, difficulties recruiting qualified staff for projects and delays related to government and regulatory changes and transitions registered by a significant number of public sector projects (see paragraph 19 below).

Implementation challenges

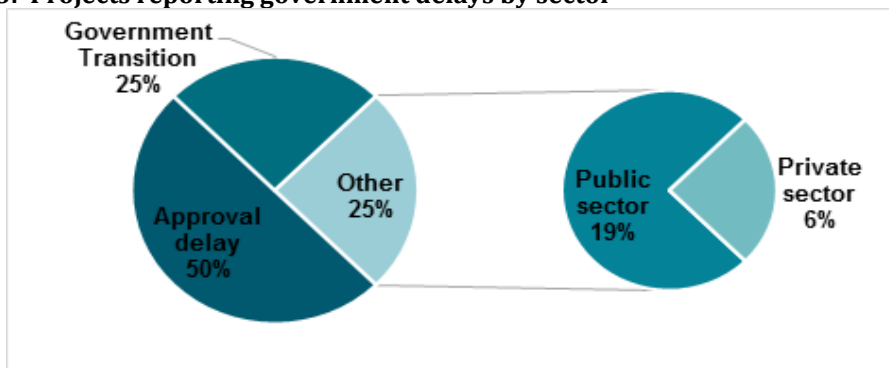
18. Only 5 (14 per cent) of the 36 reporting projects reported no issues, probably because they were at very early stages (less than 6 months) of implementation.⁸ The majority of the projects reported implementation challenges similar to those reported in the 2017 PPR. Key challenges relate to capacity constraints among implementing agencies/partner institutions and government-related delays, each affecting 30 per cent of all reporting projects.

19. As shown in figure 3, government delays adversely impacted 50 per cent of all reporting projects and of these, 75 per cent were under IAEs oversight and 50 per cent under DAEs. Closely related to government delays were challenges resulting from government transitions and changes, which affected 25 per cent of all reporting projects (88 per cent of these were public sector projects and all under IAEs oversight). These challenges resulted in delays in procurement of goods and services and setting up of implementation units, thus delaying projects' take-off. Unsurprisingly, half of the projects that experienced government transition-related challenges also reported government approval delays. There were no distinct geographic- and/or context-specific trends witnessed in the manifestation of these challenges.

⁷ The disbursement ratio for each region is calculated as a percentage of the total amount disbursed as at 31 December 2018. For multiregional projects, the amounts of disbursed funding allocated to each region are estimated based on the best information available to the Secretariat.

⁸ This is with the exception of one private sector project that had been under implementation for 19 months as at 31 December 2018.

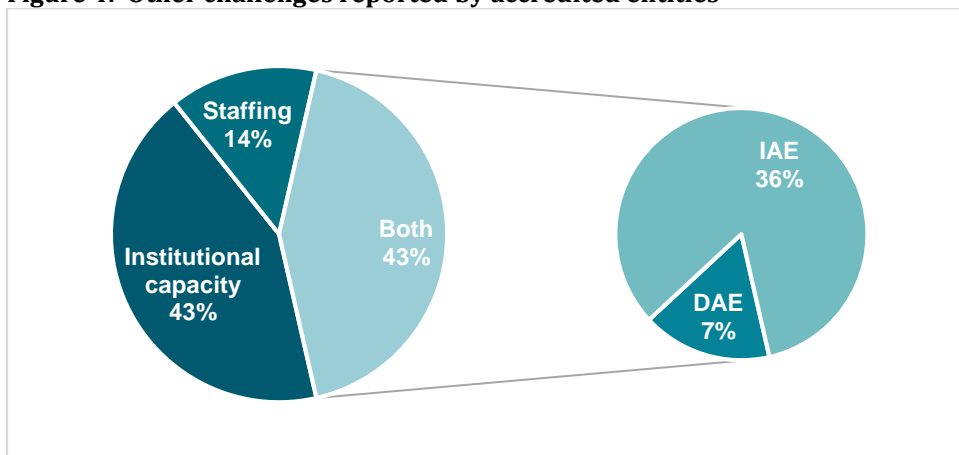
Figure 3: Projects reporting government delays by sector



20. In terms of other reported challenges, delays in procurement of goods and services impacted 25 per cent of all reporting projects (the public sector accounting for 19 per cent and the private sector accounting for 6 per cent) with IAEs accounting for the bulk (82 per cent) of the affected projects.

21. Weak institutional capacity of implementing partners/executing entities, which impacted the constitution and coordination of implementation teams and stakeholders, etc., affected 43 per cent of the reporting projects (all public sector) and with the majority (36 per cent) of the affected projects falling under the IAEs as shown in figure 4. Related to this challenge were problems recruiting and/or retaining project management units staff, which impacted 14 per cent of the reporting projects. It is notable that six (67 per cent) of the projects reporting staffing challenges also reported institutional capacity constraints. This may imply that projects with institutional capacity challenges are also likely to face challenges of getting qualified staff with the requisite skills. Details of the project-level challenges are summarized in annex 2 to this document.

Figure 4: Other challenges reported by accredited entities



Abbreviations: DAE = direct access entity, IAE = international access entity.

22. In response to the challenges identified, the Secretariat worked with the AEs to address some emerging implementation challenges by:

- (a) Supporting one AE to resolve a procurement delay issue with government, resulting in the implementation pace picking up and contingency measures being put in place to make up for lost time and the project getting back on track. An agreement on financing a budget deficit resulting from cost escalations since the design of the approved project was reached with the government;

- (b) Responding to and reviewing issues related to the implementation of environmental and social safeguards (ESS), specifically with respect to consultations with indigenous peoples affecting one of the projects. This was triggered by a report from the Independent Redress Mechanism. Plans for an implementation support mission to the project are under way;
- (c) Continued engagement with one of the AEs to resolve issues related to the process of accessing contingency disbursements and potential issues related to quality of works (construction); and
- (d) Engaging with an AE on a potential major change affecting a project resulting from a deviation from the original design that could trigger additional due diligence on ESS, among other considerations.

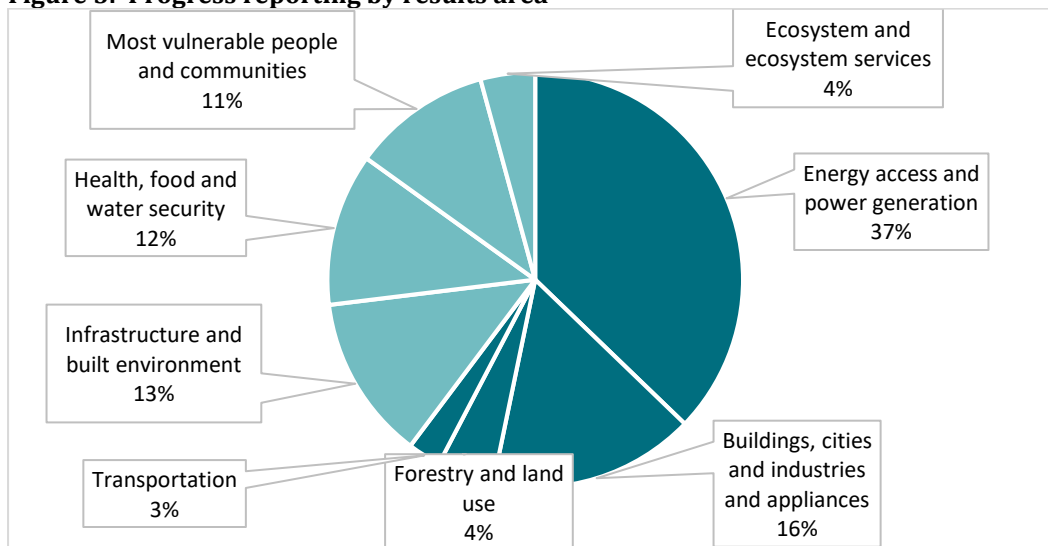
2.2 Progress on results

23. The analysis of the portfolio performance against the eight results areas⁹ (as per the initial RMF¹⁰ and the PMF) over the 2018 reporting period reveals that energy access and power generation has the largest portion of GCF mitigation related funding (USD 1.7 billion, 38 per cent). Transportation has the lowest amount (USD 118 million, 3 per cent); buildings, cities, industries and appliances have a share of 16 per cent (USD 733 million); and forestry and land use have 4 per cent (USD 202 million). Among adaptation results areas, infrastructure and built environment has the highest share with 13 per cent (USD 585 million) of the allocated amount followed by health, food and water security accounts (USD 542 million, 12 per cent), the most vulnerable people and communities with USD 495 million, 11 per cent) and the ecosystem and ecosystem services with the lowest share and lowest coverage (USD 194 million, 4 per cent), as shown in figure 5.

⁹ The eight GCF results areas in the initial RMF are (a) for mitigation: (i) energy access and power generation, (ii) transportation, (iii) buildings, cities, industries and appliances, and (iv) forestry and land use; and (b) for adaptation: (i) livelihoods of [the most vulnerable?] people and communities, (ii) health, food and water security, (iii) infrastructure and built environment, and (iv) ecosystems and ecosystem services. In addition to these core indicators, there are impact- and outcome-level indicators that are collected and reported through APRs. The core indicators for mitigation are: (i) tCO₂eq reduced as a result of GCF-funded projects/programmes; (ii) cost per tCO₂eq decreased for all GCF-funded mitigation projects/programmes; and (iii) volume of finance leveraged by GCF funding. The core indicator for adaptation is the total number of direct and indirect beneficiaries and number of beneficiaries relative to total population.

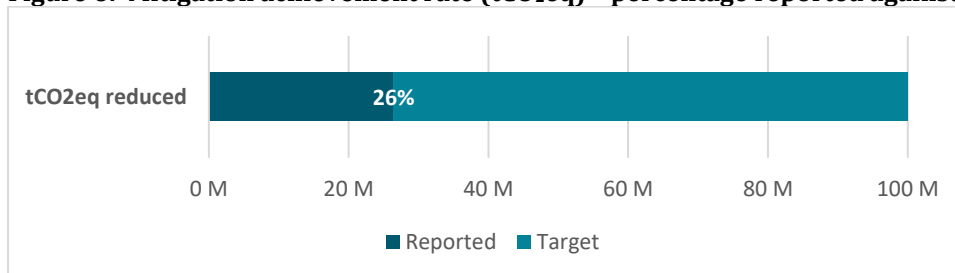
¹⁰ The Secretariat is currently updating the initial RMF, adopted at the seventh meeting of the Board, in 2014, to reflect a more mature context for the results architecture of GCF that takes into account the adoption of the Paris Agreement under the United Nations Framework Convention on Climate Change in December 2015 and the initial Strategic Plan for the GCF, which enshrines promoting paradigm shift, endorsed by the twelfth meeting of the Board in March 2016.

Figure 5: Progress reporting by results area



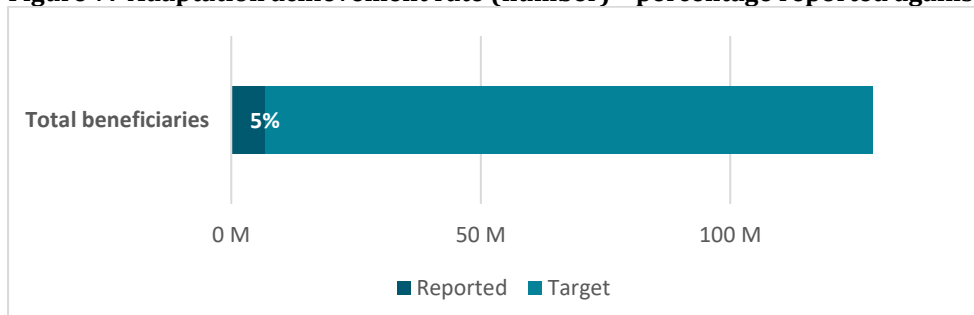
24. For the reporting period, the total mitigation impact potential of the 40 projects under implementation amounts to 100 million tCO₂eq of emissions reduced or avoided over their respective lifetimes. The AEs reported the amount of tCO₂eq reduced (mitigation core indicator) at 26 million tCO₂eq, thereby achieving 26 per cent of the total target of 100 million tCO₂eq (figure 6). In parallel, the total number of direct and indirect beneficiaries (adaptation core indicator) reached 7 million (close to 5 per cent of the target) as against the expected 128 million target beneficiaries to be reached at the point of completion of the projects under implementation (figure 7). Higher realization of targeted impact results is expected as project implementation progresses.

Figure 6: Mitigation achievement rate (tCO₂eq) – percentage reported against target



Abbreviation: M = million.

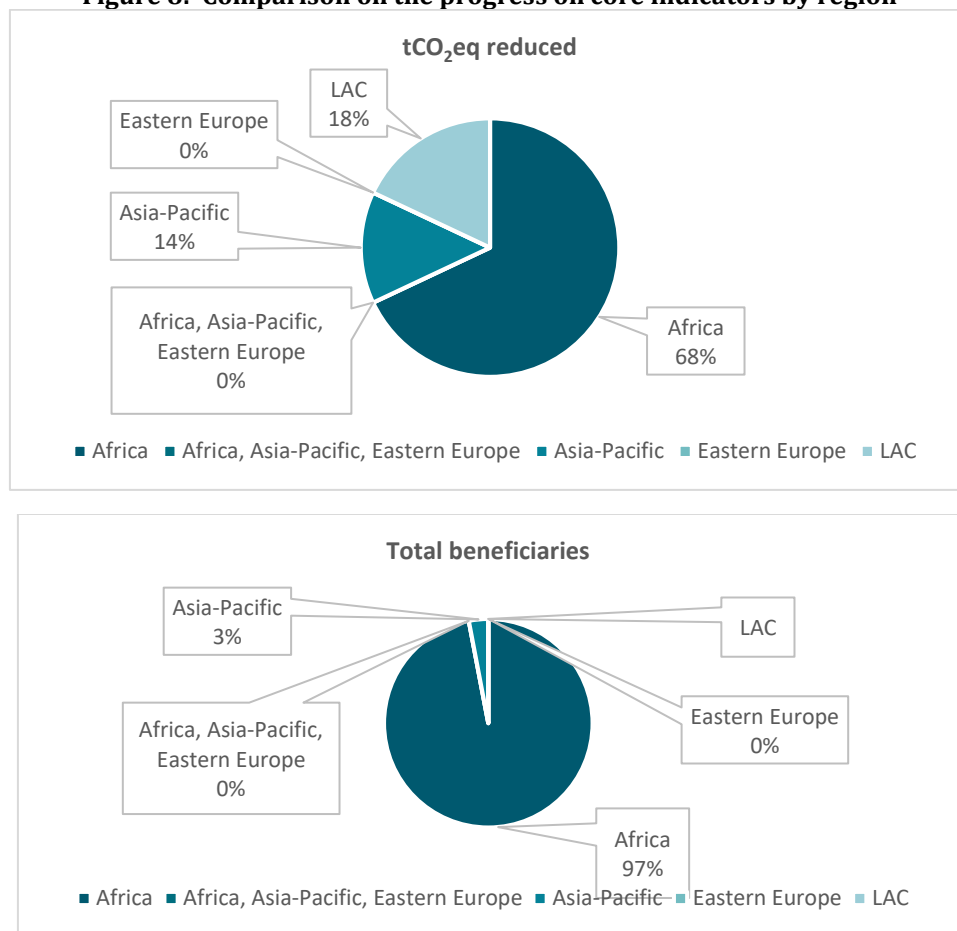
Figure 7: Adaptation achievement rate (number) – percentage reported against target



Abbreviation: M = million.

25. The progress made on core indicators for mitigation and adaptation is also shown by region (Africa, Asia-Pacific, Eastern Europe and LAC), access modality (DAEs, IAEs) and type of project/programme (public, private) (figures 8–10). IAEs accounted for the highest contribution to tCO₂eq reductions by access modality, having the highest number of projects under implementation. As expected, private sector projects, which fall mainly under mitigation and cross-cutting themes, contributed the most to tCO₂eq reductions. On the other hand, public sector projects, which mainly fall under the adaptation theme, contributed the most to reaching most beneficiaries.

Figure 8: Comparison on the progress on core indicators by region



Abbreviation: LAC = Latin America and the Caribbean.

Figure 9: Comparison on the progress on core indicators by access modality

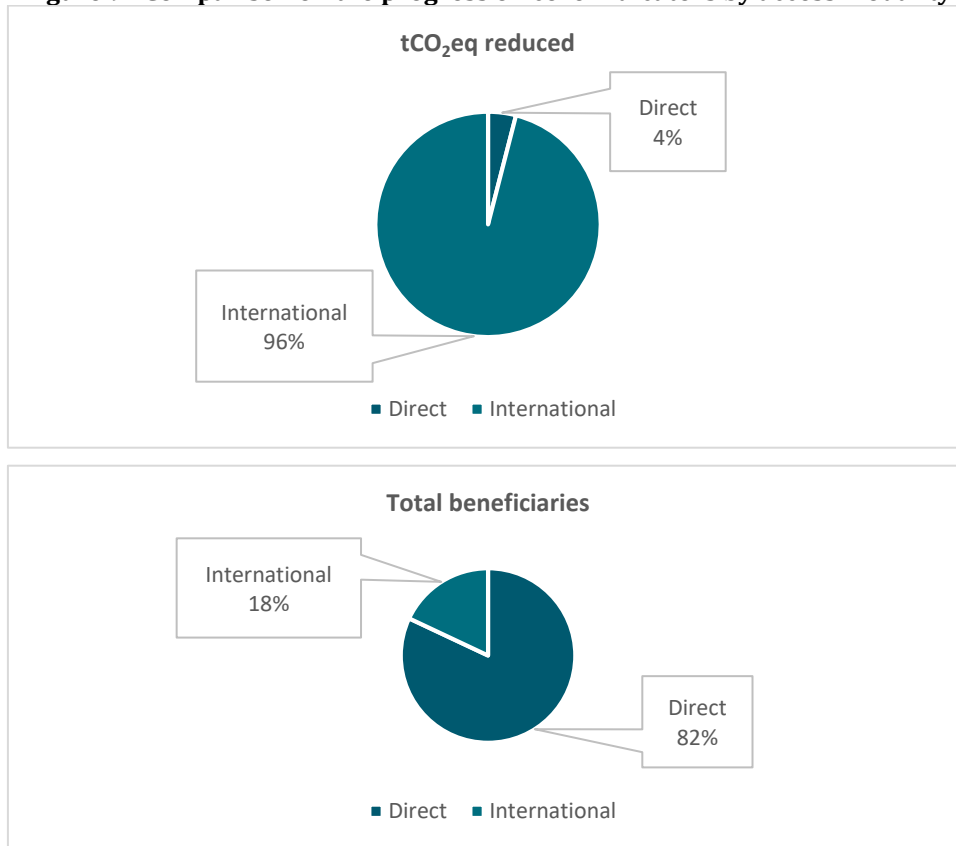
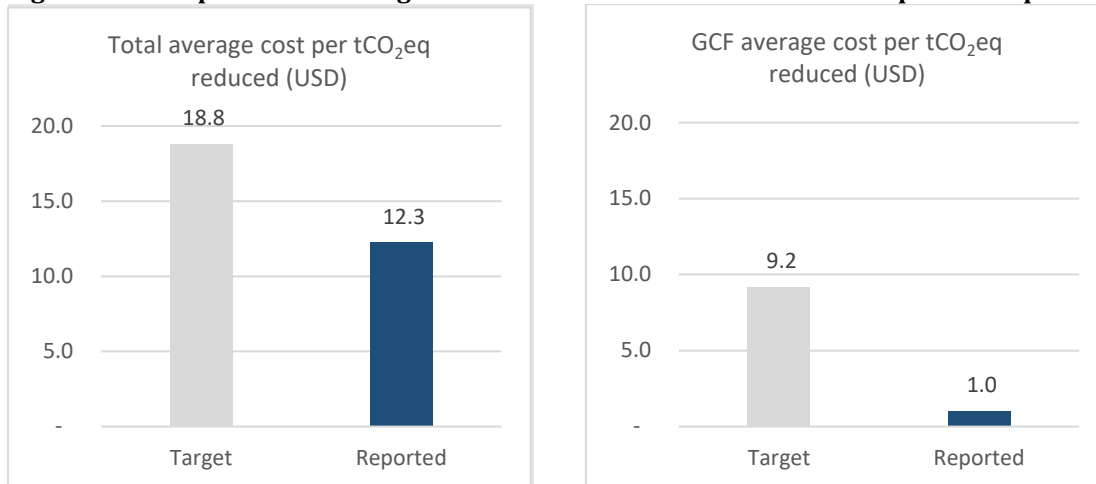


Figure 10: Comparison on the progress on core indicators by sector



26. In terms of cost efficiency as measured by cost per tCO₂eq reduced (abatement costs)¹¹ with GCF investment,¹² mitigation projects reported total abatement costs of USD 12.3 per tCO₂eq as against a target of USD 18.8, with GCF investment at USD 1 per tCO₂eq against a target of USD 9.2 per tCO₂eq, as shown in figure 11.

Figure 11: Comparison of average abatement costs and GCF investments per tCO₂eq reduced

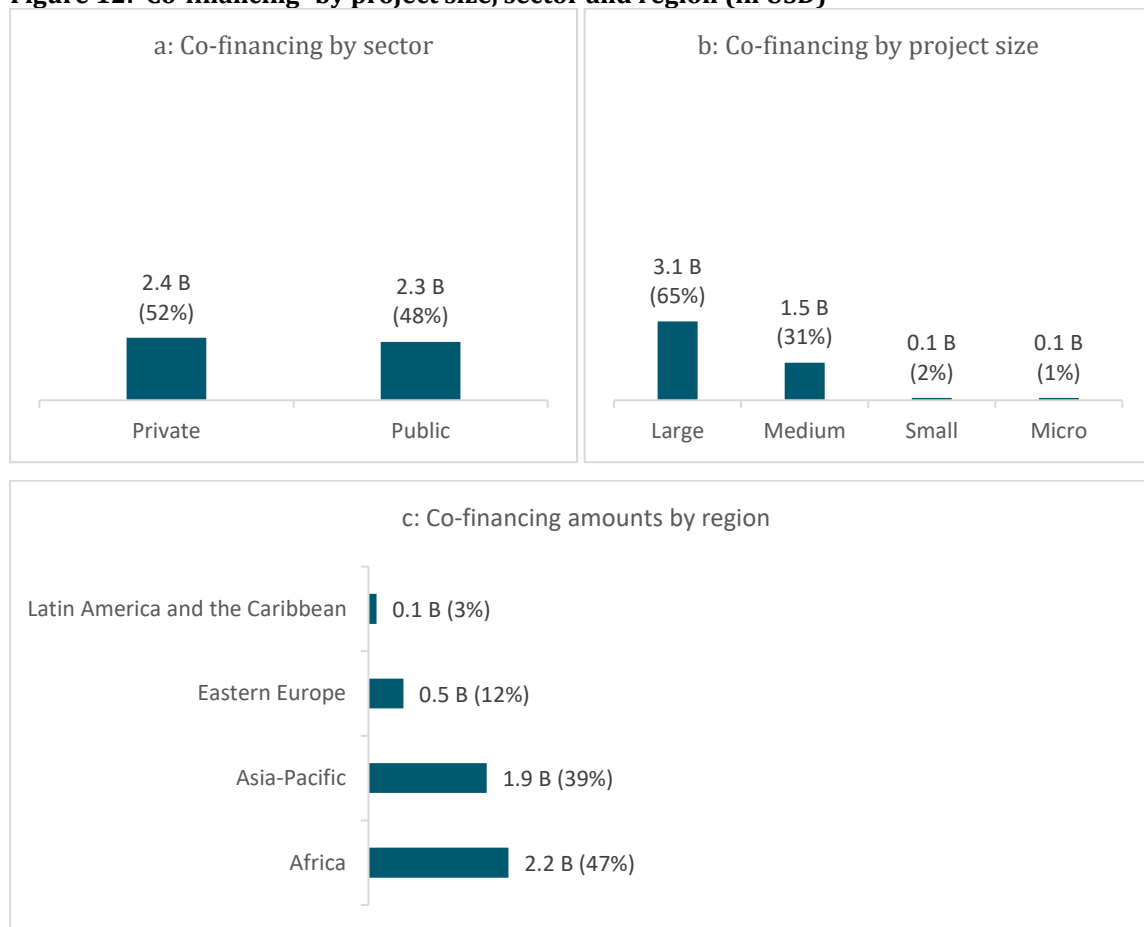


27. The projects under implementation have catalysed co-financing of USD 3.8 billion, out of which USD 2 billion (53 per cent) is expected to be directed towards vulnerable countries over the projects' lifetime. From a sectoral perspective (see figure 12a), private sector projects account for USD 2.4 billion (52 per cent) of co-financing compared with USD 2.3 billion for the public sector (48 per cent). The amount of co-financing mobilized in absolute terms shows direct linkage to the size of project, with large projects reporting the greatest amount of co-financing (USD 3.1 billion, 65 per cent) followed by medium-sized projects receiving USD 1.5 billion (31 per cent), as shown in figure 12b. Regionally, projects in Africa recorded the highest co-financing amounts (USD 2.2 billion, 47 per cent) which is more than four times the amount of approved GCF funding. This is followed by those in the Asia-Pacific region – at USD 1.9 billion (39 per cent) leveraging more than 10 times the co-financing ratio. Projects from the LAC region account for USD 0.5 billion (12 per cent) in co-financing followed by Eastern Europe with 0.1 billion (3 per cent), as shown in figure 12c.

¹¹ This indicator – as with most other indicators – is yet to benefit from the revised RMF, whose methodology will build on the original guidance in the mitigation and adaptation PMFs adopted through decision B.08/07, annex VIII.

¹² While both “Cost per tCO₂eq decreased for all GCF-funded mitigation projects/programmes” and “Volume of finance leveraged by GCF funding” are mitigation core indicators adopted at the seventh meeting of the Board, there is no guidance on the definition or the protocol for measurement and reporting of the indicators, which has led to inconsistent methodologies applied by different AEs. More robust definitions as well as measurement and reporting protocols are planned to be developed as part of the updated RMF towards the first half of 2020.

Figure 12: Co-financing^a by project size, sector and region (in USD)



Abbreviation: B = billion.

^a Amounts as a percentage of total co-financing amount (USD 11.5 B billion as at 31 December 2018).

Investment criteria

28. The AEs reported against the investment criteria for the first time in 2018. The reporting was qualitative in nature and varied according to the nature of the project and operating context. For instance, activities reported by the funded activities targeting paradigm shift focused not only on the replication and/or scaling-up of the intervention through GCF funding but also on the creation of an enabling policy and regulatory environment as well as capacity-building and awareness-raising for relevant stakeholders. For sustainable development potential, most projects and programmes tended to align their project objectives with the Sustainable Development Goals. In terms of country ownership, projects emphasized the level of engagement with, and coordination among, national stakeholders and other non-state actors as well as the extent of alignment of project objectives with national strategies, policies and plans on climate change. However, it should be noted that there has not been much progress owing to the early implementation status of the majority of the projects. Nevertheless, a sample of progress reported in two projects is highlighted in boxes 1 and 2.

Box 1: Priming financial and land-use planning instruments to reduce emissions from deforestation in Ecuador (FP019)



The problem: deforestation levels on average in Ecuador amounted to 109,000 hectares (ha) per year between 2000 and 2008, with over 99 per cent of deforested land being transformed into agricultural areas, amounting to average annual emissions of 43.4 million tonnes of carbon dioxide equivalent at the national level for the period.

The project: the GCF-funded project known as PRO-Amazonia seeks to implement the priority policies and measures identified in Ecuador's REDD+ Action Plan, which aims to achieve net zero deforestation by 2020. The project will contribute to reducing emissions from the land use, land-use change and forestry sector, which represents 30 per cent of the country's greenhouse gas emissions. More specifically, it is expected to contribute to the achievement of the following government objectives: (1) at least 20 per cent reduction in gross emissions by 2025 compared with forest reference emission levels for the period 2000–2008; (2) reforestation of 210,000 ha of cleared land; and (3) maintain climate regulation services (carbon) and other services such as water regulation and associated biodiversity. The project is in its second year of implementation and is already reporting accomplishments in all four components during the reporting period.

Investment criteria tracking

The project has reported progress against all the investment criteria, but notably for impact potential and paradigm shift.

Impact potential: the project has so far supported 5,022 small producers in six Amazon provinces who are now receiving the support of the project and the Ministry of Agriculture to transition to more sustainable agricultural practices and stop expanding their production into forested areas. Moreover, the National Council for Sustainable Palm Oil has been established as a result of an inter-ministerial agreement signed between the Ministry of Environment and the Ministry of Agriculture and Livestock. In addition, there is continued maintenance and monitoring of (i) 159,557 ha of forest under conservation agreements by the Socio Bosque Program; (ii) 285,000 ha of land under protection through agreements with three water funds, and 136,000 ha that have been declared municipal protected areas for conservation; and (iii) 2,300 ha in the dry forest region in Loja and El Oro provinces (Southern Ecuador) under restoration agreements and an additional 120 ha under natural regeneration. In 2018, 830 beneficiaries (55 per cent men, 45 per cent women) received training to strengthen their capacities in topics such as conservation, restoration, climate change and land and water management.

In terms of **paradigm shift**, the regulatory framework has been strengthened through the integration of specific provisions aimed at reducing deforestation, mitigating and adapting to climate change and fostering sustainable agricultural practices into new guidelines for land-use planning. These guidelines will be utilized in 2019 for all land-use planning process at the provincial, canton and parish level in Ecuador and will be incorporated into the guidelines for six provinces and 12 municipalities supported by the project.

Box 2: Private sector case study of investment criteria – Egypt Renewable Energy Financing Framework (FP039)



The project: the Egypt Renewable Energy Financing Framework aims to catalyse the development of a competitive and efficient renewable energy market in Egypt by directly supporting investments in up to 12 solar photovoltaic and wind projects with total installed capacity of 600 MW, which are expected to lead to greenhouse gas emission reductions of 18.9 million tonnes of carbon dioxide (MtCO₂) over the lifetime of the renewable energy investment assets.

The framework has two components: component 1 seeks to finance development of 600 MW of renewable energy capacity through 8-12 projects with long tenor-loans; and component 2 seeks to scale up renewable energy planning and integration through capacity-building. Since the project became effective, a total of eight projects developed under the feed-in tariff scheme under component 2 have reached financial close, representing approximately 380 MWac of solar photovoltaic capacity. These projects have been supported by over USD 62 million of GCF reimbursable funds and their implementation has significantly progressed during the reporting period. The 30 MWac and 50 MWac infinity projects were expected to become operational in the first quarter of 2019, followed by the 50 MWac Scatec Solar, Aswan, in the second quarter of 2019. The remaining Scatec Solar projects are scheduled to complete construction and become operational over the course of 2019.

Progress against investment criteria: the programme has reported progress on a number of areas.

Paradigm shift: the programme contributed to the success of the feed-in tariff scheme in Egypt. In 2018, it supported the introduction of bifacial solar modules in Egypt through the Scatec Solar projects. This precedent will encourage other developers and lenders alike in adopting this new technology, which offers better yields and higher efficiency.

Impact potential: the programme has contributed to the realization of **1,465 MWac of new solar capacity**, which will be online in 2019, compared with 887 MWac of non-hydro renewables as reported for the fiscal year ending June 2017. The programme will finance **380 MWac** of the additional capacity. These results are in line with the Egyptian Government's target of increasing the share of renewable energy in the electricity mix to 20 per cent by 2022 and 42 per cent by 2035. The projects funded under the programme will lead to over 16 million tCO₂ greenhouse gas emission reductions over their lifetime.

2.3 Financial performance: disbursements and utilization of funds

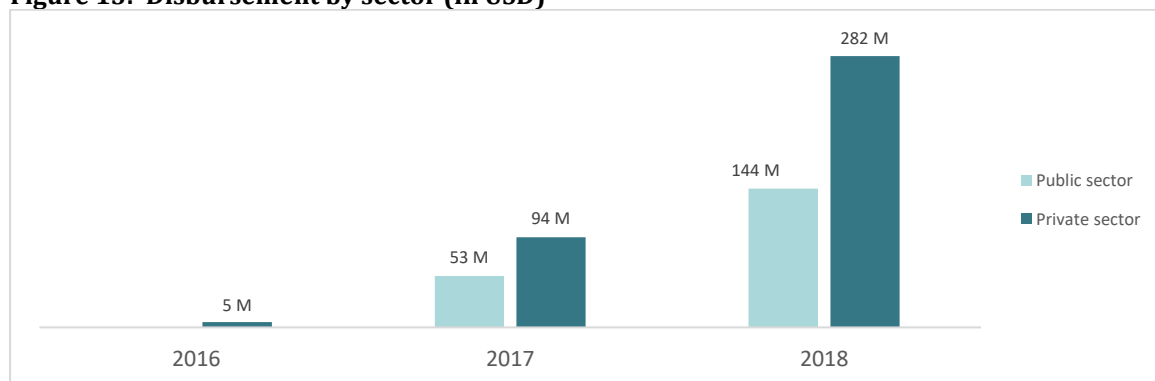
29. There was a twofold growth in the aggregate disbursements for the period ending 31 December 2018 reaching USD 427 million, up from USD 147 million in 2017. Out of the 40 projects under implementation, 32 projects across 38 countries received disbursements to drive implementation.

30. The overall disbursement rate for 2018 was 26 per cent for projects under implementation, marginally higher than in 2017 (23 per cent). The disbursement rate also reflects the fact that most of the projects in the GCF portfolio have only recently started implementation (with an average 1.2 years under implementation). The growth in the rate and value of disbursements reflects both the growing size of the portfolio under implementation and the improved capacity of GCF to efficiently disburse funds to projects.

31. Projects in vulnerable countries, that is, African countries, small island developing States and the least developed countries accounted for 56 per cent (USD 0.98 billion) of the overall project approvals and 51 per cent (USD 218 million) of the aggregated disbursements remitted by GCF. The higher uptake by the vulnerable countries highlights the critical role that GCF is playing in channelling climate funds to the countries most exposed to the effects of climate change.

32. From a sectoral perspective, private sector projects and programmes accounted for 66 per cent (USD 282 million) of all disbursements during the review period, representing a marginal increase from 64 per cent recorded in 2017; while disbursements to public sector projects marginally dropped to 34 per cent (USD 144 million) in 2018 compared with 36 per cent in 2017 (figure 13).

Figure 13: Disbursement by sector (in USD)



Abbreviation: M = million.

33. The larger disbursements for the private sector projects are attributed mainly to the project size, as the disbursements for such projects are generally larger in size with an average disbursement per project amounting to USD 40.4¹³ million compared with USD 5.5 million for an average project disbursement in the public sector. Another reason for higher disbursements is the nature of financing applied in private sector projects; their funding is predominantly channelled through financial intermediaries, which generally have a pipeline of subprojects ready for uptake of funds.

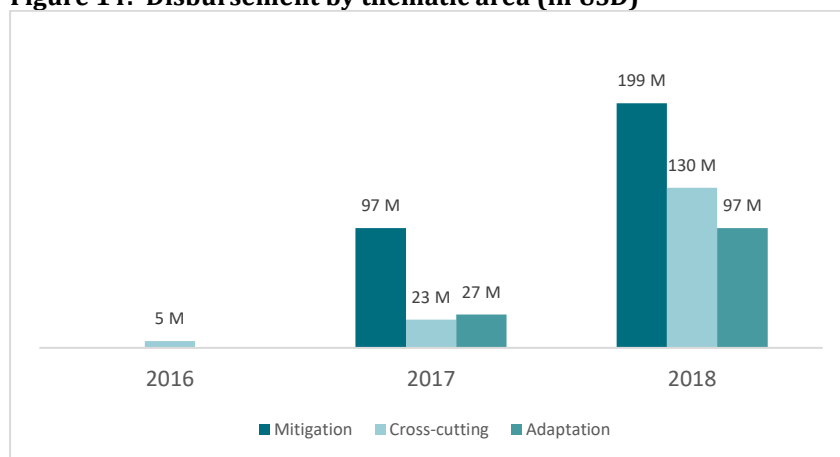
¹³ The disbursement size in the private sector is mainly due to three large-size projects, FP025 (multi-country), FP047 (Kazakhstan) and FP039 (Egypt).

34. The disbursement rate for private sector projects stayed significantly higher at 53 per cent compared with that of public sector projects (19 per cent). The low disbursement rate in the public sector was due to a wide array of factors, including political, institutional and other challenges discussed under implementation challenges in section 2.3 above.

35. With respect to access modality, DAEs had a disbursement rate of 47 per cent in 2018 up from 39 per cent in the previous year, while the disbursement rate for IAEs remained at 20 per cent. The increase in the disbursement rate for DAEs is mainly due to two projects that are fully disbursed while seven projects under the IAEs oversight did not request any disbursements during the reporting period.

36. Thematically, mitigation projects accounted for 47 per cent of the total disbursements (USD 199 million), down from 66 per cent as at the end of 2017. This is as a result of the changes in the overall portfolio structure with lower growth in mitigation projects compared with cross-cutting and adaptation projects (figure 14). Cross-cutting projects represented 31 per cent (USD 130 million) of the cumulative disbursements (18 per cent in 2017) while adaptation represented 23 per cent (USD 97 million; 16 per cent in 2017).¹⁴ In terms of project count, disbursements were made to 22 adaptation projects (52 per cent), 10 mitigation projects, and 10 cross-cutting projects (against 9 adaptation, 5 mitigation and 5 cross-cutting projects in 2017).

Figure 14: Disbursement by thematic area (in USD)

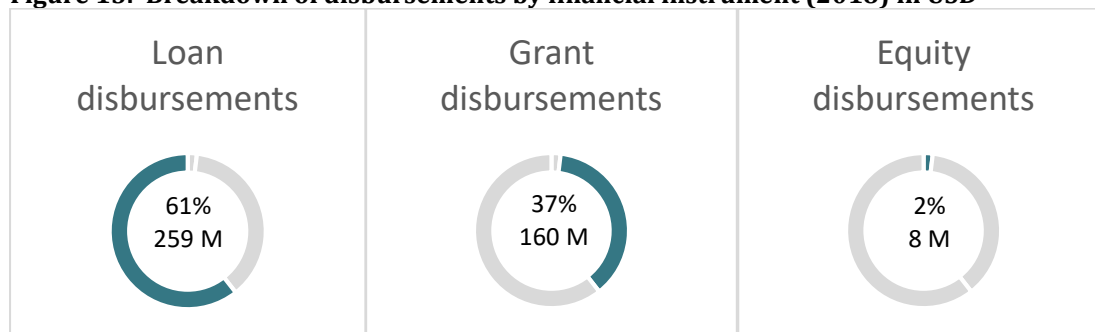


Abbreviation: M = million.

37. An analysis of disbursements by financial instruments as shown in figure 15 indicates that loans exclusively for private sector projects accounted for 61 per cent of the total disbursements as at the end of 2018 (58 per cent in 2017). Grants represented 37 per cent of the disbursement volume during the review period and were largely employed in public sector projects. The share of equity drawdowns to total disbursements fell from 5 per cent to 2 per cent with only one project making an equity drawdown during the review period.

¹⁴ The GCF target is to have a balanced portfolio mitigation and adaptation.

Figure 15: Breakdown of disbursements by financial instrument (2018) in USD



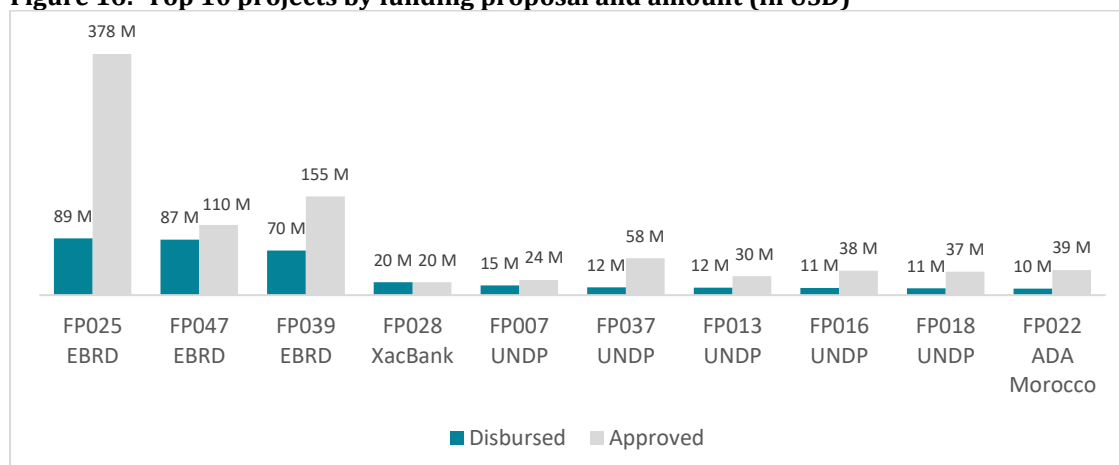
Abbreviation: M = million.

38. In terms of disbursement rate of financial instruments, the rate for loans increased from 58 per cent in 2017 to 65 per cent in 2018 mainly because they are channelled through financing facilities to AEs. For grants, disbursement rate dropped from 37 per cent in 2017 to 28 per cent, mainly owing to the addition of new projects to the portfolio towards the end of 2018. Many of the additions were mainly grant-funded and had no disbursements by the end of 2018. Additionally, it is important to note that delays in approvals, procurement and staffing on the side of the AEs, in addition to the impact of political developments in beneficiary countries, affected public sector projects, which are principally financed by grants, thus impacting their disbursement rates. The disbursement rate for equity increased from 5 per cent in 2017 to 32 per cent in the reporting period but with only one project receiving equity disbursements.

Analysis of the disbursements of the 10 projects with the largest disbursement amount

39. Ten projects with the largest disbursement amount accounted for USD 336 million or almost 80 per cent of the total disbursements volume in 2018 (figure 16).

Figure 16: Top 10 projects by funding proposal and amount (in USD)



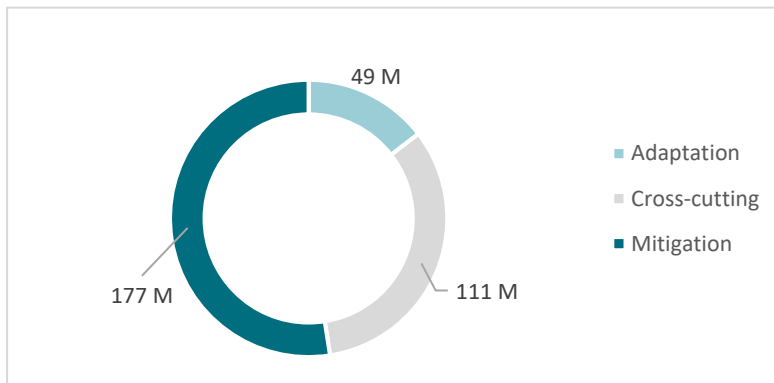
Abbreviations: ADA = Agency for Agricultural Development, EBRD = European Bank for Reconstruction and Development, FP = funding proposal, M = million, UNDP = United Nations Development Programme.

40. Of these, mitigation projects, primarily under energy access and power generation, contributed to almost 53 per cent (USD 177 million) exclusively driven by the private sector loans (97 per cent) through EBRD (USD 152 million) and XacBank (USD 20 million).

41. Among the top 10 projects, cross-cutting projects accounted for 33 per cent (USD 111 million), mainly driven by a large EBRD project spanning multiple countries (FP025 with USD

88 million). Adaptation, on the other hand, accounted for 14 per cent (USD 49 million) of disbursements, financed wholly through public sector grants channelled through UNDP. These adaptation projects cover two adaptation strategic result areas – health, food and water security, and most vulnerable people and communities. These figures show that a large share of disbursements during the review period were flowing towards a small number of AEs, reflecting the portfolio concentration.

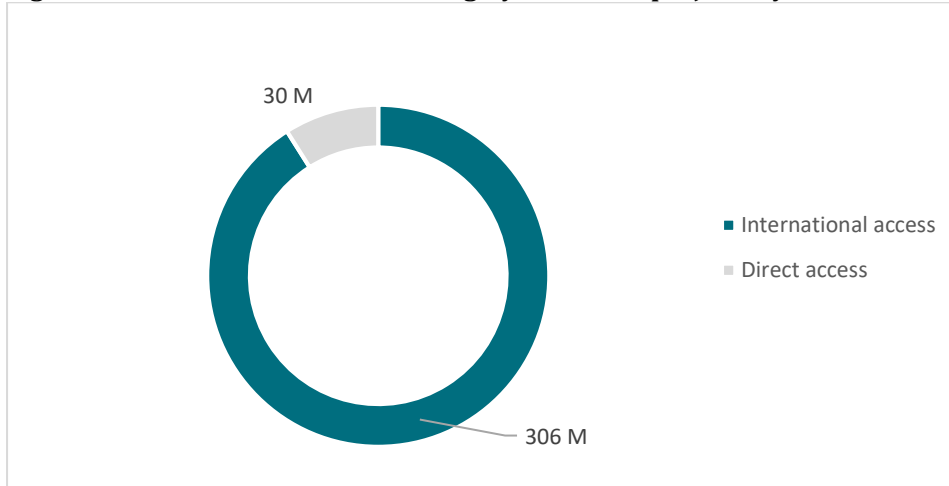
Figure 17: Top 10 projects with most disbursed funds by theme (in USD)



Abbreviation: M = million.

42. Finally, disbursements through IAEs dominated the top 10 projects, accounting for 91 per cent (USD 306 million) and DAEs accounting for the remaining 9 per cent (USD 30 million). This mirrors the fact that many DAEs are not accredited for large projects (figure 18).

Figure 18: Volume disbursed to 10 highly disbursed projects by access modality (in USD)



Abbreviation: M = million.

Utilization rates of GCF funds for projects under implementation

43. Out of the GCF funds disbursed to AEs, USD 226 million was utilized during the review period, representing a utilization rate of 55 per cent (53 per cent in 2017). Thematically, the utilization rate was 47 per cent for adaptation, 87 per cent for mitigation and 38 per cent for cross-cutting projects. Disaggregation by sector shows that the utilization rate for private sector projects was 73 per cent while that for public sector projects was only 50 per cent. Regionally, the utilization rate for projects stands at 46 per cent for Africa, 65 per cent for the Asia-Pacific

region, 70 per cent for LAC and 42 per cent for Eastern Europe. Overall, the low utilization rate is reflective of the relatively early implementation stages of projects under implementation, whose average life is approximately 1.2 years.

2.4 Environmental and social safeguards/gender assessment

44. From among the 36 projects that submitted APRs, 70 per cent were considered to have limited adverse environmental and/or social risks and impacts (category B and medium level of intermediation (I2)), while 24 per cent had minimal or no adverse environmental and/or social risks and impacts (category C and low level of intermediation (I3)). Two of the projects reviewed (5 per cent) were considered category A (significant adverse environmental and/or social risks and impacts).

45. A few projects are still in the preparatory and mobilization stage and in the early days of implementation. They are still establishing their project implementation units; hence most of the activities included the conduct of inception workshops, development of terms of reference, procurement of civil works, recruitment of personnel and consultants, establishing legal and implementation arrangements with the government and executing entities as well as conducting updated baseline reviews. AEs also started to re-engage with their stakeholders and target beneficiaries. ESS-related training sessions for project personnel are also being initiated.

46. The potential environmental and social risk impacts of projects relate to various interventions, mostly during the construction stage. These include activities related to civil works and infrastructure installations, ecosystem restoration, water resources management, integrated watershed and flood management and renewable energy power facilities (e.g. solar photovoltaic installations and rehabilitation of hydropower facilities). The AEs generally reported receiving no major safeguards-related grievances. The reported inquiries in the grievance registers included requests for clarifications on project implementation processes. Emerging lessons in capacity-building include staff secondment from an IAE to a project management unit to assist in strengthening the implementation of its safeguards policies and procedures.

47. As per the requirement of the GCF Gender Policy and related activities, of the 36 projects under review, all except 1 of the projects already have their gender assessments and action plans in place. Of the remaining 35 projects, 12 are going through the process of refining their action plans based on the Secretariat's suggestions in the previous APR submission;¹⁵ one is still working on finalizing the project-level gender assessment and developing the project-level gender action plan while another is yet to fulfil the FAA condition to submit a more comprehensive gender assessment and action plan. Two projects are also engaged in further refining their gender assessments to ensure that the specific needs of women are identified and addressed.

48. While 14 of the projects are yet to start implementation of the gender action plans, 11 reported different levels of implementation progress. A few of the projects have provided training to women staff, while others have provided targeted support to women as well as raising awareness about gender-based violence. Some projects have ensured the inclusion of women and vulnerable groups in consultative processes, while a significant number of women have been provided with loans at affordable and suitable rates to run their businesses while making sure a system is put in place to select women-led businesses. Some of the projects have developed training courses and IEC materials that include gender issues and are gender

¹⁵ These suggestions are aimed at improving the quality of the action plans and include the incorporation of missing elements such as sex disaggregated baseline, indicators, targets, allocation of budgets and identifying gender experts to support the implementation of the gender action plan.

sensitive, while others have ensured that their projects specifically target both women and men in their interventions.

49. The projects' gender action plans continue to demonstrate that the focus of gender-related results will ensure equitable and relevant access to information, resources and services to women and vulnerable groups. Projects continue to commit to enabling women to have access to goods and services such as safe, affordable water, housing, capital and loans as these services are mostly inaccessible by women and vulnerable groups, including female-headed households. Projects create access to employment opportunities in the formal sector, prioritizing and supporting women-led services and small businesses as well as sensitization and awareness-raising with a focus on gender-based violence as well.

50. However, as earlier indicated, there is a slow start for many of the projects (even for those in the third year of implementation) coupled with those that are still refining their action plans and with some still putting in place gender experts to implement action plans. A key challenge in the review of the reports are that AEs are not as informative as required. Many of the AEs did not comply with the Secretariat's request for projects to report against the gender action plans initially submitted. This has been a challenge and in the absence of field-level assessments, the learning and information available in the hands of the Secretariat on the issue is limited. To mitigate on this, there is a need for continuous consultation with AEs on the depth and quality of reporting in order to extract and document lessons from project implementation.

2.5 Accredited entities institutional-level reporting

51. As per decision B.23/11, paragraph (a), AEs are considered to be fully accredited upon signing and making effective their accreditation master agreement (AMA) with GCF. The date of AMA effectiveness also marks the start of the five-year accreditation term. During this term, AEs are required to monitor and report their engagement with GCF in accordance with the MAF, which also established levels of M&E monitoring of AEs at two levels:

- (a) AE compliance (or institutional-level monitoring and reporting), addressing institutional requirements in relation to its accreditation and re-accreditation process; and
- (b) Funded activity monitoring through the APRs, addressing specific requirements for each GCF-funded activity.

52. AE compliance comprises annual self-assessments, IAEs reporting on support to DAEs, midterm review and, if needed, ad hoc compliance reviews. At the end of the term, AEs will need to seek re-accreditation to GCF.

53. All AEs with signed and effective AMAs provided the annual self-assessments for the reporting period. On the basis of the GCF fiduciary standards, ESS and gender policy assessed during accreditation, all AEs reported continued to adhere to GCF accreditation standards.

54. As per the AMA requirement for IAEs to self-report on support to DAEs, many reported minimal engagement due to lack of financial arrangement with GCF on the type of support to be provided. Other than these, none of the AEs that submitted the reports for the reporting year reported a change or modification to their institutional systems, policies or procedures originally reviewed in accreditation or those in place during the previous reporting year that negatively impacted the status of their accreditation and obligations as per the AMA. This largely implies that the AEs are still applying GCF acceptable standards in the implementation of GCF-approved projects. However, going forward, there might be a need for the Secretariat to engage IAEs on the financing arrangement modality for effective support to the DAEs.

III. Performance review of Readiness Programme and the Project Preparatory Facility

3.1 Readiness Programme

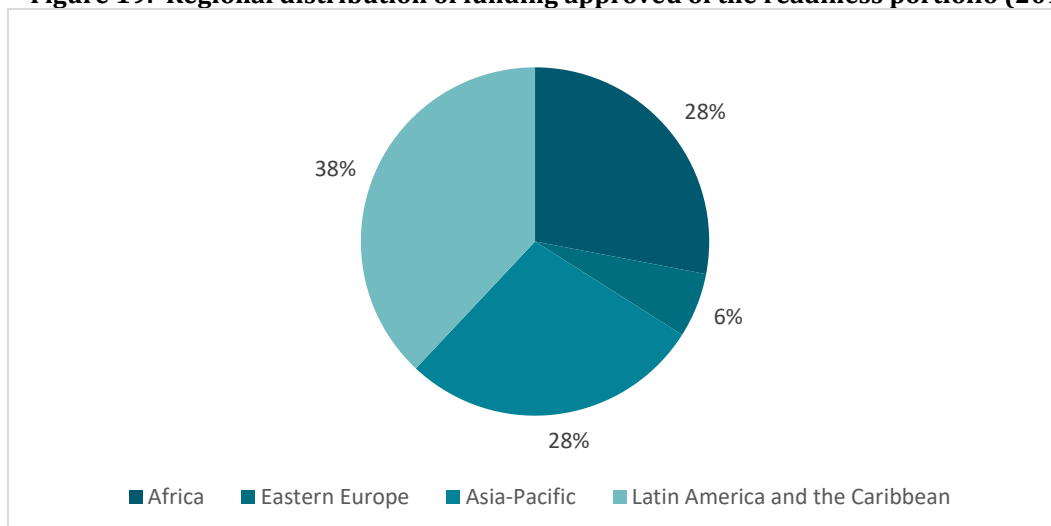
55. Implementation progress for the Readiness Programme has been assessed using various measures as well as the monitoring and reporting tools developed during the reporting period. A snapshot of the progress made in the operation and results of Readiness Programme activities as at 31 December 2018 is given below.

Operational progress

56. A total of 204 readiness grants amounting to USD 131.8 million of readiness funding had been approved as at the end of 2018. Of this amount, USD 43.1 million had been disbursed, tripling the amount disbursed in 2017 (USD 12.9 million; USD 3.2 million in 2016). The disbursements benefited 162 readiness grants, including 15 grants which completed implementation of their activities in 2018.¹⁶ The overall expenditure rate of the readiness portfolio against the disbursed amount stood at 46 per cent as at 31 December 2018.

57. With respect to the regional distribution of the approved funding as at 31 December 2018, the LAC region recorded the highest proportion with 38 per cent, followed by Africa and Asia-Pacific with 28 per cent each, while Eastern Europe's proportion was only 6 per cent (figure 19).

Figure 19: Regional distribution of funding approved of the readiness portfolio (2018)



58. In terms of implementation pace, the Secretariat received 39 no-cost extension requests in 2018, out of which 34 were approved, based on the plausible justification for an extension within the country-specific context, including, but not limited to, the change of NDA, natural

¹⁶ It should be noted that 162 out of 204 readiness grants are those disbursed and subject to the monitoring and evaluation of the Office of Portfolio Management. In addition, PricewaterhouseCoopers (PwC) provided technical assistance for a total of 29 projects for 25 countries and Mott MacDonald provided support for one project in one country, which had been disbursed as at 31 December 2018 and managed by the Division of Country Programming. The total amount approved and disbursed refers to total Readiness grants approved as at the end of 2018 inclusive of GCF, PwC technical assistance and Mott MacDonald support.

disasters, etc. The remaining five requests were submitted towards the end of the year and are expected to be approved in 2019.

Progress on results

59. Progress on results of the Readiness Programme was captured from 86 non-NAP reports submitted, and 176 non-NAP proposals approved by 31 December 2018. The objectives of readiness activities include: supporting the formulation of country programmes and stakeholder engagement; developing their capacities to build pipelines; supporting the establishment of no-objection procedures; supporting DAEs in the accreditation process; and effectively establishing strategies to implement GCF-funded projects and programmes.

60. While countries and DPs/AEs have, over the 2016–2017 period, reported on progress and results achieved through readiness grants based on the initial readiness logical framework, the results presented below are analysed against four out of the five outcome-based objectives for the Readiness Programme that were adopted in February 2018.¹⁷ These four objectives are: (i) capacity-building for climate finance coordination; (ii) strategies for climate finance implementation; (iii) pipeline development; and (iv) national adaptation planning. The analysis still allows for continuity and comparability in reporting of grants implemented under the new and those implemented under the old framework.

61. **Capacity-building.** As at 31 December 2018, 168 readiness proposals from 109 countries approved by the Secretariat targeted capacity-building related outcomes. Thirty-five of the supported countries reported engagement with 7,588 representatives¹⁸ of diverse stakeholders through training and workshops as part of the Readiness Programme. Of these participants, 301 NDA staff from 21 countries¹⁹ were trained in the areas of climate finance and on GCF policies and procedures.

62. A total of 105 readiness grants from 98 countries targeted the establishment of the no-objection procedure, a relevant indicator for national capacity-building and country ownership. Fifteen of the beneficiary countries established the no-objection procedure and the process for establishing the same procedures was under way in 36 countries as at the end of 2018.

63. There were 104 readiness proposals from 60 countries that received readiness support related to the nomination and accreditation of DAEs during the reporting period. As a result of this support, 34 DAEs from 15 countries had been nominated and the accreditation of 3 out of 41 DAEs accredited as at 31 December 2018 was as a result of support from the Readiness Programme.

64. **Strategies for climate finance implementation.** The Readiness Programme has supported countries in the development of climate investment strategies and country programmes that will contribute towards the realization of a paradigm shift in achieving low-emission and climate-resilient development. As at the end of 2018, 20 of the 98 countries that had received readiness grants for country programming had submitted country programmes whereas 32 countries were in the process of preparing their country programmes.

¹⁷ At its twenty-second meeting, in February 2019, the Board adopted the objectives and outcomes (B.22/11) for the revised Readiness Programme, based on which the Secretariat is to engage countries ensuring complementarity with existing readiness activities, other funds and the GCF modalities.

¹⁸ The number of participants is likely to have an issue of double counting both in the direct reporting by countries/DPs and in the information extracted from the deliverables. Avoidance of double counting is assumed as the responsibility of reporting agencies.

¹⁹ NDA staff within a list of participants are counted as participants belonging to the GCF NDA/focal point organizations (e.g. Ministry of Environment).

65. In order to build the local capacities of countries in the formulation of country programmes and formal consultation processes, 105 countries sought readiness support aimed at identifying and engaging stakeholders. Out of these, 18 had undertaken national stakeholder engagement with the readiness grants support, and 33 were in the process of engaging with stakeholders as at the end of 2018.

66. As part of the Readiness Programme's efforts to support country consultative process and structured dialogues for private sector engagement, a total of 60 grants representing 52 countries were approved. A total of 263 private sector entities in 12 countries were engaged for at least 12 days of training, workshops and conferences,²⁰ while 18 countries reported ongoing private sector engagement activities as at the end of 2018.

67. **Pipeline development.** The Secretariat provided support to 74 readiness proposals from 59 countries in the pipeline development and preparation of funding proposals. This support led to the development of 15 concept notes and 8 funding proposals in 8 countries.²¹

68. Outsourcing part of the monitoring and management of the Readiness Programme to PricewaterhouseCoopers (PwC) is yielding dividends. PwC provided support to 30 countries to identify gaps and develop action plans for accreditation. Seven beneficiary entities have now been accredited. In addition, the roster for environmental and gender support provided by Mott MacDonald and PwC UK offered targeted and in-depth support to two applicants (in the accreditation process) to address its gaps on ESS. Deliverables included a draft institutional policy for ESS, based on existing policy and practice along with recommendations for operationalizing the policies, particularly with regard to activities to be financed by GCF resources.

69. In addition, PwC supported the institutional gap assessment and action plan of 31 approved readiness proposals. The support from PwC UK facilitated high-quality deliverables based on frequent feedback, efficient processes and smooth communication between the firm, GCF and the recipient entity. PwC UK remains available beyond services completion for follow-up calls and further exchanges to maximize the value of its work.

70. **National adaptation planning.** During the reporting period, out of a total of 23 grants supporting NAP formulation or other adaptation planning processes, only 9 countries provided progress updates. Since most of the NAP grants started implementation only in late 2018, the NAP portfolio is yet to show any significant progress.

3.2 Performance review of Project Preparatory Facility support

71. A summary of the operational progress and results of the PPF activities in 2018 is presented below.

²⁰ Twelve days of private sector engagement activities were reported by only 10 out of 12 countries that targeted the same outcome and engaged 263 private sector entities. Note that it covers only the number of private sector entities participating in a workshop when it was exclusively held for private sector engagement with GCF/Private Sector Facility/climate finance, or number of private Sector entities having meetings to discuss their specific engagement with GCF (e.g. getting accredited).

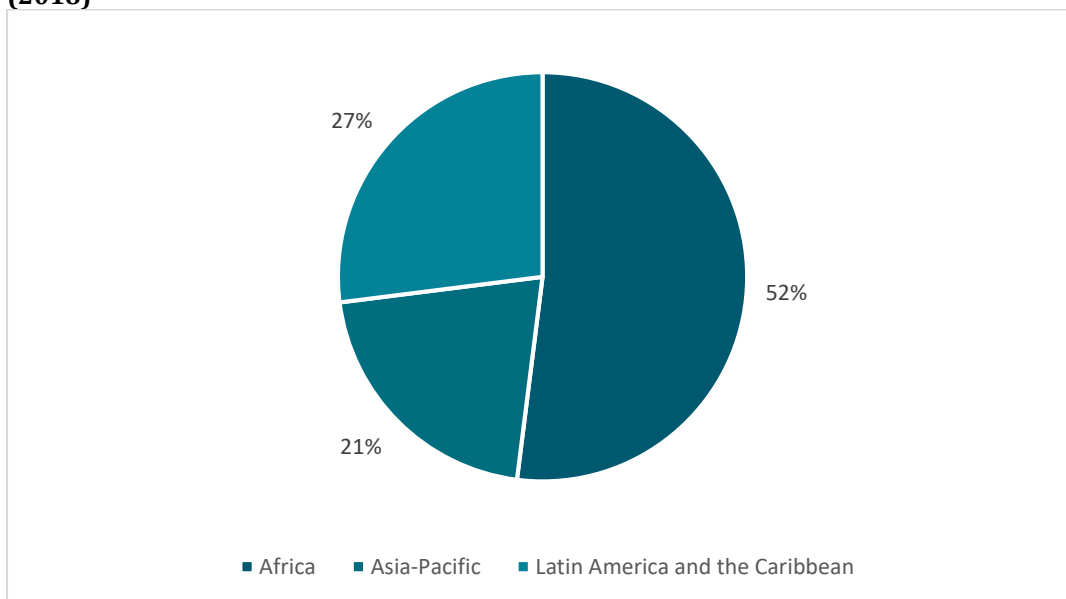
²¹ Number of concept notes developed and approved/selected by NDA according to high-impact national priorities.

Operational progress

72. As at 31 December 2018, 16 PPF grants had been approved, totalling USD 10.8 million, of which 7 had received disbursements amounting to USD 5.4 million. The PPF portfolio recorded an overall expenditure rate of 48 per cent against the disbursed amount. Among the seven PPF grants that had received disbursements, activities under one grant had been completed²² and one no-cost extension request had been approved for another grant.

73. In terms of the regional breakdown of the funding approved, Africa accounts for the largest volume with 52 per cent, followed by LAC at 27 per cent and Asia-Pacific at 21 per cent (figure 20).

Figure 20: Regional distribution of funding approved by the Project Preparatory Facility portfolio (2018)



Challenges in reporting

74. Several challenges were encountered by the DPs and countries during the reporting year. For the PPF portfolio, while implementation²³ had begun in 2016 with only one grant and seven grants had received disbursements, DPs reporting on implementation progress has been minimal. Only three out of seven grants have submitted progress reports, and it is too early to derive any significant lessons learned from the few grants.

75. Some of the other challenges reported for both the readiness and PPF grants include:

- (a) Delays in the procurement process across the portfolio as DPs and countries tend to heavily rely on external consultants and service providers to deliver most of the technical studies required for the development of funding proposals. The resultant effect is that the failure of having procurement arrangements in time cascades into delayed implementation and delivery of final outputs;
- (b) While the PPF support intends to produce funding proposal for the consideration of GCF, the reporting format used is the same as that of other readiness support. Owing to this

²² The first PPF for Rwanda was instrumental in the development of the funding proposal FP073 “Strengthening climate resilience of rural communities in Northern Rwanda (SCRNRP)”.

²³ The implementation start date is the date when GCF dispatches a notification letter on the effectiveness of a grant.

peculiar nature of the PPF activities, the current reporting format makes it difficult for DPs and countries to report as the content of the report differs;

- (c) Lack of clarity regarding GCF standard operating procedures, especially in relation to the time taken to review proposals (e.g. quality of the proposals, number of revisions, response to the comments, etc) makes it difficult for NDAs/DPs to plan and make best use of resources under the Readiness Programme; and
- (d) Insufficient time and lack of local capacity of countries and DPs/AEs to report on the implementation and results.

76. In response to the challenges encountered, the Secretariat has:

- (a) Revised the readiness logical framework to better capture and enhance reporting on the Readiness Programme's contribution to project development and nurturing of climate finance institutions and executing entities;
- (b) Revised the reporting template to improve the knowledge management and monitoring mechanisms in the forthcoming year; and
- (c) Developed a criterion rating as well as results indicators for each objective, targeted outcomes and the extent of achievement, which would allow for aggregation and summation of results from the various readiness grants. Detailed information about the criteria rating and analysis of results can be found in annex 3 to this document.

IV. Lessons learned from the 2018 performance review

77. In the three years of implementation, reasonable progress has been made by the funded activities portfolio and the readiness and PPF support in achieving planned objectives. However, progress was hampered by several challenges which had a direct impact on project implementation, timing and the quality of reporting.

4.1 Funded activities

78. Lessons learned during implementation include the following:

- (a) Persistent transitions and changes in the governance of countries has profound implications on the smooth and efficient implementation of the funded activities. Public sector projects which rely on government programmes and continuity need to build in measures and contingencies to deal with government transitions and changes in staff;
- (b) The quality of proposals at the entry stage (especially in terms of avoiding overestimation of impacts, underestimation of budgets, etc.) is a critical and predictive factor of a project's likelihood of having minimal implementation challenges and achievement of target objectives. There is a need to continuously enhance the quality of proposals at the design stage for efficient and effective implementation. Thus, development of guidelines, tools, templates and training manuals to streamline and standardize approaches and processes as well as to strengthen the completeness and credibility of projected and reported results will be critical in the coming years;
- (c) Where there is a significant time lag between the design of the original proposal and the start of project implementation, many critical assumptions no longer hold and often trigger the need for changes in the funded activity interventions. Realities on the ground might be different from the initial assumptions, including on duration and timelines, costing, data availability and locations of some projects. Hence, speedier processing of

approved projects and the update and review by the AE of relevant information in the funding proposal before commencement of operations is critically important. A proper theory of change with properly articulated assumptions is useful, especially for projects that are vulnerable to seasonal changes and require engagement and buy-in of local stakeholders. This also requires adaptive management to deal with dynamic contexts while keeping GCF informed of any changes, underlying rationale and potential implications;

- (d) It is essential that national and local authorities (NDAs, local government councils, agencies, etc.) and key local stakeholders be engaged right from the beginning of implementation and on a continuous basis to allow for ownership, integrated planning and facilitation of planned project activities. With different governance structures among executing and implementing agencies, additional efforts to ensure meaningful engagement and ongoing relationship management are required to enhance collaboration and ownership, avoid duplication of efforts and maximize effective use of resources;
- (e) Constant dialogue and engagement between the Secretariat and AEs as well as between AEs and executing agencies are necessary and critical to ensuring compliance with key reporting requirements and to assisting GCF to continuously improve and refine its processes, templates and tools in line with evolving contextual and learning imperatives; and
- (f) As the portfolio expands and the number of AEs grow, further engagement and support to entities, particularly DAEs, is required. Such support would include engaging AEs and helping them to develop and operationalize M&E tools and guidance notes and develop institutional capacities to strengthen adherence to MAF requirements.

4.2 Readiness Programme and Project Preparatory Facility

79. A number of lessons have been learned in the implementation of the Readiness Programme and preparatory support activities. These include the lack of a defined and standardized reporting template for the readiness and PPF grants resulting in inconsistent reporting and verifications by both the recipients and the Secretariat. This in turn affects the ability to extract lessons learned and impacts from a long-term perspective, such as after project completion and across different modalities of GCF and other climate financiers. These have limited the Secretariat's ability to estimate the positive impacts of its support and assess areas for improvement of support to countries to assist them in updating the climate finance strategies and national priorities.

80. As reported for funded activities, changes in government staff, policies and frequent shuffling of cabinets in many countries have profound implication on the implementation of the readiness grants. Moreover, lengthy bureaucratic procedures in some recipient countries are major contributors to delayed project implementation.

81. The increasing number of no-cost extension requests received by the Readiness Programme indicates that the project duration approved for affected grants may have been underestimated and that there is a need for realistic timelines that allow for adequate implementation and attainment of results.

82. The varying nature and quality of reporting implies a need for simplified reporting to ease the burden of reporting for DPs and countries while ensuring completeness to facilitate learning and tracking of results.

83. The current inconsistent participation of civil society in the Readiness Programme implies a need for a stronger and more proactive engagement with these stakeholders.

V. Priorities going forward

5.1 Funded activities

84. Based on the challenges identified and lessons learned set out in sections 3 and 4 above, the following actions will be prioritized for 2020 in preparation for the 2019 APR review. Some of these actions are already ongoing and progress will be reported in the next PPR.

5.1.1. Transparency

85. In a bid to increase transparency and facilitate tracking of progress of projects from concept note submission to project completion, the Secretariat is developing a web-based tracking system that will be accessible to the general public. The system will include a web-based portfolio dashboard to track projects/portfolio status and performance, attainment of results based on APRs, financial reports, disbursements and other sources of information as per the MAF for AEs. The system is undergoing internal testing and refinements and will be launched by 2021.

86. As a complementary measure and in order to increase efficiency in reporting, the Secretariat is developing a web-based APR submission system that would allow AEs to submit reports online and also facilitate faster/easier public disclosure of APRs. Both systems are being developed in a phased manner to allow for incorporation of both lessons learned to date and revisions in frameworks such as the GCF results management and performance frameworks.

5.1.2. Portfolio implementation

87. To strengthen project implementation, the Secretariat is planning more structured and regular engagement with AEs for projects under implementation. This will facilitate information and knowledge-sharing, the exchange of emerging lessons, and the early identification and resolution of emerging portfolio issues, as indicated below:

- (a) Such engagement will also provide a forum for clarifying and getting feedback on different GCF reporting and policy requirements. This engagement will also allow for differentiated support to differing AE capacities and circumstances, for example, more regular engagement with AEs to whom GCF has a large exposure to ensure complete and adequate reporting as well as discuss and resolve operational issues with the DAEs; and
- (b) The Secretariat will explore ways to further promote dialogue and collaboration between AEs and NDAs to provide information on monitoring.

88. GCF is in the process of developing its own ESS, which will build on evolving best practices and help to improve the practice of due diligence during the review of funding proposals. The aim of the GCF ESS is to establish a framework to support GCF in carrying out its mandate in a sustainable manner that effectively and equitably manages environmental and social risks and impacts and improves the outcomes of all its activities.

5.1.3. Project and portfolio risk monitoring

89. With the portfolio of projects under implementation projected to grow to over 80 projects by the end of 2019, the development of a portfolio performance management system is

under way. This system will allow the Secretariat to identify early warnings in project performance, including on compliance issues, trigger risk categorization actions, including notifications to AEs of changes in risk category, and send notifications and reminders to AEs on reports that are due, disbursements, etc. The target date for operationalizing this online system is mid-2020.

5.1.4. Results monitoring and management

90. In order to strengthen GCF results tracking and monitoring, the Secretariat is planning a raft of measures that will reinforce and enhance the design and review of projects' M&E arrangements at the design stage as well as during implementation. The Secretariat is thus preparing an integrated results and resources framework under the 2020–2023 Strategic Plan to articulate expected results during the first replenishment period of GCF (GCF-1) programming cycle. This framework will also define the metrics that will be used to measure progress towards GCF results and assess effectiveness and impact and estimate resources necessary for the achievement of the Strategic Plan. The integrated results and resources framework will build on work currently being undertaken pursuant to the Board's request to review the initial RMF of GCF, the outcomes of which are due to be presented at the twenty-fourth meeting of the Board. Once the RMF is developed, the Secretariat will elaborate the full integrated results and resources framework to link outcomes to resources, organizational effectiveness and efficiency results. The updated RMF will build on global best practice to ensure that GCF can confidently track the way its investments contribute to its long-term strategic goals and goals for GCF-1. The RMF will be a coherent and consistent framework for the Secretariat, AEs and NDAs in managing investments for results. It will be based on the principles of:

- (a) **Simplicity and clarity** to ensure that the framework can be easily engaged with and can support consistent results reporting;
- (b) **Flexibility** to support the measurement of different project and country contexts;
- (c) Encouraging **collaborative monitoring**, including clear definitions of the different roles and responsibilities of GCF, AEs and NDAs;
- (d) Being **country driven** and using national data systems wherever possible for reporting; and
- (e) Supporting the drive of GCF to effect **transformational change** by developing approaches to assess innovations going to scale, capacity development and the influence of knowledge capture and dissemination.

91. The Secretariat has also reviewed and strengthened its organization design to foster a more collaborative and coordinated early team review of projects and thus provide early guidance to AEs in the design projects and their M&E arrangements. This includes measures to continue strengthening the portfolio management team to cope with the growing portfolio (for both readiness and funded activities), including through the recruitment of full-time staff with restructuring expertise/experience, and automating some portfolio management processes as well as outsourcing some services, for example, getting fund agents to assist with the quality assurance of interventions (e.g. infrastructure-related ones), to follow up on and provide implementation support to AEs as may be required.

92. Other measures include: (i) development and refinement of tools and guidance for AEs to provide, for example, more detailed information and clarity on the development and operationalization of the theory of change, logical frameworks and funding proposal templates for GCF funding proposals to ensure clarity and consistency across the board; (ii) strengthening

portfolio and data management processes to provide diverse and timely analysis of portfolio trends and inform portfolio and institutional actions, policies, procedures and related actions; and (iii) conducting training sessions for AEs on M&E design, results tracking and reporting for GCF projects in order to address information gaps and strengthen the quality and credibility of results tracking and reporting by AEs. The training sessions will be both targeted and opportunistic, for example alongside structured dialogues and conferences.

5.1.5. Knowledge- and information-sharing

93. In order to capture and build on emerging knowledge and lessons, the Secretariat will organize and collaborate with various internal stakeholders to deliver training and clinics to AEs, NDAs and internal colleagues on emerging challenges and portfolio trends as well as sharing success stories and emerging best practice. The documentation and dissemination of case studies and emerging best practice and success stories among internal and external stakeholders will also be encouraged in order to create a virtuous loop of continuous learning and improvement of operations, results and capacity.

5.1.6. Monitoring and evaluation

94. As implementation progresses and in getting ready for projects that will be due for the interim independent evaluations, the Secretariat is developing draft terms of reference for interim/final evaluation to serve as guidance and provide some background and options in preparing terms of reference for AEs.

5.2 Readiness Programme and Project Preparatory Facility

95. Planned actions for the readiness activities are based on the key issues facing NDAs/DPs concerning their implementation, as set out below. As the issues require the provision of long-term support and assistance to countries and DPs/NDAs, the actions proposed previously in 2018 will continue to be implemented

5.2.1. Proactively engaging national designated authorities, delivery partners and other relevant stakeholders with mutual goals

96. Communications between NDAs and DPs, including potential DPs identified by the NDAs, will continue to be proactively encouraged through more interactions, regular dialogues and face-to-face meetings. To ensure that there is buy-in from all stakeholders on the readiness activities undertaken in a country, mutual objectives should be clearly set before or during the redesign stage among governments, NDAs, DPs and non-state actors. Going forward, the Readiness Programme will make efforts to ensure that NDAs and DPs engage with each other more meaningfully as well as with other interest groups such as civil society and private sector players and participate proactively in the design and roll-out of the Readiness Programme.

5.2.2. Increasing guidance for country programmes and pipeline development

97. Technical assistance needs to be available for countries to develop necessary inputs for country programmes and thus ensure country ownership when integrating climate change priorities into national development planning processes. Long-term planning to build national and project-level data systems, baseline information and country-specific indicators would allow project impacts to be demonstrated. In addition, building sectoral, thematic and results-based management-related partnerships with leading organizations at the country level

through communities of practice can support the development of project ideas and concept notes and strengthen the quality of the pipeline of projects.

5.2.3. Improving the efficiency of existing application and operating procedures

98. Most NDAs/DPs indicated that the Readiness Programme requires disproportionate efforts and costs, especially considering the level of financial and non-financial support provided for projects. To improve efficiency in the application process, the Secretariat is making efforts to standardize operating procedures for the review process, including the development of a cross-divisional quality assurance checklist, which makes the proposal review process less time consuming for the Secretariat. Given that the average project duration of the PPF grants is shorter than that of the readiness grants and each PPF application has a single clear outcome (i.e. submission of funding proposals), the Secretariat will revise the reporting template to enhance the reporting and monitoring of the PPF portfolio in the forthcoming year.

5.2.4. Strengthening of local capacity

99. There is a widely felt need for the enhancement of local capacity, without which the Readiness Programme impacts cannot be sustained in the long term. At present, several NDAs/DPs rely on international experts to carry out critical and highly time-bound activities. More often, these international experts are recruited for a short period and come with a high cost. Therefore, to address capacity issues on the ground, the Secretariat could help NDAs/DPs create a roster of national-level consultants for the provision of longer-term advisory services after providing them with necessary training and sharing knowledge about the Readiness Programme across the lifecycle of the project.

Annex I: Funded activities that submitted annual performance reports in 2018

FP Reference	Country	Project name	AE	Theme	Region	Access modality	Sector
FP001	Peru	Building the resilience of wetlands in the province of Datem del Marañón, Peru	PROFONANPE	Cross-cutting	LAC	Direct (national)	Public
FP002	Malawi	Scaling Up of Modernized Climate Information and Early Warning Systems in Malawi	UNDP	Adaptation	Africa	International	Public
FP004	Bangladesh	Climate Resilient Infrastructure Mainstreaming	KfW	Adaptation	Asia-Pacific	International	Public
FP005	Rwanda, Kenya	KawiSafi Ventures Fund	Acumen	Cross-cutting	Africa	Direct (regional)	Private
FP007	Maldives	Supporting vulnerable communities in Maldives to manage climate change induced water shortages	UNDP	Adaptation	Asia-Pacific	International	Public
FP008	Fiji	Fiji Urban Water Supply and Wastewater Management Project	ADB	Adaptation	Asia-Pacific	International	Public
FP010	Armenia	De-risking and scaling-up investment in energy efficient building retrofits in Armenia	UNDP	Mitigation	Eastern Europe	International	Public
FP011	Gambia	Large-scale Ecosystem-based Adaptation in the Gambia River Basin: developing a climate resilient, natural resource-based economy	UNEP	Adaptation	Africa	International	Public
FP013	Viet Nam	Improving the resilience of vulnerable coastal communities to climate change related impacts in Viet Nam	UNDP	Cross-cutting	Asia-Pacific	International	Public

FP Reference	Country	Project name	AE	Theme	Region	Access modality	Sector
FP015	Tuvalu	Tuvalu coastal adaptation project	UNDP	Adaptation	Asia-Pacific	International	Public
FP016	Sri Lanka	Strengthening the resilience of smallholder farmers in the Dry Zone to climate variability and extreme events through an integrated approach to water management	UNDP	Adaptation	Asia-Pacific	International	Public
FP018	Pakistan	Scaling-up of Glacial Lake Outburst Flood risk reduction in Northern Pakistan	UNDP	Adaptation	Asia-Pacific	International	Public
FP019	Ecuador	Priming financial and land use planning instruments to reduce emissions from deforestation	UNDP	Mitigation	LAC	International	Public
FP021	Senegal	Senegal Integrated Urban Flood Management Project	AFD	Adaptation	Africa	International	Public
FP022	Morocco	Development of arganiculture orchards in degraded environment	ADA Morocco	Cross-cutting	Africa	Direct (national)	Public
FP023	Namibia	Climate-resilient agriculture in three of the vulnerable extreme northern crops growing regions	EIF	Adaptation	Africa	Direct (national)	Public
FP024	Namibia	Empower to adapt: creating climate change resilient livelihoods through community-based natural resource management in Namibia	EIF	Adaptation	Africa	Direct (national)	Public
FP025	Multiple countries	GCF-EBRD SEFF Co-financing Programme	EBRD	Cross-cutting	Africa, Asia-Pacific, Eastern Europe	International	Private

FP Reference	Country	Project name	AE	Theme	Region	Access modality	Sector
FP028	Mongolia	MSME Business loan program for GHG emission reduction	XacBank	Mitigation	Asia-Pacific	Direct (national)	Private
FP033	Mauritius	Accelerating the transformational shift to a low-carbon economy in the Republic of Mauritius	UNDP	Mitigation	Africa	International	Public
FP034	Uganda	Building resilient communities, wetland ecosystems and associated catchments in Uganda	UNDP	Adaptation	Africa	International	Public
FP035	Vanuatu	Climate Information Services for Resilient Development Planning in Vanuatu (Van-CIS-RDP)	SPREP	Adaptation	Asia-Pacific	Direct (regional)	Public
FP036	Multiple countries	Pacific Islands Renewable Energy Investment Program	ADB	Cross-cutting	Asia-Pacific	International	Public
FP037	Samoa	Integrated flood management to enhance climate resilience of the Vaisigano River Catchment in Samoa	UNDP	Adaptation	Asia-Pacific	International	Public
FP039	Egypt	Egypt renewable energy financing framework	EBRD	Mitigation	Africa	International	Private
FP040	Tajikistan	Tajikistan: Scaling Up Hydropower Sector Climate Resilience	EBRD	Cross-cutting	Asia-Pacific	International	Public
FP042	Morocco	Irrigation development and adaptation of irrigated agriculture to climate change in semi-arid Morocco	AFD	Adaptation	Africa	International	Public
FP043	Morocco	The Saïss Water Conservation Project	EBRD	Adaptation	Africa	International	Public

FP Reference	Country	Project name	AE	Theme	Region	Access modality	Sector
FP045	India	Ground Water Recharge and Solar Micro Irrigation to Ensure Food Security and Enhance Resilience in Vulnerable Tribal Areas of Odisha	NABARD	Adaptation	Asia-Pacific	Direct (national)	Public
FP046	Mongolia	Renewable Energy Program #1 - Solar	XacBank	Mitigation	Asia-Pacific	Direct (national)	Private
FP047	Kazakhstan	GCF-EBRD Kazakhstan Renewables Framework	EBRD	Mitigation	Asia-Pacific	International	Private
FP050	Bhutan	Bhutan for life	WWF	Cross-cutting	Asia-Pacific	International	Public
FP051	Bosnia and Herzegovina	Scaling-up Investment in Low-Carbon Public Buildings	UNDP	Mitigation	Eastern Europe	International	Public
FP052	Nauru	Sustainable and Climate Resilient Connectivity for Nauru	ADB	Cross-cutting	Asia-Pacific	International	Public
FP053	Egypt	Enhancing climate change adaptation in the North coast and Nile Delta Regions in Egypt	UNDP	Adaptation	Africa	International	Public
FP056	Colombia	Scaling up climate resilient water management practices for vulnerable communities in La Mojana	UNDP	Adaptation	Latin America and the Caribbean	International	Public
FP068	Georgia	Scaling-up Multi-Hazard Early Warning System and the Use of Climate Information in Georgia	UNDP	Adaptation	Eastern Europe	International	Public
FP069	Bangladesh	Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change induced salinity	UNDP	Adaptation	Asia-Pacific	International	Public

FP Reference	Country	Project name	AE	Theme	Region	Access modality	Sector
FP072	Zambia	Strengthening climate resilience of agricultural livelihoods in Agro-Ecological Regions I and II in Zambia	UNDP	Adaptation	Africa	International	Public
FP077	Mongolia	Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project	ADB	Cross-cutting	Asia-Pacific	International	Public

Abbreviations: ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AE = Accredited Entity, AFD = Agence Francaise de Developpement, EBRD = European Bank for Reconstruction and Development, EIF = Environmental Investment Funds of Namibia, FP = Funding Proposal, GHG = greenhouse gas, KfW = Kreditanstalt für Wiederaufbau, LAC = Latin America and the Caribbean, MSME = Micro, Small and Medium-sized Enterprise, NABARD = National Bank for Agriculture and Development, SEFF = Sustainable Energy Financing Facilities, SPREP = Secretariat of the Pacific Regional Environment Programme, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, WWF = World Wildlife Fund.

Annex II: Challenges in reporting for funded activities and the Readiness Programme

I. Funded activities

1. While all projects and programmes select and report on impact- and outcome-level indicators, there are substantive issues related to the proportion of GCF investments that affect GCF results and pose aggregation challenges.

2. Those issues include: (i) incoherence in the design of results management framework (RMF) logic model, including weak causal links between impact and outcome indicators and misclassification of outcome results areas; (ii) incomplete impact- and outcome-level indicators resulting in their inconsistent selection by the accredited entities (AEs); and (iii) lack of GCF guidance on the methodologies for measuring and reporting of the RMF indicators to entities implementing projects on the ground. This has led to the approval of funding proposals with suboptimal logical frameworks, including no baseline assessment.

3. The RMF currently being updated by the Secretariat will strengthen these existing indicators and underlying monitoring processes by developing detailed methodological guidance on indicator measurement, to improve the consistency of results monitoring and reporting across AEs and the GCF portfolio. The updated RMF will also necessitate the development of some new indicators and measurement approaches to track new portfolio-level outcomes per the theory of change.

Challenges reported by the accredited entities

4. The AEs reported experiencing implementation challenges and issues during the reporting period based on their self-assessment of their projects. The ratings of the challenges fall into one of three categories (minor, moderate and high), with 83 per cent reported as having challenges that are rated either moderate (56 per cent) or high (27 per cent). Challenges reported by the AEs based on their type and level of impact (moderate or high) include:

- (a) **Financial:** sector-specific inflation, limited budget for specific component/output, delayed disbursement, market demand for different currencies (particularly for programmes);
- (b) **Implementation:** delays in the annual operational plan; competing priorities and lack of skilled staff and resources; lack of understanding of their roles by executing entities (EEs); underperformance of portfolio companies; new project modality (umbrella project) or concepts (e.g. ecosystem-based adaptation) that are unfamiliar to the EEs and thus pose challenges in the preparation of project documents and annual work plans; delayed construction work due to inclement weather conditions and/or difficulties in finding suitable sites; implementation governance modalities between AEs and EEs; field data collected on paper posing issues with data accuracy/quality/sharing; inefficient governance system of the project; lack of financial incentive for a concept such as sustainable forest management; delayed review of received proposals due to holiday seasons; some original data being outdated; delays in financial screening and other required inputs due to change of the ministry; lack of knowledge of internal staff by external stakeholders; small number of full-time staff; slow agreement processes hindering data sharing between governments and delivery partners; commencing project without a project implementation unit and key staff involved in the design/development; and delay in receipt of equipment;

- (c) **Procurement:** lack of interest from qualified agencies/consultants to undertake assessment/consultancies; procurement delays due to multiple retendering of technical services; problems in the acquisition of goods/work/services/transport links to outer islands due to aviation fuel supply issue; lengthy procurement process; procurement of contracts for large studies and technical equipment slower than expected owing to the low number of vendors who could match the specifications; and problems in the recruitment of local staff due to limited capacity in Vanuatu;
- (d) **Legal:** need to extend the validity of key government documents; changed government methods for poverty measurement affecting standards for determining poor households; government template for development project not in conformity with the funding proposal and project document and needing revision; and need for government internal approval of project;
- (e) **Political:** unclear political directives during election year delaying major civil works contracts; internal political crisis leading to significant changes in government and holding back of the adoption of a draft law necessary for implementation; divergent political views regarding priorities at the project board; political instability and changes in high-level official positions; local government elections; frequent turnover of senior officials; maintaining alignment between the political/technical/financial cycles; and difficulty in coordination meetings;
- (f) **Environmental and social:** prevailing and projected climatic risks in the project implementation areas; human-wildlife conflict; water as a key element in the success of ecosystem-based adaptation in ecosystem restoration; soil condition as part of the ecosystem-based adaptation protocol elements; different levels of knowledge about gender approach and its application; and
- (g) **Others:** changes to the original conceptual design; geographical constraints (e.g. island countries) to conducting extensive consultation during the design stage; difficulties in compiling/organizing/managing all the information; project documents not providing a clear vision and plan on the aim and objective; and insecurity in the project region.
5. The recommendations of the AEs to overcome the aforementioned challenges are: (i) design project implementation structure to allow certain levels of diversification of partnering entities; (ii) allocate more time and resources in countries with very limited technical expertise; and (iii) take a phased approach to allow different sectors to be addressed through different components under the same project.

II. Readiness and Preparatory Support Programme and Project Preparatory Facility support

6. As the readiness work programme has undergone several updates since its initial work programme with the indicative list of activities¹), most proposals and reports submitted up to the end of 2018 had shown great variance. With the proposals and reports having different definitions of outcomes and forms, this posed several issues for the Secretariat in terms of the conversion of diverse outcomes. Several issues were encountered by the Secretariat during the process of interpreting the readiness results.

¹ Decision B.08/11, Annex XVI

7. Those issues include: (i) inconsistent reporting forms, (ii) incomplete information that does not provide the full scale of results delivered and (iii) lack of evidence documents submitted by countries and delivery partners. Detailed explanations of each are as follows:
- (a) **Inconsistent reporting:** in many cases, it was difficult to match information in the progress reports with the deliverables owing to inconsistency in reporting as well as reporting one activity under several outcomes with no clear explanations. Moreover, owing partly to non-standardized logical framework and reporting templates, confusion in outputs, activities, targets achieved, indicators, milestones and deliverables was often observed. This compromised the consistency of tracking results from proposals to reports;
 - (b) **Incomplete information:** unlike the funded activities of GCF, the Readiness Programme has no established results management framework and performance measurement framework. This has led to allowing flexibility to countries and delivery partners in the information provided about outputs and results achieved in the Readiness and Preparatory Support Programme (Readiness Programme). In the absence of a set of established indicators, the most commonly available indicators had to be used for the sake of the results analysis. Consequently, gaps in the reported data and information regarding these specific indicators were inevitable in some cases;
 - (c) **Lack of documents for verification:** as most readiness proposals approved in the earlier years of 2016 and 2017 do not have clearly defined deliverables, only very few deliverables were submitted. It also resulted in too many deliverables being provided, some of which were either irrelevant or repetitive for measuring the intended results; and
 - (d) **Disproportionately targeted outcomes:** the analysis of the readiness portfolio's targeted outcomes shed light on the disproportionate distribution of the readiness outcomes to be delivered. Out of 237² readiness proposals approved as at the end of 2018, 59 per cent were targeting stakeholder engagement, while only 25 per cent were targeted at private sector engagement.
8. In continuing the initial attempt to report indicators in the 2018 reporting, the Secretariat is in the process of reviewing adequate indicators to analyse the results and impact of the Readiness Programme. The updated logical framework in the revised Readiness Programme Strategy approved at the twenty-second meeting of the Board will help to improve the GCF guidance on reporting and structuring the outcomes and activities in such a way as to clearly link the reported outcomes with the desirable readiness results per the theory of change.

² This number refers to total Readiness grants approved as at the end of 2018 inclusive of GCF, PwC and Mott MacDonald support.

Annex III: Methodology in measuring Readiness and Preparatory Support Programme results

1. The Readiness and Preparatory Support Programme results provided in section III of this report aim to provide information on the targeted outcomes in the proposals approved as at 31 December 2018, and their progress as reported in 86 reports submitted to the Secretariat during the reporting period.

2. **Methodology.** The readiness logical framework has undergone a few updates since its first publication in 2014 (decision B.08/10), most recently in the online *Readiness and Preparatory Support Guidebook*¹ published in June 2018. In total, 176 non-national adaptation plan proposals that proposed outcomes with different definitions and forms were subject to the results analysis.² This required the conversion of diverse outcomes based on the most current logical framework in the guidebook. While five key outcomes were reported in the 2017 PPR, the following eight key outcomes were analysed for the 2018 PPR: (i) national coordination mechanism, (ii) no-objection procedure, (iii) stakeholder engagement, (iv) country programme, (v) nomination and accreditation of direct access entities, (vi) concept note development, (vii) funding proposal development and (viii) private sector engagement.

3. **Achieved outcomes.** The targeted outcomes, outputs and activities from the approved readiness funding proposals were compared with the outputs, targets achieved, milestones and/or qualitative assessment of the activities undertaken in the completion reports and interim progress reports. In the case of outcomes reported in the interim progress reports, the extent of progress and achievement of outcomes were classified as follows:

- (a) Level 1 if all the activities set for that output were completed;³
- (b) Level ½ if some of the activities set for that outcome had started;⁴ and
- (c) Level 0 if no activity was carried out.

4. A comprehensive list of targeted and achieved outcomes by region can be found in table 1 below.

5. **Indicators.** In the process, a set of indicators was derived from the deliverables submitted with the reports, which contained detailed information about the level of achievements. These indicators can be considered as metrics of the readiness results and they can be extended depending on the quality of reporting and the readiness impact that GCF intends to attain in its business model.⁵ These indicators were initially tested and modified over time for consistency and measurability throughout the analysis and across countries. Details of 12 selected indicators and metrics can be found in table 2 below.

¹ Available at <https://www.greenclimate.fund/documents/20182/574766/Guidelines_-_Readiness_and_Preparatory_Support_Guidebook.pdf/9eea580f-a109-4d90-b281-c54695114772>.

² Only indicative activities were suggested for the adaptation planning objective without any targets and outcomes suggested at a level similar to that of other readiness objectives in the documents, hence they could not be analysed with the non-national adaptation plan proposals.

³ This is based upon the logical framework in the progress reports. An achieved outcome/output is classified as 1 (i.e. completed) once implementing entities report that all activities are completed, and no more activities are planned under that output.

⁴ To avoid subjective judgements, under this category falls everything which is not 0 or 1, thus it includes initial stages of progress (e.g. hiring of consultants, compiling of national policies) up to substantial progress on the ground already accomplished (e.g. multi-stakeholder workshops/training sessions done, a draft of country programme completed).

⁵ In the selection of indicators, reference was made to the list of metrics generally accepted in similar sectors of GCF as found in IRIS metrics (available at <<https://iris.thegiin.org/metrics/>>) of the Global Impact Investing Network.

6. **Assumptions.** The Secretariat encountered numerous challenges in the reporting of the Readiness and Preparatory Support Programme, such as diverse reporting templates, a lack of structure and coherence in the reports, and the decisions of the countries and delivery partners (DPs) on which results to report and how to report them, etc. Thus, due to the small grant size and the relatively insignificant amount of DP fees, the Secretariat could not require rigorous reporting of outcomes by DPs and countries but accepted compiled results (to the extent possible). Thus, the main assumption is that countries and DPs' reporting on achieved outcomes and all information/data found in deliverables are assumed to be accurate and reflect the actual progress made on the ground.

Table 1: Comprehensive list of outcomes by regions

Readiness outcomes in the <i>Readiness and Preparatory Support Guidebook 2018^a</i>		Regional breakdown (Achieved/Target)				Grand total of proposals (by outcomes)
		Africa	Asia-Pacific	Latin America and the Caribbean	Eastern Europe	
Outcome 1	1.1 National designated authority coordination mechanisms	4/41	5/37	2/34	0/8	11/120
	1.2 No-objection procedure	5/36	5/32	3/29	0/8	13/105
	1.3 Bilateral agreements on PIs	0/17	2/14	1/9	0/4	3/44
	1.4 Monitoring and verification systems for climate finance	4/36	3/32	1/31	0/5	8/104
	1.5 Coordination mechanism for United Nations Framework Convention on Climate Change Technology Mechanism			0/1		0/1
Outcome 2	2.1 Country programme (CP)	5/38	8/34	2/31	0/7	15/110
	2.2 Participatory review and update of CP	1/19	1/20	1/12	0/4	3/55
	2.3 Stakeholder engagement	6/46	7/38	4/35	1/6	18/125
	2.4 Gender consideration	1/25	2/27	1/25	1/3	5/80
	2.5 Climate technology solutions identified & prioritized	0/2	0/3	0/3		0/8
	2.6 Feasibility assessment of climate technologies	1/2	0/2	0/5		1/9
Outcome 3	3.1 Direct access entity (DAE) nomination	3/16	2/15	2/17	0/5	7/53
	3.2 DAE accreditation	0/13	2/16	1/14	0/1	3/44
	3.3 DAE work programme alignment with CP	0/9	0/7	1/6	0/1	1/23
	3.4 Enhanced direct access project development	0/10	0/4	1/3	0/1	1/18
Outcome 4	4.1 Climate finance strategy		0/2			0/2
	4.2 Project pipeline development aligned with CP	0/15	1/16	1/8	0/3	2/42

Readiness outcomes in the <i>Readiness and Preparatory Support Guidebook 2018</i> ^a		Regional breakdown (Achieved/Target)				Grand total of proposals (by outcomes)
		Africa	Asia-Pacific	Latin America and the Caribbean	Eastern Europe	
	4.3 Project concept note (CN) development	3/17	0/19	2/30	0/4	5/70
	4.4 Market preparation for climate technology solutions	1/1	0/5	0/2		1/8
	4.5 Private sector engagement	1/17	3/21	1/19	1/3	6/60
	4.6 Crowding in private sector investments	0/13	0/14	1/15	0/2	1/44

^a Available at <<https://www.greenclimate.fund/documents/20182/574766/Guidelines - Readiness and Preparatory Support Guidebook.pdf/9eea580f-a109-4d90-b281-c54695114772>>.

Table 2: Proposed indicators and metrics of Readiness Programme results^a

Indicators	Reported results as at 31 December 2018	Number of countries/proposals targeting each indicator	Corresponding outcomes
<p>Stakeholder engagement</p> <p>This indicator is qualitative and is classified by categorical variables as follows:</p> <ul style="list-style-type: none"> • 0 if no consultations were held; • 1 if consultations were held only with other ministries; • 2 if consultations were held with different stakeholders; and • 3 if consultations were held with all stakeholders including private sector and civil society organizations^b 	<p>36 countries at level 3 16 countries at level 2 4 countries at level 1 Total 56 countries reported</p>	<p>105 countries/125 proposals</p>	<p>Outcome 2.3: Stakeholder engagement Outcome 11: National designated authorities (NDA) coordination mechanisms</p>
<p>Total number of days in stakeholder engagement</p> <p>Days of training sessions (including field trips), workshops, seminars and/or conferences held with NDA and/or multiple stakeholders. Bilateral meetings are not counted</p>	<p>294 days Total 47 countries reported</p>	<p>111 countries/172 proposals</p>	<p>Outcome 2.3: Stakeholder engagement Outcome 1.1: NDA coordination mechanisms</p>
<p>Total number of participants in stakeholder engagement</p> <p>Number of participants in training sessions, workshops, seminars or conferences</p> <p>This is based firstly on the reporting in the completion report (CR)/interim progress report (IPR), or in its absence, taken from the deliverables which often include a report on the workshop's list of participants. In most cases, the number of participants provided for each workshop is summed up^c</p>	<p>7,588 people Total 35 countries reported</p>	<p>111 countries/172 proposals</p>	<p>Outcome 2.3: Stakeholder engagement Outcome 1.1: NDA coordination mechanisms</p>

Indicators	Reported results as at 31 December 2018	Number of countries/proposals targeting each indicator	Corresponding outcomes
<p>Number of NDA staff participating in NDA capacity strengthening</p> <p>Number of NDA staff participating in a training/workshop</p> <p>Based on reporting in CR/IPR or, as in most cases, it can be counted from the list of participants provided as deliverables^d</p>	<p>311 people</p> <p>Total 21 countries reported</p>	<p>104 countries/119 proposals</p>	<p>Outcome 1.1: NDA coordination mechanisms</p>
<p>Number of no-objection procedure (NOP) documentation submitted</p> <p>Counted as 1 if NOP has been drafted/completed <i>and</i> when NOP was submitted to the GCF and/or published online</p>	<p>15 NOPs</p> <p>Total 15 countries reported</p>	<p>98 countries/105 proposals</p>	<p>Outcome 1.2: No-objection procedure</p>
<p>Number of country programmes (CPs) submitted</p> <p>Counted as 1 if CP has been drafted/completed <i>and</i> submitted to the GCF and/or published online.</p>	<p>20 CPs</p> <p>Total 20 countries reported</p>	<p>98 countries/110 proposals</p>	<p>Outcome 2.1: CP</p>
<p>Number of direct access entities (DAEs) nominated by the NDA for accreditation</p>	<p>34 DAEs</p> <p>Total 15 countries reported</p>	<p>49 countries/53 proposals</p>	<p>Outcome 3.1: DAE nomination</p>
<p>Number of DAEs accredited</p> <p>Based on reporting in CR/IPR and cross-checked with the GCF website</p>	<p>3 DAEs</p> <p>Total 3 countries reported</p>	<p>41 countries/44 proposals</p>	<p>Outcome 3.2: DAE accreditation</p>
<p>Number of concept notes (CNs) developed under the readiness support</p> <p>Number of CNs developed <i>and</i> approved/selected by NDA according to high-impact national priorities</p>	<p>15 CNs</p> <p>Total 7 countries reported</p>	<p>57 countries/70 proposals</p>	<p>Outcome 4.3: Project CN development</p>

Indicators	Reported results as at 31 December 2018	Number of countries/proposals targeting each indicator	Corresponding outcomes
Number of funding proposals developed for the GCF	8 FPs Total 3 countries reported	8 countries/9 proposals	Outcome 4.2: Project pipeline development aligned with CP
Number of private sector entities engaged Number of private sector entities participating in a workshop <i>exclusively held for private sector engagement</i> with GCF/Private Sector Facility/climate finance, or number of private sector entities having meetings to discuss about their specific engagement with the GCF (e.g. getting accredited)	263 entities Total 12 countries reported	52 countries/60 proposals	Outcome 4.5: Private sector engagement
Total number of days of private sector engagement Days of workshops/training sessions/conferences exclusively for the private sector.	12 days Total 10 countries reported	52 countries/60 proposals	Outcome 4.5: Private sector engagement

^a Indicators at the result level are higher than the outcome levels of targets and achievements. This inevitably does not allow a direct linkage between indicators and targets. In addition, some reports include additional outcomes achieved, which were not targeted in the proposals. To report on the results to the extent possible, additionally achieved outcomes are also included in this report.

^b See document GCF/B.21/28 for an explanation of the scoring approach.

^c Double counting of participants is likely to happen both in the direct reporting by implementing entities and in the extracting of the information based on the deliverables. It is assumed that the avoidance of double counting is part of the implementing entities' responsibility on accurate reporting.

^d NDA staff within a list of participants are counted as participants belonging to the GCF NDA/focal point organizations (e.g. Ministry of Environment).