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**GCF/B.25/05**

21 February 2020

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# Addressing gaps in the current portfolio for measurement

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## **Summary**

This document presents an assessment of the portfolio monitoring and evaluation (M&E) gaps by the Secretariat as requested by the Board (decision B.22/13, paragraph (c)) in response to document GCF/B.22/07/Add.01 titled “Results management framework: Independent Evaluation Unit recommendations to improve the Initial Results Management Framework – Addendum I: Secretariat management response”. This document presents an approach to remediate M&E gaps as they relate to measurement and improving the capacity of the GCF to credibly report results from its investments in the initial resource mobilization period. Recommendations are informed by the independent review conducted by the Independent Evaluation Unit and a risks-based Secretariat assessment of the portfolio to determine the criticality and feasibility for remediation of the identified M&E gaps. Upon the willingness and agreement of accredited entities to amend ongoing project agreements, the Secretariat proposes to make best efforts to remediate all “moderate”, “elevated” and “high” risk gaps, so as to increase the proportion of the portfolio assessed to be “low” or “slight” risk. Additionally, this exercise has enabled the Secretariat to identify and extract lessons learned on challenges in implementation, which can inform further approaches to funded activities under the first replenishment period of the GCF.

## I. Introduction

1. In relation to results management, the principle objective of the GCF is to ensure that it can credibly measure the results of its investments. Per the Governing Instrument for the GCF (paragraph 58) the Board was charged with approving a results measurement framework with guidelines and appropriate performance indicators.
2. The Board adopted the initial results management framework (RMF) of the GCF through decision B.07/04, and later adopted the correlated performance measurement framework (PMF) through decision B.08/07. Per the 2018 Work Plan and Budget of the Independent Evaluation Unit (IEU) (adopted through decision B.19/21), in October 2018 the IEU completed an independent review of the GCF RMF (document GCF/B.22/07).
3. The IEU independent review assessed the design, implementation and utility of the RMF and identified both strengths and weaknesses. Identified gaps related to both the design of the RMF, in terms of lack of clarity, coherence and consistent guidance for its application, as well as gaps in implementation primarily focused on: (a) the level of application of the RMF/PMF; (b) the sufficiency of evidence generated/utilized to verify/validate results reported, including baseline data collection; (c) the level and quality in application of theories of change; and (d) the adequacy of calculations and target estimations provided by accredited entities (AEs) as the expected results delivered through a given investment/approved project or programme.
4. The Secretariat welcomed the findings as part of its commitment to accountability and iterative learning, and outlined a management response (document GCF/B.22/07/Add.01). After considering both the independent review by the IEU and the Secretariat's management response, the Board, by decision B.22/13, requested the Secretariat to prepare for the Board's consideration a revised RMF as well as a proposal to respond to gaps in the current portfolio for measurement and evaluation design, including delivery modalities and a proposed budgetary estimate. This paper responds to the monitoring and evaluation (M&E) gaps in the portfolio, noting that the revised RMF will be presented for Board consideration at a future meeting.
5. The Secretariat considers the assessment of M&E gaps in the portfolio to have been a constructive exercise, as the portfolio transitions through initiation and begins maturing in implementation. Furthermore, observations and trends arising from the analysis of the portfolio and application for the current RMF/PMF are timely to the ongoing work to present a revised and integrated results management framework (IRMF); as well as development of guidance and capacity-building materials by the Secretariat for the IRMF.
6. In response to the IEU findings, the Secretariat conducted a risks-based assessment of the portfolio to ascertain the criticality of the gaps. The Secretariat assessment and analysis was based on the principles that measurements and results management should strive to: track progress in the implementation for approved projects; inform institutional decisions/adaptive management; focus on measurements of what matters most; and collect sufficient data to enable the GCF to learn and adjust its investments, strategies and approaches accordingly.
7. Informed by the risks-based assessment, the Secretariat proposes, for Board consideration, remediations that are intended to improve the evaluability and credibility of results reporting for the initial resource mobilization period.
8. This paper and the draft decision in annex I present a two-phased approach to address critical M&E gaps for the AEs that voluntarily agree to integrate additional project-specific measures for remediation, for affected projects/programmes with executed funded activity agreements (FAAs) or which are currently under implementation.

## II. Background and context

9. As noted above, the IEU, through its independent review of the RMF and the findings of the subsequent “Forward-Looking Performance Review of the GCF” (document GCF/B.23/20, key finding 3d), identified gaps in both the design and implementation of the RMF, including in the Secretariat’s application of results management principles. Overall, the IEU concluded that the identified M&E gaps would limit the ability of GCF to demonstrate fund-level results for the initial resource mobilization period.

10. The GCF, in order to achieve a rapid operationalization during the initial resource mobilization, at its initiation focused on scaling up operations and early project approvals while seeking to develop the Secretariat’s results management capabilities. The IEU findings and recommendations thus contribute to the efforts of GCF, as a learning institution, to evolve its results management approaches as applied through GCF second-level due diligence approaches and business model.

11. Against this background, and since publication of the IEU independent review, the Secretariat has made concerted efforts as it matures to strengthen project results management and M&E through a more robust pre-approval review of funding proposals. These efforts include revisions to the funding proposal template, an updated *Funding Proposal Manual*, and the provision of feedback to AEs. In addition, the Secretariat continues to undertake and plan for further improvements in 2020. The IEU findings and current Secretariat proposals through this assessment of M&E gaps come at a point where, based on the willingness of and partnership with AEs, integration of remediation activities is possible for some projects/programmes. The GCF and AEs thus have an opportunity to shift and strengthen results management approaches at the inception and initiation of implementation for part of the GCF portfolio.

12. This also complements the recent institutional and organizational design changes within the Secretariat, which correspond with a shift in focus regarding results management from a compliance and operationalization focus towards one on adaptive management, which emphasizes investment allocations based on expected results. To address the identified issues in assessment of overall project and RMF/PMF indicators gaps, the Secretariat is proposing a risks-based remediation approach that will seek, in agreement with AEs, to apply a range of measures at the project-level to help improve results reporting and adjust the risk tolerance thresholds for the projects and thus the GCF portfolio.

## III. Approach/methodology

13. The Secretariat’s assessment of M&E gaps covered 100 funding proposals that had been approved up to and including the twenty-second meeting of the Board (B.22). The assessment focused primarily on the logical framework components in its analysis, and it did not assess TOCs the theories of change of the funding proposals or verify the accuracy of greenhouse gas (GHG) emission calculations. The Secretariat limited the analysis in order to target changes which it believes could return the highest impact for additional investment through remediation. Regarding accuracy of GHG emission calculations, the Secretariat is, in 2020, reviewing options to engage external parties to assess the accuracy of AE-proposed GHG emission calculations.

14. In its risks-based assessment the Secretariat focused its analysis on the logical framework components of funding proposals, prioritizing: alignment of selected RMF/PMF indicators; sufficiency of the means of verification (MoV); adequacy of baselines; and appropriateness of targets and suitability of corresponding assumptions. These factors were then assessed to arrive at a gaps assessment, by indicator, and then overall for projects to rate

the risks of M&E gaps that impact the measurement and credibility of GCF reporting. This assessment was considered against a standard of ensuring adequate credibility at a contribution level rather than at the causal attribution level for expected results.<sup>1</sup>

15. In order to provide project-specific remediations options that both ensure value for money and target the most critical issues and gaps, the Secretariat analysed a number of assessment criteria across the portfolio to consider the extent of M&E gaps, primarily for the fund-level RMF/PMF. The assessment methodology was designed to: (i) target key deficiencies (MoV, baselines, targets) to inform prioritization; (ii) select options that maintain flexibility to achieve the highest levels of change possible; (iii) enable the GCF to make further investments in projects to cover the costs of data collection or evidence generation that can return the highest impact to reduce an identified M&E gap-related risk; and (iv) address the findings of the IEU and support assessments for external validity of the portfolio to the extent possible.

16. The analysis was based on a desk review conducted by the Secretariat's Portfolio Management Specialists, whereby each of the RMF/PMF indicators attributed to an approved funding proposal or FAA was assessed by reviewing both quantitative and qualitative data collection against specific rating criteria, which were then used to code assessments for comparability across the portfolio. The criteria and factors were selected for their potential for remediation and based on the potential to identify lessons learned for future applications.

17. "Criticality" of the identified gaps was based on the proportion of assessments that were identified as "moderate", "elevated" or "high" risk, where risks tolerance was assessed against a five-level scale (low, slight, moderate, elevated and high) as follows:

- (a) 1 = Low – indicator(s) aligned with RMF/PMF, accurately captured/calculated, has an MoV that is independent/triangulated, with sufficient/credible baseline and targets;
- (b) 2 = Slight – indicator(s) partially aligned with RMF/PMF (e.g. targets may not be aligned to the indicator metric), MoV might need substantiation/triangulation, and baseline or targets could need revision/reinforcement (minor);
- (c) 3 = Moderate – indicator(s) partially aligned with RMF/PMF (e.g. impact without corresponding outcome indicator), MoV requires additional sources for verification, baselines needs substantiation/establishment;
- (d) 4 = Elevated – indicator(s) are partially or not aligned with RMF/PMF or included, MoV and/or baselines are missing or incorrectly applied, and the project is not generating evidence through its activities, with assumptions lacking requisite or essential information; and
- (e) 5 = High – indicator(s) are not properly or sufficiently selected, MoV and/or baselines are missing or incorrectly applied, targets for expected results are identified as inaccurate, and the project is not generating evidence through its activities, with the gap proportionately impacting the project's ability to achieve expected results and/or the fund-level credibility of results reporting.

#### IV. High-level trends and observations

18. One hundred projects/programmes were analysed (77 public sector and 23 private sector, amounting to USD 4.9 billion) against the GCF RMF/PMF indicators (of which there are 18 for mitigation and 17 for adaptation).

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<sup>1</sup> The GCF will continue to explore efforts to introduce sufficient attribution-level sampling as a means to ensure the external validity of the portfolio.

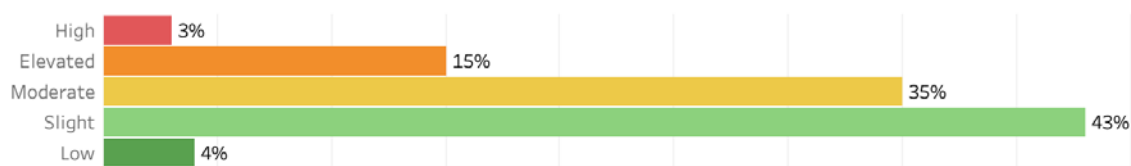
19. Across the 100 projects analysed, on average each project/programme applies approximately 6.6 of the RMF/PMF indicators (a total of 656 RMF/PMF indicators for all 100 projects), indicating that it is likely that more RMF/PMF indicators are included than is strictly warranted in terms of the contributions of the project/programme financing.

20. Of the reporting for these 656 RMF/PMF indicators, 54.1 per cent covered adaptation measures and 45.9 per cent covered mitigation measures, broadly in line with the objectives of the initial resource mobilization. 73.6 per cent applied in public sector projects and 26.4 per cent applied in private sector projects in line with general trends of projects in the GCF portfolio. Core indicators comprised 24.7 per cent, indicating that not all projects are reporting against core indicators in their logical frameworks. Impact indicators comprised 34.3 per cent and outcome indicators comprised 41 per cent of the indicators applied, possibly reflecting that impact indicators may not be sufficiently or accurately balanced for substantiation of impact indicators.

21. The distribution of the overall project gaps assessment for the 100 projects in the GCF portfolio is: low (4 per cent), slight (43 per cent), moderate (35 per cent), elevated (15 per cent) and high (3 per cent) (see fig. 1).

**Figure 1: Overall project gaps assessment**

#### Overall Project Gaps Assessment



22. By results area, the trends for RMF/PMF indicators showed moderate to high level risk tolerance for approximately 50 per cent of the indicator assessments across the RMF/PMF regarding qualitative indicators (M5.1 and M5.2; A5.1, A5.2, A6.2 and A7.2). For quantitative impact and outcome indicators, the higher risk trends in mitigation were related to energy access/power generation (M1.1, M6.2 and M7.1) and forestry and land use (M4.1); and for adaptation the higher risk trends were related to livelihoods, health and well-being infrastructure and ecosystems (A1.1, A2.2, A3.1, A4.1).<sup>2</sup>

23. The analysis found that, across the 656 indicators reported for the 100 projects, there were disaggregated to reflect 162 core indicators, 225 impact indicators and 269 outcome indicators. Overall trends from the analysis of the 656 indicators show that there is a higher and not always correlated outcome-to-impact indicator relationship for reporting; whereas the gaps and challenges were limited for core and impact indicators, with nearly 65 per cent and 60 per cent of the portfolio, respectively, within the low/slight tolerance levels. However, a higher proportion of outcome indicators (44.6 per cent) were considered to be at moderate, elevated or high tolerances.

24. Assessment against the key credibility elements (MoV and baselines, in particular) found that 56.5 per cent of the 656 indicators required further evidence for MoV triangulation/substantiation; 35.5 per cent of the baselines were reflected as missing or incomplete; and 41.8 per cent of the baselines were considered as weak or questionable in terms of adequacy (e.g. insufficiently verifiable or potentially biased MoV, zero by default rather

<sup>2</sup> All RMF/PMF indicators are per document GCF/B.08/45, annex VIII, available at [https://www.greenclimate.fund/documents/20182/239759/5.3\\_-\\_Performance\\_Measurement\\_Frameworks\\_PMF\\_.pdf/60941cef-7c87-475f-809e-4ebf1acb3f4](https://www.greenclimate.fund/documents/20182/239759/5.3_-_Performance_Measurement_Frameworks_PMF_.pdf/60941cef-7c87-475f-809e-4ebf1acb3f4).

than actual status, or possibly incorrectly calculated). This implies that the project/programmes lack sufficient credibility in relation to contribution standards for results reporting and would thus require remediation activities to shift risks-based assessments on MoV and baselines.

## V. Remedial actions for the gaps in monitoring and evaluation

25. The proposed remediation activities fundamentally seek to address the differential between current risk assessment levels and a tolerable level of risk for GCF. This differential will be flexibly addressed through negotiation across selected projects based on the type of activity and corresponding costing to remediate the risk and, where there is agreement from the AE, contracting amendments to approved FAAs in order to provide additional financing for agreed remediation activities. Activities incorporated will be targeted towards shifting risks through evidence generation, results verification, and so on, to improve the credibility of the measurements and/or results reported for approved projects.

26. In assessing the gaps in the portfolio, the Secretariat has taken a risks-based approach to tolerances, in order to provide the maximum amount of flexibility for engagement with AEs and thereby deliver the broadest opportunity for change in the risks-based M&E gaps assessments of the portfolio.

27. Fundamental to this approach is the assumption that all moderate, elevated and high overall project and relevant RMF/PMF indicator related gaps risks ratings are prioritized for negotiation with AEs to remediate (primarily through generation of MoV, recalculation of expected results or establishment of baselines). This prioritization will enable the Secretariat to undertake all best efforts and, where AEs agree to amend FAAs, to increase the proportion of the GCF portfolio that is assessed as low and slight risk. This would result in transitioning from the current status (53 per cent of indicators assessed as moderate, elevated or high risk) to an improved risk tolerance threshold and increasing the evaluability of contributions by project/programmes to portfolio performance reporting.

28. Proposed remediation activities could include but are not limited to the following: baseline (and as necessary subsequent) surveys; data collection; survey/questionnaires (e.g. knowledge, awareness, perception surveys); use of government data and records; beneficiary data collection; focus groups; field observation visits; review of GHG emission calculations; public expenditures reporting; baseline studies; geographic information systems data; key informant interviews; stakeholder mapping; capacity-building and data analysis activities; impact evaluations; randomized sampling methods; and other tools as identified in negotiations with AEs. In any amendment to project FAAs, the Secretariat will ensure that the budget of any proposed M&E gaps remediation activities does not exceed the accreditation status of an AE or constitute a major change to a project as approved by the Board. Any remediation activities that would constitute a major change would be submitted to the Board for consideration in accordance with the GCF Restructuring and Cancellation Policy (annex VI to decision B.22/14), and are thus outside the remediation efforts proposed by the Secretariat.

29. Critically, amendments to FAAs and remediation of the M&E gaps can only be achieved by the Secretariat where the AEs agree to amend the relevant FAAs to include the proposed remediations to projects under implementation (because the amendment of an executed contract is only possible upon the agreement of all the parties to that agreement).

30. As part of targeting remediation for all moderate, elevated or high overall project gaps assessments and relevant RMF/PMF indicators risks, the Secretariat will seek Board approval to engage with the AEs in an effort to negotiate remediation activities across 20–50 project/programmes.



31. Acknowledging that each remediation will be project/programme and country specific, and that budgeting would be dependent on the extent of the risk and complexity of the activities identified to remediate the risk/gap assessment, the Secretariat anticipates that budgeting for remediation activities could range from USD 50,000 to USD 500,000 per project/programme. This level of additional investment for most projects/programmes is not expected to exceed 1–3 per cent of the already approved FAA budget.
32. The Secretariat anticipates that, through planned consultations with AEs across 20–50 projects, estimates for remediation activities collectively could lead to overall allocations from commitment authority to approved projects in the range of USD 5 million to USD 25 million. Following initial consultations with AEs to verify their willingness to participate, the Secretariat will report to the Board, no later than B.27, on the expected uptake and scale of projects for potential remediation with a narrowed budget envelope that would request delegated authority to the Executive Director to approve up to USD 500,000 (or EUR equivalent sum) per project agreed for remediation and amend the FAAs accordingly.

## VI. Key considerations and lessons

33. Through analysis the Secretariat observed trends and inconsistencies in the application of the RMF/PMF indicators. Key challenges were identified in terms of quality at entry, relating to integration and consistent application of indicators and clear protocols, particularly regarding specific guidance on the application for qualitative (outcome) indicators. This re-emphasizes the criticality of the design of logical frameworks as a robust part of project development, and the criticality of review for quality and evaluability, rather than compliance in pre-approval processes. The Secretariat also recognizes that coherent guidance for RMF/PMF indicators (which was broadly lacking in the initial RMF/PMF) can play in assisting AEs to develop better logical frameworks. Providing better guidance on logic frameworks will encourage AEs to select and apply GCF RMF/PMF indicators in a strategic manner, as a means of justifying the allocation of GCF funding. Additionally, at the project level, in order to adaptively manage and monitor results vis-à-vis delivery, projects need to focus on integrating results-oriented performance measurements. This will enable measurements of activities and deliverables to be adaptively managed through the project/programme's detailed description of activities and implementation plans.
34. As the GCF portfolio continues to mature, and reflecting the increased focus on implementation management and the role of M&E both in upstream design and implementation, the Secretariat has revised the GCF funding proposal template and is finalizing the *Funding Proposal Manual* guidance on logical frameworks to ensure that the issues identified in the above assessment of M&E gaps (such as misalignment of metrics for RMF/PMF indicators with targets and baselines, which creates portfolio data aggregation challenges) are clarified. The manual provides specific guidance on the inclusion of MoV, prioritizing (at the GCF level) inclusion of independently verifiable information from what is generated by the project/programme in an effort to reduce/remove bias (e.g. over-dependence on reports by executing entities for validation of expected results) to ensure credibility of the reporting. In addition to the *Funding Proposal Manual* guidance and an increase in the Secretariat's capacity for verifying GHG calculations, in 2020 the Secretariat will continue to provide AEs and project/programmes with specific technical support in the design of logical frameworks for funding proposals, and is considering options for outreach, engagement and awareness with AEs to improve the quality of logical frameworks and to support the M&E capacities of AEs so that they can prepare robust logical frameworks for GCF funding proposals.
35. A key weakness in understanding the adequacy of M&E for projects has been the lack of transparency in budgeting for M&E, and the need to make budgeting and financing of M&E

activities more explicit during project design phases. The new funding proposal template includes information for budgeting against an M&E plan. However, the Secretariat also acknowledges that guidance on M&E budgeting and further integration of M&E-related expenditures as part of project budget and activities needs to be institutionalized to ensure M&E budgeting is properly reflected in funding proposal budgets.



## Annex I: Draft decision of the Board

The Board, having considered document GCF/B.25/05 titled “Addressing gaps in the current portfolio for measurement”:

- (a) *Takes note* of the information presented in the document;
  - (b) *Reiterates* the commitment of the GCF as a learning organization to iteratively improve the integration of sufficient monitoring and evaluation budget and activities for the gathering of evidence in funding proposals and funded activities to ensure the credibility of the portfolio and project/programme results reported;
  - (c) *Requests* the Secretariat to target remediation efforts covering all gaps in project/programme monitoring and evaluation or the relevant performance management frameworks’ indicator risk assessment, where the ratings are assessed by the Secretariat as moderate, elevated or high;
  - (d) Recognizing that participation and implementation of remediation measures by accredited entities is voluntary, *also requests*:
    - (i) The Secretariat to consult with accredited entities to assess the willingness of the accredited entities to undertake the proposed remediation activities to adjust the relevant overall project/programme monitoring and evaluation gaps assessments or the relevant performance management frameworks’ indicator risk assessments, where the ratings are assessed by the Secretariat as moderate, elevated or high;
    - (ii) The Secretariat to report to the Board the response and agreement by accredited entities to undertake the proposed remediation activities;
    - (iii) Based on feedback received from accredited entities, the Secretariat to propose a funding envelope and strategy for approval of remedial actions, including the amendment of funded activity agreements, for Board consideration not later than the twenty-seventh meeting of the Board, to cover the costs of the remediation activities to be undertaken.
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