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# Management response to the Independent Evaluation of the Green Climate Fund's Country Ownership Approach

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## **Summary**

This document presents the Secretariat management response to the Independent Evaluation of the Green Climate Fund's Country Ownership Approach undertaken by the Independent Evaluation Unit (IEU).

## I. Introduction

1. The Secretariat welcomes the *Independent Evaluation of the Green Climate Fund's Country Ownership Approach* undertaken by the Independent Evaluation Unit. Country ownership is a core principle of the Green Climate Fund as enshrined in the *Governing Instrument* as well as in several decisions of the Board to integrate the principle throughout the operations of the Fund. The evaluation has pointed to several areas where the GCF can strengthen its approach to realizing and setting new standards on country ownership.

2. The Secretariat agrees or partially agrees with all these recommendations, and has either already taken actions on many of them in late 2019 or 2020 or is in the process of doing so. Such actions include strengthening internal processes, structures and incentives within the Secretariat, updating guidelines and information materials, as well as strengthening the capacities of countries, particularly NDAs or focal points and direct access entities. The role of stakeholders such as local communities, civil society and the private sector in contributing to country ownership in GCF operations is also very important, and the Secretariat is committed to supporting and strengthening the role of all stakeholders that contribute to building country ownership in the GCF's operations. Specific responses to each of the key recommendations in the evaluation are detailed further below.

## Key Recommendations

**Realize the Fund’s ambition for country ownership and fully embrace a definition of country ownership that goes beyond national government.**

	Page no.	Recommendations	Management Response
1a	xxix	<p><b>Develop a normative standard for country ownership, recalling the GCF’s ambition to set a new standard among other climate and development organizations.</b></p> <ul style="list-style-type: none"> <li>In this context, the GCF should consider its business model and overall objectives (including paradigm shift) in relation to country ownership, addressing tensions and potential trade-offs.</li> </ul>	<p>Partially agree.</p> <p>The ambition of the GCF in setting a new standard of country ownership is indeed an important one. In that respect, the GCF has developed its <i>Guidelines for Enhanced Country Ownership</i>, which serves as the normative standard for the GCF. The guidelines cover how different stakeholders – NDAs, AEs and the Secretariat – should operate to strengthen country ownership. These guidelines are scheduled to be reviewed by the Board as part of its workplan and updated based on lessons learned. In the process of updating these guidelines, the Secretariat will present options for further strengthening country ownership throughout its operations.</p>
1b	xxix	<p><b>Make country ownership an eligibility condition, not a prioritization criterion for investment decision-making.</b></p> <ul style="list-style-type: none"> <li><u>More accountability around NoPs</u> could help ensure that NoLs can be interpreted as a valid signal of broader country ownership.</li> <li>Drawing on the experience of other global funds, for example, the GCF could <u>consider requiring transparent documentation of NoPs</u>.</li> </ul>	<p>Partially agree.</p> <p>Country ownership is an essential and fundamentally important requirement for the GCF in its investment decision-making. Furthermore, country ownership is built during the design and development of projects and programmes, and thus needs to be assessed for different aspects during the different stages of the project cycle. Thus, it is more appropriate as an investment criterion than a one-time eligibility criterion, which may result in projects and programmes being eliminated prematurely. The Secretariat does however agree that there is room for</p>

	Page no.	Recommendations	Management Response
			<p>more transparency and accountability around the no-objection process within countries. Several countries have made their no-objection procedures transparent to all stakeholders. The GCF will also make available such procedures on the country pages on its website once available from countries.</p>
1c	xxix	<p><b>Strengthen the approach to stakeholder engagement by reformulating definitions and principles of engagement, especially for non-state stakeholders within countries.</b></p> <ul style="list-style-type: none"> <li>• GCF guidance should recognize the special space for engaging the minority, the disenfranchised and the vulnerable, because they are most affected by climate change.</li> <li>• Guidance should also <u>recognize the important role of sub-national actors</u>. It should <u>clearly define what is meant by terms like “civil society”</u> and <u>be more specific about what constitutes meaningful engagement</u>. Tangible examples of best practices would also help. The GCF can and should set new standards in this space.</li> </ul>	<p>Partially agree.</p> <p>The Secretariat agrees that there is room for strengthening stakeholder engagement processes within countries by sharing practices across countries and updating its guidelines for stakeholder engagement, including groups most affected by climate change or activities to be funded by the GCF. Furthermore, sub-national and non-state actors have an important role to play in the stakeholder engagement processes led by GCF NDAs or focal points.</p> <p>The Secretariat is of the opinion that definitions of key concepts or stakeholder groups used by GCF represents industry best practice. Notwithstanding this, the Secretariat will consider opportunities to clarify and strengthen definitions and principles when reviewing and updating the GCF’s guidelines for stakeholder engagement.</p>

	Page no.	Recommendations	Management Response
1d	xxix	<p><b>Promote the public release of documents.</b></p> <ul style="list-style-type: none"> <li>The <u>transparency and public release of key documents</u>, such as CPs and APRs, is critical for public accountability, as well as to enable NDAs / focal points to provide oversight of their GCF portfolios.</li> </ul>	<p>Agree. The Secretariat intends to make these documents public subject to the GCF's Information Disclosure Policy. Final versions of Country Programmes are available on the GCF website in the country pages, and the APRs will also be made available on the GCF website.</p>
1e	xxix	<p><b>Encourage AEs to use country systems, such as public finance management systems, procurement systems, and results systems.</b></p> <ul style="list-style-type: none"> <li>The GCF should <u>track progress in the use of country systems among AEs</u>, with a goal towards increased reliance on such systems.</li> </ul>	<p>Agree. The GCF encourages AEs to use country institutions and their systems for the implementation of projects and programmes subject to any restrictions by the AE's own policies. In fact, the direct access modality allows the GCF itself to rely on such country systems where national entities have demonstrated their ability to comply with the GCF's financial management, procurement and results management systems. Such use can also be tracked through information reported in APRs.</p>

**Strengthen guidance and support to countries to better enable them to assume ownership of their engagement with the GCF. Develop measures to ensure that both the GCF and countries are held to account.**

	Page no.	Recommendations	Management Response
2a	xxx	<p><b>Strengthen support for NDA / focal point capacity.</b> NDAs / focal points could benefit from:</p> <ul style="list-style-type: none"> <li>• A living <u>handbook of responsibilities and best practices for NDAs / focal points</u>. The <u>initial guidance approved at B.08 is not sufficient</u>.</li> <li>• Ongoing financial support for a secretariat function in NDAs / focal points with eligibility/accountability measures in place. The evaluation has shown that <u>NDAs / focal points are often understaffed</u>, with many competing demands on staff. Benchmarking analysis shows that country coordination mechanisms function best when they are supported financially and with training over the long-term. The level of financial support could, for instance, be in the form of salary top-ups. Overall, this is likely to vary among countries. The experience of other global funds has shown that these amounts do not need to be substantial but can be critical and should be paired with sustained training.</li> <li>• NDAs / focal points need a <u>clearer mandate for the oversight role they are expected to play during project implementation</u>.</li> <li>• NDAs / focal points <u>need to be recruited, trained and supported for engaging the private sector</u> in-country and internationally.</li> </ul>	<p>Partially agree.</p> <p>The Secretariat agrees that further measures can be undertaken to enhance the capacities of NDAs or focal points. While a handbook titled “<i>Engaging with the Green Climate Fund: A resource guide for national designated authorities and focal points of recipient countries</i>” was developed in 2015 to reflect key Board decisions taken in the early years of the GCF, the Secretariat will update it to incorporate new roles/responsibilities foreseen for NDAs/focal points in subsequent decisions since 2015. Such an updated handbook will also include examples of good practices by different developing countries.</p> <p>Financial support is being provided to NDAs or focal points as well as DAEs through the Readiness Programme evolving to provide long-term financial support for up to 2-3 years needed to augment their capacities. The Secretariat would need to assess the benefits and risks of salary top-ups, and present it for Board consideration. In the meantime, the Secretariat is exploring other options such as short-term and long-term expert placements for NDAs or focal points and DAEs.</p> <p>As for the oversight role of the NDAs/focal points, this is spelled out in both the <i>Best Practice Guidelines for Establishing NDAs/focal points</i> as well as the <i>Monitoring</i></p>

	Page no.	Recommendations	Management Response
			<p><i>and Accountability Framework.</i> The Secretariat is also stepping up its efforts to systematically train NDAs/focal points on the GCF, including on private sector engagement, and is also increasingly providing Readiness support to NDAs/focal points to strengthen their private sector engagement.</p>
2b	xxx	<p><b>Strengthen and re-structure the Secretariat and (its divisions) by building the right incentives and opportunities for staff to provide advisory support to countries that maximizes impact on countries' climate needs and strengthens countries' ownership of GCF investments.</b></p> <ul style="list-style-type: none"> <li>The Secretariat should re-organize itself with the aim of providing the best solutions and support to countries. <u>Countries need access to GCF representatives who have detailed knowledge of both the GCF and national and regional circumstances, and who can provide technical assistance to countries.</u></li> </ul>	<p>Agree.</p> <p>The Secretariat has been restructured to strengthen its support to countries. It has also further integrated country and regional managers into the teams reviewing concept notes and funding proposals to ensure greater alignment with country ownership principles, and into the teams monitoring progress during implementation. The GCF onboarding and performance management systems are also being developed to further reinforce incentives for all staff to strengthen country ownership. In addition, the Secretariat is increasing technical assistance capacity through the Readiness Programme to support the planning and project development needs of countries.</p>
2c	xxx	<p><b>Pursue CPs only if their purpose and clarity are developed and well communicated. GCF should develop a CP strategy</b> that provides:</p> <ul style="list-style-type: none"> <li>A sound rationale and clear incentives for countries to develop CPs that explain how CPs may contribute to fostering agreement between government and non-government actors on GCF investment priorities. The CP strategy should also indicate how CPs may support paradigm-shifting and high-impact objectives of the</li> </ul>	<p>Partially agree.</p> <p>The development and submission of CPs forms stage 1, step 1 of the proposal approval process. Thus, the purpose of the CPs are intended to generate country-driven pipelines informing Accredited Entity Work Programmes (EWPs) for the priority pipelines to be developed into CNs and FPs, and also to inform the</p>

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		<p>GCF.</p> <ul style="list-style-type: none"> <li>An indication of the scale of resources that will be programmed by the GCF both globally and by country during its strategic plan period. Benchmarking analysis shows the importance of this in contributing to country-level planning. So far this <u>guidance has been informally communicated</u> which is not propitious for transparency and predictability.</li> <li><u>Clear guidance on GCF eligibility considerations, investment criteria, and funding modalities is required and should inform pipelines in CPs to help ensure they are compatible with GCF objectives.</u> Benchmarking analysis shows that, when CP processes fall short on these points, they are not effective in identifying project ideas that are eligible for funding, especially where country stakeholder capacities are low.</li> </ul>	<p>development of relevant RFPs. However, the lack of detailed guidelines, a flexible approach to CPs and the parallel processing of CNs and FPs while countries were still in the process of developing their CPs have not adequately served this purpose. To address this, the Secretariat has developed programming and operations manuals to clarify and reinforce the role of CPs in the project cycle and has also developed further guidance on CPs building on the initial general guidelines for country programmes provided for by the Board (decision B.08/11, annex XVII) for countries to develop CPs that will help the GCF better achieve the intended purpose of CPs.</p> <p>The scale of resources to be programmed globally will be driven by the Strategic Plan when adopted by the Board. In this context, the Board may also consider the scale of resources to be programmed by each country or groups of countries as may be appropriate.</p>

	Page no.	Recommendations	Management Response
2d	xxxii	<p><b>Take leadership in building a ‘choice- architecture’ that provides the capabilities, opportunities and motivations for countries and GCF Secretariat staff to choose and use DAEs and strengthen ownership by countries.</b></p> <ul style="list-style-type: none"> <li>• One key opportunity is to <u>ask mature IAEs to co-develop and/or co-implement GCF investments jointly with nominated DAEs</u>. GCF may generate the second opportunity through the planned GCF accreditation strategy. Among other issues, this strategy should address critical questions concerning the goal of accreditation and direct access (beyond process) as identified through this evaluation. These include whether accreditation is mainly concerned with creating a portfolio of entities that are able to manage GCF investments? Or a portfolio of entities that are climate finance ready, beyond GCF?</li> <li>• The GCF should also <u>encourage and incentivize countries and DAEs to take a more strategic approach to nominations for direct access for the medium- and longer-term future. CPs and/or country climate finance strategies should drive the decision on the type and number of entities nominated</u>. More clarity from the GCF on resource availability and priority focus areas would help encourage more strategic nominations.</li> </ul>	<p>Agree.</p> <p>The Secretariat agrees on the important role of DAEs in promoting country ownership, and is indeed encouraging IAEs to partner with DAEs, as well as advising countries to select capable DAEs to implement the programming priorities identified in their CPs or related climate finance/investment plans. The GCF has a ‘choice architecture’ that encourages the use of DAEs and to strengthen country ownership, and it continues to monitor and strengthen its policies, strategies and procedures to strengthen its ‘choice architecture’ in this regard.</p>