



**GREEN
CLIMATE
FUND**

Meeting of the Board

16 – 19 March 2021

Virtual meeting

Provisional agenda item 11(b)

GCF/B.28/04

23 February 2021

Addressing gaps in the current portfolio for measurement

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 address existing M&E gaps and amend ongoing project agreements, the Secretariat proposes to make best efforts to remediate all “moderate”, “elevated” and “high” risk gaps and support the provision of technical assistance to accredited entities, so as to migrate the affected portfolio of projects to “low” or “slight” risk categories. 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 frameworks (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 presented 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 of the framework design and implementation. Identified gaps related to both:
 - (a) The design of the RMF, in terms of lack of clarity, coherence and consistent guidance for its application, as well as;
 - (b) Gaps in implementation primarily focused on:
 - (i) The level of application of the RMF/PMF;
 - (ii) The sufficiency of evidence generated/utilized to verify/validate results reported, including baseline data collection;
 - (iii) The level and quality in application of theories of change; and
 - (iv) 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 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 (or Integrated Results Management Framework, IRMF) is also being presented for Board consideration at B.28.
5. The Secretariat considers the assessment of M&E gaps in the portfolio to have been a constructive exercise, generating critical lessons as the portfolio matures and implementation picks pace. Furthermore, observations and trends arising from the analysis of the portfolio and application for the current RMF/PMF are timely and have informed the work towards a revised and integrated results management framework (IRMF). They will also inform the development of guidance and capacity-building materials by the Secretariat to accompany the implementation of the IRMF.
6. In its assessment, the Secretariat adopted a risk-based approach to ascertain the criticality of the M&E gaps in the portfolio. The Secretariat assessment and analysis was based on the principles that measurements and results management should strive to: track progress in the implementation of approved projects; inform institutional decisions/adaptive management measures; 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, and further considering the impact of the projects under consideration on the overall GCF portfolio, 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. The proposal presented at the informal Board session at B.25 has been updated to reflect the comments received from Board members received during recent Board consultations and the technical session held on 4 February 2021.

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. The voluntary aspects of the approach also emphasizes the fact that any changes or additional obligations that may result from the remedial actions will be implemented only with the consent of the AEs.

9. The proposed approach also takes into consideration the fact that a number of accredited entities, especially DAEs, may require additional support in addressing the M&E gaps in funded activities. To accommodate that, the proposed approach considers the provision of additional technical assistance to accredited entities that are willing to remediate the identified M&E gaps.

II. Background

10. The IEU's 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.

11. These gaps arose from a combination of factors, including limited M&E capacity during the initial phases of GCF and the rapid operationalization and approval of Funding proposals during the initial resource mobilization period. The initial focus on scaling up operations and early project approvals while seeking to develop the Secretariat's results management capabilities resulted in a compromise in the quality of M&E review¹. 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 approach and business model.

12. Against this background, and since publication of the IEU independent review, the Secretariat has made concerted efforts to strengthen project results management and M&E through a more robust pre-approval review of funding proposals. This represents a shift in focus of results management from a compliance and operationalization towards focus on adaptive management with emphasis on investment allocations based on expected results. Towards this end, the Secretariat's efforts to date include revisions to the funding proposal template, development of a new *Programming Manual*, provision of feedback to AEs based on the Programming Manual, and provision of tailor-made trainings to AEs on ToC and logframe development. In addition, the Secretariat with the support of a consulting company, conducted in 2020 a reassessment of the GHG emission reduction calculations in the approved mitigation

¹ For example, at the beginning of 2018, the Office of Portfolio Management (then Portfolio Management unit under the Division of Support Services) was in its infancy and had only seven staff and none of whom were focusing exclusively on M&E issues and funding proposal reviews. By that time the GCF had approved already more than 60 funding proposals.

and cross-cutting funded activities in the portfolio. The Secretariat continues to build on its growing experience to improve GCF's M&E systems as well as the provision of support to AEs in this regard.

13. These efforts are complemented by recent institutional and organizational design changes within the Secretariat, including the strengthening of the Office of Portfolio Management which also comprises specialised Quality Assurance and M&E Team, Project Implementation, Monitoring and Management Team and Results, Data and Knowledge Management Team with a total of allocation of 21 staff members².

14. 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 entire GCF portfolio.

15. The current Secretariat proposal resulting from the assessment of M&E gaps and the integration of remediation activities for target projects/programmes will be contingent on the willingness of and partnership with AEs. The proposal provides the GCF and AEs with an opportunity to shift and strengthen results management approaches at the inception and initiation of implementation for part of the GCF portfolio.

III. Approach/methodology

16. 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 and 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 in terms of results reporting relative to the additional remediation investment required.

17. In its risks-based assessment, the Secretariat focused the analysis on the logical framework components of funding proposals, prioritizing the following:

- (a) Alignment of selected RMF/PMF indicators;
- (b) Sufficiency and relevance of the means of verification (MoV) allowing for triangulation of results;
- (c) Adequacy of baselines; and
- (d) Appropriateness of targets and suitability of corresponding assumptions.

18. These factors were then assessed to arrive at a gaps assessment by indicator, and then overall gaps assessment 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.³

19. 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 the portfolio M&E

² This includes ongoing recruitments and is in stark contrast to the initial team size of seven staff members.

³ The GCF will continue to explore efforts to introduce sufficient attribution-level sampling as a means to ensure the external validity of the portfolio.

gaps against a number of assessment criteria primarily targeting the fund-level RMF/PMF indicators. Specifically, the assessment methodology used by the Secretariat was designed to:

- (a) Target key deficiencies (MoV, baselines, targets) to inform prioritization;
 - (b) Select options that maintain flexibility to achieve the highest possible levels of improvement in relation to targeted indicators;
 - (c) 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
 - (d) Support assessments for external validity of the portfolio to the extent possible.
20. The Secretariat's Portfolio Management Specialists conducted a desk review and assessment of the RMF/PMF indicators attributed to approved funding proposals and FAAs. The assessment included both quantitative and qualitative elements against specific rating criteria and factors selected for their potential for remediation and based on the potential to identify lessons learned for future applications. The ratings were then used to code risk level assessments for comparability across the portfolio.
21. The risk level was assessed against a five-level scale of 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 that 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

22. 100 projects/programmes reflecting the composition of the GCF portfolio as of B.22 were analysed (77 public sector and 23 private sector, amounting to a total of USD 4.9 billion) against the GCF RMF/PMF indicators (which consist of core, fund-level impact and fund-level outcome indicators, 18 for mitigation and 17 for adaptation, respectively).

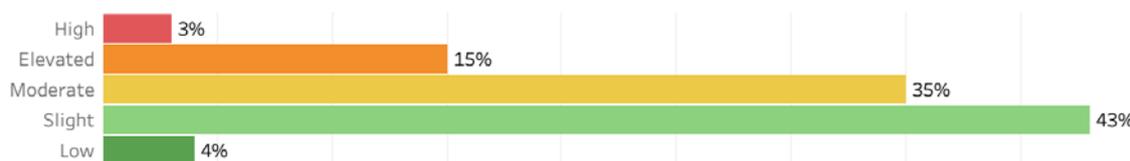
23. Across the 100 projects analysed, on average each project/programme applies approximately 6.6 of the RMF/PMF indicators (a total of 656 RMF/PMF indicators for all 100 projects), indicating that it is likely that more RMF/PMF indicators are included than is strictly warranted in terms of the assessing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

24. 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.

25. 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



26. In terms of impact, projects with M&E gaps risks assessed as high and elevated risk cover 11.89 per cent of adaptation and 4.29 per cent of the adaptation impact of the reviewed portfolio, while projects with M&E gaps risks assessed as medium risk projects contribute to 49.10 per cent of adaptation and 55.31 per cent of the mitigation impact of the reviewed portfolio⁴.

27. Additionally, among the 52 projects with M&E gaps risks assessed as medium to high risk, 12 projects are from 10 direct access entities and 40 projects from 12 international access entities.

28. By type of indicators, RMF/PMF qualitative outcome indicators (M5.1 and M5.2; A5.1, A5.2, A6.2 and A7.2) showed moderate to high level risk (i.e. non-compliance with the RMF/PMF) for approximately 50 per cent of the indicator assessments across the reviewed portfolio. 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).⁵

29. Of the 656 indicators reported for the 100 projects, 162 were core indicators, 225 impact were indicators and 269 were 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

⁴ The impact numbers exclude the impact of two lapsed projects included in the initial analysis.

⁵ 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>.

cent) were considered to be at moderate, elevated or high tolerances, showing higher risk levels compared to impact and core indicators.

30. 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 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

31. The proposed remediation activities fundamentally seek to address the differential between current risk assessment levels and a tolerable level of risk for GCF, where tolerable risk assessment levels are those classified as low and slight. A number of concerns related to the initial draft of this paper were raised during the consultation period by members of the Board, including on the value for money of the remedial actions, as well as the burden on accredited entities. In light of that feedback, the revised proposal includes cost-efficient measures for delivering the remediation activities, such as the use of a vendor to support the Secretariat and AEs, and providing technical assistance to accredited entities that are targeted by this proposal. At the same time, the revisions would allow the delivery of the same expected outcome in terms of addressing the risk differential while reducing the Secretariat administrative burden to negotiations with AEs and updating FAAs.

32. The remedial actions are proposed to be implemented through a two-step approach. As a first step, the Secretariat is seeking an in-principle approval from the Board to proceed with addressing the M&E gaps in 50 projects⁶ that are classified as medium, elevated and high risk.

33. Following the initial approval from the Board and confirmation of budget by the Budget Committee, the Secretariat will procure the services of a vendor to support, under the guidance from the Secretariat, project-by-project analysis of remedial options and discussions with AEs that are willing to voluntarily accept the implementation of the remedial actions. The vendor will then develop an action plan with the contents of the remedial actions for each targeted funded activity and a detailed budget which will be presented to the Board for final approval. The action plan and the proposed detailed budgets will also be communicated to the NDAs of each country where the targeted projects are located.

34. Once the action plan and the detailed budget are approved by the Board, the vendor will start working with AEs and provide them with technical assistance on addressing the gaps and implementing the remedial measures. Part of the approved budget is also expected to be allocated from additional programming budget and used by AEs to cover additional managerial and monitoring costs, as well as some studies, such as baseline studies, while consultancy and other administrative costs related to the oversight of the exercise including legal review costs will require additional administrative budget allocation. It is important to note that the implementation of the remedial actions will be monitored by the Secretariat to ensure their consistency and effectiveness in order to bring the risks in selected projects to tolerable levels of risks for the GCF.

35. Through the proposed approach, the risk differential in the GCF portfolio will be flexibly addressed through providing technical assistance and finance to AEs that are willing to

⁶ This number excludes two projects covered under the original analysis that have lapsed since.

implement the remedial actions 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.

36. Fundamental to the proposed 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.

37. Proposed remediation activities could include but are not limited to the following:

- (a) Baseline (and as necessary subsequent) surveys;
- (b) Data collection;
- (c) Survey/questionnaires (e.g. knowledge, awareness, perception surveys);
- (d) Use of government data and records as part of the MoVs to allow for data triangulation;
- (e) Beneficiary data collection;
- (f) Focus groups;
- (g) Field observation visits;
- (h) Public expenditures reporting;
- (i) Baseline studies; geographic information systems data;
- (j) Key informant interviews;
- (k) Stakeholder mapping;
- (l) Capacity-building and data analysis activities;
- (m) Impact evaluations;
- (n) Randomized sampling methods; and
- (o) Other tools as identified in negotiations with AEs.

38. 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.

39. 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). Additionally, the Secretariat will ensure, to the extent possible, that changes to the FAA are conducted at the same time as changes linked to other adaptive management activities for projects under implementation, thus reducing the additional workload on the side of AEs and the Secretariat.

40. 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, through planned consultations with AEs for up to 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 7 million.

41. The detailed budget and action plan will be submitted to the Board following negotiations with AEs not later than B.30. The remediation actions are planned to be completed by B.33.

VI. Key considerations and lessons

42. Through its 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.

43. As the GCF portfolio continues to mature and the focus on implementation management and the role of M&E both in upstream design and implementation increases, the Secretariat has revised the GCF funding proposal template and finalized the *Programming Manual* guidance on logical frameworks to ensure that the issues identified in the above assessment of M&E gaps are clarified and to ensure credibility of the reporting on GCF projects and programmes.

44. In addition, the Secretariat's has increased its capacity for verifying GHG emission reduction calculations, and will continue to provide AEs and project/programmes with specific technical support in the design of logical frameworks for funding proposals. The Secretariat has also increased its scrutiny of funding proposals to ensure that budgeting and financing of M&E activities is made more explicit during project design phases, thus promoting both the transparency and adequacy of budgeting for M&E which were key contributing factors to the current M&E gaps. It is important to emphasize in that respect that the new funding proposal template includes information for budgeting against an M&E plan. Further guidance on budgeting for and integrating M&E-related expenditures as part of project budget and activities is planned to ensure M&E budgeting is properly reflected in funding proposal budgets.

45. Other measures include outreach, engagement and awareness activities 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.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.28/04 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) Recognizes that participation and implementation of remediation measures by accredited entities is voluntary;
 - (d) 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;
 - (e) Approves the Secretariat undertaking the following actions to advance remediation efforts:
 - (i) **Phase 1:** The Secretariat retaining a vendor and consulting with accredited entities to assess the willingness of the accredited entities to undertake proposed remediation activities on a project-specific basis, where the ratings are assessed by the Secretariat as moderate, elevated or high;
 - (ii) **Phase 2:** Based on feedback received from accredited entities, the Secretariat proposing a detailed action plan and funding envelope for remedial actions for Board consideration not later than the thirtieth meeting of the Board, to cover the costs of the remediation activities to be undertaken at the Secretariat and AE level; and
 - (f) Requests the Secretariat to consult and seek confirmation from the Budget Committee on the additional administrative budget for Phase 1 of the remedial efforts as described in paragraph (e)(i) above.
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