



**GREEN  
CLIMATE  
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**GCF/B.29/05**  
7 June 2020

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# Review of Secretariat capabilities to deliver the updated Strategic Plan for 2020 – 2023

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## **Summary**

This document presents a review of the Secretariat's capabilities to deliver increased programming and implementation over 2020-23 in line with ambitions of the GCF updated Strategic Plan (USP), endorsed by the Board at its twenty-seventh meeting. In reviewing the Secretariat's capabilities, the paper also addresses two other mandates established in the USP to: (i) identify operational bottlenecks and examine the most effective ways to address these to speed up access, and (ii) undertake a cost-benefit assessment of needs and options for establishing a GCF regional presence.

The Secretariat contracted an external firm, Dalberg Global Development Advisers, to conduct the review. The exercise included a review of eight key business processes to identify operational bottlenecks and associated efficiency and effectiveness reforms, an analysis of how regional presence options could help address bottlenecks and enhance the overall performance of the Fund, and modelling of Secretariat workload and capacity requirements to deliver the USP. Based on the findings, the paper recommends that to successfully manage the expected USD 15 billion GCF portfolio, the Secretariat pursue ongoing efficiency measures, and the Board consider: (1) agreeing a staged scale-up of Secretariat staff headcount to 300 in 2022 and 350 in 2023, which with a 90% fill rate, implies budgeting for an average of 270 staff for 2022 and 315 staff for 2023; and (2) undertaking further feasibility assessment of a recommended option for establishing a GCF regional presence.

## I. Introduction

1. The Green Climate Fund (GCF) has grown immensely since 2017, when the last review of the Secretariat's staffing and structure was considered by the Board at its 18<sup>th</sup> meeting. At B.18, the GCF was mid-way through its initial resource mobilization (IRM), with a network of 54 accredited entities (AEs), a portfolio of 43 projects committing USD 2.2 billion of GCF funds, and only 18 projects (USD 478 million, 21% portfolio by value) under implementation. Today, in the second year of GCF-1, the AE network stands 103 strong, the portfolio at 173 projects representing a USD 8.4 billion GCF commitment and USD 30.3 billion total value, and USD 5.6 billion (over 65% portfolio by value) being implemented. This evolution reflects the growing ambitions and ability of the GCF in its mission to support developing countries to implement the United Nations Framework Convention on Climate Change (UNFCCC) and Paris Agreement, and promote paradigm shift towards low-emission, climate-resilient development.

2. The GCF's growth has seen both the volume and complexity of its work evolve, and its strategic focus and associated institutional capacity needs shift, as operations have moved from the initial phase of establishing frameworks and scaling-up investments, toward a matured approach to programming and portfolio, risk and results management. Recognizing this, the Board at its twenty-seventh meeting endorsed the Updated Strategic Plan for 2020-2023 (USP), which set out the Board's long-term strategic vision, objectives and priorities, to guide it in addressing policy gaps and programming the Fund's resources for GCF-1.

3. Under its operational and institutional priorities, the USP recognizes that *'successful delivery of the GCF strategic vision, objectives and priorities for 2020-2023 is critically dependent on GCF taking steps to evolve its operating modalities and institutional capacity to successfully execute its programming strategy'*. The USP called for several specific actions to assess the sufficiency of the Fund's institutional capacity, including requests to:

- (a) **Review the capabilities of the GCF**, in particular the Secretariat and independent Technical Advisory Panel, to deliver increased programming (regular and SAP projects) and implementation over 2020-2023 in line with the USP (paragraph 32(d));
- (b) **Identify operational bottlenecks** and examine the most effective ways to address these to speed up access, including through improved productivity, effective resourcing and/or further streamlining programming, approval and Secretariat implementation processes, modalities and timelines (paragraph 29(c)); and
- (c) **Assess needs and options for establishing a GCF regional presence** to be closer to the countries GCF serves and monitor portfolio implementation, with the Secretariat to undertake a cost-benefit assessment of potential options, looking at specific operational bottlenecks, capacity gaps and experience with pilots to date (paragraph 32(h)).

4. To help examine these related matters, the Secretariat contracted an external firm, Dalberg Global Development Advisers (Dalberg). Dalberg also undertook the last review of the Secretariat's staffing and structure in 2017. The methodology for this follow-up exercise involved: (1) a review of eight key Secretariat business processes to identify operational bottlenecks, their root causes and further reforms to improve process efficiency and effectiveness; (2) assessment of needs and options for establishing a GCF regional presence, taking account of operational bottlenecks; and (3) modelling of Secretariat workload and capacity requirements over 2021-2023. The workload modelling looked at both 'base case' requirements to implement the USP, and scenarios based on implementation of additional efficiency and effectiveness enhancement options identified through (1) and (2).

5. This paper presents the key findings of the capability review, and recommendations for the Board's consideration to assure the capacity of the Secretariat to deliver the Fund's

enhanced ambitions for programming, support to developing countries and Direct Access Entities (DAEs), and responsibilities for managing an expected USD 15 billion GCF portfolio, in line with the USP. After summarizing the major implications of the USP for Secretariat operations, the paper recaps the present status of Secretariat staffing as well as key efficiency reforms implemented over the last four years, before presenting the Dalberg review findings.

6. On the basis of the review findings, it proposes a staged increase in Secretariat capacity over 2022 and 2023 to ensure prudent management of increasingly complex programming and implementation responsibilities and risks, while ensuring Secretariat operating costs do not increase as a share of the Fund's assets under management. It also proposes the Board undertake further feasibility assessment of an option for developing a GCF regional presence, to bring the Fund closer to its stakeholders, support programming engagement, as well as portfolio monitoring and project integrity risk management. For clarity, while informed by the Dalberg review, the recommendations are the Secretariat's. The Dalberg report is attached as **Annex II**.

## II. Implications of the USP for Secretariat operations

7. Under the USP, the Board set an ambitious programming and operational agenda for GCF-1 matched to the urgency of the global climate challenge. This established a new set of portfolio targets, as well as a set of strategic priorities emphasizing GCF's value-adding role in serving developing countries as "*more than a financial pass through entity*". In adopting the USP, the Board acknowledged that "*the successful realization of this holistic programming vision and improved results potential for 2020-2023 depends on adequate resourcing, including for the Readiness Programme, the PPF and administrative budget including staff count.*"

8. The new and enhanced work areas and priorities established by the USP include:

- (a) **Doubling annual average programming:** Programming 95% of available resources for GCF-1 by end-2023 implies annual programming of over USD 2.2 billion per year, compared to an annual average of just over USD 1 billion for the IRM, representing a significantly expanded opportunity to deliver climate results for developing countries;
- (b) **Programming focus on Direct Access, adaptation and private sector:** The Board's GCF-1 portfolio targets redirect programming focus toward these key areas, which have been less represented in the pipeline so far, and where additional upstream origination and project development support are needed to mature projects for approval. DAE and adaptation projects tend to be smaller, requiring more project approvals to meet volume targets, while private sector projects often involve complex financial structuring;
- (c) **Enhanced support for country-driven, quality pipeline development and DAEs:** The USP strategic priorities commit the Fund to enhancing support for country-driven pipeline development, calling for greater Secretariat engagement in activities such as country programming, strategic readiness programming and building DAE capacity for both programming and implementation;
- (d) **A portfolio almost triple the size of the IRM:** With continuing growth in both the readiness and funded activities portfolios, there is expected to be a near tripling of implementation work by 2023 relative to the IRM. As the portfolio matures, the complexity and volume of work related to results management, adaptive management, project integrity risk management and financial management will also grow;
- (e) **A continuously expanding AE network:** The Fund's AE network continues to grow by up to 15 AEs every year, widening associated engagement, relationship management and reporting responsibilities. The Secretariat has also just begun administering the re-

accreditation process in addition to processing accreditation applications. Under the USP, the Board has directed the Fund to take a more strategic approach to accreditation;

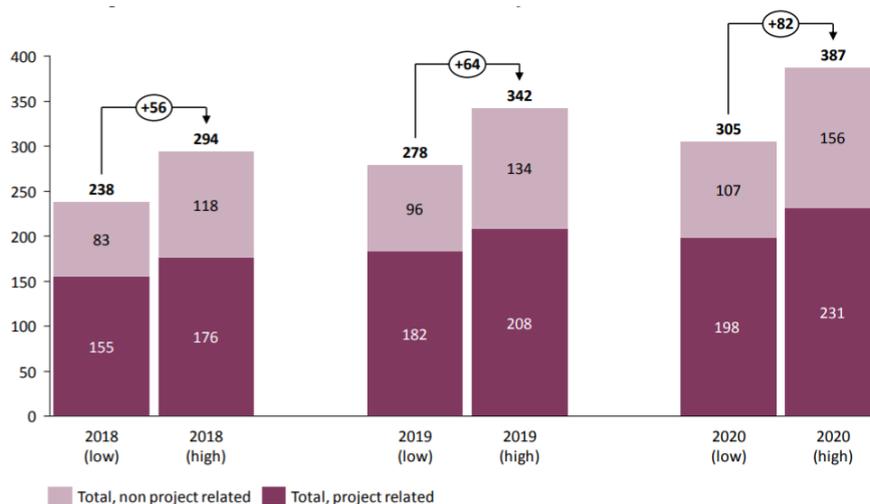
- (f) **A more comprehensive policy suite:** The establishment of a comprehensive policy suite carries with it requirements for specialized roles to develop and implement some policies, and mainstreaming of wider policy implementation and monitoring processes;
- (g) **Consolidating institutional capabilities:** The USP also directs the Secretariat to take a series of operational and institutional measures designed to allow the Fund to respond more quickly, enhance transparency, strengthen results and knowledge management, enhance stakeholder engagement, and invest in its people and systems.

9. In commissioning the review of its capabilities to deliver the USP, the Secretariat asked Dalberg to only take these 'known' USP change drivers of workload into account. 'Contingent' additional workload arising from prospective developments, such as an increase in GCF-1 contributions, or Board approval of new policies or modalities such as the project specific assessment approach (PSAA), new Private Sector Facility (PSF) modalities, local currency financing, hedging, or contributions from alternative sources **were explicitly not taken into account** in the capacity modelling. Accordingly, resourcing implications for these matters are planned to be presented in the context of related Board papers.

### III. Current Secretariat staffing and structure

10. As noted above, the last review of the Secretariat's structure and staffing was completed in 2017, mid-way through the IRM. This resulted in a Board decision establishing the current headcount of 250 staff and Secretariat structure (B.18/11). The current staff headcount cap of 250 was set below the midrange of the capacity requirements estimated for 2018 in the 2017 review conducted by Dalberg (237-294 FTE). **Figure 1** shows the 2017 capacity projections.

**Figure 1: 2017 capacity review projections, low and high scenarios (2018-2020)**



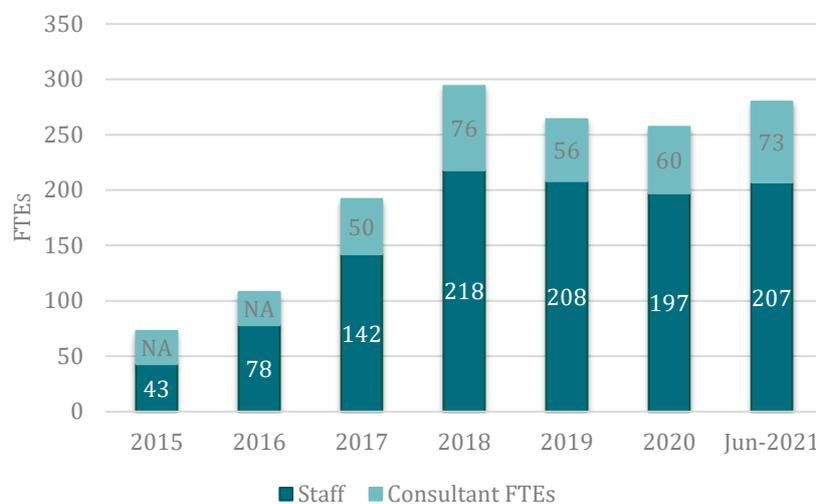
11. In addition to projecting capacity requirements, the 2017 review incorporated recommendations on evolving the structure of the Secretariat to fulfil its expanded roles. These included creating a Deputy Executive Director position, a Division of External Affairs (DEA), and strategic planning and knowledge management (KM) functions. The report also proposed a set of reforms for improved efficiency and effectiveness such as formalizing the Secretariat's work planning process and corporate results framework, creating interdivisional project teams for funding proposal review, establishing internal committees to manage the project cycle, establishing a Division of Portfolio Management, merging public and private sector divisions,

and enhancing regional capacity. In the B.18 paper, the Secretariat also undertook to implement several other operational efficiency measures, including advancement of IT initiatives.

12. Through the Fund’s history, the Secretariat has drawn on a mix of staff, headquarters (HQ) and remote consultants, and firms, in executing the day-to-day operations of the Fund, as it is entrusted under the Governing Instrument. Staff and consultants together represent the Secretariat’s ‘full time equivalent’ (FTE) workforce<sup>1</sup>. As shown in **Figure 2** below, the mix of staff and consultants in the FTE workforce has varied over time with the work of the Fund.

13. As at 1 June 2021, following the GCF-1 replenishment but prior to taking account of the capacity implications of the USP, the Secretariat’s capacity is 280 FTE, comprising 207 (of 250) filled staff position and 73 consultant FTE. As described below, given the constraints posed by the Covid-19 pandemic to international recruitment, the Secretariat has relied on HQ consultants through 2020 and 2021 to address critical capacity gaps. It has also substantially expanded the roster of remote consultants in 2021 to provide more responsive support for readiness and project development needs. It expects that, by the end of 2021, filled staff will reach at least 225, in line with the Secretariat’s targeted 90% fill ratio. With consultants, this would make the total Secretariat capacity 298 FTE by end 2021. By contrast, the 2017 review estimated capacity requirements would grow to between 305 and 387 FTE by end 2020<sup>2</sup>.

**Figure 2: GCF Secretariat capacity (2015 to June 2021)**



*Note: Consultant FTE data not available for 2015 and 2016*

14. The composition of staff and consultants over time has been driven by several factors:
- (a) **Fill ratio:** Under a fixed staff headcount cap it has been perennially challenging for the Secretariat to maintain close to full recruitment, with fill ratio consistently hovering between 80-90% of the staff cap. This is a result of regular annual turnover (projected in the range of 10-20% consistent with comparator organizations), combined with limited flexibility to create positions for advertisement above the headcount cap. While the Secretariat has put additional resources into recruitment, targeting a 90% fill ratio, the trend of carried staff vacancies is not expected to vanish going forward, due to mismatch

<sup>1</sup> Each filled staff position is counted as 1 FTE. For consultants, the FTE represents an estimation of the aggregate full-time-equivalent workload of *all* headquarters-based and remote consultants working in a given year (i.e. rather than the total number of individuals working as consultants, which is a higher figure).

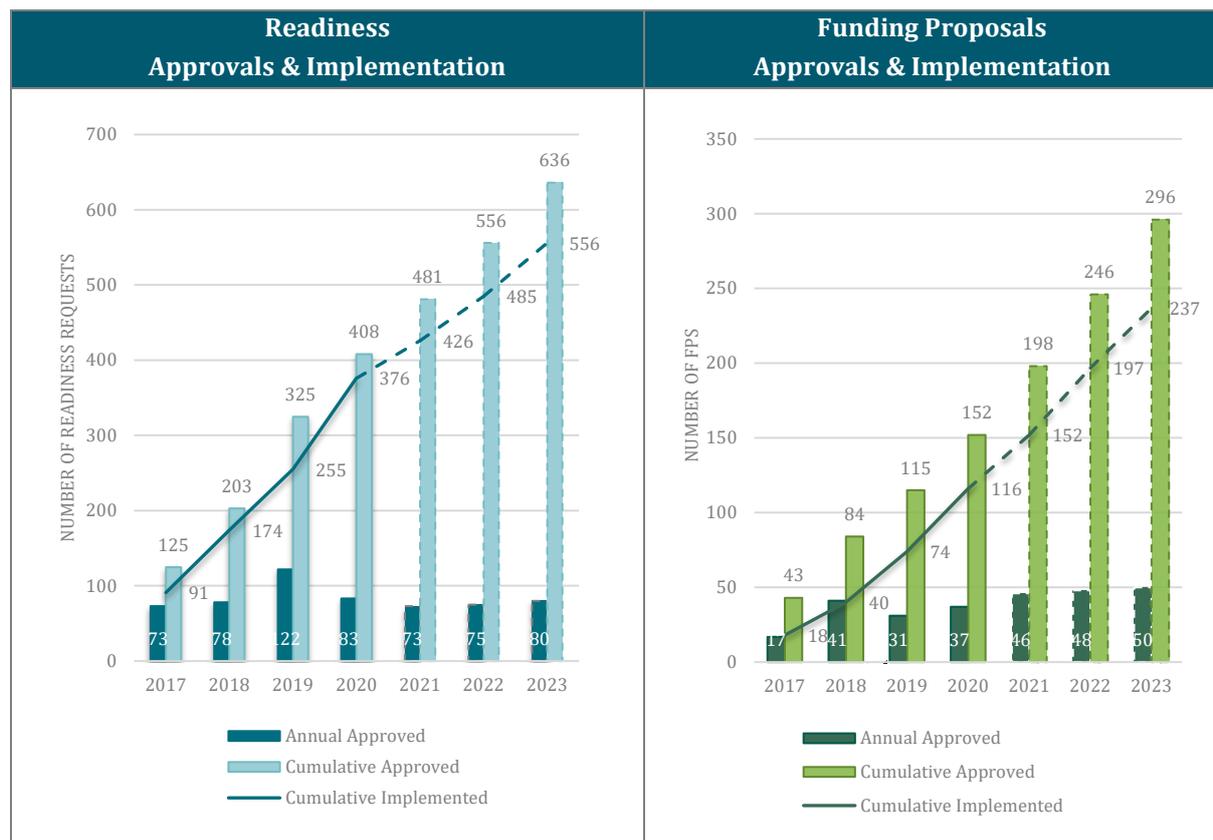
<sup>2</sup> Document GCF/B.18/10

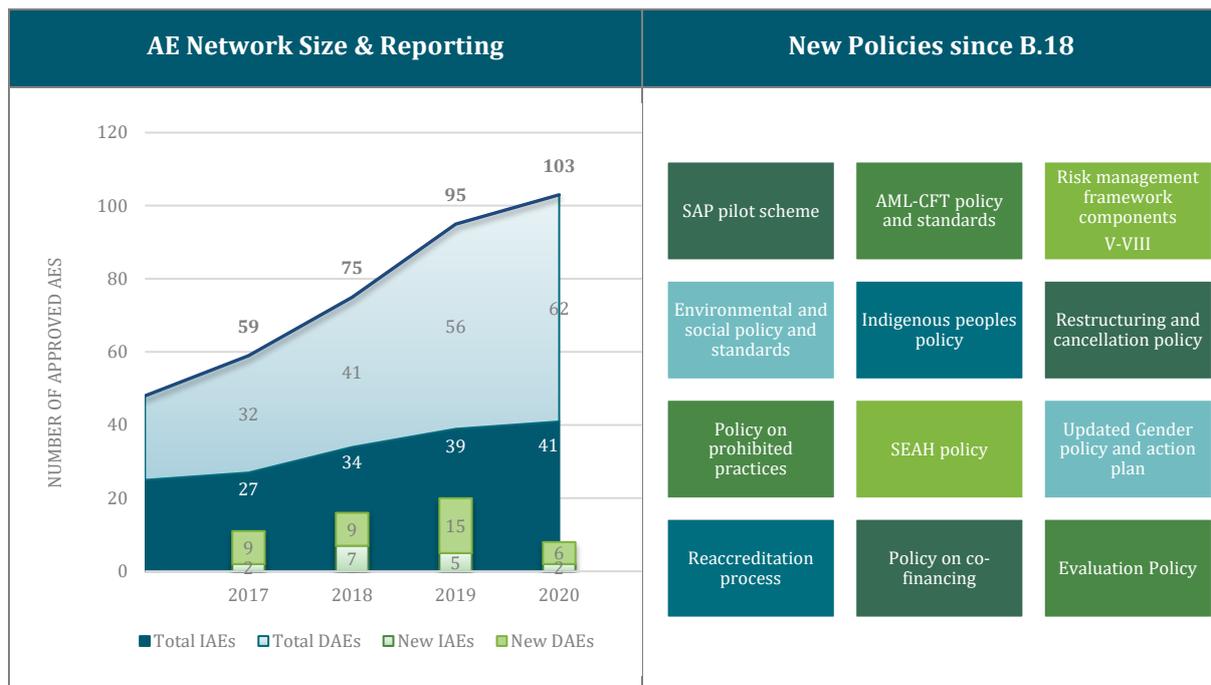
between hiring (4+ months) and notice periods (1 month), and the difficulties of finding and attracting suitable candidates to HQ with the present employee value proposition.

- (b) **'Back-stopping' staff vacancies:** The above challenges related to maintaining fill ratio have led to reliance on individual consultants to backstop staffing gaps. This reliance has recently become more acute, both due to the impact of the COVID-19 pandemic on staff levels, and as the Fund's work has grown, with some key functions performed by one or two individuals having no or insufficient backup cover. This kind of consultant deployment could be reduced with more stable staff resourcing of key functions;
- (c) **Specialized and temporary capacity:** The Secretariat has also drawn on individual consultants or firms to supplement capacity on specific projects, where 'surge' capacity is needed only for a certain part of the year (e.g. processing reporting), or where specific or hard-to-recruit expertise is required. In these cases, more flexible use of consultants is typically more efficient than committing full time staff headcount. This include use of remote consultants to support readiness, adaptation planning and project development.

15. Over the past three and a half years, with steadily increasing workload, the Secretariat has executed its work programme with staff levels well within the 250 cap, and total FTE in 2021 below the lower end of the 2020 capacity projections. **Figure 3** shows the actual increases in work drivers from 2017-2020 and projections for 2021-2023 (e.g. the number of projects under implementation increased by 640% from 2017 -2020, and is expected to increase another 200% by 2023). Overall, these graphs show the workload effect of GCF growing from a USD 2 billion Fund in 2017, to a USD 8.4 billion Fund today and expected USD 15 billion fund in 2023.

**Figure 3: Changes in readiness portfolio, funding proposal portfolio, AE network and policy settings (2017-2020 actual, 2021-2023 projection)**





16. **Efficiency reforms.** This absorption of the dramatic increase in workload, without the full FTE capacity requirement assessed in 2017, has been partly enabled by the Secretariat’s continuous pursuit of efficiency measures. This translates to a productivity increase of 26% in 2020, looking at actual FTE against capacity needs projected in 2017<sup>3</sup>. Efficiency and improved effectiveness have been achieved through the following concrete measures:

- (a) Implementation of all the organizational structure changes recommended in the 2017 capacity review (DED, DEA, strategic planning, KM), with the exception of merging the public and private sector divisions;
- (b) Implementation of a systematic annual work planning and budgeting process, corporate results framework and reporting, as recommended in the 2017 review;
- (c) Formalization of interdivisional project teams to carry out funding proposal reviews and implementation, and internal climate investment and operations committees to oversight the project cycle, as recommended in the 2017 review;
- (d) Systematic codification of internal Secretariat processes through programming, operations, policy, procurement and finance manuals, which have served to clarify and streamline internal roles and responsibilities and enhance guidance to stakeholders;
- (e) Enhanced automation through the rollout of pipeline management, project review tracking, portfolio management, accreditation and various corporate IT systems.

17. **Work-life balance and employee value proposition.** Even with efforts to capture low- and mid-hanging fruit efficiency gains, managing increasing workload volumes would not have been possible without overtime commitments from employees. Carried vacancies, wider under-resourcing, and the difficulty of working across vastly different time zones currently put

<sup>3</sup> That is, as of 2020, the Secretariat was performing its required work with 26% less FTE based on comparing the mid-range of the 2017 capacity projections for 2020 (346 FTE) with actual FTEs in 2020 (257 FTE). While Dalberg in 2017 generally projected slightly higher workload increases than occurred for the drivers estimated (number of AEs, CNs and FPs), it did not estimate all work drivers (including readiness and portfolio implementation). For the sake of simplicity, the estimated productivity gain assumes that the actual increase in overall workload is comparable with the increase projected by Dalberg in 2017

significant pressure on staff to work extended hours to meet work programme goals, at cost to personal wellbeing and staff safety. This trend could worsen if workload volumes increase without corresponding capacity adjustments. Reputation for a poor work-life balance weakens the GCF's overall employee value proposition and ability to attract talent, already constrained by the small size of the Secretariat, which limits internal career development opportunities.

18. **Trade-offs in goal setting:** Given capacity limitations, it has also been necessary for the Secretariat to make trade-offs in setting its annual work programme quantitative and qualitative KPIs (for example, in the number of funding proposals that can be reviewed, meeting service standards, comprehensive analysis of reporting, the depth of engagement it is able to offer to support DAEs, etc). Persistent under-resourcing would likely lead to additional trade-offs to be made in future, potentially compromising the quality of support the Secretariat can provide to developing countries and AEs, innovation capacity and essential oversight functions.

19. **Matching capacity to workflows:** The considerations above reflect some of the structural challenges associated with applying a capped staff headcount, which allows limited flexibility for adaptive change as the workflows of the Fund grow, Board's strategic priorities evolve and recruitment issues become manifest. This capped headcount approach differs from many industry comparators operated as a going concern, where allocation of budget for staffing, either as a percentage of annual programming volumes or assets under management, is the norm. Indeed, a budgeting rather than capped headcount approach has been applied to staffing of the Fund's other organs. In contrast to a capped headcount, a budgeting approach allows for natural capacity expansion while an organization remains in a growth phase, and is yet to reach an 'equilibrium' state of programming and implementation, as is currently the case for the GCF.

## IV. Capacity implications of the updated Strategic Plan

### 4.1 Methodology for the 2021 capability review

20. Starting from the above baseline of current Secretariat staffing and structure, and expanding on the approach taken in 2017, the review carried out by Dalberg was designed to investigate the impact of the USP on Secretariat capabilities. It involved three main components:

- (a) **A review of eight major Secretariat business processes** (accreditation, readiness, origination, project development and appraisal, project implementation, policy development and implementation, procurement, and recruitment). This was internally focused and based on document review and interviews with Secretariat staff. The review sought to identify operational bottlenecks and unpack their root causes, with a view to proposing further reforms to improve process efficiency and effectiveness. Due to the scope and timing of the review, not all Secretariat business processes were able to be covered (eg external relations, communications, knowledge management, Board support) but focus was placed on the processes with the greatest materiality to GCF-1 workload and greatest potential for further efficiency and effectiveness improvements.
- (b) **An assessment of needs and options for establishing a GCF regional presence.** This leveraged the business process review to identify the functions where a regional presence could best help relieve process bottlenecks, as well as help GCF better serve stakeholders and deliver results. It generated and assessed four options based on a set of 'impact' and 'feasibility' assessment criteria, to reach a recommended option.
- (c) **Modelling of the Secretariat's workload and capacity requirements over 2021-2023 to implement the USP** (based on the assumptions set out in section 3.1 above). The modelling was based on identifying:

- (i) a comprehensive set of activities required to be performed by the Secretariat to deliver the USP;
- (ii) the expected workload volume for each activity (eg number of accreditation/reaccreditation applications, concept notes/funding proposals to be reviewed, FAAs, implementation reports, policies to be developed etc);
- (iii) a productivity factor for each workload activity (average days spent);
- (iv) using these inputs, the model calculated the overall capacity requirement across all activities and processes in annual FTEs.

Unlike in 2017, the modelling was structured to enable a view of capacity requirements through both a 'process' and 'unit' lens. First, a baseline scenario estimated the FTE Secretariat capacity (covering both staff and consultants) needed to deliver the USP, based on current business model, activity and efficiency settings. Then a second 'reform' scenario was developed to estimate the FTE capacity requirement, assuming the further reforms identified in the business process review were applied. The efficiency impact of establishing regional presences, one of the proposed reforms, was discretely quantified.

21. The Dalberg report is attached as **Annex II** and further details the review methodology as well as setting out the findings under each component. The Secretariat provided extensive input to the framework and data used by Dalberg, with the SMT and a broader cross-divisional working group carefully reviewing the findings across all components.

## 4.2 Summary of main review findings

22. In summary, the main findings of the USP capability review are as follows:

23. **Review of operational bottlenecks and proposed reforms:** The business process review diagnosed further opportunities across both the project cycle and enabling processes for the Secretariat to continue improving efficiency and effectiveness. A set of 22 reforms – 12 for the project cycle and 10 for enabling processes – has been proposed; many of which build on efforts already being undertaken by the Secretariat, but which move into deeper organizational change reforms. The bottlenecks and associated reforms fall broadly into four groups:

- (a) *Internal processes:* In relation to internal processes, the study identified that the most significant remaining bottlenecks and potential for gains lay in:
  - (i) improving operationalization of internal collaboration, decision-making and team accountability structures in delivering the project cycle from origination to implementation, to reduce delays, minimize review iterations and lift quality;
  - (ii) establishing stronger feedback and learning loops to ensure results of activities inform upstream actions (for example readiness results better informing programming, and policy implementation impacts guiding policy reviews);
  - (iii) finalizing codification of processes for policy development and implementation;
  - (iv) streamlining and automating corporate processes for HR and procurement;
- (b) *Systems:* Across both project cycle and enabling processes, the study found that while numerous new systems had been put in place to automate business processes, manual data management and incomplete systems integration remained significant productivity drains, requiring ongoing investment in data and IT integration;
- (c) *Partner alignment:* Within the project cycle, the study identified mis-alignment between key stakeholders (GCF, NDAs, AEs and delivery partners) and with USP programming

objectives to be a major factor impacting quality at entry of proposals, leading to increased review iterations, longer processing times and increased workload for all stakeholders across the review cycle. Reforms could address this through:

- (i) improved targeting of partners aligned with GCF programming directions through accreditation and reaccreditation;
- (ii) the Secretariat enhancing coordination and communication with partners to triangulate on programming priorities and standards upstream, work which could be enhanced through a GCF regional presence;
- (d) *Technical capabilities:* The study also found that limited partner climate-technical capacities, particularly among lower-capacity NDAs and DAEs, had a significant impact on efficiency and effectiveness across the project cycle from readiness to implementation, extending review times and requiring greater Secretariat intervention. This could be addressed through the Secretariat rolling out more standardized and easier-to-access support packages and technical assistance at relevant points in the project cycle, including for DAE accreditation, common readiness proposals, sectoral and technical support for CN and FP development, M&E and implementation support.

24. **Assessment of needs and options for establishing a GCF regional presence:** In summary, this assessment included the following findings and conclusions:

- (a) The assessment was based on a starting proposition that the GCF would not consider a full decentralization of operations: strategic decision-making and reporting lines would continue to trace back to headquarters, and only sub-activities that would benefit from deeper partner interface should be considered for regional presence. Accordingly, all regional presence options considered would have business processes governed and managed centrally, with regional presences acting in support of those processes;
- (b) The GCF's experience with regional pilots<sup>4</sup> showed the benefits of enhanced partnership building, ability to advise on origination and strengthen country engagement; but also revealed challenges around functional definition, coordination with HQ, assuring staff safety, privileges and immunities and managing rising country expectations;
- (c) Leveraging the business process review, the assessment narrowed down specific partner-facing activities spanning readiness, origination, project development, implementation and accreditation where greater proximity to partners could improve the efficiency and effectiveness of core GCF processes. A regional lens was also applied to make a preliminary assessment of possible geographic zones that would most benefit from a regional presence, due to language, time zone and capacity considerations;
- (d) This was then used to define a set of four regional presence options, comprising differing depths of functions, and with an range of staffing profiles from 2-10 people per office depending on the degree of generalization or specialization of roles. These options were assessed against 13 impact and feasibility criteria reflecting potential for enhanced efficiency and effectiveness, minimizing complexity, ensuring collaboration across the Secretariat and minimizing implementation costs;

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<sup>4</sup> The GCF's main regional pilot was a staff placement in Grenada at the UNFCCC regional collaboration centre; the liaison office's pilots have included extended mission placement in New York and secondments to the UNFCCC in Bonn.



	(1) Improve quality of projects at entry through greater proximity	(2) Improve quality at entry and provide closer oversight downstream	(3) Proactively identify partners to help improve quality at entry	(4) Increase proximity for all programming partner-facing functions	
Impact criteria	(A) Increase in ability to build an AE portfolio with capabilities matching USP goals	High	High	High	High
	Increase in quality and targeting of readiness proposals	High	High	High	High
	Increase in volume of high-quality funding proposals for bankable projects	High	High	High	High
	Improvement in portfolio oversight for effective adaptive management and risk monitoring	Low	High	Low	High
	(B) Increase in speed and efficiency of originating bankable projects	High	High	High	High
	Reduction in iteration time for readiness proposal review	High	High	High	High
Feasibility criteria	Reduction in iteration time for FP reviews/ appraisals	High	High	High	High
	Reduction in iteration time for project reporting	Low	High	Low	High
	(C) Dependence of regional staff on HQ decision-making	High	High	High	High
	(D) Alignment across all teams on organizational mission	With a fixed number of regional presences in 4 geographies, these criteria will not differ significantly across the options; hence, risks around organizational alignment and information-sharing exist across all options, requiring focused effort on appropriate regional presence design to preserve a collaborative culture across the Secretariat			
	Ease of information-sharing within and across teams	With a fixed number of regional presences in 4 geographies, these criteria will not differ significantly across the options; hence, risks around organizational alignment and information-sharing exist across all options, requiring focused effort on appropriate regional presence design to preserve a collaborative culture across the Secretariat			
	(E) Effort needed to generate buy-in from Board and in-country stakeholders	High	High	Low	Low
Set-up and administrative costs of regional offices	High	High	High	High	
Attractiveness of option against criterion: High (Green) Medium (Yellow) Low (Red) Most preferred option (Dashed box)					

Effectiveness is seen to be the core benefit of a regional presence, as better alignment of partners with USP goals, better targeting and quality of projects at entry, and increased portfolio oversight improves the outcomes of GCF's core programming

- (e) As shown in the table above, “option 2” was assessed as best meeting the needs of the GCF: this option is focused on closer upstream engagement with NDAs and AEs on readiness, origination of CNs and project development, along with an on-ground presence to monitor and mitigate project integrity risks and enable more responsive adaptive management. It is estimated that under this preferred option, each regional presence would include 6-7 staff. Should GCF open 3-4 regional presences, this would equate to no more than 10% of an updated Secretariat staff profile for GCF-1.
- (f) Modelling of the expected impact of a regional presence indicated that efficiency gains might be modest in the short term, with some trade-offs between proximity to partners and coordination with HQ. Effectiveness was seen as the core benefit, through improved support to stakeholders including DAEs, better targeting and quality of projects, and portfolio oversight over the longer term to assure GCF results. Regional presences could also enhance GCF’s employee value proposition and attract more diverse talent.
- (g) The study also reflects on the potential for the GCF to establish liaison offices, in a manner comparable to other international organizations, to support the GCF’s profile, periodic replenishments, contributor relationship management and outreach.
- (h) The assessment is designed to inform an ‘in-principle’ decision on the potential scope of a GCF regional presence. It recognizes that a more detailed feasibility study covering expected costs, sizes, locations, governance and setup arrangements would need to be undertaken should the Board decide to proceed with a regional presence option.

**25. Modelling of Secretariat capacity to implement the USP:** Drawing together the above pieces of analysis, the modelling analysis concluded as follows:

- (a) The Secretariat’s current total FTE is 280, when filled staff (207 of 250) and consultant FTE (73) are considered. Current FTE is expected to reach 298 (225 staff and 73 consultant FTE) by the end of 2021. This remains below the lower end of the 2017 Dalberg review projections for 2020 (305-387 FTE), reflecting a combination of improved efficiency and current understaffing. The status quo does not take account of all the new and enhanced work priorities emerging from the USP.
- (b) The USP is expected to lead to significant growth in workloads across the Secretariat’s core processes. The growing portfolio under implementation (readiness and FPs) is the largest driver, leading to further workload increases of up to 60% between 2021 and 2023 across portfolio monitoring, adaptive management, risk and financial management. While readiness and funding proposal approvals remain flatter, ongoing

expansion of the AE network (+45%) is still expected to drive increases in AE engagement work as well as significantly increased CN reviews. In addition, to meet USP programming directions the Secretariat would need to increase upstream engagement through readiness, origination and PPF to support project development aligned with the Board's targets, including provision of greater support to DAEs.

- (c) In the baseline case, the modelling estimated a 2021 capacity requirement of 399 FTE to fully deliver the new and enhanced work priorities emerging from the USP. It is important to note that this is a workload estimate rather than a staff headcount estimate per se, and factors in tasks that can be performed by staff, consultants or firms. The largest capacity gaps lie in units with expanding portfolio implementation roles, which were not fully staffed as part of the last capacity review. Moderate additional FTE requirements also are estimated in the areas of country programming, public sector programming, accreditation/AE partnerships, legal and human resources.
- (d) In the baseline case, the capacity requirement grows to 456 FTE in 2022 and 488 FTE in 2023, reflecting growth in workload drivers around delivering the Board's programming targets and managing a continuously growing portfolio and set of AE partnerships. In the scenario where all proposed reforms including regional presence are implemented, this capacity requirement reduces to 417 FTE in 2022 and 437 FTE in 2023 (representing further efficiency gains of around 10%), with the largest efficiency gains across programming, recruitment, and procurement processes.
- (e) Dalberg also conducted benchmarking of the operating costs a select number of 'near-peer' organizations. While acknowledging that differing business models (eg whether organizations are first or second level agencies, portfolio complexity, depth of partner engagement etc) has a material effect on operating costs and makes comparison difficult, the benchmarking found GCF to be at the lower end of the spectrum if Secretariat 'operating expenses' (in this case using the Secretariat administrative budget only and not including Board, Independent Unit, Trustee budgets or AE fees) are compared to assets under management. This was calculated at 1.0% based on 2020 data and would be expected to decrease to 0.7% by 2023 even with a ~150 FTE increase<sup>5</sup>.

## V. Considerations for the Board and recommended actions

26. **Strategic directions drive workload and capacity needs.** The key role the Secretariat plays in supporting the GCF mission is as its operational backbone: serving as the main point of interface with countries and AEs and building their capacity to engage with the GCF; operationalizing the Board's programming directions through readiness, PPF and the project cycle to deliver climate results; ensuring prudent management of the Fund's portfolio, including managing reporting, financial transactions and risk monitoring; and supporting the Board. As the Board works to deliver the USP and its ambitions for GCF-1, the Secretariat fully aligns with the statement that "*the Strategic Plan's value proposition is based on GCF remaining a lean organization that concertedly pursues efficiency improvements while growing its programming and implementation capacity to match the ambition of its strategic vision.*"

27. The results of the capacity review demonstrate that, while the GCF's ambitions are to continue growing the overall size of its portfolio, partnership network, and the support it offers to build the capacity of developing countries and their partners, an expansion of Secretariat operational capacity will be essential to effectively serve those goals. Fundamentally, strategic and business-model decisions remain the key determinant of the growing workload volumes to which the Secretariat must respond. The Fund's growth trajectory from 2 billion in 2017, to 8.4

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<sup>5</sup> The ~150FTE assumes that the 43 currently vacant staff positions are filled and another ~107 FTE are added.

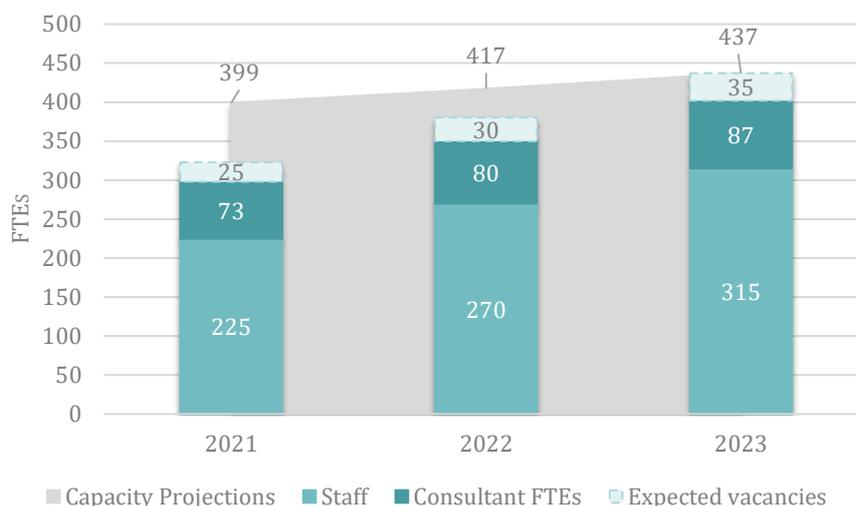
billion in 2021, to 15 billion in 2023 shows the magnitude of the operational task to be managed. It is also for this reason that the Secretariat has not attempted to quantify capacity estimates beyond the remainder of GCF-1 (2021-2023), as future resourcing and Board strategic decisions will determine capacity needs beyond that horizon.

28. **Continuing pursuit of improved productivity.** From its side, the Secretariat will continue to take concrete actions to manage increased workload with increased productivity. To deliver the first year and a half of GCF-1 programming within the staff headcount decided mid-way through the IRM, the Secretariat has already reaped significant efficiency gains of around 26%, capturing much of the potentially available low-hanging fruit. The further reforms identified in the review imply more significant change processes to address deeper structural bottlenecks, with likely further efficiency returns of a lower magnitude (10%). But alongside this, they also target ongoing improvement in effectiveness, through strengthening the climate programming capacity of partners, and enhancing the quality of proposals submitted to the fund, as well as the likelihood of delivering mitigation and adaptation results. The Secretariat is committed to implementing these measures so far as they are within Secretariat control, and will start developing and executing an implementation plan immediately. This recognises that full execution of some measures does depend on resourcing for enhanced functionality and, in some cases, further Board guidance or policy decisions (for example, on accreditation).

29. **Further feasibility assessment of a GCF regional presence.** One such measure requiring Board decision is the reform proposing establishment of GCF regional presences. The review recommends for further feasibility assessment the option of establishing 3-4 regional presences of up to 6-7 staff each, focused on upstream origination and project development support with on ground-presence to monitor project implementation and integrity risks; and liaison offices to support the GCF replenishments, contributor accountability and outreach. Over the medium to long-term, the Secretariat agrees that this closer proximity to GCF's partners and projects would be an important investment in partner capacity, programming quality, portfolio implementation and relationship and risk management, with parallel benefits in improving the Fund's employee value proposition and attractiveness to a broader pool of world-class talent.

30. **Assuring institutional capacity to deliver the USP.** Taking the review findings into account, to assure the Fund's capacity to deliver the USP, the Board may consider a staged increase in Secretariat capacity commensurate with increases in the Fund's overall size. This could be done while ensuring Secretariat operating costs do not increase as a share of the Fund's assets under management. **Figure 4** below shows a proposed scale-up trajectory:

**Figure 4: Proposed scale-up of capacity for GCF-1 (2021-2023)**



31. The proposed approach would right-size the Secretariat's capacity for delivery of the USP for the duration of GCF-1, with the following considerations taken into account:
- (a) **Resourcing strategy:** The Fund would seek to increase the ratio of staff to consultants to enhance the organization's senior specialist capacity and mentoring opportunities for junior staff. Along with its full-time staff, the Secretariat would continue to draw on remote and HQ consultants, as well as secondees, interns and firms, to supplement staff and help bridge the capacity gap to deliver the USP in a flexible manner;
  - (b) **Staff:** Secretariat staff would scale-up on a staged basis, through approval of headcount of 300 staff positions for 2022 and 350 for 2023<sup>6</sup>. Given the time taken for recruitment and annual turnover as described in Section II, with a 90% targeted fill rate this would be expected to lead to budgeting for an average of no more than 270 staff in 2022 and 315 staff in 2023. This represents a more gradual staff scale-up than is proposed by the capacity review itself, given the emphasis on staff recruitment in the proposed resourcing strategy. It is commensurate with the present capacity of OHR and of the wider organization to identify and onboard new talent. However, approval of the higher headcount as recommended by the Dalberg review would allow flexibility to pursue a more aggressive scale-up if additional workload drivers, such as new contributions for GCF-1, emerge over coming months.
  - (c) **Employee Value Proposition:** Staff scale-up would be pursued in conjunction with wider measures to strengthen the Fund's employee value proposition. This would include implementing the People Plan and considering how the Fund's HR legal framework and salary structure may need to be updated to ensure the Fund can attract the talent profiles it seeks, particularly at more specialized and senior levels where it has historically been difficult to secure suitable candidates willing to relocate to HQ;
  - (d) **Efficiency reforms:** The Secretariat would aim for at least the further 10% in efficiency and effectiveness gains identified in the capability review, with the expectation that some of these reforms may lead to further gains beyond the 2021-23 horizon. Hence resourcing is benchmarked against the lower end of the capacity increases projected through the 'with reforms' scenario, as shown in Figure 4;
  - (e) **Role of consultants:** With an expanded headcount and as new staff are onboarded, the Secretariat would minimize use of individual consultants to backstop staff positions. It would instead focus on areas where it is efficient to use more flexible consultant positions, such as for timebound projects, supplementing capacity for 'surge' periods of work, rosters of experts to support NDAs and DAEs on readiness and project development, and supplementing specialized expertise, particularly where it is difficult to attract relevant experts to HQ. Resourcing for consultants will continue to be determined through the annual budgeting process, and continue to include some direct support for NDAs and DAEs funded separately through the readiness programme;
  - (f) **Regional presence staffing:** The headcount proposed above would include the staff required for the establishment of any regional presences during the 2021-23 period;
  - (g) **Formalization through annual budgeting process:** The Secretariat would set out the full budgetary implications of its capacity requirements, including estimated costs for staff and consultants, in connection with establishing its annual work programmes through the 2022 and 2023 work planning and budgeting processes. The budget

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<sup>6</sup> In this build-up scenario, the total additional ~150 FTE projected by Dalberg would comprise 100 new staff positions, the existing 43 staff vacancies and the remainder in consultant FTE.

proposal would be consulted through the Budget Committee before being presented to the Board, as per usual practice.

- (h) **Next review as part of GCF-2 planning:** the Fund would next review the adequacy of the Secretariat's capacity following the GCF-2 replenishment and the Board's consideration of strategic directions for 2024-2027.

32. As set out in the benchmarking in the Dalberg report, the above staffing proposal may also be calibrated by referencing the Secretariat's operating costs as a percentage of assets under management<sup>7</sup>. These stood at 1.0% of assets under management in 2020 but would be expected to reduce to less than 0.7% of assets under management in 2023, even with a staff increase of 100 as proposed above. This would place GCF among the lowest in the benchmarked sample, particularly for an independent fund without any ability to draw on the established systems of a wider organization. Fixing the percentage of Secretariat operating costs relative to assets under management would be one way to ensure operating costs remain proportionate to the growth of the GCF and associated workloads, while allowing for institutional capacities to evolve as strategic, programming, implementation and policy priorities evolve.

33. Should the Board determine not to increase Secretariat capacity for delivery of the USP, the Secretariat would need to prioritize the goals within its 2022 and 2023 work programmes to deliver only a sub-set of the priorities established under the USP. This would have implications for both the volume and quality of support, programming, and implementation outcomes able to be delivered during GCF-1. It is also likely that increased use of consultants would have to be made to ensure critical functions are not underserved as the portfolio continues to grow through this replenishment period.

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<sup>7</sup> Assets under management would include the total amount approved by the Board for funding proposal programming, readiness programming and PPF.

## Annex I: Draft decision of the Board

The Board, having considered document GCF/B.29/05 titled “Review of Secretariat capabilities to deliver the updated Strategic Plan for 2020-2023”:

- (a) Agrees to scale up the Secretariat headcount of full-time equivalent staff to 300 for 2022 and 350 for 2023, noting this will be implemented on a phased basis through the 2022 and 2023 work programming and budgeting processes and in conjunction with a reduction of the operating expense ratio of the Secretariat from 1.0% to 0.7% of assets under management<sup>8</sup>;
- (b) Requests the Secretariat to detail the full budgetary assumptions and implications of this head-count for 2022 and 2023 in the context of preparing its annual work programmes and budgets for endorsement by the Budget Committee and consideration by the Board;
- (c) Agrees to update the Secretariat structure to formalize a Division of Portfolio Management, recognizing the growing implementation responsibilities of the Fund;
- (d) Requests the Secretariat, in consultation with the Budget Committee, to undertake further feasibility assessment of establishing a GCF regional presence based on Option 2 set out in Annex II to document GCF/B.29/05, including estimated operating costs.

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<sup>8</sup> Calculated as the ratio of the Secretariat administrative budget to assets under management, including the total amount approved by the Board for funding proposal programming, readiness programming and PPF.

## **Annex II: Dalberg review**

*The Dalberg review is contained below.*

Dalberg

# USP Capacity Review – Final Report

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JUNE 2021

# Objectives and contents of this document

**This document presents the results of the review of the Secretariat's capabilities** to deliver increased programming and implementation over 2021-2023, in line with the GCF Updated Strategic Plan (USP).

**The review included three main pieces of analysis** conducted over a period of three months, which benefitted from deep engagement and consultation with Secretariat teams:

1. Review of eight business processes to identify operational bottlenecks and develop efficiency and effectiveness reforms to address bottleneck root causes
2. Analysis of how regional presence options could help address bottlenecks and support process effectiveness and efficiency
3. Modelling of Secretariat workloads and capacity requirements for 2021-2023 – the workload modelling includes both 'base case' requirements to implement the USP, and scenarios based on implementation of reforms for additional efficiency and effectiveness enhancement (identified through 1. and 2.)

**This document contains 6 sections** which provide context for the review and details on each piece of analysis:

1. Executive summary – including review context, approach and high-level findings
2. Review of progress on implementation of the 2017 Dalberg recommendations
3. Summary process diagnostic and reform recommendations
4. Capacity projections pre- and post- reforms
5. GCF budget benchmarking
6. Regional presence options assessment

# Contents

1. Executive summary
2. Progress on implementation of the 2017 Dalberg recommendations
3. Process diagnostic and reform recommendations
4. Capacity requirement projections
5. GCF budget benchmarking
6. Regional presence assessment

# Executive summary (I/X)

## Progress since recommendations from the Dalberg study in 2017

- **After a period of operational expansion following the GCF's founding in 2010, the Secretariat worked with Dalberg in 2017 to review the GCF's delivery capacity.** The purpose of the review was to assess the challenges affecting the GCF's business and operating models and recommend potential changes to support the GCF's ability to continue delivering on its mandate and strategic priorities.
- **The study completed in 2017 surfaced a series of challenges affecting the GCF's operating model's effectiveness and efficiency.** Conclusions indicated barriers to collaboration and a lack of dedicated staff in several important functions such as external affairs, policy, and knowledge management, which undermined process efficiency and effectiveness. It was also established that the GCF faced capacity constraints with the growing workload, exacerbated by high turnover rates and difficulties in recruiting new staff. At the time, it was estimated total capacity requirements would grow to between 305 and 387 FTEs by 2020.
- **Dalberg worked with the Secretariat to propose a set of structural changes and process enhancements to improve delivery capacity.** Structural changes included the establishment of key functions (including the Deputy Executive Director, Division of External Affairs, Office of Governance Affairs, Policy and Strategy, Knowledge Management, Division of Portfolio Management), the merging of the private and public sector divisions, and the enhancement of the GCF's regional capacity. Additional reforms focused on strengthening internal collaboration and efficiency through the creation of joint results-based workplans with associated incentives, the establishment of cross-divisional committees to review proposals, and by achieving greater skillset alignment in key project cycle activities (e.g., shifting responsibility for EDA and PPF from DCP to DMA).
- **Since then, the Secretariat has executed on those changes, with considerable impact on delivery capacity.** All the envisaged structural changes have been implemented, except for merging the public and private sector divisions and formalizing a Division of Portfolio Management. In terms of regional capacity, the Secretariat has experimented with a regional pilot in Grenada and expanded its roster of regional advisors to better assess the return on investment. The Secretariat has also implemented an annual work planning and budgeting process, established a corporate results reporting framework, formalized interdivisional project teams to carry out funding proposal reviews and project implementation, and set up internal Climate Investment and Operations committees to oversee the project cycle. The Secretariat has not yet fully captured the potential for greater collaboration across divisions (which is addressed in the 2021 process review).
- **The Secretariat has also undertaken a significant effort to codify its processes, which contributed to greater process efficiency and clarity on roles & responsibilities.** Key manuals developed include the Programming Manual, Operations Manual, Procurement Manual, Finance Manual, the Readiness and Preparatory Support Guidebook, Simplified Approval Process Guidelines and SOPs, Project Appraisal Manual (*under development*), and the Policy Manual (*under development*).
- **In addition, the Secretariat upgraded and expanded its IT systems to achieve further efficiencies** through enhanced automation both across the project cycle and various corporate functions. Key systems developments include the IPMS Accreditation, Pipeline, and Readiness modules, the Project Review and Tracking Platform, the ITAP case management system, and the Portfolio Performance Management System, among others. The goal going forward will be to integrate (and further upgrade) the systems used across the project cycle and enhance systems automation in procurement and recruiting (both of which are addressed in the 2021 process review).
- **The aim of the 2021 process review is to build on the progress achieved since 2017 and capture the remaining potential for greater Secretariat effectiveness and efficiency.** The following pages of this executive summary provide an overview of the approach adopted for the review and its key results.

# Executive summary (II/X)

## Context and approach for the 2021 review

- **To promote a paradigm shift toward low-emission climate resilient development and enhance its contribution to mitigation and adaptation action, the GCF continues to grow the scale and diversity of its investments.** An additional USD 10 billion was pledged to the GCF in its first replenishment process, which paves the way for accelerated growth. The portfolio has now grown to USD 8.4 billion in resources allocated to climate projects in almost 120 countries, with USD 5.6 billion worth of projects under implementation. Beyond the scale of programming, the GCF is strengthening its implementation and policies, to enhance portfolio quality.
- **In 2021, the GCF adopted an ambitious Updated Strategic Plan (USP) for 2021-2023.** In addition to the scale of financing, the USP focuses on strategic priorities to further enhance the organization's impact. These include achieving a balance of adaptation and mitigation funding, enhancing support to particularly vulnerable countries (LDCs, SIDs, etc.), increasing funding channeled through Direct Access Entities, growing the allocation to PSF, and mobilizing greater private finance.
- **To achieve the GCF's ambitions, the Secretariat is focused on implementing the directions laid out in the USP.** The Secretariat is aiming to double annual programming from ~USD 1 billion to USD 2.2 billion and manage almost triple the size of the IRM portfolio, focus programming on Direct Access, adaptation, and the private sector, and enhance support for country-driven quality pipeline development (including through building Direct Access Entity capacity), among other priorities.
- **This ambitious agenda has increased the Secretariat's workload to an extent where divisions report understaffing and risks of USP under-delivery.** To assess the extent of understaffing, Dalberg conducted a capacity diagnostic in 2020 and developed a first estimate of current and future capacity requirements across divisions.
- **Following from USP directions on operational and institutional priorities, this review has gone further by refining last year's assessment** through a detailed, activity-level analysis of workload drivers across eight core business processes and through the identification of reforms to further enhance efficiency and effectiveness and reduce capacity requirements, including through the potential establishment of regional presences. Based on in-depth engagement with divisions, this review takes a Secretariat-based perspective and did not include external stakeholder consultations.
- **Specifically, the process review consisted in a diagnostic of the current bottlenecks affecting each process, including the identification of their root causes, and it resulted in the development of 22 reform recommendations to enhance process efficiency and effectiveness.** Each reform falls within three areas: partner engagement and capacity building, internal norms or ways of working, and internal instruments or tools. They also include the potential establishment of regional presences. In parallel, Dalberg worked with division teams to estimate capacity requirements for 2021-2023 – with and without the application of the reforms – and the resulting capacity gaps relative to the current headcount. Only 'known' workload drivers were taken into account: 'contingent' additional workload arising from prospective developments, such as an increase in GCF-1 contributions, or Board approval of new policies or modalities were explicitly not included.
- **The objective of this process review was therefore to help answer three questions:** i) How much additional capacity does the Secretariat need to deliver against the USP objectives, based on the current set-up? ii) What reforms can and should be executed to reduce this capacity gap and improve effectiveness? iii) What will be the minimum need for additional capacity after the reforms are implemented?
- **The rest of the executive summary includes the following sections:**
  - A. Process diagnostic and reforms: Summary of findings on process bottlenecks and recommended reforms. The section is divided in two sub-sections:
    - Project cycle processes (*Accreditation, Readiness, Project Origination, Project Development and Appraisal, Project Implementation*)
    - Enabling processes (*Policy Development and Implementation, Procurement, Recruiting*)
  - B. Capacity Projections: Summary of the approach and key results from the capacity requirement estimations pre- and post-reforms
  - C. Regional presence assessment: Summary of the approach and key results of the regional presence options assessment
  - D. Suggested next steps: Proposed growth trajectory in FTE capacity for the Secretariat to meet USP ambitions

# Executive summary (III/X)

## A. Process diagnostic and recommended reforms

*Project cycle processes (Accreditation, Readiness, Project Origination, Project Development and Appraisal, Project Implementation) – Diagnostic:*

- **The process review surfaced two overarching pain points** affecting the project cycle:
  - **Effectiveness:** The project cycle does not always lead to the development and implementation of high quality, bankable climate projects that meet USP goals
  - **Efficiency:** Excessive iterations in proposal reviews (readiness, concept notes, funding proposals) and project monitoring lead to heavy workloads for the Secretariat; excessive iterations of proposal reviews also slow down access for stakeholders and countries.
- **These pain points stem from a series of root causes** affecting the cycle at four levels:
  1. **Upstream: The quality of concept notes (CNs) and funding proposals (FPs) that enter the cycle is mixed** (i.e., incomplete, limited joint NDA/AE<sup>1</sup> buy-in in some cases, lack specificity, etc.) and do not always align with USP goals (including on areas such as focus on mitigation vs. adaptation, geographic focus among others). This results from challenges in:
    - **Accreditation:** AEs may not always have the expertise and capacity to deliver the level of quality and the types of climate projects required to meet USP strategic goals. These gaps affect both the quality of proposals upstream and project implementation downstream. This stems from a reactive accreditation process that does not prioritize applicants with the profiles to develop climate projects that match the programming strategy.
    - **Readiness:** NDAs and DPs are not consistently aligned on strategic readiness needs upstream and DPs do not always have the appropriate capabilities to develop proposals that address capability gaps. The readiness proposal and grant execution processes are slow due to lengthy iterations to improve proposal quality and NDA challenges in sourcing TA partners. The Secretariat also needs a more consistent readiness results monitoring and learning process to assess readiness program effectiveness and adapt the program to lessons learned.
    - **Upstream origination:** NDAs and their AEs are not always well-matched and do not consistently collaborate on project development. Some AEs have a need to strengthen their capacity in financial structuring to develop bankable climate project proposals (especially DAEs). In some cases, NDAs and AEs lack awareness of GCF programming goals.
  2. **Pre-approval review: Interdivisional project teams (IPTs) do not always collaborate effectively in reviewing incoming CNs and FPs.** Difficulties in effective collaboration stem from a lack of shared goal-setting across teams, and a lack of individual accountability and ownership in meeting those shared goals. As a result, team members are not incentivized to provide solutions-oriented inputs during review phases.
  3. **Post-approval implementation:** As a result of the challenges above, **some approved project proposals moving into implementation**, particularly those approved in the early years of the GCF's operations, **have a high likelihood of restructuring to improve quality** (e.g., they might need stronger M&E frameworks, log-frames, financial structures, etc.) which creates implementation risks and generate heavier workloads in adaptive management and monitoring. Finally, inefficient processes and fragmented handover lead to lengthy FAA negotiations, and delays in change requests.
  4. **Cross-project cycle: The challenges highlighted above are further exacerbated by the incomplete integration of data management systems** across the project cycle which result in time-consuming manual collection and use of relevant information, as well as quality assurance issues.

1. Key acronyms: NDA: National Designated Authority; AE: Accredited Entity; DAE: Direct Access Entities; DP: Delivery partner; TA: Technical Assistance; PPF: Project Preparation Facility; FAA: Funded Activity Agreement; MEL: Monitoring, Evaluation and Learning

# Executive summary (IV/X)

*Project cycle processes – Reform recommendations:*

1. Upstream: **To address the challenges faced upstream, we engaged with division teams to develop a series of reforms:**

- **Establish a more proactive approach to accreditation:** This reform includes targeted sourcing of high priority AEs through parameters based on the programming strategy and direct support to prioritized pipeline AEs (especially DAEs) to fulfill accreditation requirements and demonstrate compliance. Activities within this reform should be refined based on further considerations on the Board engagement in shaping the accreditation strategy.
- **Enhance coordination effort between NDAs, DPs, and the Secretariat on strategic readiness planning linked to pipeline origination, quality standards for proposals, and NDA / DP matching:** Regional teams should focus on coordinating triangular consultations with NDAs and DPs to facilitate early matching with appropriate DPs, articulate readiness goals, set expectations and standards for proposals, and facilitate strategic long-term planning for larger grants.
- **Develop standardized grants / TA for smaller readiness and PPF packages to enhance access to common capacity support and reduce processing times:** This reform proposes an expedited application process for standardized readiness and PPF to facilitate rapid access to capacity building in common areas.
- **Strengthen readiness and PPF results monitoring and feedback loops to inform future readiness objectives and align outcomes with USP goals:** A Monitoring, Evaluation, and Learning (MEL) team should leverage data on readiness outputs to extract learnings on effectiveness. Learnings should inform objective-setting of future readiness and PPF.
- **Enhance coordination between NDAs, AEs, and Secretariat on programmatic objectives, quality standards for project proposals, and NDA / AE matching:** DCP should coordinate consultations to articulate GCF programming goals and facilitate NDA / AE matching, leveraging its country engagement expertise.
- **Deploy TA to support quality concept and project development, focusing on DAEs, with technical and sectoral teams supporting ToR development for TA providers:** The aim is to expand the roster of firms to provide more intensive technical support to AEs for developing quality climate CNs and FPs.
- **Strengthen technical support on M&E planning during upstream origination:** The reform would entail the deployment of a specialized consultant roster for M&E support to AEs during origination to facilitate adequate incorporation of ToCs and M&E indicators in proposals, with OPM supporting ToR preparation and guidance for the work of consultants.

**These reforms entail an investment in staff time upstream to enhance the quality of CNs and FPs in the pre-approval stages and support alignment to USP goals.** While this may create short-term resource constraints downstream, its aim is to reduce workloads and boost efficiency across the cycle in the longer-term.

# Executive summary (V/X)

*Project cycle processes – Reform recommendations:*

2. Pre-approval review: **An additional reform was developed to enhance cross-divisional IPT collaboration within the project cycle.** It is articulated around the introduction of working modalities based on team-based goal-setting, performance incentives to create accountability, and tracking tools to foster transparency.
3. Post-approval implementation: **The reforms described above, combined with the reform of the ITAP review process, should lead to greater efficiency and effectiveness across pre-approval stages** and ensure project standards are higher once they reach approval and move into implementation, reducing adaptive management needs. In addition to the benefits derived from these upstream reforms, the implementation process would also benefit from additional reforms:
  - **Strengthen on-the-ground monitoring through ad hoc site visits.** The reform would entail deploying staff, including M&E specialists, for more frequent ad-hoc site visits, potentially through a regional presence or by leveraging the internal guidelines currently being developing to facilitate more ad-hoc site visits.
  - **Provide implementation capacity building support to AEs through a roster of dedicated TA firms, especially for DAEs:** The basis for receiving support should be based on assessment of AE implementation capacity needs at accreditation and during project implementation.
  - **Develop tools and codify ways of working to enhance collaboration with upstream divisions and ensure learnings from implementation feed into project development:** This reform includes several components, including establishing norms that clarify internal decision-making responsibilities and creating tangible KPIs for upstream divisions for handovers and collaboration post-approval, and reporting mechanisms to capture learnings from portfolio implementation and ensure lessons feed into the next generation of project development.
4. Cross-project cycle: **The reform agenda includes a recommendation for the integration of data management systems across the project cycle.** This would cover the integration of review platforms, the extension of the PRTP system, the integration of review and financial management systems with iPMS, among others. These reforms are aligned with the data systems integration and insights generation strategy developed by Forrester with Secretariat divisions.

# Executive summary (VI/X)

*Enabling processes – diagnostic and reform recommendations*

**In addition to covering the key areas of the project cycle, the process review included a diagnostic and reform agenda for three core enabling processes:**

## Policy development and implementation

- **The diagnostic surfaced bottlenecks both at the development and implementation stages.** Policy development is lengthy and iterative, with a large policy agenda leading to repeat handling of policies across several Board meeting agendas, shortfall in policy capabilities among teams, and lack of clear SOPs for Board consultation. In implementation, elements of the current policy framework create delays and roadblocks in downstream project approval and execution. These bottlenecks are driven by policy coherence issues, including policy implementation not being fully considered in the planning phase, and incomplete awareness of the complex GCF policy suite.
- **Proposed reforms aim to address bottleneck root causes at both stages.** At the development stage, these include a combination of internal peer-to-peer training in policy development skills, the active inclusion of policy development as part of the required skillset in recruiting, and the development of Board consultation SOPs, among others. Given that various entities are currently involved in policy development, it will also be helpful to use a common GCF policy templates. To support implementation, the Fund would benefit from a review of legacy policies to surface implementation challenges and adverse outcomes. For future policies, the new policy manual should codify and enforce that policies include implementation and M&E plans, including outcome-related indicators that would be monitored to inform potential amendments.

## Procurement

- **Procurement faces significant delays which affect the efficiency across the entire Secretariat.** These are driven by multiple control layers, a lack of delegation of authority from procurement to procuring units in terms of accountability for procurement risk (i.e., the procurement team holds all accountability, which disincentivizes a reduction in controls), and an outdated manual procurement system.
- **To address these delays, the Secretariat should streamline controls and approvals.** It should also consider delegating more decision-making authority and accountability to procuring divisions to reduce pressure on the procurement team. A peer review of the procurement process would help determine precise areas for streamlining and delegation. The procurement team is also in great need of a systems upgrade, especially for automating contract management and individual consultant management.

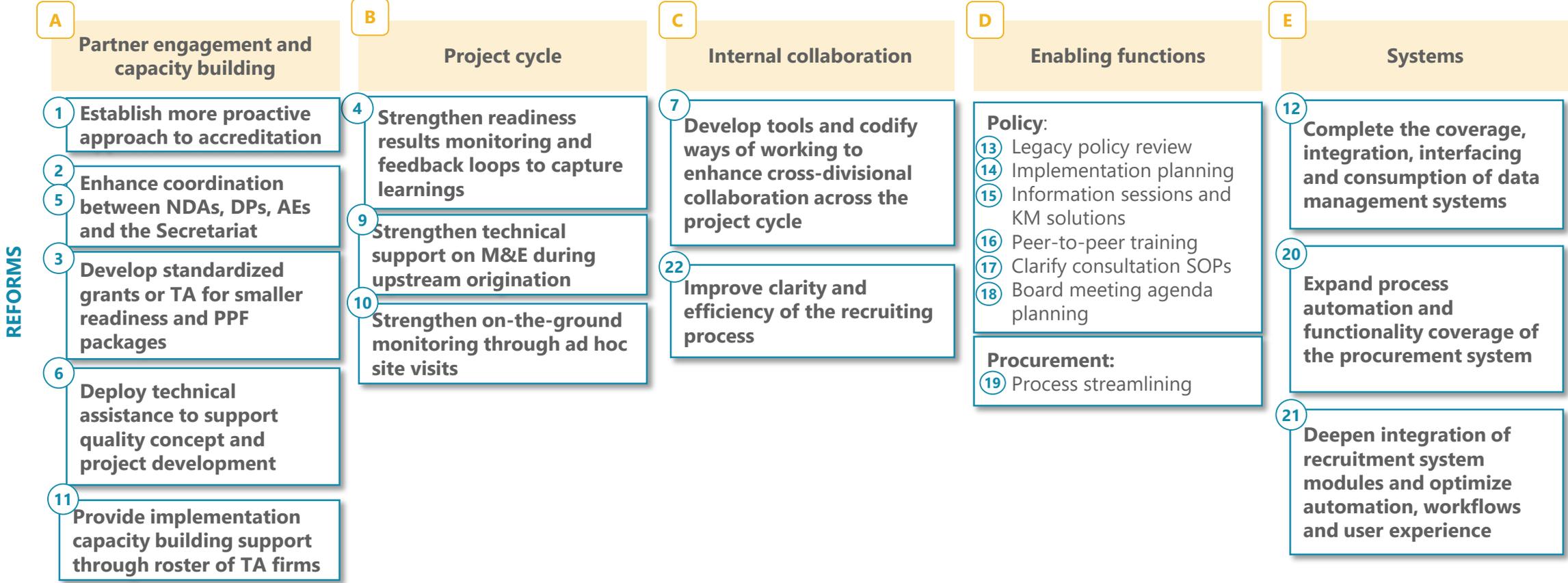
## Recruiting

- **As with procurement, the recruiting process faces severe delays that impact workloads across the Secretariat.** These are driven mainly by outdated manual systems across all stages (from longlisting to onboarding). Bottlenecks also result from time-consuming vacancy validation process for OHR and divisions teams.
- **Key reforms that would help address these bottlenecks include an upgrade of the recruiting software (ongoing) and increasing clarity and efficiency of the recruiting process (including through a yearly revision of vacancies taking staff cap into consideration)** through periodic budget and staffing review sessions to ensure alignment between OED, OHR, and division heads on vacancies.
- **Beyond the bottlenecks affecting efficiency, the recruiting process also faces an effectiveness challenge, associated with the limited pool of applicants with appropriate capabilities.** This challenge is driven by perceptions of poor work-life balance and relocation to Korea, among others. Broader efficiencies obtained across all 8 core business processes as identified in this review, in combination with a potential capacity increase to come and the potential for regional presence, will improve work-life-balance and increase GCF attractiveness.

# Executive summary (VII/X)

Reform agenda structuring and implementation planning

The full reform agenda can be grouped into five pillars that form the basis for the implementation plan (further developed in the rest of the document):



**Grouping Rationale:** The grouping criteria for each pillar are i) common objectives of the reforms (e.g., streamlining the project cycle, building stronger partnerships, upgrading systems); and ii) similar expertise and skills needed to implement each pillar

# Executive summary (IX/X)

## B. Capacity projections

### *Approach*

- **Dalberg engaged with division teams to estimate the baseline capacity requirements for 2021-2023, accounting for USP workload drivers, through four steps:**
  - Process activity breakdown: Each of the eight processes was broken down into its component activities (e.g., “FP review and submission to CIC-2”). The same activity-level breakdown was prepared for other Secretariat functions not included in the process review (e.g., Board support, KM, communications, ICT, etc.) to provide a complete and granular view of all the activities performed by the Secretariat.
  - Activity-level workload driver estimation: Divisions identified the activities they are engaged in, indicated the primary workload driver for those activities (e.g., “number of FP reviewed”), and estimated the volume of each workload driver expected over 2021-2023, accounting for strategic directions set out in the USP.
  - Activity-level productivity estimations: For each activity, division teams also estimated productivity levels, measured in terms of FTE days required to process one unit of the associated workload driver volume.
  - FTE capacity requirement: The product of the productivity estimates and the estimated USP workload driver volumes for each activity returned the FTEs needed to perform each activity.
- **Once the full set of reforms were developed, division teams worked with Dalberg to determine the capacity requirement *with reforms applied*.** This effort involved quantifying the impact of each reform on activity workload volumes and/or productivity, including the potential efficiency impact of establishing regional presences.

### *Summary capacity requirement findings*

- **Workloads across the Secretariat’s core processes are expected to grow substantially over 2021-2023 to meet USP objectives**, with the most significant increases in portfolio implementation (~55-60%), readiness implementation (~30-40%), PPF (~70%), concept note review (~45%) and AE engagement (~45%).
- **Baseline capacity requirements are estimated at 399 FTEs in 2021, growing to 456 in 2022 and 488 in 2023, which implies a capacity gap of 119, 176, and 208 FTEs in 2021, 2022, and 2023**, respectively, relative to current FTE capacity of 280 (including staff and consultants, excluding vacancies).
- **Of total capacity requirements under the baseline in 2023, ~58% is attributable to project cycle processes** (4% accreditation, 13% readiness, 13% origination, 15% development and appraisal, 13% project implementation). **Enabling processes account for 11%** (4% policy, 5% procurement, 2% recruiting). **The remaining 29% is attributable to all other activities not covered in the review** (including institutional work, communications, knowledge management, among others).
- Assuming full implementation of the reform recommendations, including the establishment of regional presences, **the Secretariat’s overall capacity requirement is estimated to reach 417 FTEs in 2022 and 437 FTEs in 2023, which implies a capacity gap of 137 FTEs in 2022 and 157 FTEs in 2023**, relative to current FTE capacity of 280 (including staff and consultants, excluding vacancies), with the largest efficiency gains across programming, recruitment, and procurement processes.

# Executive summary (VIII/X)

## C. Regional presence assessment

- **Beyond the reforms described above, establishing a regional presence was identified as an avenue to improve process efficiency and effectiveness through greater to proximity GCF partners.** Key benefits of greater partner proximity include more intensive and constructive engagement with NDA and AEs on project ideas and funding proposals, closer on-the-ground implementation monitoring (with a goal of reducing project integrity and reputational risk), and greater ability attract local talent.
- **The scope of the regional presence assessment does not assume a decentralization of GCF's core operating model:** all strategic decision-making would remain centralized and only processes and process activities that benefit from deep partner interfacing were considered for a regional presence.
- **The regional presence assessment followed four steps:** i) Develop a set of regional presence options based on the key processes and functions that would most benefit from greater proximity to GCF partners; ii) Qualify those options in terms of potential staffing needs; iii) Select a preferred option based on impact and feasibility criteria; iv) Estimate efficiency gains from implementing the preferred option.
- **Through consultations with division teams, four options for a regional presence were identified, each covering different combinations of partner-facing activities that would most benefit from greater proximity,** relevant to key project cycle processes: Project Origination, Project Development, Readiness, Accreditation, and Project Implementation. The options were qualified in terms of potential staffing requirements, based on the number of functions covered in each option.
- **The emerging option that best meets the needs of the GCF would entail a focus on a discrete set of partner-facing activities in Readiness, Project Origination & Development, and Project Implementation.** Under this option, regional staff would focus on i) communication of programming and readiness objectives to NDAs, DPs, and AEs, and matching NDAs to appropriate AEs and delivery partners; ii) support CN & FP development; and iii) support project implementation monitoring.
- **It is estimated that under this preferred option, each regional presence would include 6-7 staff.** While regional presence staff will have a primary reporting line to divisions in HQ, they will take on multiple functions and therefore hold additional 'soft' reporting lines into other relevant divisions. If the GCF opened 3-4 presences in the next two years, this would amount to 6-10% of staff capacity, based on current headcount.
- **The three other options were considered and dismissed, based on impact and feasibility criteria.** Impact criteria focused on measuring effectiveness (i.e., alignment of project cycle outcomes with USP goals) and efficiency (i.e., reductions in time lags and workloads). Feasibility criteria focused on minimizing operational complexity, ensuring collaboration across the Secretariat, and minimizing implementation costs.
- **While this review did not include a detailed assessment of the potential to establish liaison offices, this document outlines high-level options that would provide opportunities to shape GCF's global visibility and strengthen funder relationships.** The assessment of the functions potentially covered in these offices, are based on comparison with liaison offices from several international funds as well as strategic considerations provided by the DEA team.

# Executive summary (X/X)

## D. Suggested next steps

- **The Secretariat's current capacity of 280 FTEs is below the lower end of the projections developed for the study produced in 2017**, underlining the organization's continued understaffing challenge. Estimates developed in 2017 indicated capacity requirements between 305 and 387 FTEs for 2020.
- **To support delivery capacity and meet its USP goals, the Secretariat should set itself on a growth trajectory to expand its FTEs over time** and bridge the existing capacity gap through a combination of staff, external consultants and firms, and secondees.
- **Given the time and effort necessary for hiring, the Secretariat could aim for a capacity of ~340 FTEs in 2021**, in line with the estimates developed in 2017 (there are currently 43 vacant positions to be potentially filled). Depending on progress with the reform recommendations described above, capacity could then grow to **~415 FTEs in 2022 and ~430 FTEs in 2023**, in line with the capacity requirement estimations developed as part of this process review. This represents a ~150 FTE increase, or ~53% growth on the current number of FTEs in order to manage the workload increases expected to deliver the USP.
- **The proposed capacity should be deployed to deliver on the ambitions of the USP**, focusing primarily on enhancing upstream support for high-quality climate project development, accelerating access to GCF resources, particularly for DAEs, and improving downstream support to anticipate and reduce project implementation risks, including integrity risks and risks related to environmental and social safeguards.
- Even with these increases, it is estimated that the **GCF's budget-to-approved investments ratio would remain low when compared to 'near-peer' organizations**. It is currently at 1% and is estimated to fall to 0.7% as the portfolio expands to reach USD 15Bn by 2023, even with an assumed increase of 150 FTEs.
- **Depending on the prioritization of capacity needs and the nature of the functions to be strengthened, the Fund will need to consider the trade-offs between expanding capacity through increases in staff vs. consultant contracts**. Staff positions provide stable and institutionalized capacity and knowledge, while consultant contracts provide flexibility for specialized, shorter-term functions, and in some cases expand the talent pool for specific areas of expertise.
- **Finally, given the continual growth and evolution of its programming goals, and the implications for changes in workload, the Secretariat may benefit from shifting to a planning approach based on budget changes rather than headcount limits**, which do not allow for a high degree of flexibility in adapting to changing workload needs.

# The rest of the document includes further details on the findings and fact base for each component of the process review

Sections	Description	Page #
<b>1. Progress on implementation of the 2017 Dalberg recommendations</b>	<b>Review of the key highlights from the 2017 Dalberg study</b> and description of the progress achieved in implementing 2017 recommendations	15-18
<b>2. Process diagnostic and reform recommendations</b>	<b>Summary of the process diagnostic and reform recommendations</b> , including highlights on process bottlenecks and their associated root causes for the eight processes in scope	19-25
<b>3. Capacity requirement projections</b>	<b>Summary of the capacity requirement modelling pre- and post-reforms</b> across divisions and processes for 2021-2023, including gaps relative the current headcount	26-40
<b>4. GCF budget benchmarking</b>	<b>High-level comparison of GCF ratio of operating expenses-to-approved investments</b> , including scenario with portfolio expansion	41-46
<b>5. Regional presence assessment</b>	<b>Description of the assessment for the establishment of regional presences</b> , including approach for options generation, selection of the preferred option, and the efficiency quantification exercise; also includes considerations on potential for liaison offices	48-67

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# The 2017 review surfaced a set of challenges impacting the Secretariat's ability to deliver on its mandate

Challenges	High-level summary
<b>Structural challenges</b>	<ul style="list-style-type: none"><li>• The Secretariat's vertical <b>operating model did not consistently facilitate the efficient use of resources across divisions</b> due to:<ul style="list-style-type: none"><li>▪ Barriers to collaboration across teams that limited cross-divisional access to relevant technical expertise and effective cooperation on delivery; in some cases, team skillsets and functions were misaligned</li><li>▪ Lack of dedicated staff in several important functions such as external affairs, strategy and policy, and knowledge management</li></ul></li></ul>
<b>Capacity constraints</b>	<ul style="list-style-type: none"><li>• As the GCF became fully operational and expanded its workload, it faced <b>increasing capacity-related challenges</b>, partially due to high turnover rates and difficulties in recruiting new staff.</li><li>• To ensure that the Secretariat was optimally resourced to deliver on its mandate, it was estimated that the Secretariat would need to grow its capacity from 114 full-time equivalents (FTEs) as of B.17 to between 305 and 387 FTEs by 2020. This growth was projected based on the increasing number of AEs, concept notes and funding proposals.</li><li>• Many staff highlighted the need for higher quality ICT systems, which would partially alleviate the capacity-related challenges by increasing productivity.</li></ul>
<b>Unclear roles and responsibilities</b>	<ul style="list-style-type: none"><li>• Beyond its structural and capacity limitations, the Secretariat faced additional challenges related to <b>unclear definitions of roles and internal processes</b>, partly driven by its rapid growth trajectory and quick transition to operationalization. These challenges had been compounded by the fact that some procedures or practices have not been formalized or documented effectively.</li></ul>

# The review recommended several structural adjustments to ensure the Secretariat optimized the use of its internal resources

To minimize disruption to the Secretariat's activities while still responding decisively to the challenges raised, the recommendations were finetuned to include short-term interventions to enhance efficient use of resources and longer-term propositions:

## Short-term adjustments to increase efficient use of internal resources

### Creation of new positions and offices:

- Create position of the Deputy Executive Director
- Establish External Affairs division
- Rename Office of Secretary to the Board (OSB) and build capacity to provide enhanced support to the Board
- Establish Strategy & Policy function
- Establish Knowledge Management function

### Enhancement of internal collaboration:

- Create joint workplans and objectives to incentivize stronger collaboration across teams and accelerate the use of project-based teams during the funding proposal review process
- Move responsibility for EDA and PPF from CPD to DMA
- Establish internal cross-divisional committee to review all incoming funding proposals

## Longer-term (one to three year) propositions

- **Proposal review functions:** Establish Public and Private Sector Portfolio Development division and incorporate all proposal review functions.
- **Portfolio management:** Establish Portfolio Management division, which was previously under DSS.
- **Regional capacity:** Enhance GCF regional capacity either through network of advisors and regional consultants, or by establishing strategic presences

# Since 2017, the Secretariat has executed on those recommendations, with considerable impact on the Secretariat's delivery capacity

Recommendations outlined in the 2017 study were addressed directly:

- **Creation of new positions and offices:** All the envisaged structural changes and establishment of key offices have been implemented, with the exception of merging the public and privates sector divisions and formalizing a division of portfolio management.
- **Enhancement of internal collaboration:** The Secretariat has also implemented an annual work planning and budgeting process, established a corporate results reporting framework, formalized interdivisional project teams to carry out funding proposal reviews and project implementation, and set up internal Climate Investment and Operations committees to oversee the project cycle. The Secretariat has not yet fully captured the potential for greater collaboration across units (which is addressed in the 2021 process review).
- **Regional capacity:** the Secretariat has experimented with a regional pilot in Grenada and expanded its roster of regional advisors to better assess the return on investment, including for the consideration of regional staff presences as assessment in the 2021 process review.

In addition to the recommendations from the 2017 study, the Secretariat undertook further actions to address the challenges surfaced at the time:

- **Process codification:** The Secretariat took on a significant effort to codify its processes, which contributed to greater process efficiency and clarity on roles and responsibilities. Key manuals developed include the Programming Manual, Operations Manual, Procurement Manual, Finance Manual, the Readiness and Preparatory Support Guidebook, Simplified Approval Process Guidelines and SOPs, Project Appraisal Manual (*under development*) and the Policy Manual (*under development*).
- **Systems upgrade:** In addition, the Secretariat upgraded and expanded its IT systems to achieve further efficiencies through enhanced automation both across the project cycle and various corporate functions. Systems developments include IPMS Accreditation, Pipeline, and Readiness modules, the Project Review and Tracking Platform, the ITAP case management system, and the Portfolio Performance Management System, among others. The goal going forward will be to integrate (and further upgrade) the systems used across the project cycle and enhance systems automation in procurement and recruiting (both of which are addressed in the 2021 process review).

**The aim of the 2021 process review is to build on the progress achieved since 2017 and capture the remaining potential for greater Secretariat effectiveness and efficiency.** The following pages provide a high-level summary of the process review diagnostic and reform recommendations

# Contents

1. Executive summary
2. Progress on implementation of the 2017 Dalberg recommendations
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# To complete the diagnostic and reform agenda, we conducted a series of division-level and cross-divisional consultations

## Summary of consultations

- We spoke with 11 GCF divisions and **75 total staff through over 40 total interviews**
- This includes **19 division-level calls** which included a mix of focal points, senior staff and more junior staff to capture a wider team perspectives on process challenges and proposed reforms
- We led **7 cross-divisional calls** (each division was involved in at least 2 such calls) to capture insights across the Secretariat and share perspectives on the proposed reforms
- We also held **11 division-level calls** on the reform impact quantification exercises, which included a mix of focal points and senior staff
- Additionally, a **cross-divisional reform validation calls** were held to refine and update reforms across the project cycle
- We held **cross-divisional consultations with a 'regional presence task force'** to capture insights on and discuss possible efficiency gains from a regional presence

## Division teams that participated in each cross-divisional consultation session

Processes covered in each cross-divisional consultation	DMA	PSF	ORMC	DSS	OPM	OGC	DCP	OED	OHR	OGA
Accreditation	X	X				X	X	X		
Readiness & Project origination	X	X		X	X		X			
Project devt. & appraisal	X	X	X	X	X	X				
Portfolio implementation	X	X	X	X	X					
Policy devt. & implementation	X		X		X	X	X	X		X
Procurement	X	X	X	X			X		X	X
Recruitment	X	X	X						X	X

**Note:** We involved several teams in cross-divisional consultations in order to capture cross effects of the potential reforms and collect a wide spectrum of perspectives to validate findings

# A set of 12 reforms have been identified to support the effectiveness and efficiency of the project cycle

REFORM TYPE	PROCESSES AFFECTED	POTENTIAL REFORMS
Process-specific	Accreditation	<b>1 Establish a more proactive approach to accreditation:</b> <ul style="list-style-type: none"> <li>1a Focus AE sourcing towards potential AEs that match programming strategy and assess pipeline AE track record</li> <li>1b Support priority pipeline AEs with lower capacity (especially DAEs) through the accreditation process</li> <li>1c Build external communications to raise awareness of GCF's goals</li> </ul>
	Readiness	<b>2 Enhance coordination effort between NDAs, DPs, and the Secretariat regional teams on strategic readiness planning and objectives linked to pipeline origination, quality and review standards for proposals, and NDA / DP matching</b> <b>3 Develop standardized grants or TA for smaller readiness and PPF packages to enhance access to common capacity building support and reduce processing times</b> <b>4 Strengthen readiness and PPF results monitoring and feedback loops to capture learnings that can inform future readiness programming objectives and align readiness outcomes with USP goals</b>
	Project origination	<b>5 Enhance coordination effort between NDAs, AEs, and the Secretariat on programmatic objectives, quality and review standards for project proposals, and NDA / AE matching</b> <b>6 Deploy technical assistance to support quality concept and project development, focusing on DAEs, with technical and sectoral teams supporting ToR development for TA providers</b>
Cross-process	<ul style="list-style-type: none"> <li>• Project origination</li> <li>• Project development &amp; appraisal</li> <li>• Implementation</li> </ul>	<b>7 Develop tools and codify ways of working to enhance cross-divisional collaboration across the project cycle:</b> <ul style="list-style-type: none"> <li>7a Define team-based performance goals, workplans, milestones, and timelines for IPT reviews, handover to OPM, project monitoring, reporting, and data management</li> <li>7b Establish norms to facilitate the development of IPT recommendations and empower IPT members to take decisions</li> <li>7c Introduce performance incentives linked to team goals for all activities which a division contributes to</li> <li>7d Create a set of dashboards tracking progress and covering all roles within IPT team</li> </ul>
	<ul style="list-style-type: none"> <li>• Readiness</li> <li>• Project origination</li> <li>• Implementation</li> </ul>	<b>8 Establish regional presences to increase proximity to GCF's partners</b>
Process-specific	Portfolio implementation	<b>9 Strengthen technical support on M&amp;E planning during upstream origination</b> <b>10 Strengthen on-the-ground monitoring through ad hoc site visits</b> <b>11 Provide implementation capacity-building support to AEs, through a roster of dedicated TA firms</b>
Cross-process	Origination to Readiness and FA Implementation	<b>12 Complete the coverage and integration of data management systems across the project cycle</b>

*Reforms to improve upstream effectiveness will yield efficiencies during implementation*

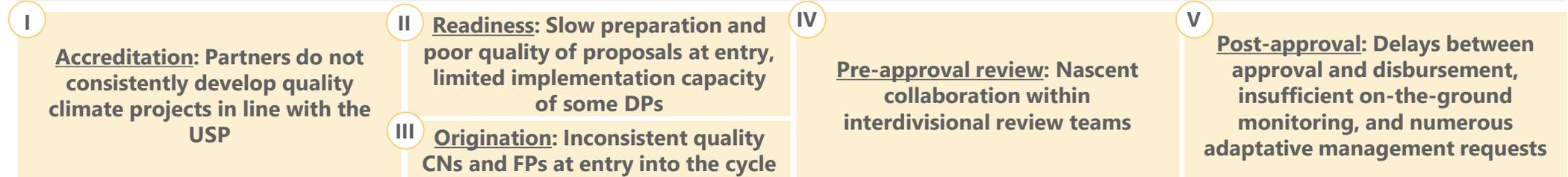
The aim of these reforms is to ensure programming teams work efficiently and projects under development and implementation meet USP goals. Not all reforms will be implemented immediately: Some interventions (e.g., reforms 1 and 8) will likely take more time to plan and execute than others.

# These reforms aim to address six compounding challenges affecting project cycle efficiency and effectiveness

Common pain points

**Effectiveness:** Project cycle does not always lead to the development and implementation of high quality, bankable projects that meet USP goals  
**Efficiency:** Excessive iterations in proposal reviews (readiness, concept notes, funding proposals) and project monitoring lead to heavy workloads for the Secretariat; excessive iterations of proposal reviews also slow down access for stakeholders and countries

Cumulative root cause



- Pipeline and current AEs don't always have the **capabilities or appetite to submit quality climate project ideas that match USP strategic goals**
- **Some pipeline AEs lack awareness of USP strategic focus** and GCF programming priorities
- **Inconsistent matching and limited collaboration** between some NDAs and AEs (for CNs/FPs) and between NDAs and DPs (for readiness)
- **Insufficient technical capabilities** of some NDAs, AEs, and DPs in structuring climate finance projects
- **Limited interdivisional collaboration** and systems integration
- **Nascent results monitoring, learning, and feedback** loops
- **Lack of shared goal-setting and planning**
- **Poor individual ownership** and lack of decisive action by IPT members
- **Low individual accountability** of IPT members to review outcomes
- **Weak communication & transparency** within the IPT
- **Need for greater codification of processes among and with upstream divisions** leads to lengthy FAA negotiations, fragmented handover, and delays in disbursements/change requests
- **Need to strengthen M&E planning** and capacity
- **Impact of inconsistent quality of upstream development / structuring** on the need for adaptative management

Processes affected



# A set of 10 additional reforms were identified across enabling processes to achieve efficiencies benefitting the entire Secretariat

REFORM TYPE	PROCESS	POTENTIAL REFORMS	
Process-specific reforms	Policy development & implementation	13 Review incumbent policies to identify implementation challenges and potential solutions	Implementation
		14 Codify and enforce that future policy drafts include implementation and M&E plans and institute periodic policy implementation reports to SMT to report back and inform potential amendments	
		15 Deliver mandatory information sessions and set up KM solutions to raise awareness of existing policies	Development
		16 Set up internal peer-to-peer training program on policy development skills	
		17 Clarify policy consultation process and SOPs within the policy manual	
		18 Improve Board meeting agenda planning to prioritize policies to be covered at trimestral meetings and give division teams greater visibility on the set of policies up for review	
	Procurement	19 Streamline the process, including through a review of current controls and delegate more decision-making authority and accountability to procuring divisions	
		20 Expand the process automation and functionality coverage of current procurement system platform	
	Recruitment	21 Deepen integration of Recruitment system modules and optimize, automation, workflows and user experience	
		22 Improve clarity and efficiency of the recruiting process (including through a yearly revision of vacancies taking staff cap into consideration)	

The aim of these reforms is to achieve efficiency gains that affect the divisions involved in these specific enabling processes as well as the programming teams involved in the project cycle

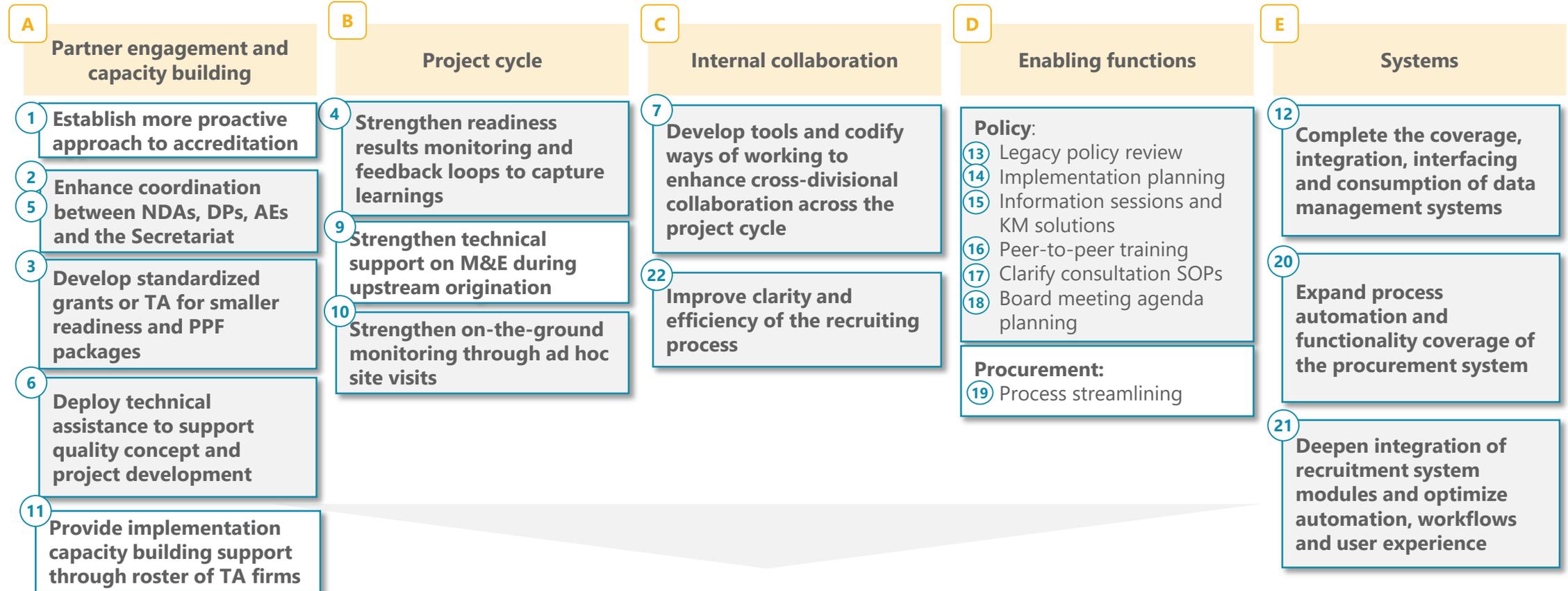
# This set of reforms aims to support enabling processes impacted by nascent automation and limited streamlining of policies and processes

*Non-exhaustive summary*

Process	Bottleneck	Root causes	Root cause drivers
Policy development and implementation	<b>Implementation:</b> Delays and roadblocks in downstream project approval, legal agreements, and implementation	Incumbent policy standards clash with AE policies	<ul style="list-style-type: none"> <li>Some policy standards set after GCF founding cannot be implemented by some AEs</li> <li>Policies were approved without a clear view on their operational impact and without a consistent format.</li> <li>Lack of consistent policy onboarding/training; need for common GCF policy template for multiple drafting units</li> <li>Divisional teams were not recruited to bring capabilities in policy analysis</li> <li>The new manual lacks guidance and clear codification of how divisions should engage the Board</li> <li>Board agendas are not prioritized in time to support efficient policy preparation and effective consultation</li> </ul>
		Operationalization challenges and inconsistencies between GCF's policies	
		Low awareness of existing policies by operations teams	
	<b>Development:</b> Lengthy and iterative policy development and consultation	Limited policy development capabilities in division teams	
		Lack of clear SOPs on Board consultation process	
		Ambitious trimestral Board agendas on policy	
Procurement	<b>Procurement requests face delays and long processing times</b>	Procurement process involves several layers of ex-ante controls	<ul style="list-style-type: none"> <li>Ex ante controls (e.g., mandatory legal reviews, duplicative approval steps) affect timelines and workloads</li> <li>Low levels of automation necessitate multiple manual entries of procurement data</li> </ul>
		Low automation and manually-operated systems	
Recruitment	<b>Process efficiency:</b> Delays in the hiring process	Manual recruitment system to process a candidate applications and make hiring decisions	<ul style="list-style-type: none"> <li>Lack of automated pre-screening, interview scheduling, onboarding; difficulties in using the shortlisting system</li> <li>Lack of clarity on vacancies status due to their exceeding number vs. staff cap</li> <li>Perception of poor WLB, need for relocating employee and family, slow hiring process</li> </ul>
		Time-consuming vacancy validation process for OHR and divisions teams	
	<b>Process effectiveness:</b> Inability to attract qualified talent	Limited pool of applicants with appropriate capabilities	

# The reforms can be grouped across five pillars, and many are either under implementation or ready for launch

The full reform agenda can be grouped into five pillars that form the basis for the implementation plan:



Over half of the reforms would be ready for immediate operational implementation.

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1. Executive summary
2. Progress on implementation of the 2017 Dalberg recommendations
3. Process diagnostic and reform recommendations

## 4. Capacity requirement projections

### **Approach and summary findings**

Baseline capacity requirement modelling

Reform impact quantification exercise

5. GCF budget benchmarking
6. Regional presence assessment

# Four steps were required to estimate 2021-2023 capacity requirements with and without the impact of the reforms

## Approach to estimate 2021-2023 capacity requirements

### 1. Estimation of 2021-2023 baseline capacity requirements by process

- Process activity breakdown: Each of the eight processes was broken down into its component activities (e.g., “FP review and submission to CIC-2”). The same activity-level breakdown was prepared for other Secretariat functions not included in the process review (e.g., Board support, KM, communications, ICT, etc.) to provide a complete and granular view of all the activities performed by the Secretariat.
- Activity-level workload driver estimation: Division teams identified the process activities they are engaged in, indicated the primary workload driver for those activities (e.g., FP reviewed), and estimated the volume of each workload driver they expect over 2021-2023
  - These volume estimations specifically account for the strategic directions set out by the USP on key areas like programming, results, and enhanced support
  - OED led a harmonization exercise with a subset of division teams on expected 2021-2023 USP volumes following completion of the baseline data collection
- Activity-level productivity estimations: For each activity, division teams estimated productivity levels, measured in terms of FTE days required to process one unit of the associated workload driver volume
- FTE capacity requirement: The product of the productivity estimates and the estimated USP workload driver volumes for each activity returned the FTEs needed to perform each activity

### 2. Deep-dive process diagnostic and development of potential reforms to address process bottlenecks

- Through division-level and cross-divisional consultations, a preliminary list of 22 reforms was developed, each responding to specific process bottlenecks and their associated root cause (covered in the previous section).

### 3. Quantification of efficiency gains from potential reforms

- Mapping of reforms to process activities: Each division worked with Dalberg to determine which process activity would be impacted by each of the reforms
- Reform impact quantification: Each division worked with Dalberg to estimate the impact of the reforms on activity workload driver volumes and productivities (i.e., assessing potential reductions or increases in workload driver volumes and productivities).

### 4. Estimation of 2021-2023 capacity requirements with the impact of potential reforms

- FTE capacity requirements were estimated based on workload driver volumes and productivity gains from the reforms (i.e., accounting for the quantification of the efficiency gains from the reforms).
- This approach allowed the Secretariat to show the activity-level process savings both at the division level and in aggregate, and their implications for future capacity needs.

# Workloads across the Secretariat's core processes are expected to grow substantially over 2021-2023 to meet USP objectives

PROCESS	EXPECTED GROWTH IN WORKLOAD
Accreditation	<ul style="list-style-type: none"> <li>Workloads are expected to grow over the period as a result of the ongoing expansion of the AE portfolio (expected at ~45% in 2021-2023), and associated activities in relationship management, reaccreditation, and entity application support as envisioned in the process review recommendations</li> </ul>
Readiness	<ul style="list-style-type: none"> <li>Readiness implementation workloads are expected to grow by ~30-40% in 2021-2023, as the size of the readiness portfolio under implementation grows</li> <li>Upstream engagement in readiness planning and partner engagement are expected to grow to support greater use of readiness for pipeline development and manage readiness results</li> <li>Annual readiness programming workloads are expected to remain relatively flat over the period</li> </ul>
Project origination	<ul style="list-style-type: none"> <li>Origination workflows are expected to grow to support the development of EWPs, CWPs, and CNs aligned with USP programming directions; as recommended in the review, this will include the provision of greater support to DAEs and 'triangulation' between GCF, delivery partners, NDAs, AEs</li> <li>PPF deployment is expected to grow by ~70% over 2021-2023 to support projects from CN to FPs for approval, particularly for DAEs</li> <li>The number of CNs reviewed is expected to grow by ~45%, due to the ~45% growth in AE network and increasing familiarity of AEs with GCF</li> </ul>
Project development & appraisal	<ul style="list-style-type: none"> <li>FP reviews increase by ~15% while FP approvals grow by ~9%, in line with expected expansion of commitments</li> <li>This implies a 'funnel' effect, with increases in CNs reviewed and relatively steady FP approvals, which will be managed by the Secretariat to advance adaptation, DAE-led, and private sector FPs, in line with the Board's programming directions as outlined in the USP</li> </ul>
Portfolio implementation	<ul style="list-style-type: none"> <li>Implementation workloads will increase sharply, driven by a ~55-60% portfolio growth; this includes the management of regular reporting, adaptive management, risk and financial management (disbursements), involving all teams engaged in downstream processes (OPM, ORMC, OGC, DSS)</li> </ul>
Policies	<ul style="list-style-type: none"> <li>Policy workloads are expected to increase modestly to enable more robust policy development, monitoring of policy implementation per the new policy manual, and implement an overall policy review per findings of the business process review</li> </ul>
<ul style="list-style-type: none"> <li>Procurement</li> <li>Recruiting</li> <li>Other process</li> </ul>	<ul style="list-style-type: none"> <li>A substantial commitment to improving ICT and financial management systems will increase the ICT and Finance teams' workloads by ~32% and ~39% respectively over 2021-23, in service of longer-term efficiency and effectiveness gains</li> <li>Workloads in HR are expected to grow by ~12% as recruiting and onboarding expands in line with wider organizational growth, with a more modest ~2% growth in procurement workloads</li> <li>Similarly, communication and resource mobilization workloads in DEA are expected to grow by ~23%, in conjunction with the next replenishment cycle</li> </ul>

- Increases in workload across 2021-2023 translate to a **22% increase in modelled capacity estimations over the period** (from 399 FTEs in 2021 to 488 FTEs in 2023)
- This capacity projection represents a **70% increase in FTE capacity relative to current capacity**: 280 FTEs (excluding vacancies) today vs. 488 FTEs estimated in 2023
- By implementing the proposed reforms**, these increases in workload could be managed with a **56% increase in capacity**, with 437 FTEs estimated in 2023

# To manage these workloads and meet USP ambitions, the GCF should expand its FTE capacity over the next two years

## *Summary capacity requirement findings*

- **Baseline capacity requirements are estimated at 399 FTEs in 2021, growing to 456 in 2022 and 488 in 2023, which implies a capacity gap of 119, 176, and 208 FTEs in 2021, 2022, and 2023,** respectively, relative to current FTE capacity of 280 (including staff and consultants, excluding vacancies).
- Assuming full implementation of the reform recommendations by 2022, including the establishment of regional presences, **the Secretariat's overall capacity requirement is estimated to reach 417 FTEs in 2022 and 437 FTEs in 2023, which implies a capacity gap of 137 FTEs in 2022 and 157 FTEs in 2023,** relative to current FTE capacity of 280 (including staff and consultants, excluding vacancies), with the largest efficiency gains across programming, recruitment, and procurement processes.

## *Suggested next steps*

- **The Secretariat's current capacity of 280 FTEs is below the lower end of the projections developed for the study produced in 2017,** underlining the organization's continued understaffing challenge. Estimates developed in 2017 indicated capacity requirements between 305 and 387 FTEs for 2020.
- **To support delivery capacity and meet its USP goals, the Secretariat should set itself on a growth trajectory to expand its FTEs over time** and bridge the existing capacity gap through a combination of permanent staff, external consultants and firms, and secondees.
- **Given the time and effort necessary for hiring, the Secretariat could aim for a capacity of ~340 FTEs in 2021,** in line with the estimates developed in 2017 (there are currently 43 vacant positions to be potentially filled). Depending on progress with the reform recommendations, capacity could then grow to **~415 FTEs in 2022 and ~430 FTEs in 2023,** in line with the capacity requirement estimations developed as part of this process review. This represents a ~150 FTE increase, or ~50% growth on the current number of FTEs in order to manage the workload increases expected to deliver the USP.
- **The proposed capacity should be deployed to deliver on the ambitions of the USP,** focusing mainly on enhancing upstream support for high-quality climate project development, accelerating access to GCF resources, particularly for DAEs, and improving downstream support to anticipate and reduce project implementation risks, including integrity risks and risks related to environmental and social safeguards.
- Even with these increases, it is estimated that the **GCF's budget-to-approved investments ratio would remain low when compared to 'near-peer' organizations.** It is currently at 1% and is estimated to fall to 0.7% as the portfolio expands to reach USD 15Bn by 2023, even with an assumed increase of ~150 FTEs.
- **Depending on the prioritization of capacity needs and the nature of the functions to be strengthened, the Fund will need to consider the trade-offs between expanding capacity through increases in staff vs. consultant contracts.** Staff positions provide stable and institutionalized capacity and knowledge, while consultant contracts provide flexibility for specialized, shorter-term functions, and in some cases expand the talent pool for specific areas of expertise.
- **Finally, given the continual growth and evolution of its programming goals, and the implications for changes in workload, the Secretariat may benefit from shifting to a planning approach based on budget rather than headcount limits,** which do not allow for a high degree of flexibility in adapting to changing needs.

The following sections provide detailed breakdowns of capacity needs across processes and Secretariat divisions, and the associated gaps relative to the current headcount

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# Baseline capacity requirements grow from 399 FTEs in 2021 to 488 FTEs in 2023, compared to current filled FTE capacity of 280

## Baseline capacity requirement 2021-2023 (FTEs)\*

	2021		2022		2023		% change (2021 – 2023)
	FTE	% of total	FTE	% of total	FTE	% of total	
Accreditation	17.6	4%	19.3	4%	21.4	4%	22%
Readiness	51.3	13%	58.3	13%	63.7	13%	24%
Project origination	50.2	13%	58.6	13%	65.0	13%	29%
Project devt. & appraisal	64.5	16%	69.4	15%	72.6	15%	13%
Project implementation	43.1	11%	54.7	12%	65.0	13%	51%
Policy devt. & implementation	19.4	5%	20.8	5%	20.8	4%	7%
Recruitment <sup>1</sup>	10.5	3%	11.0	2%	11.8	2%	12%
Procurement	23.4	6%	25.4	6%	25.2	5%	8%
Non-process activities	118.9	30%	138.5	30%	142.4	29%	20%
<b>Total capacity requirement</b>	<b>399.0</b>		<b>456.1</b>		<b>488.0</b>		<b>22%</b>
Current headcount <sup>2</sup>			324				
Current headcount (not counting vacancies)			280				
<b>Additional cap. req.</b>	<b>74.6</b>		<b>131.8</b>		<b>163.6</b>		<b>119%</b>
<b>Additional cap. req. (based on headcount excluding vacancies)</b>	<b>118.6</b>		<b>175.8</b>		<b>207.6</b>		<b>75%</b>

## Considerations

- **Capacity requirements in 2021 show a significant capacity gap of 76 FTEs with the current headcount** (including vacancies), which grows to 165 by 2023
- **Accounting for currently unfilled vacancies, the capacity gap reaches 119 FTEs in 2021**, and grows to 208 FTEs in 2023
- **Approximately 58% of the capacity requirement is attributable to project cycle processes** (4% accreditation, 13% readiness, 13% origination, 15% development and appraisal, 13% project implementation) in 2023.
- **Enabling processes account for 11%** (4% policy, 5% procurement, 2% recruiting).
- **The remaining 29% is attributable to all activities not covered in the review** (including institutional work, communications, KM, among others.)

\* Percentages may not add up to 100 due to rounding. 1. OHR's capacity estimates have been adjusted to reflect a 10% growth in capacity needs before the implementation of planned IT upgrades; 2. Includes consultants and vacancies

# Across programming divisions, baseline capacity needs grow from 260 FTEs in 2021 to 323 FTEs in 2023, representing two thirds of total FTE needs

Capacity requirement 2021-2023 (FTEs)	DCP			DMA			PSF			ORMC App.			ORMC Sust.			ORMC Risk			ORMC Compl.			All ORMC			OPM PIMM FA			OPM PIMM Readiness			OPM QAME			OPM RDM			All OPM		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Accreditation	2.9	3.0	3.2	0.0	0.0	0.0	0.7	0.8	0.9	0.0	0.0	0.0	0.1	0.0	0.0	0.2	0.3	0.3	0.4	0.8	1.2	0.7	1.0	1.4	1.4	1.7	2.1	0.0	0.0	0.0	0.1	0.1	0.1	1.4	1.4	1.4	3.0	3.3	3.6
Readiness	21.6	21.6	21.6	1.7	1.7	1.7	0.4	0.4	0.5	0.1	0.3	0.3	1.3	1.6	1.5	0.3	1.3	1.2	0.7	0.6	0.8	2.4	3.8	3.8	0.0	0.0	0.0	14.4	17.3	20.2	1.9	1.9	1.9	0.7	0.8	0.9	17.0	20.0	23.0
Project origination	18.9	21.6	23.7	14.7	17.2	20.6	8.4	9.1	9.2	0.2	0.2	0.2	1.0	1.8	1.9	0.6	0.8	0.9	0.4	0.4	0.6	2.2	3.2	3.6	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.2	1.3	0.0	0.0	0.0	1.1	1.2	1.3
Project devt. & appraisal	1.1	1.5	2.8	26.0	27.0	27.0	10.7	11.8	12.8	1.7	2.4	2.4	3.9	4.9	4.6	4.7	4.8	4.6	1.9	1.6	2.0	12.2	13.6	13.7	0.0	0.0	0.0	0.0	0.0	0.0	3.3	3.1	3.1	1.1	1.3	1.5	4.4	4.4	4.6
Portfolio implementation	0.5	0.4	0.5	4.8	5.8	6.3	3.0	3.4	3.8	0.7	1.4	1.4	1.8	2.1	2.5	0.9	1.2	1.5	0.7	0.8	1.0	4.1	5.5	6.3	13.5	16.7	21.9	0.6	0.8	0.9	1.3	1.4	1.6	3.4	5.1	6.4	18.9	24.0	30.8
Policy devt. & implementation	1.1	0.6	0.6	0.3	0.5	0.5	1.3	0.8	0.8	3.0	1.7	4.0	0.2	0.3	0.3	0.4	0.6	0.6	1.0	0.9	0.7	4.6	3.5	5.6	0.3	0.3	0.3	0.0	0.0	0.0	1.0	0.9	0.9	0.6	0.7	0.5	1.9	2.0	1.8
Recruitment	0.1	0.1	0.1	0.0	0.0	0.0	0.4	0.2	0.2	0.1	0.1	0.3	0.1	0.0	0.0	0.1	0.2	0.1	0.2	0.2	0.2	0.5	0.5	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.5	0.6	0.4	1.0	1.2	1.0
Procurement	0.5	0.5	0.5	1.0	1.2	1.4	0.9	1.0	1.2	0.8	1.9	1.3	0.6	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2	1.8	2.2	1.6	0.2	0.3	0.5	0.2	0.5	0.5	0.2	0.2	0.2	0.5	0.4	0.5	1.2	1.5	1.7
Other processes	6.3	6.3	6.3	5.0	5.4	5.9	1.5	1.0	1.0	1.4	2.2	2.2	1.1	1.5	1.4	0.6	0.7	0.7	0.7	2.3	2.2	3.8	6.7	6.6	1.8	1.8	1.9	0.7	0.8	1.0	0.6	1.1	1.2	2.8	3.2	3.6	5.8	6.9	7.7

TOTAL	53.0	55.7	59.2	53.5	58.8	63.4	27.3	28.5	30.3	8.0	10.1	12.1	10.0	12.1	12.1	8.0	10.0	10.0	6.2	8.0	9.0	32.2	40.1	43.2	17.3	21.0	26.8	16.1	19.5	22.7	10.0	10.4	10.7	10.9	13.5	15.3	54.3	64.5	75.6			
Current headcount <sup>1</sup>	44.3			45.6			25.0			For all ORMC: 28.2											For all OPM: 31.9																					
Current headcount (not counting vacancies)	40.3			39.6			21.0			For all ORMC: 26.2											For all OPM: 24.9																					
<b>Additional capacity requirement</b>	<b>8.7</b>	<b>11.4</b>	<b>14.9</b>	<b>7.9</b>	<b>13.2</b>	<b>17.8</b>	<b>2.3</b>	<b>3.6</b>	<b>5.4</b>							<b>4.0</b>	<b>11.9</b>	<b>15.0</b>																<b>22.4</b>	<b>32.6</b>	<b>43.7</b>						
<b>Additional cap. req. (based on headcount excluding vacancies)</b>	<b>12.7</b>	<b>15.4</b>	<b>18.9</b>	<b>13.9</b>	<b>19.2</b>	<b>23.8</b>	<b>6.3</b>	<b>7.6</b>	<b>9.4</b>							<b>6.0</b>	<b>13.9</b>	<b>17.0</b>																<b>29.4</b>	<b>39.6</b>	<b>50.7</b>						
Capacity estimates from 2020 exercise	78.9	75.8	74.5	61.1	55.2	49.8	35	35	35							<del>33.6</del>	<del>37.8</del>	<del>30.1</del>																<del>47.4</del>	<del>48.1</del>	<del>47.6</del>						
										2021, 2022, 2023									2021, 2022, 2023																							

All Programming divisions maintain a relatively stable proportion of the estimated capacity each year despite increases in FTE across the board over the 2021-2023 period

1. Includes consultants and vacancies

# Divisions most involved in enabling processes account for the remaining third of total FTE needs, growing from 139 FTEs in 2021 to 165 FTEs in 2023

Capacity requirement 2021-2023 (FTEs)	OGC			OGA			OHR			DSS Procurement			DSS Finance			DSS ICT			DSS Other			All DSS <sup>2</sup>			OED AERT			OED Other incl. OIA			DEA		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Accreditation	2.2	3.0	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.3	0.3	0	0	0	0.0	0.0	0.0	0.4	0.3	0.3	7.8	7.8	7.8	0.0	0.0	0.0	0.0	0.0	0.0
Readiness	3.5	4.4	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1	4.3	5.8	0	0	0	0.3	0.8	1.0	3.4	5.0	6.8	0.3	0.3	0.3	1.0	1.1	1.3	0.0	0.0	0.0
Project origination	1.0	1.3	1.6	0.9	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.7	0	0	0	0.0	0.0	0.0	0.7	0.7	0.7	0.4	0.4	0.5	2.0	2.3	2.4	0.0	0.0	0.0
Project devt. & appraisal	4.6	4.8	5.0	0.1	0.1	0.1	0.0	0.0	0.0	0.4	0.4	0.4	3.7	4.1	4.6	0	0	0	0.0	0.0	0.0	4.1	4.4	5.0	0.0	0.0	0.0	1.4	1.7	1.7	0.0	0.0	0.0
Portfolio implementation	7.1	9.1	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.9	5.5	6.5	0	0	0	0.0	0.0	0.0	3.9	5.5	6.5	0.0	0.0	0.0	0.6	0.7	1.1	0.3	0.3	0.3
Policy devt. & implementation	0.9	1.0	1.0	5.6	7.9	6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.4	0.4	0	0	0	0.0	0.0	0.0	0.3	0.4	0.4	0.4	0.4	0.4	2.4	3.1	2.6	0.7	0.8	0.8
Recruitment	0.5	0.7	0.8	0.6	0.3	0.3	6.6	7.2	8.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.0	0.0	0.0	0.4	0.4	0.4	0.1	0.1	0.1
Procurement	0.5	0.7	0.8	0.2	0.2	0.2	1.3	1.2	1.2	13.4	14.2	14.2	0.1	0.1	0.1	1.15	1.15	1.15	0.1	0.3	0.3	14.7	15.7	15.7	0.2	0.2	0.2	0.8	0.7	0.5	0.4	0.4	0.4
Other	2.8	2.9	4.2	9.5	10.8	10.8	8.1	5.8	6.5	0.0	0.0	0.0	11.6	14.2	14.7	19.1	25.35	25.05	10.8	10.8	11.3	41.5	50.3	51.0	0.8	0.5	0.4	12.4	13.4	13.6	21.6	28.5	28.5
<b>TOTAL</b>	<b>23.2</b>	<b>27.9</b>	<b>31.5</b>	<b>16.8</b>	<b>21.0</b>	<b>19.6</b>	<b>16.0</b>	<b>14.3</b>	<b>15.6</b>	<b>13.8</b>	<b>14.5</b>	<b>14.5</b>	<b>23.8</b>	<b>29.6</b>	<b>33.1</b>	<b>20.4</b>	<b>26.6</b>	<b>26.3</b>	<b>11.3</b>	<b>11.9</b>	<b>12.6</b>	<b>69.2</b>	<b>82.5</b>	<b>86.6</b>	<b>9.9</b>	<b>9.6</b>	<b>9.6</b>	<b>20.8</b>	<b>23.3</b>	<b>23.5</b>	<b>23.0</b>	<b>30.0</b>	<b>30.0</b>
Current headcount <sup>2</sup>	21.0			15.0			9.5			For all DSS: 57.2																		For all OED: 24			22.8		
Current headcount (not counting vacancies)	17.0			13.0			8.5			For all DSS: 48.2																		For all OED: 23			18.8		
Additional cap. req.	2.2	6.9	10.6	1.8	6.0	4.6	6.4	4.7	6.1							12.0	25.3	29.4							6.6	8.9	9.1				0.3	7.3	7.3
Additional cap. req. (based on headcount excl. vacancies)	6.2	10.9	14.6	3.8	8.0	6.6	7.4	5.7	7.1							21.0	34.3	38.4							7.6	9.9	10.1				4.3	11.3	11.3
Capacity estimates from 2020 exercise	35.2	36.5	34.7	35.6	38.5	35	10	10	10							55.4	61.2	66.9							55.4	61.2	66.9				29.9	37.5	40.4

2021, 2022, 2023

2021, 2022, 2023

Notes: 1. Includes consultants and vacancies; [2] A significant portion of the DSS team's capacity requirements (5.5, 9, and 9 FTEs in 2021, 2022, 2023 respectively) are driven by capacity requirements for the planned rollout of the ERP (GFMS)

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# The combined impact of reforms and of the regional presence shows an ~10.4% decrease in FTE requirement in 2023

## Capacity requirement 2021-2023 (FTEs)

	2022				2023			
	Baseline FTE	Post-reform FTE	Post-RP FTE	% change (pre-reform to RP)	Baseline FTE	Post-reform FTE	Post-RP FTE	% change (pre-reform to RP)
Accreditation	19.3	17.8	17.8	-8%	21.4	19.8	19.8	-8%
Readiness	58.3	52.1	49.9	-14%	63.7	56.0	52.8	-17%
Project origination	58.6	53.6	50.7	-14%	65.0	58.7	54.1	-17%
Project devt. & appraisal	69.4	59.2	57.5	-17%	72.6	60.9	59.2	-19%
Project implementation	54.7	51.2	52.0	-5%	65.0	59.6	59.6	-8%
Policy devt. & implementation	20.8	23.1	23.1	11%	20.8	21.3	21.3	2%
Recruitment <sup>1</sup>	11.0	8.3	8.3	-25%	11.8	8.8	8.8	-25%
Procurement	25.4	19.5	19.5	-23%	25.2	19.1	19.1	-24%
Non-process activities	138.5	138.5	138.5	0%	142.4	142.4	142.4	0%
<b>Total capacity requirement</b>	<b>456.1</b>	<b>423.2</b>	<b>417.2</b>	<b>-8.5%</b>	<b>488.0</b>	<b>446.7</b>	<b>437.1</b>	<b>-10.4%</b>

## Considerations

- Assuming full implementation of the reform recommendations by 2022, the Secretariat's **overall capacity requirement falls by 8.5% to 417 FTEs in 2022 and by 10.5% to 437 FTEs in 2023**, reducing the capacity gap to 93 in 2022 and 113 in 2023
- Accounting for the current vacancies to be filled, this capacity gap is higher, at 137 FTEs in 2022 and 157 FTEs in 2023
- Most of the capacity reduction is due to reforms affecting Project Development & Appraisal (-19%), Recruitment (25%), and Procurement (-24%)
- Reform impact data has been submitted by 16 divisions** (DCP, DMA, PSF, all ORMC units, all OPM units, OED (including OIA), OGA, OGC, Procurement, Finance), capturing ~80% of total baseline capacity requirement
- Some divisions, such as OED Other, DSS Other, and DEA are not included in the reform exercise
- The data also includes estimates for the efficiencies due to a potential **Regional Presence**. Data submitted by DCP, DMA, PSF, and OPM shows a 4.1% reduction in FTE capacity in the readiness, origination, and development and appraisal divisions

# Of project-focused divisions, DMA, PSF, and OPM PIMM Readiness are most impacted by the reforms

Capacity requirement 2021-2023 (FTEs)	DCP <sup>1</sup>			DMA			PSF			ORMC App.			ORMC Sust.			ORMC Risk			ORMC Compl.			All ORMC			OPM PIMM FA			OPM PIMM Readiness			OPM QAME			OPM RDM			All OPM		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Accreditation	2.9	3.0	3.2	0.0	0.0	0.0	0.7	0.8	0.9	0.0	0.0	0.0	0.1	0.0	0.0	0.2	0.3	0.3	0.4	0.8	1.2	0.7	1.0	1.4	1.4	1.7	2.1	0.0	0.0	0.0	0.1	0.1	0.1	1.4	1.2	1.2	3.0	3.1	3.4
Readiness	21.6	20.4	20.4	1.7	1.7	1.6	0.4	0.4	0.5	0.1	0.3	0.3	1.3	1.6	1.5	0.3	1.3	1.0	0.7	0.6	0.8	2.4	3.7	3.5	0.0	0.0	0.0	14.4	13.9	16.3	1.9	1.8	1.8	0.7	0.6	0.7	17.0	16.3	18.7
Project origination	18.9	21.9	23.9	14.7	13.7	16.0	8.4	7.6	7.6	0.2	0.2	0.2	1.0	1.6	1.8	0.6	0.8	0.9	0.4	0.5	0.6	2.2	3.1	3.5	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.1	1.2	0.0	0.0	0.0	1.1	1.1	1.2
Project devt. & appraisal	1.1	1.5	2.7	26.0	20.6	20.7	10.7	9.4	10.1	1.7	2.4	2.4	3.9	4.4	4.2	4.7	4.8	3.9	1.9	1.7	2.1	12.2	13.2	12.6	0.0	0.0	0.0	0.0	0.0	0.0	3.3	2.7	2.7	1.1	1.3	1.5	4.4	3.9	4.1
Portfolio implementation	0.5	0.4	0.5	4.8	6.0	5.8	3.0	2.7	3.0	0.7	1.4	1.4	1.8	1.9	2.2	0.9	1.2	1.5	0.7	0.8	1.0	4.1	5.3	6.0	13.5	15.0	19.6	0.6	0.8	0.9	1.3	1.4	1.5	3.4	4.5	5.6	18.9	21.6	27.6
Policy devt. & implementation	1.1	0.6	0.6	0.3	0.8	0.8	1.3	0.7	0.7	3.0	1.5	3.7	0.2	0.3	0.3	0.4	0.6	0.6	1.0	0.9	0.8	4.6	3.3	5.4	0.3	0.3	0.3	0.0	0.0	0.0	1.0	0.9	0.9	0.6	0.7	0.5	1.9	1.9	1.8
Recruitment	0.1	0.1	0.1	0.0	0.0	0.0	0.4	0.1	0.1	0.1	0.1	0.3	0.1	0.0	0.0	0.1	0.2	0.1	0.2	0.2	0.3	0.5	0.5	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.5	0.6	0.4	1.0	1.1	1.0
Procurement	0.5	0.5	0.5	1.0	0.8	0.9	0.9	0.6	0.7	0.8	1.8	1.2	0.6	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.3	1.8	2.1	1.6	0.2	0.2	0.3	0.2	0.4	0.4	0.2	0.2	0.2	0.5	0.3	0.4	1.2	1.2	1.3
Other processes	6.3	6.3	6.3	5.0	5.4	5.9	1.5	1.0	1.0	1.4	2.2	2.2	1.1	1.5	1.4	0.6	0.7	0.7	0.7	2.3	2.2	3.8	6.7	6.6	1.8	1.8	1.9	0.7	0.8	1.0	0.6	1.1	1.2	2.8	3.2	3.6	5.8	6.9	7.7

<b>TOTAL<sup>2</sup></b>	<b>53.0</b>	<b>54.8</b>	<b>58.2</b>	<b>53.4</b>	<b>48.9</b>	<b>51.6</b>	<b>27.3</b>	<b>23.5</b>	<b>24.7</b>	<b>8.0</b>	<b>9.8</b>	<b>11.7</b>	<b>10.0</b>	<b>11.2</b>	<b>11.2</b>	<b>8.0</b>	<b>10.0</b>	<b>9.1</b>	<b>6.2</b>	<b>8.1</b>	<b>9.2</b>	<b>32.2</b>	<b>39.1</b>	<b>41.2</b>	<b>17.3</b>	<b>19.2</b>	<b>24.3</b>	<b>16.1</b>	<b>16.0</b>	<b>18.7</b>	<b>10.0</b>	<b>9.6</b>	<b>10.0</b>	<b>10.9</b>	<b>12.4</b>	<b>13.9</b>	<b>54.3</b>	<b>57.2</b>	<b>66.9</b>
% reduction vs pre-reform	0%	2%	2%	0%	17%	19%	0%	18%	19%	0%	3%	3%	0%	7%	8%	0%	0%	9%	0%	-2%	-2%	0%	3%	4%	0%	9%	9%	0%	18%	18%	0%	7%	7%	0%	8%	9%	0%	11%	11%
Current headcount <sup>2</sup>	44.3			<b>45.6</b>			25.0			For all ORMC: 28.2												For all OPM: 31.9																	
Current headcount (not counting vacancies)	40.3			<b>39.6</b>			21.0			For all ORMC: 26.2												For all OPM: 24.9																	
Additional cap. req.	<b>8.7</b>	<b>10.5</b>	<b>13.9</b>	<b>7.8</b>	<b>3.3</b>	<b>6.0</b>	<b>2.3</b>	<b>-1.5</b>	<b>-0.3</b>													<b>4.0</b>	<b>10.9</b>	<b>13.0</b>										<b>22.4</b>	<b>25.3</b>	<b>35.0</b>			
Additional cap. req. (based on headcount excluding vacancies)	<b>12.7</b>	<b>14.5</b>	<b>17.9</b>	<b>13.8</b>	<b>9.3</b>	<b>12.0</b>	<b>6.3</b>	<b>2.5</b>	<b>3.7</b>													<b>6.0</b>	<b>12.9</b>	<b>15.0</b>										<b>29.4</b>	<b>32.3</b>	<b>42.0</b>			
Capacity estimates from 2020 exercise	78.9	75.8	74.5	61.1	55.2	49.8	35	35	35													33.6	31.8	30.1										47.4	48.1	47.6			

2021, 2022, 2023

2021, 2022, 2023

DMA and PSF reduces FTE requirement by 19% and OPM PIMM Readiness by 18% in 2023, compared to pre-reforms

Reduction in capacity requirement for PSF is driven by increases in productivity achieved through reforms affecting the readiness, origination, and project development processes

The divisions with the lowest reductions are **DCP** and **ORMC Appraisal**, with a reduction of 0.7 FTEs and 0.3 FTEs in 2023, respectively.

# For enabling divisions, DSS Procurement and OHR achieve the greatest percentage reduction in FTE requirements

Capacity requirement 2021-2023 (FTEs)	OGC			OGA			OHR <sup>1</sup>			DSS Procurement			DSS Finance			DSS ICT <sup>2</sup>			DSS Other <sup>2</sup>			All DSS <sup>3</sup>			OED AERT			OED Other incl. OIA <sup>2</sup>			DEA <sup>2</sup>		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Accreditation	2.2	2.7	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.3	0.3				0.0	0.0	0.0	0.4	0.3	0.3	6.8	6.8	6.8	0.0	0.0	0.0	0.0	0.0	0.0
Readiness	3.5	3.9	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1	3.5	4.8				0.3	0.8	1.0	3.4	4.3	5.8	0.3	0.2	0.2	1.0	1.1	1.3	0.0	0.0	0.0
Project origination	1.0	1.3	1.5	0.9	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.6	0.6				0.0	0.0	0.0	0.7	0.6	0.6	0.4	0.4	0.4	2.0	2.3	2.4	0.0	0.0	0.0
Project devt. & appraisal	4.6	4.8	5.0	0.1	0.1	0.1	0.0	0.0	0.0	0.4	0.3	0.3	3.7	3.5	3.5				0.0	0.0	0.0	4.1	3.8	3.8	0.0	0.0	0.0	1.4	1.7	1.7	0.0	0.0	0.0
Portfolio implementation	7.1	8.7	8.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.9	5.6	6.5				0.0	0.0	0.0	3.9	5.6	6.5	0.0	0.0	0.0	0.6	0.7	1.1	0.3	0.3	0.3
Policy devt. & implementation	0.9	0.8	0.8	5.6	10.5	7.3	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3				0.0	0.0	0.0	0.3	0.3	0.3	0.4	0.3	0.3	2.4	3.1	2.6	0.7	0.8	0.8
Recruitment	0.5	0.7	0.8	0.6	0.3	0.3	6.6	4.7	5.2	0.0	0.0	0.0	0.1	0.1	0.1				0.1	0.1	0.1	0.3	0.3	0.3	0.0	0.0	0.0	0.4	0.4	0.4	0.1	0.1	0.1
Procurement	0.5	0.3	0.3	0.2	0.2	0.2	1.3	0.8	0.8	13.4	10.2	10.2	0.1	0.1	0.1				0.1	0.3	0.3	14.7	11.7	11.7	0.2	0.2	0.2	0.8	0.7	0.5	0.4	0.4	0.4
Other	2.8	2.9	4.2	9.5	10.8	10.8	8.1	5.8	6.5	0.0	0.0	0.0	11.6	14.2	14.7				10.8	10.8	11.3	41.5	50.3	51.0	0.8	0.5	0.4	12.4	13.4	13.6	21.6	28.5	28.5
<b>TOTAL</b>	<b>23.2</b>	<b>26.0</b>	<b>29.1</b>	<b>16.8</b>	<b>23.6</b>	<b>20.4</b>	<b>16.0</b>	<b>11.3</b>	<b>12.5</b>	<b>13.8</b>	<b>10.5</b>	<b>10.5</b>	<b>23.8</b>	<b>28.2</b>	<b>30.8</b>	<b>20.4</b>	<b>26.6</b>	<b>26.3</b>	<b>11.3</b>	<b>11.9</b>	<b>12.6</b>	<b>69.2</b>	<b>77.2</b>	<b>80.3</b>	<b>8.8</b>	<b>8.3</b>	<b>8.4</b>	<b>20.8</b>	<b>23.3</b>	<b>23.5</b>	<b>23.0</b>	<b>30.0</b>	<b>30.0</b>
% reduction vs pre-reform	0%	7%	8%	0%	-12%	-4%	0%	20%	20%	0%	28%	28%	0%	5%	7%	N/A	N/A	N/A	N/A	N/A	N/A	0%	6%	7%	11%	13%	13%	N/A	N/A	N/A	N/A	N/A	N/A
Current headcount <sup>2</sup>	21.0			15.0			9.5			For all DSS: 57.2									For all OED: 24						22.8								
Current headcount (not counting vacancies)	17.0			13.0			8.5			For all DSS: 48.2									For all OED: 23						18.8								
Additional capacity requirement	<b>2.2</b>	<b>5.0</b>	<b>8.1</b>	<b>1.8</b>	<b>8.6</b>	<b>5.4</b>	<b>6.4</b>	<b>1.8</b>	<b>3.0</b>							<b>12.0</b>	<b>20.0</b>	<b>23.1</b>									<b>5.6</b>	<b>7.6</b>	<b>7.8</b>		<b>0.3</b>	<b>7.3</b>	<b>7.3</b>
Additional cap. req. (based on headcount excluding vacancies)	<b>6.2</b>	<b>9.0</b>	<b>12.1</b>	<b>3.8</b>	<b>10.6</b>	<b>7.4</b>	<b>7.4</b>	<b>2.8</b>	<b>4.0</b>							<b>21.0</b>	<b>29.0</b>	<b>32.1</b>									<b>6.6</b>	<b>8.6</b>	<b>8.8</b>		<b>4.3</b>	<b>11.3</b>	<b>11.3</b>
Capacity estimates from 2020 exercise	35.2	36.5	34.7	35.6	38.5	35.0	10.0	10.0	10.0							55.4	61.2	66.9									55.4	61.2	66.9		29.9	37.5	40.4

The divisions with the smallest changes are **OED AERT** and **OGA**, with a change of -1.3 and +0.8FTEs, respectively. OGA's FTE requirement increases due to reforms requiring time investments in a policy review and policy training

Reductions in capacity requirement for the procurement function are high at around 25% across supporting divisions, largely due to streamlining of the procurement process and upgrading the procurement system

OGC and OED AERT are particularly affected by Accreditation and Readiness reforms, becoming approx. 10-12% more efficient (although the same proportion, a different magnitude of FTE change due to the divisions' differing sizes)

Notes: [1] Current data for the impact of the reforms on OHR estimated from indications of the impact of their system upgrade. [2] Not included in impact quantification exercise; [3] A significant portion of the DSS team's capacity requirements (5.5, 9, and 9 FTEs in 2021, 2022, 2023 respectively) are driven by capacity requirements for the planned rollout of the ERP (GFMS)

# Reforms targeting the project cycle are estimated to reduce the capacity gap for these processes by ~14%, or ~36 FTEs by 2023

Change in capacity requirement due to each reform, 2022 and 2023 (% change vs baseline)<sup>1,2</sup>

The impact of Reform 8 on establishing regional presences has been detailed independently on page 65.

Reform #	1		2		3		4 <sup>3</sup>		5		6		7		9		10		11 <sup>3</sup>		12		Total change per process				
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022 FTEs	2022 %	2023 FTEs	2023 %	
Accreditation	-1.5%	-1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.0%	-1.2%	-0.5	<b>-2.5%</b>	-0.7	<b>-3.1%</b>
Readiness	0.0%	0.0%	-0.5%	-0.6%	-2.2%	-2.2%	-0.5%	-1.0%	0.0%	0.0%	-1.1%	-1.2%	-0.7%	-0.8%	-0.1%	-0.1%	-0.7%	-0.8%	-0.4%	-0.5%	-5.7%	-6.2%	-6.9	<b>-11.8%</b>	-8.4	<b>-13.2%</b>	
Project origination	0.0%	0.0%	-2.2%	-2.1%	0.0%	0.0%	0.0%	0.0%	-1.4%	-0.9%	-3.2%	-3.9%	-0.8%	-2.8%	0.0%	0.0%	-0.4%	-0.4%	-1.5%	-1.7%	-0.1%	-0.1%	-5.6	<b>-9.6%</b>	-7.8	<b>-12.0%</b>	
Project devt. & appraisal	0.0%	0.0%	-3.0%	-2.6%	0.0%	0.0%	0.0%	0.0%	-3.3%	-2.4%	-4.2%	-5.0%	-1.3%	-3.3%	-0.3%	-0.3%	-0.3%	-0.3%	-1.5%	-1.5%	-0.5%	-1.0%	-10.0	<b>-14.3%</b>	-12.0	<b>-16.6%</b>	
Project implementation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.5%	-1.4%	-1.4%	-2.0%	-2.9%	-3.8%	-0.4%	-0.2%	0.0%	0.0%	-1.8%	-2.7%	-4.4	<b>-8.1%</b>	-6.6	<b>-10.2%</b>	
<b>Total impact per reform, relative to baseline for relevant processes (%)</b>	<b>-0.1%</b>	<b>-0.2%</b>	<b>-1.4%</b>	<b>-1.4%</b>	<b>-0.5%</b>	<b>-0.5%</b>	<b>-0.1%</b>	<b>-0.2%</b>	<b>-1.2%</b>	<b>-0.9%</b>	<b>-2.4%</b>	<b>-3.0%</b>	<b>-1.0%</b>	<b>-2.3%</b>	<b>-0.7%</b>	<b>-1.1%</b>	<b>-0.4%</b>	<b>-0.4%</b>	<b>-0.8%</b>	<b>-1.0%</b>	<b>-1.9%</b>	<b>-2.6%</b>		<b>-10.5%</b>		<b>-13.7%</b>	
<i>Total impact per reform, relative to baseline for relevant processes (FTEs)</i>	-0.3	-0.4	-3.7	-3.6	-1.3	-1.4	-0.3	-0.6	-3.1	-2.3	-6.2	-7.9	-2.5	-6.0	-1.9	-2.8	-1.1	-1.1	-2.1	-2.5	-4.9	-6.8	-27.4		-35.6		

**Reform 1 (on proactive accreditation) is expected to have the lowest impact on project cycle processes**

**Reform 6 (on upfront strategic goal-setting for programming) is expected to have the greatest impact on project cycle processes, followed by reforms 12 (systems upgrades) and 2 (on upfront strategic goal-setting for readiness grants)**

The **highest reduction in capacity gaps** is seen within the **Project development and appraisal** processes, followed by Readiness and Origination

Notes: [1] Negative numbers indicate a reduction in FTEs post-reforms; [2] Baseline excludes the FTEs for following processes which are not impacted by these reforms: Policy development and implementation, Recruitment, Procurement, Other processes; [3] Reforms 4 and 11 were developed after the impact quantification exercise; their impact is assumed to be equal to the estimated impact of two reforms which were removed/collapsed after the impact quantification exercise

# Reforms targeting enabling processes can reduce the capacity gap for the relevant processes by 5%, or ~9 FTEs by 2023

Change in capacity requirement due to each reform, 2022 and 2023 (% change vs baseline)<sup>1,2</sup>

Reform #	13		14		15		16		17		18		19		20		21		22		Total change per process			
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022 FTEs	2022 %	2023 FTEs	2023 %
Readiness	-1.9%	-2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	-1.2	-2.1%	-1.4	-2.2%
Project origination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.2%	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	-0.2	-0.3%	-0.2	-0.4%
Policy devt. & implementation	5.3%	1.9%	0.4%	0.0%	-0.2%	-0.8%	-0.5%	-0.4%	-2.8%	-2.7%	0.2%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5	2.5%	-0.2	-0.8%
Recruitment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.9%	-1.2%	-0.7%	-0.9%	-0.2	-1.6%	-0.2	-2.0%
Procurement	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-11.1%	-11.8%	-14.0%	-14.5%	0.0%	0.0%	0.0%	0.0%	-6.4	-25.1%	-6.6	-26.2%
<b>Total impact per reform, relative to baseline for relevant processes (%)</b>	<b>0.0%</b>	<b>-0.5%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>-0.3%</b>	<b>-0.3%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>-1.7%</b>	<b>-1.8%</b>	<b>-2.1%</b>	<b>-2.2%</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>		<b>-4.3%</b>		<b>-5.0%</b>
<i>Total impact per reform, relative to baseline for relevant processes (FTEs)</i>	0.0	-0.9	0.1	0.0	0.0	-0.2	-0.1	-0.1	-0.6	-0.6	0.0	0.2	-3.0	-3.2	-3.7	-3.8	-0.1	-0.1	-0.1	-0.1	-7.4		-8.7	

**Reform 13 (on reviewing incumbent policies) is expected to marginally increase FTE needs in 2022**, due to the additional short-term work entailed by a review of existing policies

**Reforms 19 and 20 (on streamlining and automating Procurement) are expected to have the greatest impact** on the relevant processes, i.e., Readiness, Origination, and enabling processes

The **highest reduction in capacity gaps** is seen within the **Procurement** process

Notes: [1] Negative numbers indicate a reduction in FTEs post-reforms; [2] Baseline excludes the FTEs for following processes which are not impacted by these reforms: Accreditation, Project development and appraisal, Portfolio Implementation; Other processes

# Contents

1. Executive summary
2. Progress on implementation of the 2017 Dalberg recommendations
3. Process diagnostic and reform recommendations
4. Capacity requirement projections
5. GCF budget benchmarking
6. Regional presence assessment

# Comparing the cost of GCF against similar funds can help inform decisions on future capacity needs



## Objectives

- The purpose of this benchmarking analysis is to assess where the GCF sits in comparison to its peer or 'near-peer' organizations in terms of its ratio of budget-to-total approved investments
- This will provide a useful comparison as the GCF plans its resource needs to implement USP for 2021-23

## Methodology



We developed a list of funds based on two criteria:

1. **Business model alignment with GCF** (e.g., funding models, types of partners, sectoral focus, etc.)
2. **Diversity of types of funds** (e.g., multilateral, DFI, private) to show broad comparison across a spectrum

### List of Funds

- **Multilaterals:** GEF, Adaptation Fund, IFAD, and Global Fund
- **DFIs:** CDC, Norfund
- **Private Funds:** Calvert Impact Capital

2. **Compare benchmark organizations across two ratios**
  - For each organization, we researched publicly available data to calculate operating expense-to-total approved investments (i.e., portfolio size based on approved investments)
  - To give a picture of Secretariat operating costs, operating expenses for the GCF include the Secretariat administrative budgets only (i.e, they do not include Trustee, Board, IU budgets or AE fees).

Given the uniqueness of the GCF business model, there are no 'perfectly' comparable organizations. As such, results from the analysis provide a directional comparison and not an exact 1-to-1 benchmark.

3. **Estimate ratios in forward-looking scenario**

The scenario examines how each of the ratio for the GCF would compare to that of the benchmark organizations if:

- The GCF reached a portfolio of USD 15Bn by 2023
- The GCF increased its staff headcount by 150 FTEs

# Five factors can help assess the comparability (and differentiate) across 'near-peer' organizations

## Comparability factors

---

- A. Extent of upstream origination and partner engagement:** Time and effort spent on engagement and alignment with national authorities, capacity building support to implementing partners, and direct deal sourcing
- B. Depth of project/investment development and appraisal process:** Focus and ownership of the project review and degree of direct collaboration with implementing partners on project concepts
- C. Depth of implementation monitoring and support:** Degree of involvement in developing M&E frameworks, frequent project monitoring, and provision of post-approval support to partners for implementation capacity building and collaboration
- D. Complexity and diversity of portfolio projects/investments:** Level of design and implementation complexity of a given project, and sector diversity within the portfolio
- E. Scale of portfolio projects/investments:** Average size, duration and geographical scope of project financed and number of partners involved

While these factors can help assess comparability across peer organizations, they do not allow for a perfect segmentation. Each organization has significant differences in their funding and operational models which limit their utility as direct comparisons (see next page for further detail on each benchmark organization chosen).

# Despite clear commonalities with the GCF, the organizations also have differences that limit comparability across these factors

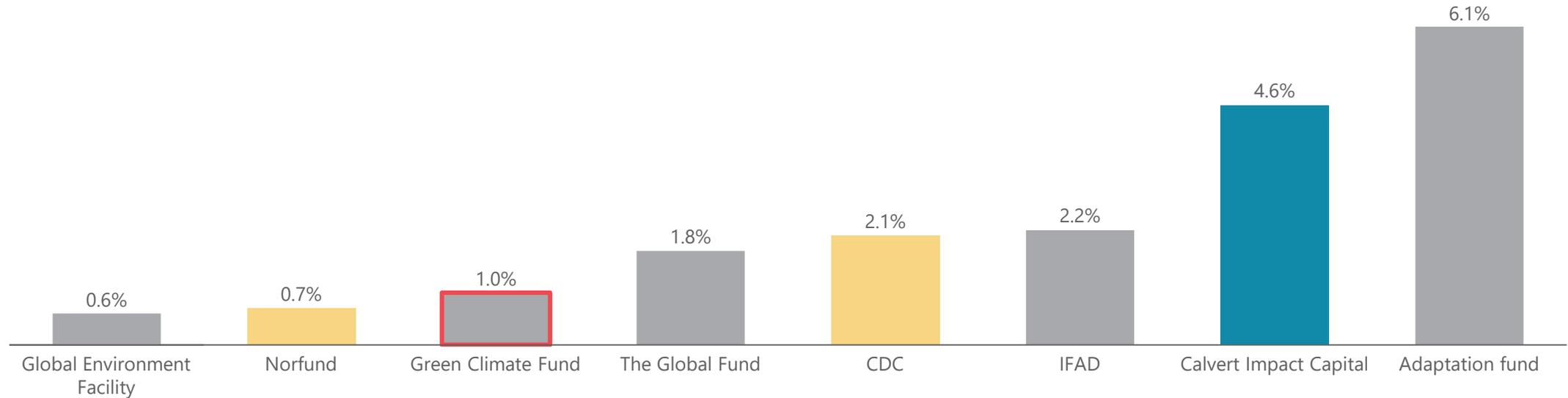
Comparable funds		Considerations on comparability with GCF	
 ADAPTATION FUND	<b>Adaptation Fund</b>	<ul style="list-style-type: none"> <li>+ Invests in projects through accredited implementing partners (national, regional and multilateral institutions) with significant country engagement.</li> <li>- Manages a portfolio with a narrower scope, focusing on climate adaptation. Moreover, its portfolio size is smaller than the GCF's and thus may have a lower capacity to absorb fixed costs. Its costs are also partly subsidized as it is part of WB system.</li> </ul>	
	<b>Calvert Impact Capital</b>	<ul style="list-style-type: none"> <li>+ Invests in projects in sectors including renewable energy and environmental sustainability including through a variety of financial products (e.g., loans, structured debt, collateralized investments).</li> <li>- Leads significant deal sourcing efforts upstream. It has smaller portfolio relative to the GCF, mostly focused on developed markets and engaged in sectors beyond climate such as affordable housing, health and SMEs.</li> </ul>	
	<b>CDC</b>	<ul style="list-style-type: none"> <li>+ Includes a project review process similar to GCF with a preliminary screening followed by a multi-stage Investment Committee process, offering a combination of financial products.</li> <li>- Proactive in seeking clients and investment opportunities through a client outreach programme. Holds significant portfolio in equity investments. At implementation, CDC leverages its monitoring efforts to provide targeted support to investee.</li> </ul>	
	<b>Global Environment Facility</b>	<ul style="list-style-type: none"> <li>+ Specializes in financing projects addressing environmental challenges through grants and loans which it selects using national strategic plans (i.e. NAPAs).</li> <li>- Relies on a fixed number of implementing and executing agencies using a standardized project review process.</li> </ul>	
	<b>IFAD</b>	<ul style="list-style-type: none"> <li>+ Invests in the environmental sustainability and resilience of rural areas by financing projects sized similarly to the GCF's.</li> <li>- It carries out extensive upstream engagement with national and local partners through its various on-the-ground offices. It holds a more diversified portfolio of projects in a variety of rural financing and market infrastructure that are evaluated through an established monitoring and impact assessment cycle.</li> </ul>	
	<b>Norfund</b>	<ul style="list-style-type: none"> <li>+ Invests mostly in clean energy projects through equity, debt and grants.</li> <li>- Sources projects more actively during origination. During implementation, it plays an active role as a strategic minority investor and can provide business support.</li> </ul>	
	<b>The Global Fund</b>	<ul style="list-style-type: none"> <li>+ Established a funding model that includes country engagement upstream and a review process characterized by an independent review panel. Its portfolio size and annual approvals are aligned to GCF's targets.</li> <li>- Focuses on supporting lower-complexity projects tackling the AIDS, tuberculosis and malaria epidemics.</li> </ul>	

# Operating expense-to-total approved investments ratio shows GCF has been on the lower end of the spectrum relative to 'near-peers'

**PRELIMINARY –  
BASED ON PUBLICLY  
AVAILABLE DATA**

## Benchmarking Operating Expense/Total Approved Investments ratio, latest figures for 2019/2020<sup>1</sup>

DFIs   Multilaterals   Private



Total approvals  
(USD m)

Operating Budget  
(USD m)

Number of projects  
in portfolio

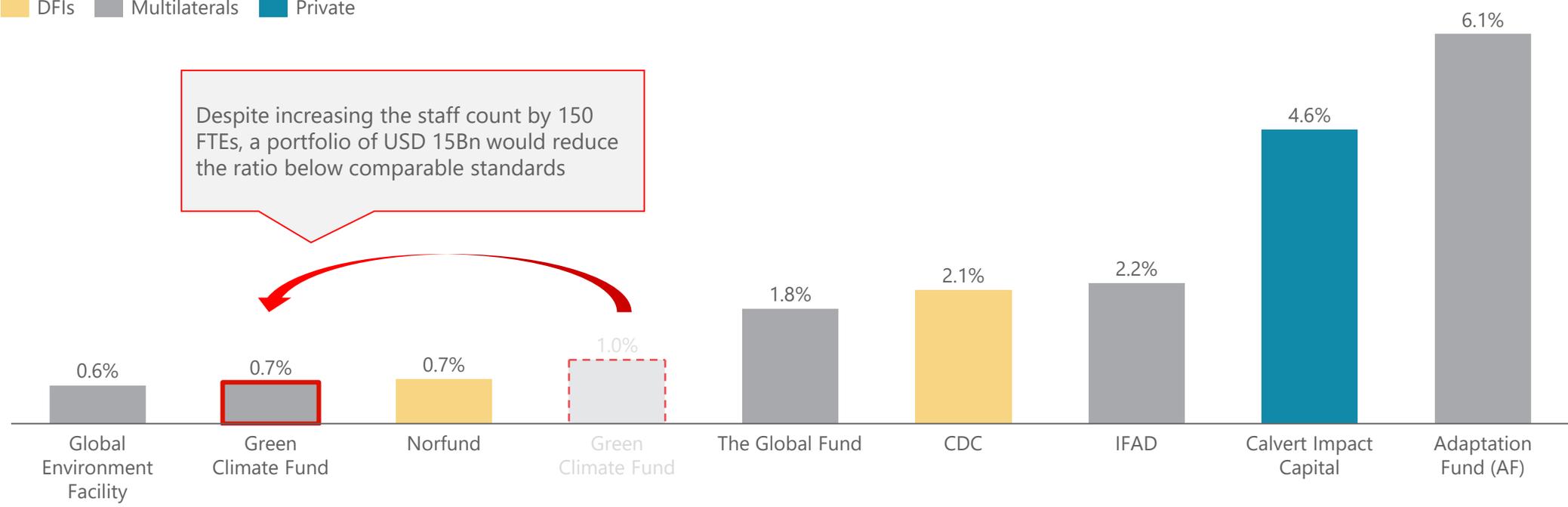
4,620	2,993	7,300 <sup>1</sup>	15,819	6,627	7,490	416	721
29	22	70 <sup>1</sup>	292	137	165	19	44
923	163	159 <sup>1</sup>	N/A	N/A	203	111	84

1. Data for GCF updated to reflect 2020 results given availability and significant programming increase in 2020; figures for all other organizations are for 2019. Sources: Global Environment Facility Annual Reports 2017-2019; GCF Financial Statement 2019 and data provided by DSS Finance team; Norfund Reports on Operations 2018-2019; CDC Annual Review 2019; CDC Annual Accounts 2018; The Global fund Annual Financial Reports 2017-2019; IFAD Annual Reports 2018-2019; Calvert Impact Annual Impact Reports 2018-2020; Adaptation Fund Financial Reports 2016-2019

# If the GCF's portfolio grows to USD 15Bn portfolio, its ratio would again be the lowest in the sample, even with a 150 FTEs staff increase

**Scenario: Increase approved investments to USD 15Bn and FTEs by 150**  
 Benchmarking Operating Expense/Total Approved Investments ratio – *latest figures for 2019/2020*

DFIs   Multilaterals   Private



Total approvals (USD m)	4,620	15,000	2,993	7,300	15,819	6,627	7,490	416	721
Operating Budget (USD m)	29	108 <sup>1</sup>	22	70 <sup>1</sup>	292	137	165	19	44

1.The operating expense with a 150 staff increase is calculated by linearly extrapolating the total administrative budget per staff count. Budget extrapolation starting point of USD 70M based on 2020 approved budget, with an assumed FTE capacity of 280 growing to 430.

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## 6. Regional presence assessment

### **Context and approach**

- Case for a regional presence
- Option generation and qualification
- Option assessment
- Next steps
- Considerations on liaison offices

# This section lays out the context for the regional presence assessment, and defines and assesses various options to identify the preferred option

1. **Context and approach:** Summary of context and scope for the regional presence assessment and high-level approach to the assessment
2. **Case for a regional presence:** High-level value proposition for a regional staff presence, including potential purposes and functions
3. **Option generation and qualification:** Definition of potential regional presence options, including functions and staffing ranges for each option
4. **Option assessment:** Description of guiding principles and cost-benefit criteria for assessing regional presence options, and identification of the most preferred option
5. **Next steps:** Summary of key areas to be addressed through the implementation plan in order to operationalize the most preferred option

**Context:** Assessing needs and options for a regional presence can help evaluate the potential efficiency and effectiveness gains from proximity

**The regional presence assessment will investigate if and how staff presence closer to countries that GCF serves can:**

- i. **Enhance the efficiency** of core business processes and reduce excessive workloads
- ii. **Improve process outcomes** to ensure the Secretariat is originating and supporting paradigm-shifting climate projects

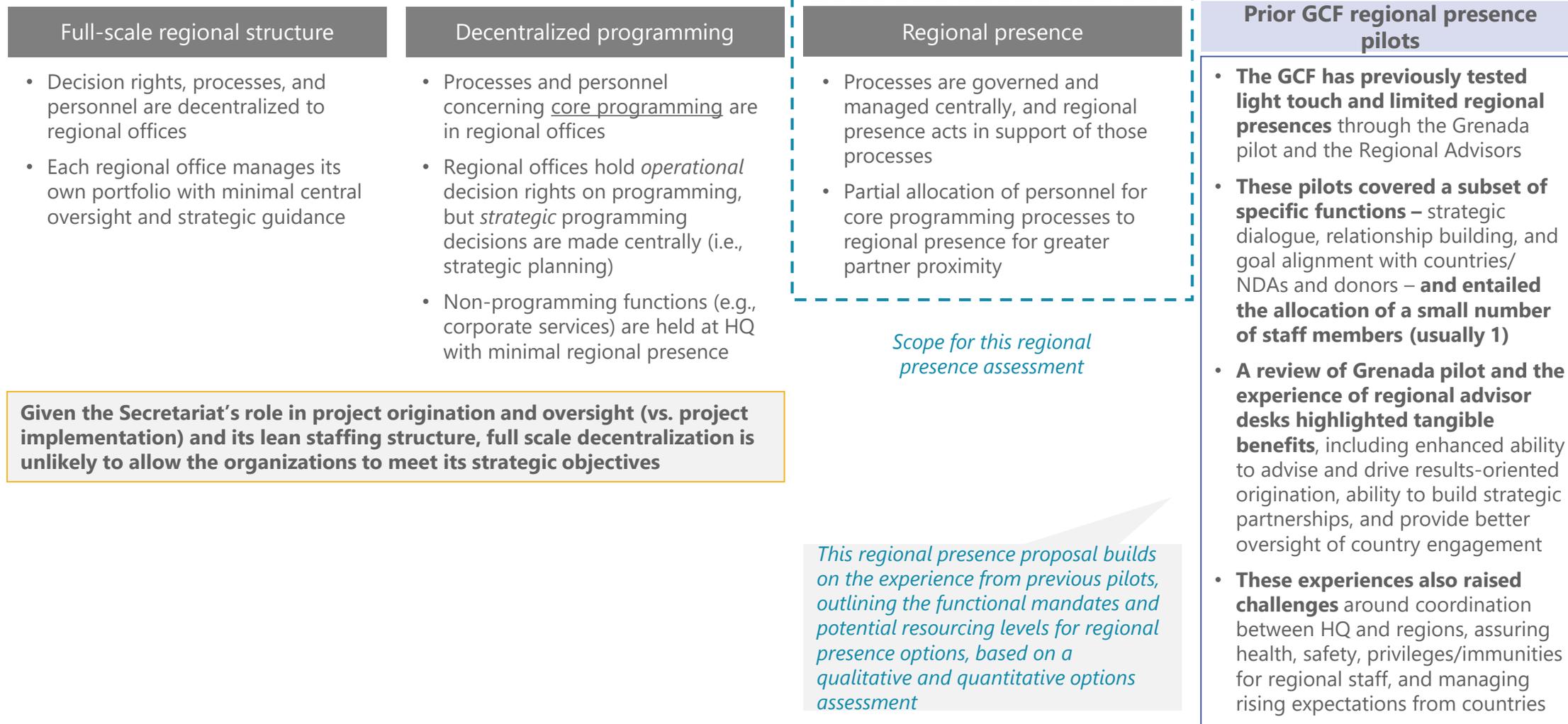
**The exercise will not consider a decentralization of GCF's core operating model, which implies:**

- i. Strategic decision-making should remain centralized
- ii. Operating units should remain organized vertically across functions (vs. across regions)
- iii. Only processes and sub-activities that benefit from deep partner interfacing should be considered for a regional presence

**Note:** This assessment does not cover liaison offices. However, preliminary considerations on the potential for establishing liaison offices based on experiences from other organizations has been included at the end of this section.

# Context: To achieve these gains, a partial staff allocation to regions for supporting central processes was identified as the preferred approach

Level of centralized control

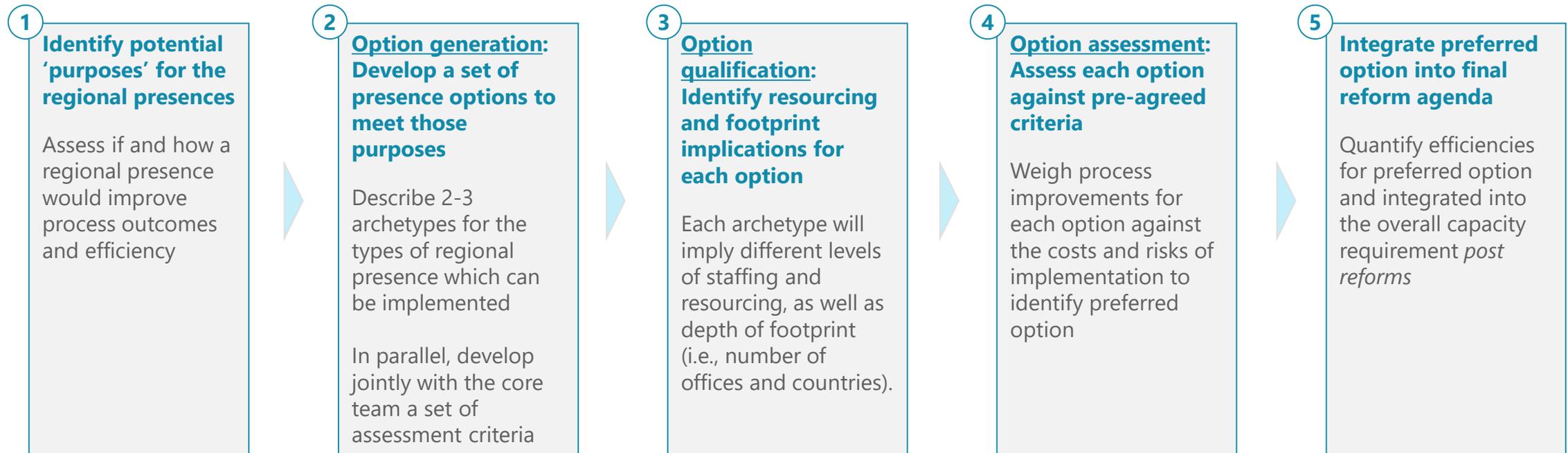


**Given the Secretariat's role in project origination and oversight (vs. project implementation) and its lean staffing structure, full scale decentralization is unlikely to allow the organizations to meet its strategic objectives**

*This regional presence proposal builds on the experience from previous pilots, outlining the functional mandates and potential resourcing levels for regional presence options, based on a qualitative and quantitative options assessment*

# The approach for assessment included five steps, with the goal of defining a preferred option and estimating its impact on process efficiencies

## Approach to assess regional presence options, considering specific operational bottlenecks, capacity gaps, and experience from prior pilots



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# We identified several ways in which a regional presence can improve the efficiency and effectiveness of core GCF activities/processes

		Potential purpose for a regional presence	Considerations
Process-related purposes	Accreditation	<b>1. Build a portfolio of GCF partners with the appropriate skills and capacity</b> <ul style="list-style-type: none"> <li>Leverage on-ground presence to <b>proactively identify and reach out to</b> high-potential <b>entities</b></li> <li>Provide <b>higher quality readiness support to countries</b> by better understanding local context</li> <li><b>Boost country ownership</b> by leveraging physical proximity to better elucidate GCF's purpose</li> </ul>	<p>Establishing regional presences for these purposes <b>would generate immediate value in a number of regions</b></p>
	Readiness		
	Project origination		
	Project development	<b>2. Build stronger relationships with AEs to co-create high quality project ideas</b> <ul style="list-style-type: none"> <li><b>Frequently engage and ideate with AEs</b> by better understanding their needs and local context</li> </ul>	
	Portfolio implementation	<b>3. Elevate the quality of climate FPs by through more intensive AE engagement</b> <ul style="list-style-type: none"> <li><b>Iterate with AEs on climate FP development more efficiently and productively</b> due to physical proximity and reduced time zone and language barriers</li> </ul>	
	Procurement and recruitment	<b>4. De-risk project implementation:</b> <ul style="list-style-type: none"> <li><b>Close on-ground compliance monitoring</b>, as facilitated by a local presence <i>(The growing role of portfolio implementation can be leveraged to manage external risks on-ground)</i></li> </ul>	
Additional purposes	Partnerships and resource mobilization	<b>5. Attract a wider range of relevant talent and experts</b> <ul style="list-style-type: none"> <li><b>Locally source staff and consultants</b> with greater local knowledge and relevant sectoral <i>(A regional presence performing other functions can inherently boost this goal)</i></li> </ul>	
	Staff diversity and retention	<b>6. Take a focused and regionally tailored approach to securing partners and funders</b> <ul style="list-style-type: none"> <li><b>Strategically target potential regional partners and funders</b> by deploying regional officers to identify and build relationships with relevant regional actors</li> </ul>	
		<b>7. Create a diverse and more satisfied workforce</b> <ul style="list-style-type: none"> <li><b>Reinforce geographic and gender diversity</b> when hiring staff for regional presences</li> <li><b>Improve employee work-life balance</b> due to removed time-zone constraints</li> </ul>	

For each of these processes, a regional presence would focus on partner-facing activities that benefit from greater proximity

Process	Activities to be conducted in regional presences
Readiness	<ul style="list-style-type: none"> <li>• <b>Engagement with countries and DPs on readiness &amp; NAP proposal</b> origination and development</li> <li>• <b>Offering TA consultancy</b> for NDAs / delivery partners</li> </ul>
Origination	<ul style="list-style-type: none"> <li>• <b>Engagement with countries, AEs and partners on origination of high-quality proposals</b>, including structured dialogues and missions, with focus on DAEs</li> <li>• <b>Co-developing and providing feedback to entities on PAP/SAP concept notes</b></li> </ul>
Development	<ul style="list-style-type: none"> <li>• <b>Co-developing and providing feedback to entities on PAP/SAP funding proposals</b>, with focus on DAEs</li> </ul>
Accreditation	<ul style="list-style-type: none"> <li>• <b>Engagement on AE nominations and providing general guidance</b> to interested parties on the accreditation process</li> </ul>
Portfolio implementation	<ul style="list-style-type: none"> <li>• <b>Portfolio monitoring</b> for performance and compliance, through more frequent site visits and engagement with AEs</li> </ul>

# Greater proximity to partner-facing activities would have immediate impact on process effectiveness and efficiency across several regions

Potential regions to prioritize for a regional presence – to be verified during full feasibility study

East Africa	West Africa	Middle-East and North Africa (MENA)	Latin America and the Caribbean	Asia-Pacific
<ul style="list-style-type: none"> <li>• <b>LDCs in the two regions require closer engagement, especially with DAEs</b>, for building partner capacity and facilitating the origination of projects aligned with the USP</li> <li>• <b>Regional presences in both regions will help overcome language barriers</b> to engagement, by allowing recruitment of local staff</li> </ul>		<ul style="list-style-type: none"> <li>• <b>A regional presence will help overcome language barriers</b> which prevent efficient partner engagement</li> <li>• A presence in MENA would simultaneously facilitate <b>closer engagement in Central Asia and Eastern Europe which are currently underserved</b></li> </ul>	<ul style="list-style-type: none"> <li>• A regional presence is required in the Western Hemisphere to <b>overcome severe time zone barriers</b> preventing efficient partner engagement</li> <li>• A regional presence in the Caribbean will allow <b>deeper engagement with several SIDs which are a programming priority</b></li> </ul>	<ul style="list-style-type: none"> <li>• <i>A presence in the Asia Pacific region was deprioritized given the limited additionality to establishing a regional presence in Asia, due to the existing HQ presence in Songdo</i></li> </ul>

### Note on preliminary prioritization:

Other regions could be considered regional presences, e.g., South Africa, Central Africa, Central Asia and Eastern Europe, South Asia, and South America.

This preliminary set of regions were prioritized based on their immediate value in i) overcoming process bottlenecks associated with lack of physical proximity and ii) their direct support to achieving USP goals.

While these regions may be prioritized in the medium-term, further regions could be included in the longer-term as the GCF increases its scale.

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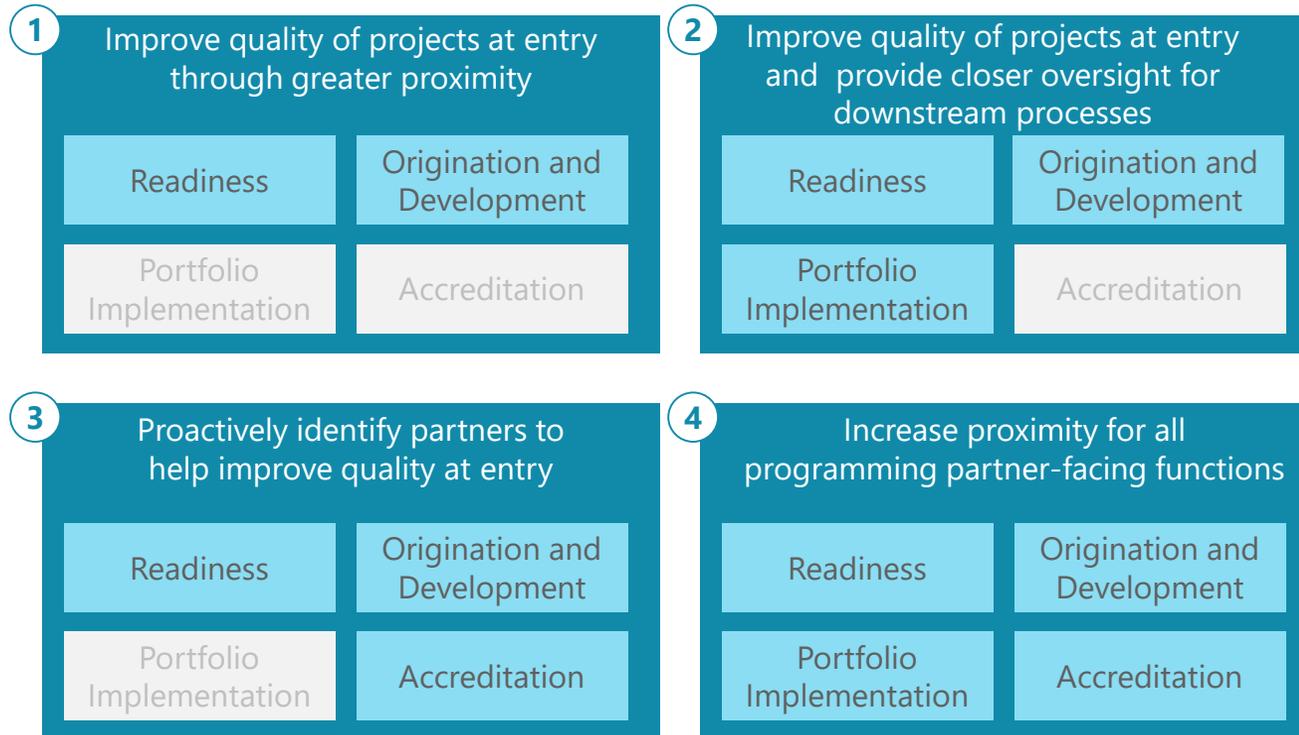
Next steps

Considerations on liaison offices

# Based on the processes prioritized by division teams, we have defined a set of four regional presence options

## Regional presence options

## Rationale



The following **prioritization criteria** have led to the **elimination of other combinations** of the four prioritized processes:

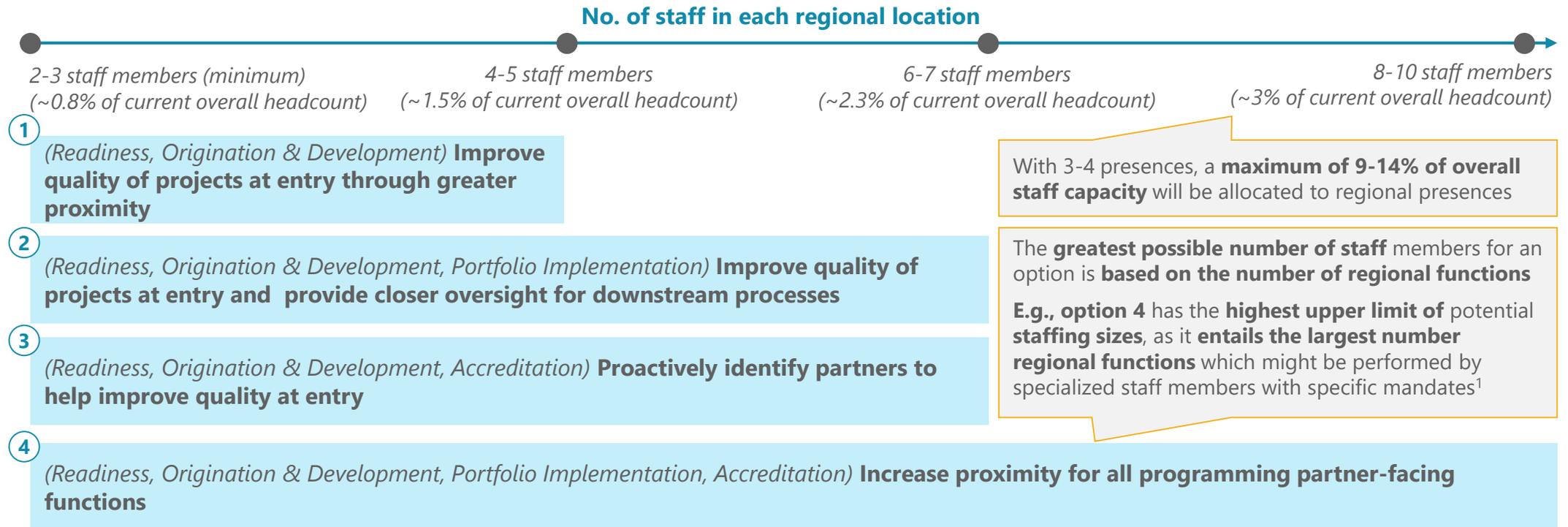
- **Synergies or complementarities among regional functions.** Implications:
  - Regional functions around **origination and development should be packaged** together, given the close interdependency of their outputs
  - Regional functions around **readiness should work synergistically with origination and development**, since readiness feeds into the pipeline
  - Regional functions around **accreditation might be packaged with readiness, origination, and development**, as the latter are impacted by changes in the AE portfolio, and can also help integrate new AEs into programming
- **Priority level or impact potential of regional functions.** Implications:
  - Processes expected to yield the greatest overall benefits, i.e., **origination and readiness, to be prioritized**, eliminating options which exclude these processes; e.g., portfolio implementation only

Note: This assessment aims to identify the benefits and options for a **regional presence to support the eight processes** being reviewed in depth; regional functions around **partnerships and fund mobilization** are **not currently under consideration**, although regional presences for other purposes might have spill-over benefits on these functions

# Each of the four options entails a set of functions to be performed by regional staff, with a view to addressing specific process pain points

	1 Improve quality of projects at entry through greater proximity	2 Improve quality of projects at entry and provide closer oversight for downstream processes	3 Proactively identify partners to help improve quality at entry	4 Increase proximity for all programming partner-facing functions																
	<table border="1"> <tr> <td>Readiness</td> <td>Origination &amp; Development</td> </tr> <tr> <td>Portfolio Implementation</td> <td>Accreditation</td> </tr> </table>	Readiness	Origination & Development	Portfolio Implementation	Accreditation	<table border="1"> <tr> <td>Readiness</td> <td>Origination &amp; Development</td> </tr> <tr> <td>Portfolio Implementation</td> <td>Accreditation</td> </tr> </table>	Readiness	Origination & Development	Portfolio Implementation	Accreditation	<table border="1"> <tr> <td>Readiness</td> <td>Origination &amp; Development</td> </tr> <tr> <td>Portfolio Implementation</td> <td>Accreditation</td> </tr> </table>	Readiness	Origination & Development	Portfolio Implementation	Accreditation	<table border="1"> <tr> <td>Readiness</td> <td>Origination &amp; Development</td> </tr> <tr> <td>Portfolio Implementation</td> <td>Accreditation</td> </tr> </table>	Readiness	Origination & Development	Portfolio Implementation	Accreditation
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<b>Functions for regional staff</b>	<ul style="list-style-type: none"> <li>• <b>Communicate programming &amp; readiness objectives</b> to NDAs, DPs, and current &amp; potential AEs</li> <li>• <b>Match NDAs to appropriate AEs</b> for project ideas in their CPs</li> <li>• <b>Support climate CN and FP development</b> for matched NDAs and AEs</li> <li>• <b>Match NDAs to DPs and support readiness proposal development</b> for CN structuring</li> </ul>	<ul style="list-style-type: none"> <li>• Same as Option 1</li> <li>• <b>Project implementation monitoring</b> to identify and mitigate risks around project integrity and compliance, corruption, or ESS violation</li> <li>• <b>Assessment of potential adaptive management</b> issues</li> </ul>	<ul style="list-style-type: none"> <li>• Same as Option 1</li> <li>• <b>Proactive sourcing of promising prospective DPs</b>, particularly DAEs (<i>this indicates significant restructuring of the current model and requires closer assessment</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Combination of Options 2 and 3, i.e.: communicate GCF objectives, match NDAs to AEs/DPs, help NDAs/AEs/DPs in developing CNs, FPs, readiness packages, project implementation monitoring, proactive sourcing of promising DPs</i></li> </ul>																
<b>Pain points addressed</b>	<ul style="list-style-type: none"> <li>• Poor quality at entry of project and readiness <b>proposals</b></li> <li>• Poor and <b>iterative development of funding proposals</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Inability to adequately monitor conditions/risks or verify information</b> provided by DPs, from HQ</li> <li>• Resulting incompleteness of risk and compliance monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Need for <b>identifying and engaging DPs</b> and AEs with capabilities to carry out projects <b>reflecting USP priorities</b></li> <li>• <b>Underrepresentation of DAEs</b> in the current project portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Same as Options 1, 2, and 3</li> <li>• <b>Time zone and language barriers</b> to all partner interactions, resulting in inefficiencies and poor work-life balance</li> </ul>																
<b>Transversal pain point addressed</b>	<p><b>Time zone and language barriers</b> to all partner interactions, resulting in inefficiencies and poor work-life balance</p>																			

# These options can be staffed with 2-10 staff members in each presence, based on the number of functions and degree of staff specialization



For each regional presence option:

- **The lower end of the staffing size spectrum entails:**
  - Fewer regional staff executing all the relevant regional functions, implying greater generalization of regional staff and higher dependence on HQ for specialized technical functions like readiness proposal review
- **The higher end of the spectrum entails:**
  - Greater number of staff in regional offices, with each staff member or group of staff members having narrower and specialized mandates corresponding to specific regional functions

1. DFIs typically use various types of presences, such as local branch offices focused on origination and regional offices with a wider set of regional functions; e.g., Proparco has 10 local country branches with 1-2 staff in each branch, and 13 regional offices with 5-8 staff in each office

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# To define the appropriate criteria for assessing regional presence options, we have articulated five design principles

## Guiding principles for designing a regional presence

Impact principles	<b>A</b> Effectiveness: Align project cycle outcomes with USP goals	<ul style="list-style-type: none"><li>The <b>ultimate objective</b> of establishing a regional presence should be to <b>enable the Secretariat to meet its programmatic goals</b> under the USP</li><li>Hence, the regional presence design should be <b>conducive to improving the Secretariat's ability to identify and successfully implement</b> the <b>volume and mix</b> of projects <b>outlined in the USP</b></li></ul>
	<b>B</b> Efficiency: Reduce time lags in core business functions	<ul style="list-style-type: none"><li>The regional presence should <b>increase the speed</b> of, <b>eliminate excessive iterations</b> within, and <b>ease the workloads of teams</b> associated with <b>processes being supported by the regional presence</b></li><li>The regional presence should also result in similar efficiency gains for <b>other processes which are impacted by</b> the efficiency and effectiveness of <b>regional functions</b></li></ul>
Feasibility principles	<b>C</b> Minimize complexity	<ul style="list-style-type: none"><li>The design of the regional presence <b>should not counteract the efficiencies</b> from proximity, by <b>adding an excessive number of steps</b> to processes or <b>increasing lag times</b> of existing steps</li></ul>
	<b>D</b> Ensure collaborative working across the Secretariat	<ul style="list-style-type: none"><li>The regional presence should continue to <b>facilitate well-coordinated ways of working</b> and knowledge transfer <b>across all teams</b> within the Secretariat, <b>based on</b> a shared <b>sense of unity and understanding of common objectives</b></li></ul>
	<b>E</b> Minimize cost of implementation	<ul style="list-style-type: none"><li>Establishing and maintaining the regional presence <b>should not entail excessive organizational costs</b>, either in terms of <b>monetary expenditure</b>, or in terms of <b>time and effort required</b> to establish and transition to the regional presence</li></ul>

A regional presence should be established with due **mitigation of risks around potential conflicts of interest** created by proximity to specific partners, or excessive **'capture' of projects by a country where a presence is located**

# Based on these guiding principles, we have defined thirteen 'impact' and 'feasibility' assessment criteria

## Criteria for assessing regional presence options

	Criteria	Assessment Points
Impact criteria	<b>A Effectiveness: Align project cycle outcomes with USP goals</b>	<ul style="list-style-type: none"> <li>Increase in ability to build an AE portfolio with capabilities matching USP goals</li> <li>Increase in quality and targeting of readiness proposals</li> <li>Increase in volume of high-quality funding proposals for bankable projects</li> <li>Improvement in portfolio oversight for effective adaptive management</li> </ul>
	<b>B Efficiency: Reduce time lags in core business functions</b>	<ul style="list-style-type: none"> <li>Increase in speed and efficiency of originating bankable projects</li> <li>Reduction in iteration time for readiness proposals reviews</li> <li>Reduction in iteration time for FP reviews/appraisals</li> <li>Reduction in iteration time for project reporting and management</li> </ul>
Feasibility criteria	<b>C Minimize complexity</b>	<ul style="list-style-type: none"> <li>Dependence of regional staff on HQ decision-making</li> </ul>
	<b>D Ensure collaborative working across the Secretariat</b>	<ul style="list-style-type: none"> <li>Alignment across all teams on organizational mission</li> <li>Ease of information-sharing within and across teams</li> </ul>
	<b>E Minimize cost of implementation</b>	<ul style="list-style-type: none"> <li>Effort needed to generate buy-in from Board and in-country stakeholders</li> <li>Set-up and administrative costs of regional offices</li> </ul>

**All criteria will first be qualitatively assessed** for the four options to identify the most favourable option

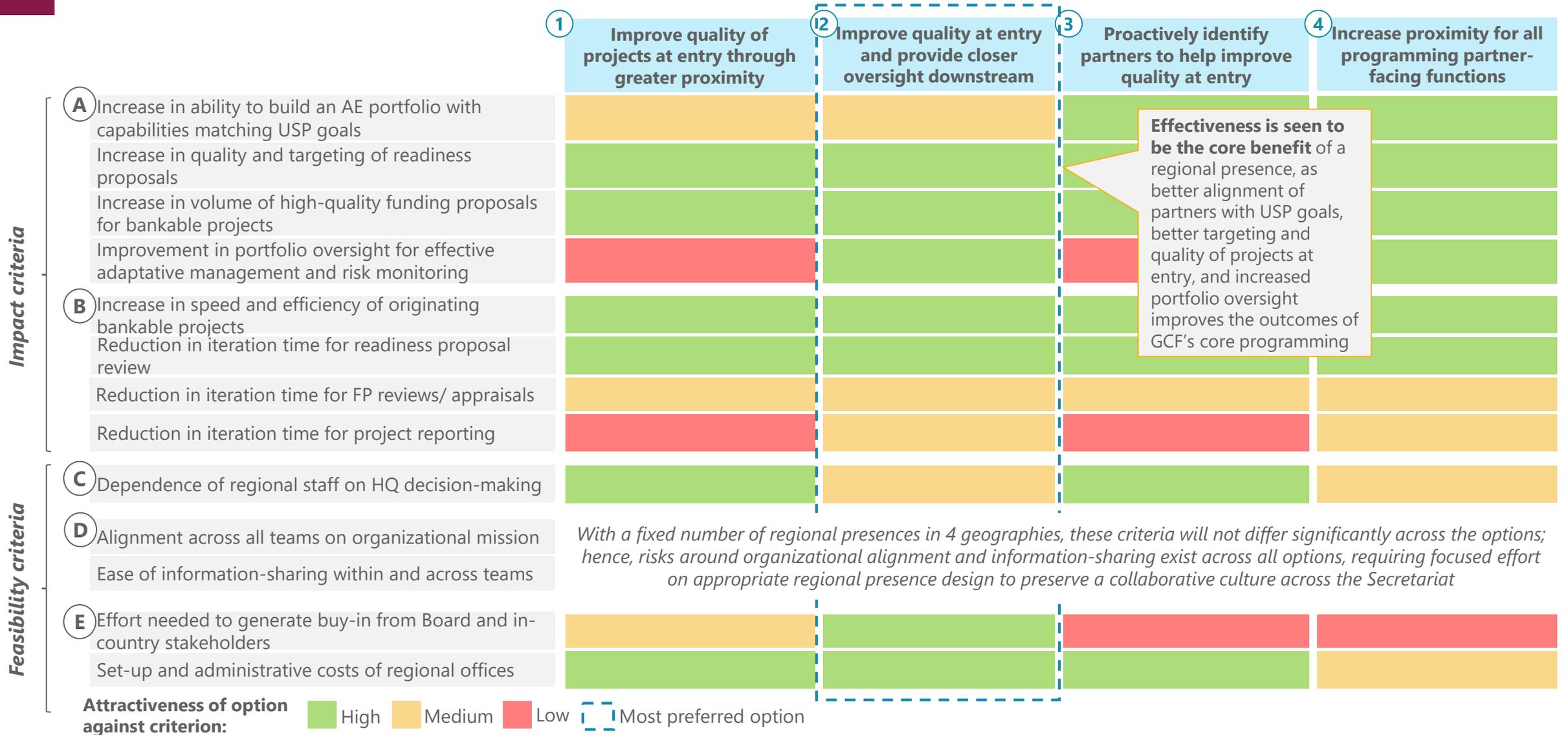
**Efficiency criteria will then be quantified for the most favoured option based** on estimated efficiency gains co-developed with divisional teams in Phase 4.

These efficiencies from a **regional presence will interact** separately with three categories of **other proposed reforms**:

- Category 1** reforms will not be impacted by a regional presence (e.g., introducing working modalities for IPT collaboration)
- Category 2** reforms will be enhanced by a regional presence, in terms of efficiency gains (e.g., greater upstream engagement for supporting CN development)
- Category 3** of reforms cannot be implemented without a regional presence

Note: 1. 'Improved alignment of NDA/AE work programming' has not been covered as a separate criterion, as it is defined as an input into criteria around increasing the quality of readiness proposals and funding proposals

# Assessment summary: Option 2 emerges as the most promising and feasible for GCF



Notes: 1. 'Improved alignment of NDA/AE work programming' has not been covered as a separate criterion, as it is defined as an input into criteria around increasing the quality of readiness proposals and funding proposals; 2. Equal weightage has been placed on impact criteria and feasibility criteria for the assessment

# Through consultations with relevant divisions, it was estimated that Option 2 could reduce FTEs requirements for key processes by 4.1% in 2023

Process	Efficiency gain from a regional presence – Description	Efficiency gain from a regional presence – Quantification (post-reform))			Resulting reduction in FTE requirements	
		2022	2023	Post 2023	2022	2023
Readiness	Reduction in iteration time for readiness proposals reviews	4.1%	5.7%	2.2%	2.2	3.2
Origination	Increase in speed and efficiency of originating bankable projects	5.5%	8.0%	3.4%	2.9	4.7
Development	Reduction in iteration time for FP reviews/appraisals	2.9%	2.8%	0.7%	1.7	1.7
Portfolio implementation	Reduction in iteration time for project reporting and management	-3.3%	0.0%	1.9%	-1.7	0.00
<b>Total reduction in FTE requirement:</b>					<b>5.1</b>	<b>9.6</b>
<b>Percentage reduction in FTE requirement for relevant processes (Post-Reforms):</b>					<b>2.4%</b>	<b>4.1%</b>
Percentage reduction in FTE requirement for all processes (Post-Reforms):					1.4%	2.2%

“Gains [in readiness and origination] will initially be lower, as the first year will require time to adjust to new processes/train new teams/refine roles etc., and be higher in 2nd year and then taper off”

-DCP

“Regional presence can increase the efficiency when communicating on the feedback and responses on CNs and FPs, assuming that GCF can coordinate closely with AEs in the same time zone”

-DMA

“It is unlikely that any regional presence staff will immediately have comprehensive knowledge of GCF projects, resulting in productivity loss [for implementation]”

“[In the longer term], a better understanding among NDAs/DPs of what is to be reported may reduce the report-review related communications”

-OPM

## Note:

- Teams indicated that **efficiency gains may not be the most significant benefit** from a regional presence (as compared to its effectiveness-related benefits), as considerations around **enhanced coordination efforts with HQ** (and time-zone challenges thereof) **might partially offset efficiency gains** from partner proximity
- A regional presence supporting accreditation would focus on proactively sourcing AEs, with **limited impact on current activities within the accreditation process**

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# Going forward, the key steps required to prepare for operationalization should be developed in a detailed design phase

## Key steps to be addressed in the detailed design phase to prepare for implementation

### Define operational scope and costs

- **Number and locations** of regional presences, including the **sequence of opening** across different locations
- **Budget levels** for set-up, staff, administrative costs
- Considerations on securing **privileges and immunities** for regional staff

### Prepare policies and SOPs

- **Developing policies and standard operating** procedures for regional functions and their coordination with HQ processes
- **Training new regional staff**, as well as their counterparts in HQ, in line with regional policies and SOPs to ensure continued collaboration between regional and HQ staff
- **Reporting lines to define who the regional staff will report to in HQ**; e.g., reporting staff will likely be 'generalists' as opposed to divisional staff, with multiple soft reporting lines to different HQ divisions, in addition to a hard reporting line
- **Positioning of regional staff within organizational structure, including the authority delegated to regional staff**
- **Performance incentives for regional staff aligned with their reporting lines**
- **Access to IT systems for project cycle data management, procurement, and HR in regions**
- **Integration of regional systems budgets and enabling functions (procurement, HR) with those in HQ**

### Detail roles and responsibilities

### Plan for systems integration

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## **Considerations on liaison offices**

# Regional liaison offices would help shape GCF's global visibility and narrative, as well as expand funder relationships and strategic partnerships

The overall objective of a Liaison Office is to promote the role of GCF as a key partner for developing countries in reducing emissions and shifting to climate resilience:

Objective	Benefits of proximity	Intended outcomes of a regional liaison office
<p>① <b>Shaping the global narrative of the Fund</b></p>	<p><b>Ability to initiate and expand outreach and partnership with key stakeholders:</b> multilateral organizations government representatives, private sector leaders</p>	<ul style="list-style-type: none"> <li>○ <b>Enhanced global visibility and credibility</b> of the fund, complemented by stronger reputational risk management measures</li> <li>○ <b>Enhanced engagement with developed and developing countries</b> to achieve global and country level outcomes</li> <li>○ <b>Expansion of private sector partnerships</b> and outreach</li> </ul>
<p>② <b>Pursuing future contributions</b></p>	<p><b>Ability to build relationships with contributors</b> through proximity to key international organizations, philanthropies, and foundations</p>	<ul style="list-style-type: none"> <li>○ <b>Sustained financial support</b> for the Fund</li> </ul>
<p>③ <b>Garnering support for the Fund's strategic and operational outcomes</b></p>	<p><b>Opportunities to leverage key leadership moments and milestones</b> (e.g., UN General Assembly) for promoting Fund objectives and outcomes</p>	<ul style="list-style-type: none"> <li>○ <b>Continued and increased support and advocacy for the Fund</b> from key multilateral leaders, such as UN leadership, global leaders from developed and developing nations, and private sector leaders</li> <li>○ <b>Securing operational measures</b>, such as privileges and immunities, which impact the reputation of the organization</li> </ul>

**There are strategic advantages to establishing liaison offices in Europe and the US.** Europe has the highest number of contributing countries to the GCF, accounting for >80% of total contributions for GCF-1. The US is a hub for multilateral institutions, including many of GCF's accredited entities.

# Several international funds utilize regional liaison office to achieve similar objectives to those envisaged by for the GCF

Fund	Functions of regional liaison offices	Location of liaison office
UNCTAD	<ul style="list-style-type: none"> <li>○ <b>Spearhead enhanced partnership with the private and financial sector</b> and civil society, especially to align the private and financial sector with the SDGs</li> <li>○ <b>Raise awareness about the work of UNCTAD</b> by organizing briefings, side events and bilateral meetings with Member States of the UN and stakeholders in New York</li> <li>○ <b>Reach out to the UN community, media, academia and civil society organizations</b> by hosting of events and disseminating written/oral information on UNCTAD's role, mandate, programmes, and inputs on key UN topics</li> </ul>	New York, USA
FAO	<ul style="list-style-type: none"> <li>○ <b>Maintain relations and partnerships</b> with Members, UN system organizations, other international, intergovernmental, and non-governmental associations to support FAO policies and programs</li> <li>○ <b>Represent the organization at meetings relevant</b> to FAO's mandate</li> <li>○ <b>Provide a neutral platform for knowledge sharing</b> on key areas of FAO's work</li> <li>○ <b>Monitor developments</b> affecting FAO's areas of work</li> </ul>	New York, USA
IFAD	<ul style="list-style-type: none"> <li>○ <b>Develop and maintain strategic partnership and collaboration</b> with Governments, public and private institutions including NGOs, Foundations and research entities</li> <li>○ <b>Coordinate representation activities</b> with intergovernmental organizations and international financial institutions to secure support for and achieve objectives of the organization</li> <li>○ <b>Ensure sustained support from current funding sources</b> and identify and cultivate potential new sources of funds</li> <li>○ <b>Ensure increased, consistent, and strategic visibility</b> for IFAD</li> </ul>	New York, USA
UNDP	<ul style="list-style-type: none"> <li>○ <b>Identify, build, and develop UNDP's institutional capacity to enhance strategic partnerships</b> with programme and donor countries</li> <li>○ <b>Maintain relationships and represent UNDP with stakeholders</b> such as the UN system, non-governmental and civil society organizations, the private sector, intergovernmental organizations, international finance institutions, regional banks, academia, and foundations</li> </ul>	Geneva, Switzerland (HQ in NY)

