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Overall review of Green Climate Fund policy frameworks

Summary

This document presents the findings of the Secretariat-led overall review of Green Climate Fund (GCF) policy frameworks, as requested through decision B.24/04 as part of the workplan of the Board for 2020-2023. The review takes stock of the context for policy development and implementation at the GCF, and examines the coherence, implementation and impact of GCF policies. The report includes recommended areas of action, some for implementation by the Secretariat and others for the Board's consideration as part of updated strategic planning and Board work planning.

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I. Executive Summary

1.1 Background and methodology for the review

1. **Mandate:** At its twenty-fourth meeting, the Board endorsed its workplan for 2020-2023 and an accompanying policy cycle. Year 3 of the policy cycle (2022), aimed to examine the performance, coherence and impact of GCF policies, through an 'overall policy review' based on the Secretariat's experience working with partners on policy implementation'. Building on the Independent Evaluation Unit's (IEU) Performance Review of the GCF, the policy review would examine challenges or delays in policy implementation; identify opportunities to simplify, streamline and harmonize policies and identify any priority policy updates needed, to feed into the Board's strategic planning. With Year 4 of the policy cycle (2023) intended to conclude strategic planning for the next replenishment period, the Board could then start to consider policy-related updates, with a view to having these ready for the new programming period.

2. The Updated Strategic Plan for the GCF: 2020-2023 (USP) confirmed that in line with the Board workplan, the Fund would 'review its policies and frameworks, to better understand policy impacts, including resulting challenges or delays in implementation, gaps, and opportunities to simplify, streamline and harmonize policies'. The 'Secretariat-led review of the GCF policy frameworks', together with the second performance review of the GCF, would inform planning for the subsequent replenishment and programming cycle.

3. **Scope:** The Secretariat has prepared this overall review of GCF policy frameworks as a first of its kind exercise, to respond to the mandates above. Unlike prior policy reviews, which have focused on individual policies, this review looks across the entire GCF policy suite to derive insights into the overall coherence, implementation and impact of GCF policy frameworks. In this way, it is designed to complement subject-specific policy reviews and evaluations. For the purposes of this review, 'policies' include all policies adopted by the Board and currently in effect: including documents titled 'frameworks', 'policies', 'guidelines', 'standards' and related decision texts. The review *does not* cover internal corporate policies adopted by the Secretariat or Independent Units, or decisions related to programming windows such as the readiness programme, the project preparation facility, requests for proposals (RfPs) or pilot programmes.

4. **Methodology:** The Secretariat undertook the analytical work for the review over the period October 2021 to January 2022 with the support of an external firm, Climate Law and Policy (CLP), who helped carry out analytical work, surveys and key informant interviews. The review involved: (1) a desk review of GCF policies, including a comprehensive cataloguing of policies against the Governing Instrument (GI), desk analysis of alignment across policy frameworks (including alignment in definitions and concepts used), a review of specific policy mandates and their status of implementation, and a stocktake of reviews mandated by existing policies; (2) a landscape analysis reviewing policy practices of a range of comparator organizations (covering other climate funds and accredited entities (AEs)) and analysing comparative policy coverage; and (3) surveys and semi-structured interviews with key informants from the GCF (Secretariat, Board, Independent Units) and external partners (AEs and NDAs) to gather perceptions across the GCF ecosystem, including on key challenges related to policy implementation and operational impact. The Secretariat also consulted the IEU in setting the scope of the policy review and developing findings and recommendations, to promote the complementarity of this analysis to the second performance review.

5. **Limitations:** The review was a first of its kind exercise for GCF, and also rather unique in the wider landscape, with few directly comparable initiatives in the public domain. This meant the review was not able to benefit from past experience, or comparative benchmarks or examples. Due to a historical lack of documented analysis of policy coherence, conflicts, implementation and impact, within the time available the review was only able to probe into



issues at general level of specificity, and relied on perceptions surveys and key informant interviews to aide the diagnosis. The range of interviewees was also limited by both time and response rate. Inputs were further complicated by the limited clarity over what constitutes a 'policy' at GCF, meaning different stakeholders utilized the term denoting different terminology and scope. Accordingly this review should be treated as providing an opening round of insights, paving the way for future reviews to assess identified issues and themes in greater depth.

6. **Format of report and Appendices:** The body of the report presents findings across four components: (i) context for policy development and implementation; (ii) completeness and coherence of GCF policies; (iii) implementation of GCF policies; (iv) impact of GCF policies. The Appendices includes detailed background analysis as follows: Appendix I contains a mapping of GCF policies against the GI; Appendix II contains a landscape analysis/comparative mapping of policies; Appendix III contains an analysis of Fund implementation of mandates stemming from GCF policies and decisions; Appendix IV contains an analysis of policy review mandates; Appendix V contains the stakeholder perception survey results; Appendix VI includes the list of stakeholders interviewed; Appendix VII contains the GCF Policy Map.

1.2 Summary of key findings

7. **On the context for policy at the GCF**, the review finds that:

- (a) The GCF Governing Instrument authorizes the Board to 'approve specific operational policies and guidelines, including for programming, project cycle, administration, and financial management'. Unlike some other organizations, the GCF has not formalized a Fund-wide policy development/implementation framework to establish standard policy classifications or policy responsibilities. The Secretariat has developed a partial codification through its Policy Manual, but this applies only to the Secretariat.
- (b) The absence of standard policy classifications or a policy 'taxonomy' means a large range of instruments adopted by the Board, including decisions, policies, strategies, guidelines, standards and some non-binding operational instruments and information documents have all been treated as 'policies', with no system for defining relationships between top level and subsidiary instruments. This has led to a heavy policy workload for the Board, being the only Fund body with formal responsibility for approving or updating policies, and with no regular approach to delegating responsibility for different types of policy actions, including routine policy updates or maintenance.
- (c) The absence of standardized policy responsibilities and templates has led to the evolution of a multiplicity of policy pathways. With at least nine different types of 'policy documents', over 10 different Fund bodies or combinations of bodies responsible for policy development, multiple consultation modalities, and shared implementation responsibilities, there are theoretically over 450 possible policy pathways. The lack of standard policy processes, norms and templates across the Fund has led to significant variance in the presentation, content and implementation of policy documents.
- (d) When compared to similar organizations, GCF policies tend to be captured in a greater number of instruments, and also apply to a very broad set of partners, further adding to the complexity of policy implementation. Most other organizations manage policy through a combination of their governing body and operational action by management, and some have adopted formal policy taxonomies and priority-based policy agendas as avenues for promoting coherence and effectiveness.

8. **On the completeness and coherence of GCF policies**, the review finds that:



- (a) Overall perceptions of coherence of GCF policies are low, though there are variances across different stakeholder groups and policy frameworks. Internal stakeholders have generally more negative perceptions than external stakeholders.
- (b) Perceptions notwithstanding, a comprehensive cataloguing of GCF policies against the GI shows that in a relatively short institutional lifespan, the GCF has adopted a bespoke and complex framework of over 100 policies, which has allowed the Fund to successfully execute a USD 10 billion+ portfolio.
- (c) Mapping of policies against the GI shows that the GCF policy framework is largely complete and aligned with the GI, with only a confined number of true 'policy gaps' where no policy has been adopted to implement the GI or regulate key areas of operations (see further Finding 2C). There are also a confined number of identified incidences of direct policy conflicts or incoherence, where two or more different policies contain inconsistent policy approaches (see further Finding 2D).
- (d) However due to its complexity – with numerous and fragmented policies adopted at different times – the GCF policy framework tends to be difficult to navigate, understand and apply, reinforcing perceptions of incoherence. Linked to the absence of Fund-wide standards for policy development and content, there are missed opportunities to present policies as coherent packages. Most GCF policies lack standard clauses and 'signposting' designed to aide in interpretation, and there are also limited user-friendly resources to help internal and external stakeholders understand and apply policies. To start addressing this, the Secretariat has developed a Policy Map which has been used to update the GCF website and Board Portal to improve policy accessibility.

9. **On the implementation of GCF policies**, the review finds that:

- (a) Fund stakeholders perceive significant challenges associated with the implementation of GCF policies, both by partners and the Fund itself. Challenges are linked to various root causes, including policy ambiguity leading to inconsistent policy application, unclearly defined implementation roles, and limited policy implementation capacity and training.
- (b) On the AE side, implementation challenges were frequently attached to a lack of clarity within the GCF business model on whether reliance should be placed on AE policies or GCF policies, particularly in cases of inconsistency (for larger AEs); and to capacity challenges related to policy implementation (for DAEs).
- (c) On the Fund's side, the vast majority of policy mandates have been or are being implemented, but some gaps in implementation remain. The main reasons for these 'unactioned mandates' include lack of capacity, inadequate implementation planning, unclear assignment of roles and dependency on other actions.
- (d) Planning for policy implementation has historically not been well-built into the GCF policy development and approval process. This is an important step in preparing clear implementation roles, actions, and capacity and training measures. Approval of policies without due consideration of implementation arrangements, including resourcing needs, tends to impact quality of implementation, and in extreme cases can result in unimplementable policy requirements. Separating policy development from policy implementation responsibilities has exacerbated these challenges. The Secretariat has through its Policy Manual begun formalizing and setting standards for implementation processes, but there is as yet no consistent standard applicable to all Fund bodies.
- (e) Compared to other organizations, operational-level guidance and investment in capacity for policy implementation – both internally and externally – also remain underdeveloped, though some recent initiatives have begun to address this.

10. **On the impact of GCF policies**, the review finds that:

- (a) Assessing the impact of GCF policies in delivering the Fund's climate mandate is a longer-term exercise that would require broader evaluative tools. Initial perceptions indicate that policies are seen to be contributing positively and 'raising the bar': as GCF consolidates its position at the hub of a network of over 200 partners, evolution of GCF policies across areas from safeguarding and integrity to results management has a direct carry-on effect into strengthening capacity of many of the Fund's partners, some of whom are building such policy capabilities for the first time. But this comes with trade-offs between near term speed/efficiency, as partners take time to build capacity for policy implementation, and longer-term capacity and effectiveness gains.
- (b) Perceptions point to some areas where the evolution and strengthening of GCF policies could help bolster impact. Across the Fund's strategic priorities, perceptions indicate current policies are weakest in supporting priorities on enhancing country ownership and private sector mobilization.
- (c) Current policies are also clearly perceived to be contributing to operational bottlenecks, in particular in areas such as proposal review or legal agreement negotiations where policy ambiguity leads to inconsistent policy interpretation or implementation. The root causes for these policy-related operational bottlenecks were broadly aligned with the root causes for the implementation challenges described above.
- (d) Reviews are an important tool to examine policy performance and opportunities to improve policy impact. While there are a large number of policy reviews on the Board's forward agenda, these tend to be ad-hoc with no standard frequency or terms of reference, and have not been used consistently to examine issues of policy coherence, implementation and impact. Reviews have also tended to look only at individual policies, and not examine linked policies or policy frameworks in totality.

1.3 Recommended action areas

11. Based on the findings above, the review identifies opportunities to strengthen GCF policy frameworks and practice across a number of strategic action areas and operational action areas. The strategic action areas point to initiatives with Fund-wide application, which could be taken up as part of the Fund's strategic planning or in future Board work planning. The operational action areas identify initiatives which can be advanced by the Secretariat and other implementing arms of the Fund. Action is already being taken or planned across a number of the operational action areas as described in Section IV of the main report.

12. **Recommendations for strategic action areas:**

- (a) **S1. The GCF should formalize a Fund-wide policy development/implementation framework**, to establish clear policy classifications, relationships between policy instruments, and associated roles and responsibilities for policy approval and maintenance. This could be based on a tiered or 'pyramid' approach, distinguishing between instruments that: (i) set strategic directions for the work of the Fund ('strategies'); (ii) establish obligations or standards designed to regulate delivery of Fund operations ('policies', including guidelines and standards); and (iii) provide non-binding implementation guidance based on approved policies (operational guidance and materials). Responsibility for approval of strategies and policies would continue to reside with the Board, while responsibility for operational instruments would reside with the executive, as is common across most organizations. The policy development/implementation framework could also embed a principle of aligning responsibility for policy development and implementation, and distinguish between 'major' and 'minor' policy updates to better facilitate routine policy maintenance.



- (b) **S2. The GCF should normalize consistent policy processes and templates Fund-wide, including implementation planning.** This could be done by establishing, through the policy development/implementation framework, Fund-wide policy process norms (including for pre- and post-approval implementation planning) and common policy templates. The policy template would be elaborated to take account of the lessons from this policy review. This would help improve consistency across all bodies involved in policy development, approval & implementation, and ensure coherence, implementation and impact are accounted for throughout the policy cycle.
- (c) **S3. The incumbent policy agenda in the Board workplan could be re-calibrated and prioritized in light of an up-to-date mapping of operational policy gaps and strategic policy impact gaps.** The cataloguing of policies against the GI and operational diagnosis of policy gaps set out in Section III, and the diagnosis of policy relevance and impact in Section V, could be used to stress test and 're-set' the Board workplan, which retains mandates initiated some years ago. This exercise could help prioritize open policy mandates that remain operationally essential, and distinguish these from legacy mandates which may no longer be relevant given operational developments, or which may be better addressed through implementation-level solutions.
- (d) **S4. Future updates to the Board workplan could integrate action needed to resolve specifically identified policy conflicts.** Where either this review or future reviews or evaluations identify specific instances of policy conflict, these could be prioritized for action under the Board workplan either in tandem with a scheduled policy review (where possible), or if necessary and urgent as standalone items. Where resolution of conflicts does not imply material policy changes, work could be delegated as a matter of routine policy maintenance.
- (e) **S5. Future policy reviews could be rationalized and framed more consistently to routinely examine policy coherence/conflict issues, implementation challenges and policy impacts.** This could include 're-setting' the large number of existing, ad-hoc policy review mandates so they follow a more regular, cyclical schedule and examine interconnected policy "suites" together to optimize insights. Standard elements could be developed for inclusion in policy review terms of reference, to allow future subject-specific policy reviews to delve deeper into the initial coherence, implementation and impact issues identified in this overall review.

13. **Recommendations for operational action areas:**

- (a) **01. Consistency of policy implementation should be enhanced at the operational level,** particularly where this is creating bottlenecks in key processes (e.g., proposal reviews, legal negotiations). This could be done through a combination of clarifying the policies themselves (requiring Board approval) or elaborating operational guidance/checklists/tools to promote more consistent policy application. In sum, where a change in policy implementation can address an issue, policy change should not be needed.
- (b) **02. Retrospective implementation planning is needed** in some cases, to pick up the limited number of unactioned policy mandates that have not been taken up due to lack of historical implementation planning, capacity or other dependencies.
- (c) **03. Accessibility of policy resources should be further improved.** Making GCF policies more navigable, and preparing user-friendly policy guides could itself go a long way toward addressing perceptions of policy incoherence in day-to-day operations.
- (d) **04. Building policy capacity and literacy are also key to effective policy implementation.** To build implementation capacity, efforts need to be focused both internally within the Fund, and with GCF's partners, and adequately resourced. This could be done through a combination of knowledge work and focused capacity-building.

II. Context for policy development and implementation at the GCF

Summary of key findings on the context for policy at the GCF

The GCF Governing Instrument authorizes the Board to ‘approve specific operational policies and guidelines, including for programming, project cycle, administration, and financial management’. Unlike some other organizations, the GCF has not further formalized a Fund-wide policy development/implementation framework to establish policy classifications or associated policy responsibilities across the organization, although some attempts at formalizing these have recently been made by individual Fund bodies. In practical terms, this has led to the evolution of a multiplicity of policy pathways, variance in policy content and a heavy policy approval and maintenance workload for the Board. Compared to similar organizations, GCF policies are captured in more instruments and apply to a very broad set of partners, further adding to the complexity of policy implementation.

14. This chapter of the policy review examines and presents findings related to the context for policy development and implementation at the GCF. This context, including the degree of codification of the GCF policy framework and processes, provide an important backdrop for the latter chapters examining the coherence, implementation and impact of GCF policies, as many challenges can be linked back to context-based root causes. The chapter also present insights from a comparative analysis of other ‘like’ organizations in the climate finance landscape.

15. **Finding 1A: The GI authorizes the Board to ‘approve specific operational policies and guidelines, including for programming, project cycle, administration and financial management’. The Fund has not further codified a Fund-wide approach to establishing policy definitions, classifications or defining relationships between policy instruments**

- (a) Under paragraph 18(c) of the GI, the role and functions of the Board include approving ‘specific operational policies and guidelines, including for programming, project cycle, administration, and financial management’. Under this authority, the Board has, since the Fund’s inception in 2010, adopted over 100 policy instruments, building the legislative foundation of the Fund from scratch.
- (b) The GCF has not to date adopted any Fund-wide arrangements to formalize its policy development/implementation framework. As shown in Figure 1, a large range of different types of policy-related instruments, including decisions, policy frameworks, policies, strategies, guidelines, standards, and some non-binding operational instruments and informational documents have all been treated as ‘policies’. There is no Fund-wide system for defining what is a policy (as opposed to other types of Board decisions and approvals), classifying different types of policy instruments or articulating the relationships between instruments.

16. **Finding 1B: The GCF also has not systematically clarified policy responsibilities across the organization. In practice, at least 10 Fund bodies or combinations of bodies have been given responsibility for preparing policy documents. As the Board is the only body with formal responsibility for policy approval, it faces a heavy policy workload.**

- (a) In the absence of a Fund-wide policy development/implementation framework, the GCF has not adopted rules or principles to guide who should be responsible for development, implementation and maintenance of different types of policy instruments. As shown in Figure 1, in practice at least 10 different bodies or combinations of bodies (including Secretariat, Co-Chairs, Board committees and Independent Units) have been given lead



responsibility for preparing policy documents for Board consideration, and others (including Board panels and groups) have been involved in shaping policy content.

Figure 1: Policy-related instruments and policy responsibilities at the GCF



- (b) Per the GI, the Board is the only Fund body given formal responsibility for approving new or updated policies. The Board has in some cases delegated policy responsibility to other bodies: for example, requesting the Risk Management Committee to oversight routine updates to the risk management framework¹, and delegating some administrative policies to the Secretariat². However the breadth of the policy agenda, and lack of a systemic approach to delegation for different policy actions, has led to a large number of policy items remaining on the Board workplan. This represents a heavy workload for a non-resident Board, which when combined with ongoing addition of new mandates, has led to historical difficulties in concluding items per the Board workplan. It can also result in GCF lacking the agility to respond to operational risks as they arise (for example, dramatic change in market conditions relating to effective attraction of talent).

17. **Finding 1C: Given the large combination of different policy instruments and policy leads, the Fund has evolved a multiplicity of policy pathways. This had led to significant variance in processes for policy development, consultation and implementation, as well as significant variance in the presentation and content of policy documents.**

¹ Decision B.19/04 paragraph (d) recognizes that the risk management framework will evolve over time and be subject to reviews and revisions as stated in each individual component, and that only 'resulting revisions of a material and/or substantive nature shall be presented to the Board for its consideration and approval'.

² Including for example the administrative guidelines on ICT, travel policy, communications strategy (Decision B.22/02) and administrative guidelines on procurement (Decision B.23/02).



- (a) With 9+ types of policy documents, 10+ bodies who can lead policy development, 5+ consultation modalities and shared implementation responsibilities, there are theoretically over 450 policy pathways possible at GCF.
- (b) This policy context has historically led to highly diverse approaches to policy development, consultation and implementation. A lack of common processes and templates has in turn led to variable quality of policy content. It has also contributed to considerable uncertainty as to the roles and responsibilities of respective bodies in the GCF policy ecosystem.

TABLE 1. OVERVIEW OF THE MAJOR POLICYMAKING PATHWAYS

ENTITY-LED PATHWAY	RESPONSIBILITY FOR CONTENT	RESPONSIBILITY FOR CONSULTATION	PRIMARY IMPLEMENTATION RESPONSIBILITY	DECIDING PRIORITY FOR BOARD ACTION
Policies the Board requested the Secretariat to develop (10) ⁴	Secretariat	Secretariat	Secretariat	Co-Chairs/ Secretariat
Policies the Board requested the Secretariat to develop under the guidance of the Co-Chairs (5)	Secretariat preparation with Co-Chairs providing final directions	As guided by the Co-Chairs	Secretariat and/or other stakeholders	Co-Chairs
Policy documents the Board requested IUs (IEU, IRM, IIIU) to develop – sometimes with the Secretariat (11)	Relevant IU (unless co-developed with the Secretariat)	Relevant IU	Various	Co-Chairs
Policies the Board requested the Co-Chair's to develop (6)	Co-Chairs	Co-Chairs	Secretariat/Board and/or other stakeholders	Co-Chairs
Policies the Board requested the Secretariat or IUs to develop that have been given to a committee to consult and/or decide on next steps (12)	Committee and/or authoring entity	Committee	Secretariat/IU and/or other stakeholders	Co-Chairs/ committees

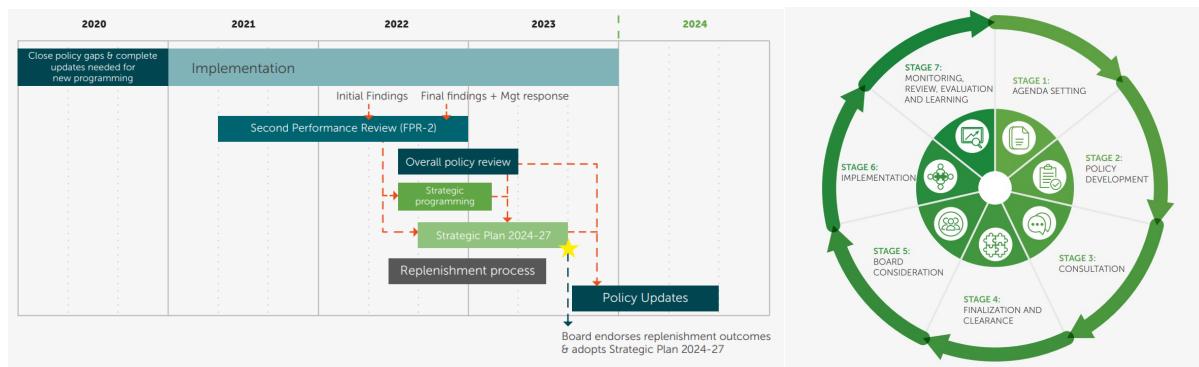
⁴The numbers in parentheses in column 1 are an estimate of current entity-based pathways in use, derived from the 2020 Co-Chairs consultation plan distributed to the Board on 26 June 2020, and document B.25/Inf.11, which lists the status of Co-Chair mandates. There is some overlap in the estimates.

18. **Finding 1D: More recently, the GCF Board and Secretariat have taken steps to bring more structure to the GCF policy function, through adoption of a four-year GCF policy cycle and Secretariat Policy Manual. The latter aims to establish more consistent policy norms, but do not apply Fund-wide.**

- (a) As part of its updated 2020-2023 workplan, the Board adopted a four-year GCF policy cycle (see Figure 2), attempting to rationalize and better sequence policy work during GCF-1. The Board also requested the Secretariat to report annually on lessons learned in implementing the policy cycle. As of the B.31 report³, the Board had made progress on its policy agenda, particularly through use of BBM approvals, but falling well short of the ambitious timetable set in the policy cycle. This was due in part to the COVID-19-driven move to virtual Board meetings with lighter policy agendas; a too-high number of continuing plus new policy items remaining on the Board workplan; and ongoing challenges in predictably sequencing Board agendas and associated policy consultations.
- (b) Over 2020 to 2021, to support execution of the GCF policy cycle, the Secretariat developed a 'Secretariat Policy Manual'. This aims to codify consistent operational norms and templates for policy development, implementation and monitoring processes when these are led by the Secretariat. The Policy Manual articulates the policy process into a seven stage policy cycle (see Figure 2) and sets out procedures, templates and tools designed to enhance the quality and coherence of Secretariat policy proposals, and regularize policy implementation, monitoring and review. It applies only to the Secretariat.

³ See further Annex III to document GCF/B.31/Inf.02

Figure 2: The four-year policy planning cycle, and seven-stage Secretariat policy cycle



19. Finding 1E: Landscape analysis shows that when compared to other 'like' organizations, GCF operational policies cover a similar scope, but tend to be more complex and also apply to a wider set of partners.

- (a) As set out in Appendix II, as part of the policy review CLP conducted an analysis and mapping of the policies of comparator organizations, including other climate funds and a selection of accredited entities. This analysis found that GCF operational policies cover a similar scope to comparator organizations, but tend to be more elaborate and complex, and captured in a larger number of policy instruments.
- (b) GCF also applies its policies through a much larger and more diverse accredited entity (AE) network than other climate funds. GCF now has 113 AEs and growing, compared to six (6) MDB implementing entities for the Climate Investment Funds, the 18 agencies of the Global Environment Facility (GEF) and 56 implementing entities of the Adaptation Fund. This makes policy implementation at GCF inherently more complex.

20. Finding 1F: Landscape analysis also shows that international organizations have taken different approaches to their policy functions. Most organizations manage policy through a combination of their governing body and operational level action by management and business process owners.

- (a) The policy review also considered a recent policy management survey completed by the Independent Evaluation and Audit Services (IEAS) of UN Women, which surveyed 22 organizations covering UN agencies, MDBs and international organizations. Across these organizations policies originated from a variety of sources, most commonly from operational requirements and oversight recommendations.
- (b) In most surveyed organizations (16/21; 76%) policies were approved by some combination of the board of the organization and executive leadership; whereas procedures and guidelines were approved at a lower level than that of policy (12/21; 57%). This makes relatively GCF unique as an organization where policy instruments at all levels are approved and maintained by the Board.

Figure 3: Policy Management Survey, Independent Evaluation & Audit Service, UN Women, 2022



21. Finding 1G: Finally, the landscape analysis shows how some organizations have adopted formal structures for the development, approval, implementation and review of policies. This together with a priority-based policy agenda have been shown to be key avenues for promoting coherence and effectiveness of policy processes.

- (a) In contrast to the GCF, some organizations have adopted formal structures or taxonomies that regulate their policy functions. Example components of a policy taxonomy or framework include: (i) a formal policy hierarchy or classification system, typically distinguishing between upper tier policies which establish mandatory requirements (governance or operational) that apply to the organization and its partners, and lower tier guidelines, tools and best practices that guide policy application but are non-binding; (ii) clear and differentiated roles and responsibilities for policy formulation, approval and implementation across the hierarchy, with differing approaches for upper tier/ mandatory and lower tier/guiding documents; and (iii) clarification of how major revisions or minor revisions to policy documents are to be processed; (iv) clear policy procedures, drafting methods and coordination arrangements (eg through a policy coordinating unit) and (v) a repository that serves as the official repository of all current and expired policy documents.
- (b) To organize their policy workload, some organizations have also adopted a priority-based approach to setting policy agendas, using example principles such as: (i) criticality of a policy to achieving the organization's mandate; (ii) operational urgency of the policy / operational consequences of not having the policy; (iii) directive requirement for the policy (e.g. it is needed to comply with external obligations/commitments).
- (c) Finally, best practices among landscape institutions underline that the adoption of coherent policy packages typically requires five dimensions: (i) alignment of policies with strategic priorities (ii) consistency and alignment across policies, including through explicit cross-linking (iii) clear delineation of roles and responsibilities for requirements of actions set out in the policy (iv) clear and realistic monitoring and reporting requirements (v) ensuring policies incorporate training and knowledge generation, to help promote their effective implementation.



III. Completeness and coherence of GCF policies

Summary of key findings on GCF policy completeness and coherence

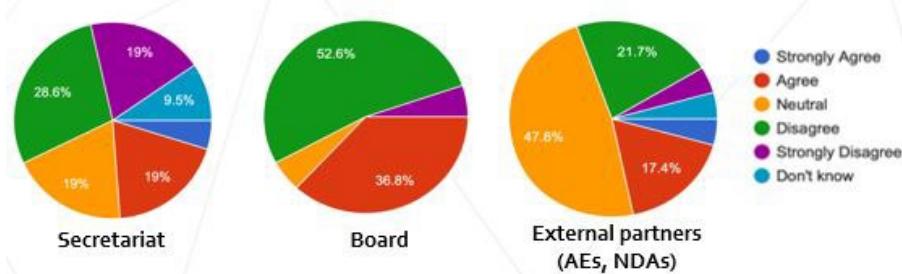
On the whole, perceptions of coherence of GCF policies are low, though there are variances across different stakeholder groups and policy frameworks. Notwithstanding these perceptions, a comprehensive cataloguing of GCF policies against the Governing Instrument (GI) shows that in a relatively short institutional lifespan, the GCF has adopted a bespoke and complex framework of over 100 policies, which have allowed the Fund to successfully execute a USD 10 billion+ portfolio. Mapping against the GI shows that the GCF policy framework is largely complete and aligned with the GI, with only a confined number of true ‘policy gaps’ where no policy has been adopted to implement the GI or regulate key areas of operations. There are also a confined number of identified incidences of policy conflicts or incoherence. However due to its complexity, the GCF policy framework tends to be difficult to navigate, understand and apply, reinforcing perceptions of incoherence related to challenges in consistent policy application.

22. This chapter examines and presents findings related to the completeness and coherence of GCF policies, examining alignment between policies and the GI, and across policies. These findings are derived from desk analysis that included a comprehensive cataloguing of GCF policies against the GI, a desk review of coherence between policies, together with stakeholder perception surveys and key informant interviews. From this, insights were derived into areas of perceived and actual policy gaps, and areas of policy conflict/incoherence.

23. **Finding 2A: Overall stakeholder perceptions of the level of completeness and coherence of GCF policies are relatively low, with significant variance across different stakeholder groups with respect to different policy frameworks.**

(a) As shown in Figure 4, among all surveyed stakeholder groups there were generally more negative than positive perceptions of the completeness and coherence of GCF policies. The Secretariat and Board had generally more negative perceptions than external stakeholders, with the Board most evenly split between positive and negative views.

Figure 4: Survey responses to: “GCF’s current overall policy suite is complete, coherent, and strategically relevant for the Fund”



(b) As shown in Figures 5 and 6, across stakeholder groups investment and accreditation policies attracted the lowest perceptions of coherence/implementation, though external stakeholders had less negative views of accreditation policies than Fund stakeholders. The Secretariat perceived a greater need to improve administrative, risk and integrity policies than other stakeholder groups.

- (c) As the survey questions were broadly covering aspects of completeness, coherence, relevance and implementation, the results should be interpreted through the lens of broad satisfaction with the GCF policy frameworks.

Figure 5: Survey responses to: "GCF has complete, coherent, relevant and well-implemented policies in the following areas"

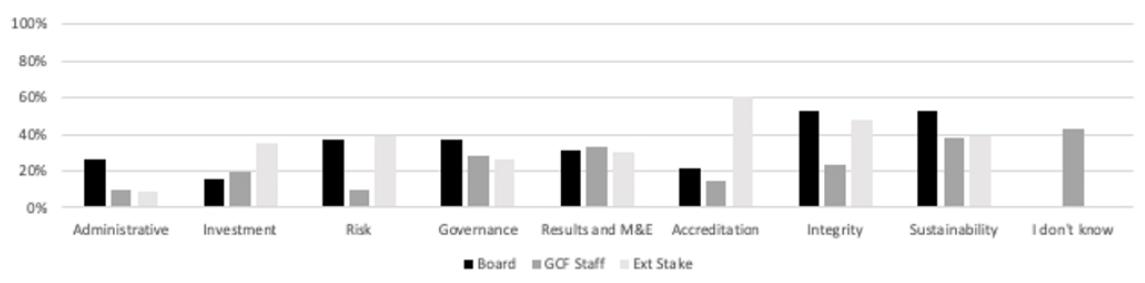
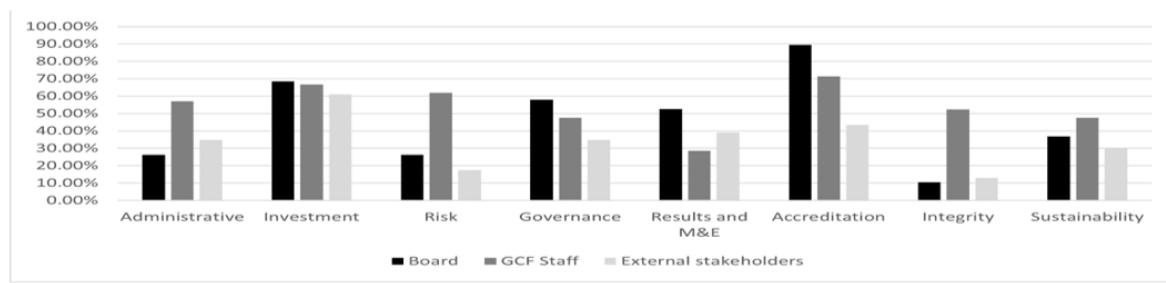


Figure 6: Survey responses to "GCF needs to improve the completeness, coherence, relevance or implementation of policies in the following areas"



24. Finding 2B: In a relatively short institutional lifespan, the GCF has adopted a bespoke policy framework from scratch that implements and is aligned with the GI and which has allowed the Fund to execute a USD 10B+ portfolio. Mapping against the GI shows the GCF's policy suite is largely complete.

- (a) The desk analysis revealed that GCF has adopted over 100 policies since its inception, building a bespoke legislative foundation from scratch. As one key informant noted "*we have built a house from the ground for a unique mandate that needed us to be ready yesterday*".
- (b) As shown in full in Appendix I, a comprehensive mapping of GCF policies against GI was completed as part of the policy review. This shows how GCF policies are aligned with and implement the GI, indicating that the GCF policy suite has been largely "completed" when matched against the main parts of the GI.
- (c) The desk review also showed that even though each policy was adopted in isolation, overall GCF policies have mutually reinforcing objectives to a considerable extent, though there are some missed opportunities in terms of policy design (see **finding 2E**).

25. Finding 2C: There are a confined number of specific areas where no policy has been adopted to cover (i) specific provisions of the GI or (ii) specific areas of fund operations. These areas are genuine "policy gaps".

- (a) Based on the mapping described above, two provisions of the GI are not currently enabled by policies: (i) the receipt of financial inputs from other or alternative sources (paragraph 30); and (ii) directly financing private sector mitigation and adaptation activities at the national, regional and international levels (paragraph 42).
- (b) Through surveys and interviews, the review also identified a number of operational areas currently not subject to policy guidance, including a number of areas oriented to



facilitating risk-taking in programming. These included: programmatic approach; hedging; local currency financing; carbon finance; financial terms and conditions for guarantees; operating in countries without privileges and immunities; operating in fragile and conflict affected states; addressing sanctions. Across these areas, the review did not probe into whether Board-level policies would be needed in all instances, or whether they could be dealt with through internal policies or operational guidance.

- (c) At the time of conducting the surveys and interviews, perceptions also identified key 'strategy' gaps, as distinct from gaps in enabling operational policies. These related to: accreditation strategy/prioritization, private sector strategy (since concluded by the Board at B.32), and realizing the potential of country programming.
- (d) The review also examined the GCF response to COP guidance, noting the Fund has received an extensive amount of guidance – over 250 elements – in a short time. The review noted that the body of policy work captured in Appendix I responded to many elements of COP guidance, and some open, policy-specific elements of COP guidance were being addressed through the Board workplan. For general elements of COP guidance, it rested with the Board to determine if additional/specific policies would be needed to address these or whether guidance could be dealt with operationally.

26. Finding 2D: There are some specific identified instances of direct conflict or incoherence between policies. More in-depth and focused review would be needed to assess their frequency across all GCF policy frameworks and their impact.

- (a) In relation to programming policies:
 - (i) one instance of policy incoherence which has been documented⁴ relates to different requirements for Environmental and Social Safeguards (ESS) disclosure provisions under the Environmental and Social Policy (ESP), the Information Disclosure Policy (IDP) and exemptions approved by the Board under the AMAs of MDBs, which allow MDBs to disclose based on their own policies rather than GCF's. Subsequent interpretation of these arrangements by the Information Appeals Panel had given rise to a conflict between the operation of the policies and the exemption; a proposal to resolve this is being developed as part of the review of the IDP;
 - (ii) the counterparty/AE risk provisions, which largely fall under the accreditation framework, may not be harmonized with other policies governing the respective risks to be borne by the Fund and AEs, including the risk management framework and environmental and social policies. These issues will be examined through the review of the risk management framework;
 - (iii) The monitoring and accountability framework (MAF) and evaluation policies are not consistent in the criteria for AE project/programme-level evaluations. The MAF refers to evaluations being against the investment framework criteria, while the evaluation policy prescribes use of the evaluation criteria.
- (b) In relation to institutional policies, several instances of policy incoherence have been identified in relation to HR, governance, ethics and integrity policies. These include:
 - (i) Inconsistent provisions for sequencing the handling of harassment claims under the 'Administrative Guideline on Human Resources' (AGHR), the revised Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH Policy) and the Policy on the protection of whistle-blowers and witnesses (PPWW). While AGHR and the SEAH Policy indicate that

⁴ This policy conflict has been documented in document GCF/B.28/Inf.10/Add.04, which can be retrieved here: <https://www.greenclimate.fund/document/gcf-b28-inf10-add04>



the first step in the management of harassment or SEAH claims is an attempt at formal resolution, the PPWW states any claim must be investigated first. The policies also have divergent scopes, with AGHR and the revised SEAH Policy only applying to covered individuals while the PPWW also applies to external parties.

- (ii) Different standards of proof to substantiate misconduct allegations being derived from the Terms of Reference of the Independent Integrity Unit (IIU ToRs), the AGHR and the jurisprudence of the administrative tribunal of the International Labour Organization recognized by GCF. While the AGHR and IIU TORs standard of proof is “more likely than not”, the standard applied by the ILO is “beyond reasonable doubt”, which may mean that a case misconduct allegation may be considered substantiated by the GCF, but then overturned by the ILO administrative tribunal due to the different, higher, standard of proof it requires.
 - (iii) Inconsistent provisions under IIU ToRs and the Policy on conflict of interest for Board-appointed officials, with the IIU ToRs setting out that any conflict of interest related to the Head of the IIU should be reported to Ethics and Audit Committee (EAC) and the GCF Executive Director (ED), while the Policy on conflict of interest for Board-appointed officials sets out that such an instance should only be reported to the EAC.
 - (iv) Inconsistent provisions under the IEU ToRs, Evaluation Policy and Board decisions on the characterization of certain responsibilities linked to evaluation, including the scope of management action reports and responsibilities for updating the Evaluation Policy.
- (c) These instances of conflict have surfaced in the implementation or review of the above policies. It is likely there are further instances, however a full in depth review would be needed to identify their frequency across all GCF policies. A pragmatic course would be to use future implementation experience, policy reviews, evaluations and audits to surface and address instances of policy conflict where they are having an impact.

27. Finding 2E: In the absence of a Fund-wide policy development/implementation framework or consistent standards for policy content and presentation, GCF policies tend to be difficult to navigate, understand and apply. This reinforces perceptions of incoherence related to challenges in consistent policy application. There are missed opportunities to present policies as coherent and strategically relevant packages.

- (a) One factor that influences perceptions of policy coherence is that, as shown in the GI policy mapping, GCF policies are numerous and tend to be highly fragmented. Most policy frameworks include multiple instruments and decisions adopted at different times. The relationship between these policies is not made clear through ‘signposting’ in the policies themselves, and the Fund lacks an overall policy framework to aide navigation between top tier policies and subsidiary instruments (see Section II). In some cases, new policies do not clearly state their effect in superseding prior policies.
- (b) The desk review found that while policies did have mutually reinforcing objectives to a considerable extent (in terms of stated alignment with the GI goals and complementarity between policy objectives), there were missed opportunities to present them as coherent and strategically relevant packages. Many policies lacked the types of ‘best practice’ standard clauses identified in Section II to promote coherence, interpretation and accessibility. GCF policies made inconsistent use of “umbrella” clauses explaining how connected policies relate to each other (e.g. the revised ESP includes an umbrella statement linking to the IDP, gender policy and others, but neither other policy references the ESP regarding roles and responsibilities). Roles and responsibilities were not presented in a standard format or cross-referenced across policies: this is especially



noteworthy for external stakeholders who may face challenges in understanding their policy roles. Finally, no standard clauses have historically been applied on issues such as policy monitoring and reporting, effectiveness provisions or requirements for embedding knowledge generation into policy operationalization.

- (c) Historically, GCF has also lacked user-friendly policy resources which have further hampered policy accessibility. Initially, the GCF website only included an unstructured list of policies, and decisions by Board meeting. The Secretariat updated this into a structured policy map in early 2022 (See Appendix VII)⁵. There have also historically been limited knowledge products to help stakeholders navigate GCF policy frameworks and operational guidance and tools to aide more consistent policy application.

IV. Implementation of GCF policies

Summary of key findings on implementation of GCF policies

Fund stakeholders perceive significant challenges associated with the implementation of GCF policies, both by accredited entity partners and by the Fund itself. Challenges are linked to a variety of root causes, including policy ambiguity leading to inconsistent policy application, lack of capacity for policy implementation, and unclear roles and responsibilities. AEs commonly relate challenges to inconsistencies between GCF and AE policies, and lack of capacity. On the Fund's side, the vast majority of policy mandates have been or are being implemented, but some gaps in implementation remain. Challenges often relate to the fact that planning for policy implementation has historically not been well-built into the GCF policy development and approval process. Compared to other organizations, operational-level guidance and capacity support for policy implementation also remain underdeveloped, though recent initiatives have begun to address this.

28. This chapter examines and presents findings related to the degree to which GCF policies are being implemented by both GCF and its partners, with a specific focus on identifying specific gaps in implementation, unactioned policy mandates and any policy provisions that have proven to be unimplementable. Findings are derived from desk analysis that included a stocktake of progress on specific mandates tasked for action by the Fund, together with diagnosis of implementation challenges drawn from stakeholder surveys and key informant interviews. From this, initial insights have been derived into the root causes for policy implementation issues, and areas where the Fund can improve policy implementation practices.

29. **Finding 3A: Overall, stakeholders perceive significant challenges associated with implementation of GCF policies. These are associated with a variety of root causes, most commonly policy ambiguity, capacity gaps and inconsistency of AE and GCF policies.**

- (a) As shown in Figures 7 and 8, stakeholders perceive material challenges associated with implementation of GCF policies. All groups perceive greater implementation challenges on the part of partners/AEs (30%-60% negative perceptions). Perceptions of implementation by GCF fare better, but there are still significant negative perceptions (16%-30%), particularly among the external stakeholder group.

⁵ Retrievable through the following link: <https://www.greenclimate.fund/about/policies>



Figure 7: Survey responses to "GCF policies are generally well accepted, understood, and applied by partners, esp. AEs".

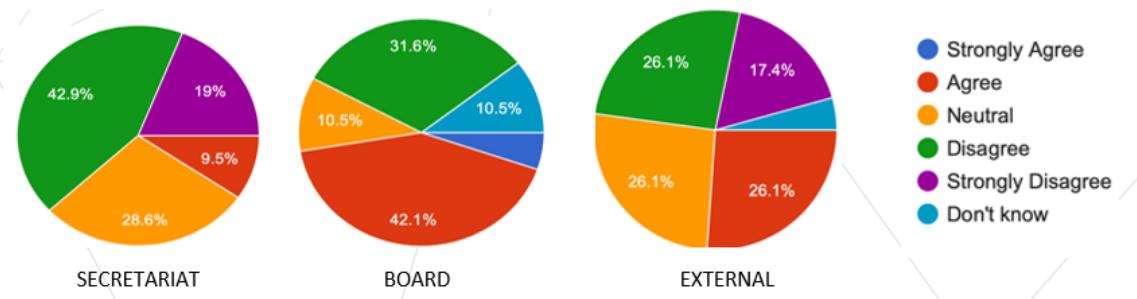
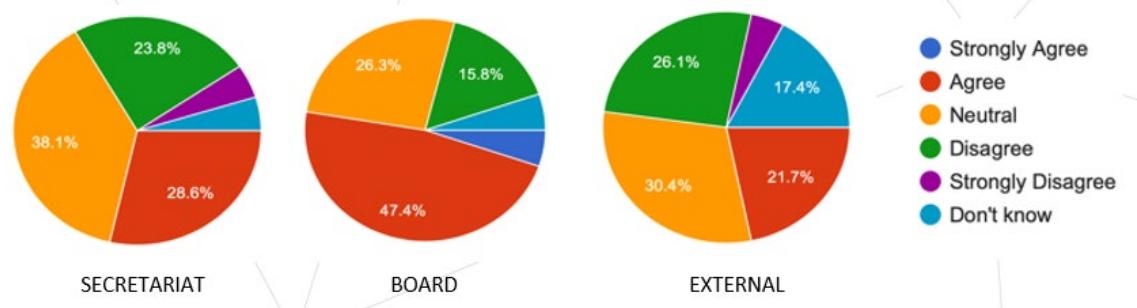


Figure 8: Survey responses to "GCF policies are generally well accepted, understood, and applied by GCF, including the Board, Secretariat, IUs and Panels"



- (b) Stakeholders commonly linked implementation challenges to a variety of root causes:
- (i) lack of consistent policy interpretation, particularly where policies themselves were ambiguous and operational/interpretive guidance lacking, leading to extended review times and legal negotiations, and requiring significant additional effort to resolve issues on a case by case basis;
 - (ii) lack of clearly defined implementation roles and responsibilities, including unclear internal division of work leading to duplication of tasks, and unclear allocation of responsibilities for some policies between the Secretariat and IUs (e.g. compliance, integrity, fiduciary standards update);
 - (iii) limited policy implementation capacity and training, including in some cases a lack of personnel with relevant specialized expertise for policy development and/or implementation, or a lack of sufficient resourcing to manage the requisite volume of policy implementation requirements; and
 - (iv) overall lack of implementation planning as part of the policy approval process (see below).

Operational guidance and capacity-building have been key tools to address some of these challenges in other organizations, but remain under-evolved at GCF.

- (c) Less often, but in some identified instances, implementation was impeded by conflicting or unimplementable policy requirements. The initially adopted version of the SEAH policy was identified as one such example.
- (d) Informants also identified divergence between GCF policies and AE's policies as a significant cause of implementation challenges. AE, particularly larger ones with established policies, perceived incoherence between the accreditation process assessing the fitness of the purpose of the AEs policies, and then the GCF seeking to apply its own policies; and in cases of inconsistency, defaulted to application of their own equivalent



policies. Information disclosure requirements and prohibited practices requirements were cited as examples. For smaller AEs/DAEs implementation challenges were more concentrated on capacity for implementing GCF policy requirements. In both cases, the state of flux of GCF policies was seen as an additional implementation challenge.

30. **Finding 3B: On the Fund's side, the vast majority of policy mandates have been implemented, but some gaps remain. The main reasons for unactioned mandates include lack of adequate implementation planning to clearly define actions and roles, a lack of capacity and dependency on other actions.**

- (a) As set out at Appendix III, the review included a stocktake of specific policy mandates tasked to the implementing arms of the Fund (i.e. actions mandated in a policy for follow up but not mainstreamed into recurring operational processes or reviews). This stocktake found that the vast majority – around 90% of such mandates have been or are being implemented, with around 10% not yet actioned.
- (b) Of the unactioned mandates, some are not yet due because they are from recently approved policies and/or dependent on other actions. Most of the remaining unactioned mandates stem from a small number of policies, including the policy on co-financing (implementation methodologies), elements of the project approval process (investment criteria indicators, reporting on restructuring), gender (mainstreaming actions subject to available resourcing), and integrity policies (reporting/implementing procedures). The main reasons for unactioned mandates include lack of adequate implementation planning to clearly define actions and responsibilities and lack of capacity.

31. **Finding 3C: Historically, planning for policy implementation has not been well built into the GCF policy process, or fully considered as part of policy approvals. In recent years the Secretariat has started to address this under its Policy Manual processes, but these do not apply across all GCF policy functions or bodies.**

- (a) Historically, consideration of policy implementation as part of the policy approval process has been weak. With policy development and consultation heavily focused on reaching political consensus, policy impacts and implementation requirements were not fully articulated or considered pre-approval. This has tended to exacerbate challenges at the post-approval stage, particularly where resourcing and policy effectiveness timeline are not matched to required policy implementation actions. In more extreme cases, lack of ex-ante implementation assessments may lead to policy provisions that are difficult, or even impossible, to implement for reasons of risk, coherence or capacity. Particular issues have arisen in situations where one GCF body is responsible for policy development (eg Committee, IU) and a different body (eg Secretariat) responsible for implementation, such as in the case of the SEAH policy.
- (b) At the same time, there has historically also been an absence of post-approval policy implementation planning and policy monitoring processes. Prior to the adoption of the Secretariat Policy Manual, no codified post-approval implementation process existed. The divergent range of provisions under individual policies on monitoring, reporting and review have also impeded development of a standard best practice. While the Secretariat Policy Manual has begun formalizing and setting standards for implementation processes, it only applies to the Secretariat and there is as yet no consistent approach by all Fund bodies.



V. Impact of GCF policies

Summary of key findings on impact of GCF policies

Assessing the impact of GCF policies in delivering the Fund's climate mandate is a longer-term exercise requiring broader evaluative tools. Initial survey results suggest GCF policies are perceived as 'raising the bar', through with trade-offs between near-term efficiency and long-term effectiveness. Perceptions also point to some areas where the evolution of GCF policies could bolster impact: across strategic priorities, perceptions indicate current policies are weakest in supporting priorities on enhancing country ownership and private sector mobilization. Current policies are also clearly perceived to be contributing to operational bottlenecks, particularly in areas such as proposal review or legal agreement negotiations where policy ambiguity leads to inconsistent policy interpretation or implementation. Finally, while there are a large number of policy reviews on the Board's forward agenda, these have not been used consistently to examine issues of policy coherence, implementation and impact.

32. This chapter of the review introduces preliminary observations on the impact of GCF policies in enabling delivery of the GCF's climate mandate and strategic priorities, as well as observations on where policies may be creating bottlenecks or delays in GCF processes. It also takes stock of the numerous open mandates for policy reviews and the potential to rationalize and refocus these review to probe deeper into the coherence, implementation and impact issues identified in this overall policy frameworks review.

33. **Finding 4A: More data is required to assess the impact of GCF policies in contributing to delivery of the Fund's climate mandate. Initial perceptions indicate policies are seen to be contributing positively and 'raising the bar', though with a trade-off between near term implementation burden and longer-term capacity gain.**

- (a) GCF has been operating for under a decade, reflecting relatively limited policy experience. Given that the effects of policies are often indirect, diffuse and take time to appear, policy impact may only be gauged longer-term, and through an understanding of linked policy interactions. In-depth analysis using broader evaluative tools would be needed to more fully assess policy impact in contributing to delivery of GCF's mandate.
- (b) Informant interviews indicate policies are perceived to be contributing positively to GCF's mandate and 'raising the bar'. In interviews, this was particularly associated with the application of GCF policies through the accreditation process, which was seen an opening space for new entities to access climate funding, and in the process bringing many AEs up to higher levels of performance from their existing policies; where AE policies were more comprehensive, these could be used too. While some entities – particularly capacity-constrained entities – experience challenges in building policy capability, and this can result in process delays, the "raising the bar" approach was overall viewed positively in the long-term as raising the collective policy standards and capacity of both partners and the GCF.

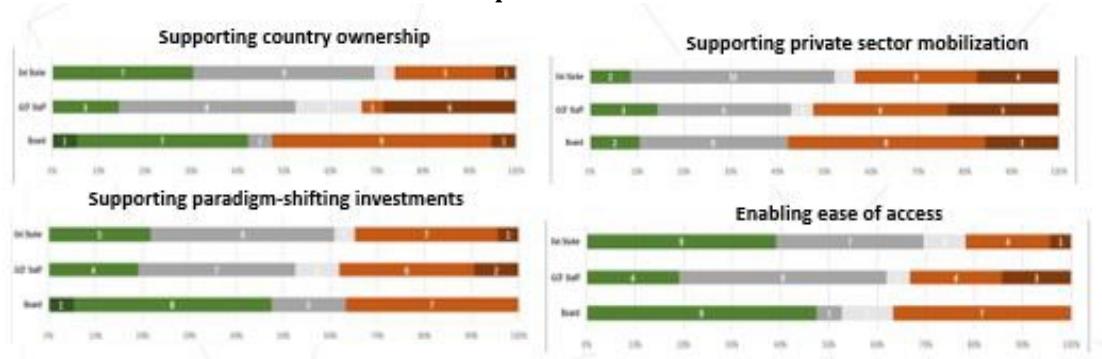
34. **Finding 4B: Perceptions of policy impact indicate there are areas where policy evolution would help bolster impact in contributing to GCF's strategic priorities, in particular in the areas of country ownership and private sector mobilization.**

- (a) As shown in Figure 9, the 'Heat map' from the perceptions survey on how well policies are contributing to the GCF's four strategic priorities indicated that policies were considered weakest in supporting the strategic priorities of:



- (i) private sector mobilization, where GCF was perceived to be lacking (prior to the Board's recent adoption of a private sector strategy) a well-articulated approach for catalyzing private sector climate investment. Stakeholders also queried whether accreditation, country ownership, investment and risk policies were appropriately aligned to support and enable effective private sector engagement.
- (ii) country ownership, where current policies were perceived to be not fully realizing the Fund's goals. For example, perceptions indicated that country ownership needed to be better defined and translated into actionable directions, beyond the no-objection procedure, including better articulating the role of countries and country programmes in shaping the investment pipeline.

Figure 9: Survey results on "extent to which GCF policies support delivery of the four USP strategic priorities"



35. Finding 4C: Policies are clearly perceived to be contributing to operational bottlenecks, in particular where policy interpretation or implementation is inconsistent. Proposal reviews and legal agreement negotiations were seen as key bottleneck points.

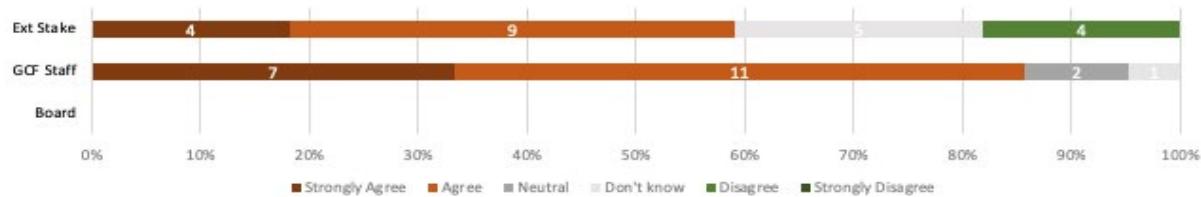
- (a) As shown in Figure 10, both internal and external stakeholders overwhelmingly perceive that policy implementation and/or coherence issues are causing operational bottlenecks. Informant interviews offered further insights into where these operational bottlenecks were occurring, with many identifying as critical bottlenecks:
 - (i) proposal reviews: due to ambiguities in the application of policy standards through the investment review process and lack of internal operational guidance, in particular on the application of financial terms and conditions and interaction of concessionality and risk at the project level;
 - (ii) legal agreement (AMA and FAA) negotiations: due to policy ambiguities allowing negotiating counterparts to take conflicting interpretations; AEs seeking to maintain their own policies where there are inconsistencies between GCF and AE policies; and precedents for carve-outs elongating negotiations;
 - (iii) translation of policies into fund templates: identifying a need to re-examine the essential elements to include in fund templates, including concept notes and term sheets, ensuring these meet minimum policy requirements while not overburdening processes.

More business process specific analysis would help delve further into these pain points.

- (b) Policy-related operational bottlenecks were associated with several root causes corresponding to those highlighted in Section IV, including: policy ambiguity (leading to competing policy interpretations), inconsistent application (e.g. due to lack of operational level guidance or tools for policy application), capacity and knowledge gaps, and in some cases inconsistent policy requirements.



Figure 10: Survey results on "There are operational bottlenecks that have resulted from either incomplete policy implementation or inappropriate/conflicting policy requirements "



36. **Finding 4D: There are a large number of policy reviews on the Board's forward agenda, but many of these are ad hoc. Past policy reviews have examined where policies are not optimized for strategic or operational impact, but to date have not taken a consistent approach in examining issues of coherence, implementation and impact.**

- (a) The review included a stocktake of all policy review mandates, as set out in Appendix IV. Over 60% of GCF policies are subject to an active review mandate, of which: 30 are reviewed at the discretion of the Secretariat, Committees or Board, if action is needed; 28 have a set date (25) or a trigger event (3) for starting a review; and 11 have a set review cycle (every "x" number of years or annually). Only 37 policies have no review mandate. This represents an extensive potential workload for the GCF policy function, both for the bodies tasked with conducting policy reviews and the Board in needing time on its workplan to consider policy reviews. Frequent, ad hoc policy reviews can also contribute to policy uncertainty and implementation challenges, as partners are required to adopt regular policy changes.
- (b) Historically there has been no standard approach taken to the policy provisions mandating policy reviews, or the terms of reference for policy reviews. Different review mandates were set up in different policies, at different frequencies, not necessarily linked to other policies in the same framework or GCF programming cycles. Many past policy reviews have been used to examine where policies are not optimized for strategic or operational impact, and to recommend changes to improve the impact of and/or streamline policy requirements. However lack of a standard approach means that reviews have not consistently examined issues of coherence, implementation and impact. Reviews have also historically tended to look only at individual policies and not examine linkages or coherence issues across an entire policy framework. The more recent efforts to develop an integrated results management framework, review the accreditation framework and risk management framework represent potential to shift to a more framework-based approach.

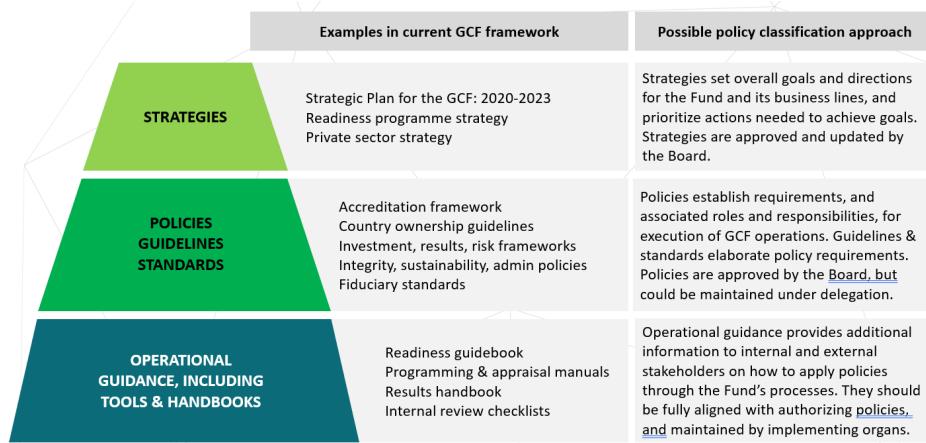
VI. Recommended action areas and steps underway

37. On the basis of the findings set out above, the review identifies a series of opportunities to strengthen GCF policy frameworks and practice across both strategic action areas and operational action areas. The strategic action areas point to initiatives with Fund-wide application which could be taken up as part of the Fund's strategic planning or in future Board work planning. The operational action areas identify initiatives which can be advanced by the Secretariat and other implementing arms of the Fund. Action is already being taken or planned across a number of the operational action as further described below.

6.1 Recommendations for strategic action areas:

38. **S1. The GCF should formalize a Fund-wide policy development/implementation framework**, to establish clear policy classifications, relationships between policy instruments, and associated roles and responsibilities for approval and maintenance. This could be based on a tiered or 'pyramid' approach, distinguishing between instruments that: (i) set strategic directions for the work of the Fund ('strategies'); (ii) establish obligations or standards designed to regulate the delivery of Fund operations ('policies', including guidelines and standards); and (iii) provide non-binding guidance on implementation aligned with approved policies (operational guidance, tools, best practices etc). Responsibility for approval of strategies and policies would continue to reside with the Board, while responsibility for operational materials would reside with the executive, as is common across most organizations. The framework could also distinguish between major and minor policy revisions, with routine policy maintenance delegated accordingly. Figure 11 below sets out a visual representation of a policy development and implementation framework:

Figure 11: Visualization of tiered policy development/implementation framework



39. **S2. The GCF should normalize consistent policy processes and templates Fund-wide, including implementation planning.** This could be done by establishing, through the policy development/implementation framework, Fund-wide policy process norms (including for pre- and post-approval implementation planning) and common policy templates. These could build on the processes and templates set out in the Secretariat Policy Manual, but be further evolved to take account of the lessons from this policy review. This would help improve consistency across all bodies involved in policy development, approval & implementation, and ensure coherence, implementation and impact are accounted for throughout the policy cycle.

40. **S3. The incumbent policy agenda set out in the Board workplan could be recalibrated and prioritized in light of an up-to-date mapping of operational policy gaps and strategic policy impact gaps.** The cataloguing of policies against the GI and operational diagnosis of policy gaps as set out in Section III, as well as the diagnosis of policy relevance and



impact in Section V, could be used to stress test and ‘re-set’ the Board workplan, which retains a number of mandates initiated some years ago. This exercise could help prioritize open policy mandates that remain operationally or strategically essential, and distinguish these from legacy mandates which may no longer be relevant given operational developments, or which may be better addressed through implementation-level rather policy-level solutions. This also reflects best practice across the institutional landscape, ensuring institutional-wide policy focus is dedicated where it is most needed and can unlock greater operational impact.

41. **S4. Future updates to the Board workplan could integrate action to resolve specifically identified policy conflicts.** Where specific instances of policy conflict are identified, as set out in Section III or future policy reviews/evaluations, these could be prioritized for action under the Board workplan either in tandem with a scheduled policy review (where possible), or if necessary and urgent as standalone items. Where resolution of conflicts do not imply material policy changes, work on making consequential updates to policies to improve coherence could be delegated.

42. **S5. Future policy reviews could be rationalized and framed more consistently** to delve deeper into issues identified in this overall review, and more routinely examine policy coherence/conflict issues, implementation challenges and policy impacts. This could include ‘re-setting’ the large number of existing, ad-hoc policy review mandates so they follow a regular approach and cycle, and developing standard elements for inclusion in policy review terms of reference. Following the approach taken to the accreditation, results and risk management frameworks, policies could be reviewed as “suites”, rather than as standalone policies, to optimize insights (eg looking across the investment policies, sustainability policies, integrity/HR/ethics policies).

6.2 Recommendations for operational action areas:

43. **01. Consistency of policy implementation should be enhanced at the operational level,** particularly where this is creating bottlenecks in key processes (e.g. proposal reviews, legal negotiations). This could be done through a combination of clarifying the policies themselves (via Board approval) and/or elaborating operational guidance/ checklists/tools to promote more consistent policy application. In sum, where a change in policy implementation can address an issue, policy change should not be needed. Process reviews can also be an important tool to understand where bottlenecks are occurring, and link these to underlying root causes, which may relate to policy design or implementation.

Actions taken and planned: Over the past few years, the Secretariat has developed a series of manuals (Operations, Programming, Appraisal), operational tools and SOPs to promote more consistent application of policies, with a particular focus on the GCF investment process. It has also developed a series of guidance notes on sustainability policy implementation and the SAP. The Secretariat will continue to expand its development of user-friendly implementation level guidance to other policies and processes. This will include a forthcoming update to the readiness guidebook, and guidance on accreditation and partnering with GCF. The Secretariat will use operational experience, business process reviews and policy implementation planning to identify areas where operational-level guidance is needed or needs to be strengthened.

44. **02. Retrospective implementation planning is needed** in some cases, to pick up the limited number of unactioned policy mandates that have not been taken up due to lack of historical implementation planning, capacity or other dependencies.

Actions taken and planned: The Secretariat will develop retrospective Implementation Plans for the key policies which have unactioned mandates, addressing the implementation gaps listed in Appendix III. This will provide a way to mainstream old policies into the regular policy



implementation and monitoring cycle. Going forward, the Secretariat will seek to regularize tracking of the status of all policy mandates through an internal tool.

45. **03. Accessibility of policy resources should be further improved.** Making GCF policies more navigable, and preparing user-friendly policy guides, could itself go a long way toward addressing perceptions of policy incoherence in day-to-day operations.

Actions taken and planned: The Secretariat has developed a ‘Policy Map’ which clusters policies by framework and explains relationships between instruments – this has been used as the basis to update the public GCF Policies & Strategies webpage to allow for more user-friendly policy access. A Board Portal has also recently been launched as a resource for the Board to access information on policies under development, including consultation materials. In addition, the Secretariat is planning to roll out a policy workflow system to digitalize the policy development and implementation process and associated knowledge resources. It will also seek to codify and standardize the content, tools and update frequency of the policy component of the Board Portal to enable it to become a top policy resource platform for Board Members. Resource permitting, the Secretariat could also develop more user-friendly policy guides, in concert with the implementation guidance described above, to help stakeholders improve policy application.

46. **04. Building policy capacity and literacy are also key to effective policy implementation.** To build implementation capacity, efforts need to be focused both internally within the Fund, and with GCF’s partners, and adequately resourced. This could be done through a combination of training, knowledge management work and focused capacity-building.

Actions taken and planned: The Secretariat has developed policy onboarding modules for rollout as part of both the digital GCF Staff Onboarding Programme, and the onboarding programme for new Board members, alternates, advisers and active observers. It has also implemented through the readiness programme the policy capacity-building initiative attached to the approval of the Integrated Results Management Framework. In addition to delivering pre-accreditation support to help DAEs ready to implement GCF policy requirements, the Fund may in the future also wish to develop a more standardized readiness support offering to DAEs for policy implementation, particularly for new or updated policies. The Secretariat will integrate into its work planning and future policy proposals an assessment of the resourcing required to enhance necessary skills and capacity of GCF personnel for policy adoption, monitoring and review, and pursue relevant training and knowledge management initiatives internally.

47. The Secretariat has developed a Policy Review implementation plan to monitor follow-up on the operational actions described above that are within its responsibility.
