Fifth Review of the Financial Mechanism

Technical Paper

Summary:

By decision 3/CP.4, the COP decided to review the Financial Mechanism of the Convention every four years and take appropriate measures with regards to its effectiveness. At COP 19, the COP initiated the work on the fifth review of the Financial Mechanism and requested the Standing Committee on Finance (SCF) to provide expert inputs, with the objective of finalizing the review at COP 20. The secretariat prepared this technical paper in response to a request by the SCF. The paper aims at providing insights that can inform the SCF when deliberating on the effectiveness of the Financial Mechanism of the Convention and preparing its expert inputs to the COP.

Executive Summary

I. Background

1. At its sixth meeting, the SCF requested the secretariat to prepare a technical paper that will inform the Committee in deliberating on the effectiveness of the Financial Mechanism of the Convention and drafting its expert inputs to be submitted to the COP. The paper builds on the criteria for the review agreed by Parties at COP 19.[1] These criteria have been grouped in the following clusters of issues: (i) Governance; (ii) Responsiveness to COP guidance; (iii) Mobilization of financial resources; (iv) Delivery of financial resources; (v) Results and impacts achieved with the resources provided; (vi) Consistency of the activities of the Financial Mechanism with the objectives of the Convention; (vii) Consistency and complementarity of the Financial Mechanism with the other sources of investment and financial flows.

2. This paper is informed by desk research and literature review of the sources of information identified in the updated guidelines,[2] complemented with past decisions related to the Financial Mechanism and inputs from the secretariats of the operating entities of the Financial Mechanism. Interviews with stakeholders of the operating entities of the Financial Mechanism were also undertaken to generate further information. Furthermore, the paper also benefited from information included in the 2014 Biennial Assessment and Overview of Financial Flows prepared by the Standing Committee on Finance. As there were time limitations, it was not possible to expand the research beyond the available literature and conduct surveys on an appropriate sample of recipient countries in order to complement aspects where updated information was not available. Such an approach could be undertaken in preparing for the sixth review of the Financial Mechanism.

3. The Standing Committee on Finance, having considered the technical paper, prepared this executive summary as its expert input to the fifth review of the Financial Mechanism.

II. Key insights, conclusions and possible recommendations

A. Governance

1. Transparency of decision-making process of the operating entities

4. An independent assessment by Transparency International evaluated the decision-making process at the Global Environment Facility (GEF) as being fairly transparent and democratic to all its stakeholders. Stakeholders for the GEF include the Parties to the relevant Conventions, the COP, donors, civil society organizations and non-governmental organizations. Decisions by the GEF Assembly and the GEF Council are made by consensus, following consultation with stakeholders who have advance access to background documents prepared for the two decision-making bodies. The meetings of the GEF council are webcasted and all Council documents and decisions are available online.

5. While it was found that there is transparency at the level of the GEF Assembly and Council, Transparency International indicated that there remains room for improvement in information disclosure by the GEF Agencies to GEF stakeholders. Furthermore, the fourth Overall Performance Study of the GEF also highlighted a lack of transparency at the level of the identification phase of the GEF projects.

6. As the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) follow the policies, procedures and governance structure of the GEF, their stakeholders experience similar challenges regarding transparency and accountability at the level of project implementation.

7. The Green Climate Fund (GCF)'s governance structure follows a constituency model, with an established Board composed of an equal number of members from developed and developing countries. The Board is independent, accountable to the COP and aims to promote transparent decision-making. Board members are selected by their respective constituency or regional group within a constituency. The GCF Board meetings are not webcasted but they are recorded and the recordings are available three weeks after the meeting on a website accessible to registered users. The meeting documents are publicly available before every meeting of the Board.

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[1] As contained in annex to decision 8/CP.19.

[2] Ibid.

Conclusion

8. Based on the review by Transparency International, there is evidence that the decision-making process at the GEF is transparent. The operations and interactions of the GEF implementing agencies with the countries during project implementation could benefit from further transparency of information disclosure on the status of implementation of the projects. This transparency is particularly critical in those recipient countries where project implementation capacity is weak.

9. With respect to the transparency at the project preparation phase, the review found that the National Portfolio Formulation Exercises (NPFEs) promoted by the GEF during GEF-5 has helped to improve transparency at the stage of project preparation. Recipient countries are therefore encouraged to continue to undertake the NPFEs to facilitate the identification of projects.

2. Level of stakeholder involvement

10. The GEF has fostered a high level of participation from civil society organizations, and the private sector. The GEF civil society organization (CSO) Network, which comprises all accredited CSOs to the GEF, spans its participation in GEF action from upstream policy development to project implementation at both national and local levels. The GEF Council meetings are preceded by a meeting of the GEF CSO Network, and in addition, two CSO representatives participate in GEF Council meetings as observers and are invited to make interventions during the meeting. The GEF is currently reviewing the Policy on Public Involvement in GEF projects, in consultation with the CSO Network, in order to formulate draft guidelines for public involvement to be presented to GEF Council in October 2014.

11. The GCF's Governing Instrument mandates the Board to make arrangements, including developing and operating accreditation processes, to allow for effective participation by accredited observers in its meetings and to invite to participate as active observers two civil society representatives, one each from developing and developed countries, and two private sector representatives, one each from developing and developed countries.

12. The GCF Board has adopted additional rules of procedures of the Board relating to observers and an accreditation process of observers to the Fund was put in place. To date, 183 organizations including CSOs, private sector organizations and international entities have been accredited as observers to the meetings of the GCF Board. As well, all four accredited active observers from the civil society and the private sector participate in the GCF Board meetings and are invited to make interventions.

Conclusion and recommendation

13. The GEF has been successful in ensuring stakeholder's involvement both at the level of the Council and in project implementation.

14. The GCF could build on the experience and lessons learned from the GEF in terms of stakeholder's involvement. In this regard, the GCF may consider establishing a robust consultative process with its observers in order to ensure that adequate and timely consultation is undertaken with respect to the development of its policies, procedures, guidelines, and, later on, during the implementation of programmes and projects of the Fund.

3. Gender sensitive approaches

15. The sub-study on gender mainstreaming made in the context of fifth Overall Performance Study of the GEF found that the GEF Secretariat had made significant efforts to implement gender mainstreaming, while there was scope for improvement in the application of the policy by the GEF Agencies. In addition, the GEF-6 Policy Recommendation on further work on gender mainstreaming emphasised that more concerted efforts need to be taken to enhance gender mainstreaming within the GEF. Accordingly, the GEF Secretariat is currently developing a Gender Action Plan, which will identify ways to enhance gender mainstreaming, including the use of relevant gender sensitive indicators and sex-disaggregated data. The Action Plan will be presented to the GEF Council in October 2014.

16. In light of the provisions of its Governing Instrument to take a Fund-wide "gender-sensitive approach", the GCF has committed to integrating gender considerations in its procedures and operational modalities. At its

seventh meeting the GCF Board approved initial results management framework with provisions for sex-disaggregated indicators, including initial criteria for assessing programmes and projects proposals which include gender aspects. The GCF secretariat is currently preparing a draft gender action policy and action plan for consideration by the Board at its meeting in October 2014.

Conclusion and recommendation

17. The GEF has made considerable progress in mainstreaming gender into its activities. Since there is scope for improvement, an action plan is to be approved by the GEF Council in October 2014 and the results of this progress are expected to be reflected in GEF's programmes and projects.

18. In developing its own approach to gender mainstreaming, the GCF could build on the experience from the GEF. It is recommended that gender equality be integrated in the structure and organization of the GCF itself, and that gender sensitive criteria are taken into account in funding approvals of the Fund.

4. Environmental and social safeguards

19. The GEF Policy on Agency Minimum Standards on Environment and Social Safeguards applies across all GEF Agencies. As well, all entities seeking to be accredited must demonstrate not only that their internal policies and procedures comply with the minimum standards, but also that the entities themselves have the institutional capacities and systems in place to implement those standards. To date, all existing GEF Agencies are in compliance with the environmental and social safeguards of the GEF.

20. The GCF Board has adopted, on an interim basis, the International Financial Corporation (IFC)'s Performance Standards on Environmental and Social Sustainability, with the view of developing its own environmental and social safeguard policy within three years of becoming operational.

Conclusion and recommendation

21. As the GCF is developing its own Environment and Social Safeguards, it should consider consistency with the Safeguards of the GEF.

22. Since the GCF will also be using financial intermediaries, that is, institutions that will channel funds from the GCF to other institutions, it is recommended that the GCF also develops an appropriate oversight mechanism to ensure that the institutions to which these intermediaries will channel funding, also comply with the policies on environmental and social safeguards of the GCF.

5. Fiduciary standards

23. The GEF's minimum fiduciary standards build on international best practices. GEF Agencies are responsible for monitoring and implementing these standards. To date, all existing GEF Agencies are in compliance with the minimum fiduciary standards established by the GEF.

24. At its seventh meeting, the GCF Board adopted initial fiduciary principles and standards, which will be reviewed within three years of their adoption. The GCF Board also requested the Secretariat to develop, under the guidance of an accreditation panel established by the Board, additional specialized fiduciary standards that may be deemed necessary to effectively accommodate all capacities required in Implementing Entities and intermediaries in the initial phase of operations of the Fund

Recommendation

25. As it monitors use of its initial fiduciary standards and reviews those standards within the next three years, the GCF should consider consistency with the standards of the GEF.

B. Responsiveness to Conference of the Parties guidance

1. Level of responsiveness to Conference of the Parties guidance

26. In assessing the GEF's responsiveness to Convention guidance, the Fifth Overall Perfo54rrmance Study of the GEF found that Convention guidance is fully reflected in the strategies of the GEF and that requests from the COP are largely taken into account in programming GEF resources. It concludes that the level of responsiveness of the GEF to Convention guidance is high both at the strategic and portfolio levels.

27. Some of the parties and stakeholders of the GEF found the GEF to be slow in operationalizing some of the guidance provided by the COP. The fifth Overall Performance Study of the GEF, however, indicated that there are a few issues that made it difficult for the GEF to respond to the guidance received including: (i) the lack of clarity and prioritization in the guidance; (ii) the repetitive nature of the guidance, which has led to an enormous volume of requests to the GEF; and (iii) the timing of the provision of guidance that falls between replenishments.

Conclusion and recommendation

28. The GEF's Evaluation Office has found that the GEF is highly responsive to Convention guidance, and that it has taken considerable steps to report to the COP in this regard. The GEF is encouraged to continue to provide information on how it has responded to the guidance received via its report to the COP.

29. As the GCF is under development, it is too early to assess the level of its responsiveness to Convention guidance. However, the efforts made by the GCF Board to respond to Convention guidance can be acknowledged.

2. Efficiency of GEF project cycle

30. The GEF has been making considerable efforts over the past 10 years to improve the efficiency of its project cycle. Full Size Projects (FSPs) approved during GEF-1 took an average of 36 months to move through the full project preparation cycle. This already lengthy preparation time increased to 50 months for GEF-2 projects, and to 66 months for GEF-3 projects. However, during GEF-5, the average time for preparation of GEF project cycle dropped to 18.5 months, as the GEF Council established a standard of 18 months for project preparation.

31. Since 2012, the GEF has undertaken a series of measures that seek to improve the efficiency of its project cycle, including a pilot project for the harmonization of the GEF and World Bank project cycles. The GEF-6 Policy Recommendation on improving the efficiency of the GEF project cycle requested the GEF Secretariat to continue reviewing performance against the current project cycle time-standard of 18 months between Council Approval and CEO endorsement to identify: (i) more effective measures to expedite project preparation; and (ii) an appropriate project cycle time-standard for GEF-6.

32. Consequently, the GEF Secretariat will prepare, for consideration by the GEF Council at its meeting in October 2014, a set of further measures to improve the policies and procedures associated with the full project cycle including the programmatic approach, and a proposal for a policy for the cancellation of projects that exceed time-frame targets for project preparation as requested by the GEF Council at its November 2013 meeting.

Conclusion

33. It is recognized that the GEF has undertaken measures to improve the length and efficiency of its project cycle over the years. These have resulted in significant improvements and the GEF is encouraged to continue on this path.

C. Mobilization of financial resources

1. Amount of resources provided to developing countries

34. The GEF Trust Fund has been the primary source of grants provided to developing countries though the Financial Mechanism of the Convention. Funding for climate change mitigation by the GEF has increased steadily from the GEF pilot phase to GEF-5. As at June 2014, the GEF has funded 787 projects on climate change mitigation amounting to more than USD 4.5 billion. Specifically, during GEF-5, about USD 1.2 billion of GEF funding was programmed for direct mitigation projects. Recently in April 2014, Donors pledged USD 4.43 billion to the GEF for its sixth replenishment period (from July 2014 to June 2018).

35. With the complete programming of the USD 50 million allocations for the Strategic Priority on Adaptation under the GEF Trust Fund, funding in support to adaptation at the GEF is now delivered directly through the

LDCF and SCCF[3]. As at 30 June 2014, about USD 1.3 billion overall has been programmed by the GEF for adaptation.

36. The LDCF and SCCF rely on voluntary contributions from developed countries and have experienced increasing trends in contributions. Cumulative pledges to the LDCF went from a level of USD 292 million in October 2010 to about USD 900 million in June 2014 (of which 96 per cent has been disbursed by developed countries), while cumulative pledges to the SCCF went from a level of USD 167 million in October 2010 to about USD 344 million in June 2014 (of which 94 per cent have been disbursed by developed countries).

37. An important milestone was achieved at the seventh meeting of the GCF Board, when it completed the eight essential requirements for the Fund to receive, manage, programme and disburse resources, and thereby decided to commence the process for an initial resource mobilization. Although no numerical figure or target was defined for this initial resource mobilization, it was agreed that it would be commensurate with the Fund's ambition to promote the paradigm shift towards low-emission and climate resilient development pathways in developing countries.

Conclusion

38. The GEF has mobilized resources via a replenishment process (GEF Trust Fund) and voluntary channels for the LDCF and the SCCF. Additional resources are mobilized by co-financing for GEF funds. Combined, the GEF has raised considerable funds for climate change.

2. Amount of finance leveraged and modalities of co-financing

39. From the estimates of co-financing ratios achieved by the GEF, climate change has attained the highest co-financing ratios. As a result, climate change constitutes about 50 per cent of total co-financing mobilized by the GEF. However, caution should be used when looking at these ratios, as they mask a high variability in co-financing ratios at the project level, and the flexibility accorded by the GEF to Least Developed Countries (LDCs) and Small Island Developing States (SIDS), from which a higher level of co-financing is not necessarily requested during the approval process.

40. National governments have been the main source of co-financing (equivalent to about 41 per cent of GEF-4 and GEF-5 co-financing mobilized), followed by the GEF Agencies as the second highest provider of co-financing (about 25 per cent of GEF-4 and GEF-5 total co-financing), the private sector and bilateral, multilateral sources, foundations or NGOs.

41. Two main issues have been raised within the GEF partnership with regards to co-financing. One is the lack of clarity in the definition and application of co-financing by the GEF. The other is that the process of seeking co-financing can significantly delay the project cycle. At its meeting in May 2014, the GEF Council approved a "revised co-financing Policy", in response to the GEF-6 Policy Recommendations on co-financing and the request made by the COP to the GEF, to clarify the concept of co-financing and its application to the review of funding proposals. The new policy clarifies the definition of co-financing and approaches to promoting effective co-financing. It also sets an ambition for the overall GEF portfolio to reach a co-financing ratio of at least six (co-financing) to one (GEF) with expectations for greater co-financing in upper middle income countries that are not SIDS. There are no project-specific co-financing requirements.

Conclusion and recommendation

42. In order to expedite the project cycle during GEF-6, the GEF should ensure that its co-financing policy is clearly understood and appropriately applied by accredited GEF Project Agencies and GEF Implementing Agencies.

3. Adequacy, predictability and sustainability of funds

43. With a replenishment process taking place every four years, funding to the GEF Trust Fund is provided in a predictable and sustainable manner by developed countries. As there is no agreed assessment of the financing

[3] The GEF provides direct funding for adaptation only through the LDCF and the SCCF. Adaptation is a frequent co-benefit of GEF Trust Fund investments in biodiversity, land degradation, international water, etc.

needs of developing countries at the level of the Convention, it is challenging to assess the adequacy of the financing provided to the GEF. Furthermore, the GEF represents only a channel through which financial support is provided to developing countries. Therefore, an assessment of the adequacy of resources mobilized for developing countries which looks only at the operating entities of the Financial Mechanism, will be misleading because of the narrow scope.

44. Through the application of the System for Transparent Allocation of Resources (STAR), the GEF has provided a good level of predictability of funding for its recipient countries, especially SIDS and LDCs. The mid-term evaluation of the STAR allocation system undertaken by the GEF Independent Evaluation Office highlighted that the STAR has contributed to making GEF operations more relevant to country needs and priorities and has led to greater transparency in GEF operations. As a result, high levels of utilization of STAR allocations were experienced during GEF-5 by all GEF recipients, with 85 and 80 per cent of utilization of overall STAR allocations by SIDS and LDCs respectively. Moreover, GEF-6 Policy Recommendation on updating the STAR allocation system provides measures to increase the funding allocations for the LDCs.

45. Although the LDCF has seen considerable growth over recent years, additional contributions are needed if the fund is to meet the full costs of addressing the urgent and immediate adaptation needs of LDCs. For example, as at September 2014, no resources were available for new funding approvals under the LDCF, whereas resources amounting to USD 41.8 million were sought for five full-sized projects that had been technically cleared by the GEF Secretariat. For the next GEF cycle, the GEF has estimated the financing needs of the LDCF between USD 700 and 900 million over 4 years (2014–2018).

46. Despite a successful record, both in terms of positive evaluations and accelerated approval and disbursement rates, the main obstacle to adaptation programming under the SCCF remains the lack of adequate and predictable resources. Given the continued high demand for resources from the SCCF the GEF has reported that, for example during the fiscal year 2014, the SCCF could meet less than 30 per cent of the demand captured in the priority project documents submitted to the GEF secretariat for technical review and Work Programme entry. The GEF has estimated the financing needs of the SCCF between USD 400 and 500 million over the period of 4 years (2014–2018).

47. The STAR allocation system does not apply to the LDCF and SCCF funding. However, the LDCF applies a principle of "equitable access" to ensure that funding is available to all LDCs. This consists of a "ceiling", in order to avoid that countries with strong institutional capacity in preparing projects, deplete the limited resources of the Fund to the disadvantage of the other LDCs. In April 2014, the ceiling was increased from USD 20 million to USD 30 million in response to the significant, additional contributions received between June and December 2013.

48. Like the GEF, the GCF is expected to have a replenishment process over time. The Fund will aim for a 50:50 balance between mitigation and adaptation over time, and aim for at least 50 per cent of the adaptation finance to be allocated to particularly vulnerable countries including LDCs, SIDS, and African States. The Board has also decided to maximize the engagement of the private sector, including through significant allocation to the Private Sector Facility of the Fund.

Conclusion and Recommendations

49. The financing for climate change in the GEF Trust Fund increased significantly from GEF-4 to GEF-5. While the allocation to the GEF-6 Climate Change Focal Area has slightly decreased compared to GEF-5, there are several climate-relevant components in the new Integrated Approaches and within the Sustainable Forest Management set-aside. Overall, financing for climate change related interventions has continued to increase from GEF-5 to GEF-6. Moreover, the GEF Trust Fund is considered to be predictable and sustainable. Its adequacy, however, cannot be determined since the GEF is only one fund of many financing channels for climate change in developing countries.

50. The review has found that the funds provided to the LDCF and SCCF have substantially increased over the period of the review. During this period however, the needs have also increased and there remains a backlog of

fundable projects. The financing provided to these funds is via voluntary channels and therefore are not considered predictable and sustainable.

51. The GEF and the GCF may consider collaborating in the use of funding pathways that may include the LDCF and the SCCF.

D. Delivery of financial resources

1. Accessibility to funds

52. The GEF delivers financing to recipient countries' Governments, to NGOs and the private sector. This is guided by a country allocation for the different Focal Areas of the GEF Trust Fund. There is no allocation system for the LDCF and the SCCF. However, the GEF has established a ceiling for the LDCF in order to avoid that countries with strong institutional capacity in preparing projects, deplete the limited resources of the Fund to the disadvantage of the other LDCs. The GEF has also established a process for direct access to the GEF Trust Fund for enabling activities, but only a few countries have applied for direct access at the GEF.

53. The GEF's allocation parameters, its procedures and those of its Agencies, as well as the capacity of countries to formulate and develop proposals, affect developing countries' access to the GEF. To further assist countries, the GEF secretariat is working to directly engage countries and increase their awareness and understanding of policies and procedures of the GEF. This is done through national dialogues and other such mechanisms.

54. During GEF-5, all developing countries including LDCs and SIDS were able to programme their STAR allocation. Estimates of the overall utilization of the STAR allocations by developing countries show an uptake of 93 per cent for the overall GEF Trust Fund with 80 and 85 per cent of utilization by LDCs and SIDS respectively. While some of the barriers to accessing GEF Fund were solved with the STAR allocation system, co-financing remains an issue to access, especially for LDCs and SIDS.

55. The GEF Council, in 2010, decided to accredit up to 10 new GEF Project Agencies, with at least half based in developing countries, in order to expand the range of Agencies with which GEF recipient countries could work. Out of the 10 new Project Agencies to be accredited, the GEF aims to accredit at least five national institutions with a regional balance, at least one national institution from an LDC and at least one national institution from a middle income country. This process has moved slower than expected and the GEF is reviewing its strategy in light of the findings of the report of the fifth Overall Performance Study of the GEF.

56. The GCF will allow direct access to the Fund by national institutions based in developing countries. The GCF readiness program is intended to foster a better direct engagement between the Fund and its recipient countries. It will provide technical and capacity building support for implementing entities (particularly national and sub-national institutions) that may not yet meet the standards of the Fund.

Conclusion and Recommendation

57. The GEF has taken significant steps to inform the countries of the programs and policies of the GEF and as a result, recipient countries have utilized most of their allocations. Nevertheless LDCs and SIDS still face challenges to access all of their resources.

58. The GCF would benefit from lessons learned on the accreditation process from other funds particularly the GEF. In the case of the GEF, the goal of accreditation of ten project Agencies was only partially achieved. The GCF may consider building upon existing systems of GEF intermediaries and implementing entities. In so doing, the GCF may also consider providing financial assistance to support accreditation of national entities in recipient countries that may need it.

2. Disbursement of funds

59. The speed and efficiency of disbursement appears to be improving at the GEF, despite some challenges. While the number of projects delayed by more than two years is substantially reduced from GEF-4 levels, information on the amount of funding that has actually been disbursed by the GEF Agencies to the recipient countries has not been made available in an integrated form. This is due to a lack of reliability of data which is derived from a lack of standard definitions of when "disbursement" takes place from GEF Agencies to the

recipient countries. Countries have identified slow disbursements as a reason for project delays. The GEF is currently working in harmonizing the timeline for the disbursement of funds and setting performance targets.

60. There has been significant emphasis on disbursement in the LDCF and SCCF. In the case of the former, the May 2014 annual monitoring report finds that active projects amounted to USD134.98 million as of 30 June 2013, of which USD 46.49 million had been disbursed, representing an average disbursement rate of 38 per cent. The SCCF had committed USD 94.29 million to 21 projects by 30 June 2013 of which USD 33.22 million or 32 per cent had been disbursed.

Conclusion

61. There is a recognised need to strengthen GEF project monitoring systems in order to be able to provide better information on the level of disbursement of the approved funds. The GEF should coordinate with its Agencies on a standard definition of “disbursement” in order to generate a common understanding within the GEF partnership and enhance transparency of its processes.

3. Country-ownership of programmes and projects

62. Efforts were made to strengthen the country ownership of GEF programmes and projects during GEF-5. In this regard, the mid-term reviews of the experiences with the STAR allocation system suggest that the clarity that countries now have on the scale and scope of their GEF allocation has contributed to strengthening ownership of programming at the GEF. Additionally, countries are now also supported to undertake a National Portfolio Formulation Exercise (NPFE) to engage across government and relevant stakeholders on how GEF resources should best be used and prioritised. In the majority of cases, the NPFE provided a helpful framework for interaction between the Fund and stakeholders, but its uptake during GEF-5 was relatively low. Participants to the GEF-6 replenishment process encouraged recipient countries to undertake NPFEs as early as possible to facilitate the programming of GEF-6 country allocations.

63. The concept of country ownership has been a driving principle in the design of the GCF. It is also a key element of the GCF Investment Framework approved in May 2014. Coherence with national policies and strategies and engagement with national stakeholders will be key considerations to foster country-ownership in the actions of the GCF and a transparent no-objection procedure is to be developed to this end. Through early investments in readiness, the GCF secretariat is beginning the process of engagement with countries to understand their priorities.

Recommendation

64. There is a recognised need to continue to deepen engagement at different levels of the GEF partnership as a means to foster ownership of projects and programmes in recipient countries. Upfront support to facilitate national stakeholder engagement on how best to use country allocations has proven to be useful through the NPFEs. Developing countries should continue to avail themselves to the undertaking of the NPFEs in order to facilitate the programming of their GEF-6 STAR allocations.

4. Sustainability of programmes and projects

65. The GEF defines sustainability as the maintenance of the benefits of the project and programs beyond the life of the GEF intervention. In this regard, the review found that 70 per cent of GEF projects have been rated moderately satisfactory or higher in terms of their sustainability. Financial and institutional risks, as well as staff turnover and changes in government priorities have been highlighted as potential impediments to sustainability. Mainstreaming of the activities of the projects has been found to be best practice. However, mainstreaming normally requires time that goes well beyond the life of the project.

Conclusion

66. Policy and legislative changes as well as mainstreaming have been seen to promote sustainability, but cannot always be fully implemented within the lifetime of the project.

5. Enabling Environments

67. A significant share of GEF 5 programmes have sought to strengthen policy and regulatory environments to support low emission and climate resilient development. In this regard, a recent evaluation of GEF support for mitigation documented causal links between support and key policy changes in a third of the projects that it reviewed. It emphasised the importance of public sector institutions, strategies and policies to private sector replication of the approaches piloted. It found that enabling programmes that engaged key non-governmental stakeholders (including the private sector) who could be advocates for policy change, were more successful.

68. Country-driven GEF projects that aim to develop and enact key policy changes may improve the enabling environment in recipient countries. However, it should be noted that strengthening policy and regulatory environments may require more time than a single GEF project cycle.

Conclusion

69. There is ample room for the GCF to learn from the experiences of other Funds in terms of improving the enabling environments in recipient countries. It can do this by linking investments with focused efforts to engage stakeholders within countries in programming, and providing technical assistance and capacity building to strengthen the enabling environments – institutions, policies, and regulations – that support mitigation and adaptation actions in developing countries.

E. Results and impacts

70. In an effort to assess impacts of its activities, the GEF has created a result-based management framework (RBM) and monitoring and evaluation (M&E) requirements. The Fifth Overall Performance Study of the GEF, however, has reported that the RBM and M&E requirements of the GEF are too onerous to be executed and had recommended that the RBM framework of GEF-6 include a limited number of outcomes that can be measured through existing or easily generated data.

71. As a result the GEF has made and is continuing to make efforts to streamline its RBM in order to improve the measurement of the results and impacts of its activities.

1. Mitigation results

72. The fifth Overall Performance Study of the GEF found that as of June 30, 2013, the GEF has allocated a total of USD 3.3 billion to 615 projects that address climate change mitigation, of which USD 3.1 billion has been allocated to 547 projects with mitigation targets. The total amount of direct and indirect mitigation impact expected from these 547 projects is 2.6 and 8.2 billion tons of CO2-eq emissions, respectively, or 10.8 billion tons combined.

73. Despite improving methodologies for the measurement of greenhouse gas (GHG) emission reductions, GEF evaluations of mitigation impact stress the difficulties of consistent reporting. The key underpinning parameters are dynamic, and this may result in substantial changes to realised GHG emission reductions. Similarly, assessing the cost effectiveness of interventions is difficult. The GEF has initiated a work program to improve its methodologies and systems for measuring GHG reductions more consistently.

2. Adaptation results

74. Over the years, the GEF Adaptation Programme (GEF Trust Fund, LDCF and SCCF) has supported focused efforts to help developing countries to adapt to and strengthen their resilience to the impact of climate change. As at 26 September 2014, a total of 79 LDCF projects provided an estimate of the expected number of direct beneficiaries. These projects, with LDCF resources amounting to USD 386.31 million, seek to directly reduce the vulnerability of an estimated 8.1 million people. 49 LDCF projects support 35 countries in their efforts to integrate climate change adaptation into 112 national development policies, plans and frameworks. The LDCF also assists countries in laying the groundwork for climate-resilient development planning through 51 projects that will enable 34 countries to strengthen their national hydro-meteorological and climate information services.

75. Under the SCCF, 32 projects provided an estimated number of direct beneficiaries as at September 2014. These projects, with SCCF resources amounting to USD 135.72 million, aim to directly reduce the vulnerability of an estimated 3.54 million people. In addition, 19 SCCF projects are already supporting 34 countries in their efforts to integrate climate change adaptation into 102 national development policies, plans and frameworks."

Recommendation to strengthen adaptation and mitigation results

76. The GEF and the GCF may consider collaborating to harmonize impact indicators and set new norms around reporting practice, especially in the context of adaptation finance. Further, the operationalization of the GCF results management framework presents an opportunity to make progress in this regard.

3. Technology transfer

77. During GEF-5, the GEF promoted technology transfer at various stages of the technology development cycle, from demonstration of innovative emerging low-emission and climate-resilient technologies to diffusion of commercially-proven environmentally-sound technologies and practices. Moreover, support for technology transfer has also been delivered in the context of the Poznan Strategic Programme on technology transfer for which a funding window of USD 50 million was created at the GEF with funds from both the GEF Trust Fund and the SCCF. The GEF has also supported the operationalization of the Climate Technology Centre and Network (CTCN).

4. Capacity-building

78. The GEF has made significant investments in capacity-building including through cross cutting capacity building projects as well as through capacity gained in designing and implementation of projects. GEF investments covered most of the priority areas listed in the framework for capacity-building in developing countries. Furthermore, capacity-building replication and scaling up, and climate change mainstreaming into national development planning are increasingly becoming common practice within the GEF. For example, several GEF small grants projects developed into medium- and full-sized projects.

Conclusion on results and impacts

79. There is evidence that good results and impacts have been achieved with the resources provided by the GEF. Efforts to harmonise and improve methodologies for measuring the results and impacts of the supported activities need to continue.

F. Consistency of the Financial Mechanism with the objective of the Convention

80. Article 2 of the UNFCCC stipulates that the ultimate objective of this Convention or any legal instrument adopted by the Convention is to achieve, in accordance with the relevant provisions of the Convention, stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner. Further, by decision 1/CP.16, Parties agreed on the long-term goal of holding the increase in the global average temperature below two degrees Celsius above pre-industrial levels.

81. The review found that as an operating entity of the Financial Mechanism, the GEF, through its projects and programmes, contributes to supporting developing countries in meeting the objective of the Convention while enhancing their resilience to the adverse effects of climate change. In relation to the below two degrees goal, the Intergovernmental Panel on Climate Change (IPCC) has noted that emission patterns that limit temperature increase from pre–industrial level to no more than 2°C require considerably different patterns of investment.

Conclusion

82. The GEF programs and policies are consistent with the objective of the Convention.

G. Consistency and complementarity of the Financial Mechanism with the other financial flows and sources of investment

83. Paragraph 2(a) of decision 11/CP.1 provides that "consistency should be sought and maintained between the activities (including those related to funding) relevant to climate change undertaken outside the framework of the financial mechanism and the policies, programme priorities and eligibility criteria for activities as relevant, established by the Conference of the Parties".

84. In terms of activities funded outside the framework of the Financial Mechanism of the Convention, the Clean Development Mechanism (CDM) has been a successful incentive to implement mitigation action in developing countries. By the end of 2013, over 7400 projects had been registered in 93 developing countries representing an estimated investment in excess of USD 400 billion and an amount of 1.46 billion of Certified Emission Reductions (CERs) issued (or 1.46 billion tons of CO2-eq reduction).

85. Additionally, the Clean Technology Fund (of the Climate Investment Funds (CIFs)), presently the largest multilateral mitigation Fund with a cumulative capitalization of USD 5.5 billion, has been providing grants and concessional loans to developing countries.

86. As for adaptation, the Adaptation Fund has been an important vehicle in support to adaptation in developing countries. Established to finance concrete adaptation projects and programmes in developing countries, since its operationalization, the AF has allocated USD 232 million of grants to 40 developing countries. The AF has also pioneered direct access with the accreditation of national implementing entities (NIEs) in developing countries which can directly access the Fund without having to go through intermediaries. To date, 17 NIES have been accredited to the AF.

87. Another channel that has supported adaptation in developing countries is the Pilot Programme for Climate Resilience (PPCR) of the CIFs. The PPCR funds technical assistance and investments to support countries' efforts to integrate climate risk and resilience into core development planning and implementation. With a total amount of pledges amounting to USD 1.3 billion, the PPCR provides incentives for scaled-up action and initiates transformational change by catalysing a shift from "business as usual" to broad-based strategies for achieving climate resilience at the country level.

88. In terms of ensuring complementarity with the other financial flows and sources of investment, the GEF has reported that it continues to work collaboratively with other organizations on financing complementary activities. For example, synergies have been highlighted between the Clean Technology Fund and the GEF Climate Change Focal Area, as well as between the Pilot Programme on Climate Resilience and the LDCF and SCCF. Furthermore, the GEF and the AF have been working collaboratively in order to enhance synergies and avoid duplication of their respective actions in developing countries.

89. With the establishment of the GCF, the risk of overlap among the activities financed within and outside the framework of the Convention is high. Although duplication is not desirable, it may not be the most important issue at this time, since, as outlined by the fifth Assessment Report of the IPCC, much greater climate financing is needed than that provided through all of these Funds combined. Moreover, the Funds can collaborate with each other to learn lessons from each other's programmes and to set common performance targets. In this context, the respective funds under the Convention should be actively engaging on their strategic positioning towards the GCF and how they could foster complementarity with the latter.

90. The Governing Instrument of the GCF provides that the Board will develop methods to enhance complementarity between the activities of the Fund and the activities of other relevant bilateral, regional and global funding mechanisms and institutions to better mobilize the full range of financial and technical capacities.

Conclusions and Recommendations

91. The GEF has developed policies and programs that have allowed it to be complementary to the community of climate finance providers.

92. The operating entities of the Financial Mechanism and the Funds under the Convention should collaborate with the view to taking advantage of the complementarity of their respective policies and programmes. The operating entities of the Financial Mechanism should provide information on the progress made in ensuring the complementarity with the other sources of climate finance in their respective reports to the COP.

93. The Standing Committee on Finance could take into account the information on the efforts of the operating entities to enhance complementarity, when providing draft guidance for consideration by the COP.

Acronyms

ABD:	Asian Development Bank
AFD:	Agence Française de Développement
AfDB:	African Development Bank
AMR:	Annual Monitoring Review of the Global Environment Facility
BA:	Biennial Assessment and Overview of Financial Flows
BURs:	Biennial Update Reports
CCA:	Climate Change Adaptation at the Global Environment Facility
CCM:	Climate Change Mitigation focal area at the Global Environment Facility
CDM:	Clean Development Mechanism
COP:	Conference of the Parties
CSO:	Civil Society Organizations
CSP:	Concentrating Solar Thermal Power
CTCN:	Climate Technology Centre and Network
FSF:	Fast Start Finance
FSPs:	Full-Size Projects
GCF:	Green Climate Fund
GDP:	Gross Domestic Product
GEF:	Global Environment Facility
GEF IEO:	Independent Evaluation Office of the Global Environment Facility
GEF-5:	Fifth replenishment cycle of the Global Environment Facility
GEF-6:	Sixth replenishment cycle of the Global Environment Facility
GEFTF:	Global Environment Facility Trust Fund
IATI:	International Aid Transparency Initiative
IFAD:	International Fund for Agricultural Development
IPCC:	Intergovernmental Panel on Climate Change
JICA:	Japan International Cooperation Agency
KFW:	Kreditanstalt für Wiederaufbau (German government-owned development bank)
LDCF:	Least Developed Countries Fund
LDCs:	Least Developed Countries
LULUCF:	Land-Use, Land-Use Change and Forestry
MDBs:	Multilateral Development Banks
MSPs:	Medium-Size Projects
NAPAs:	National Adaptation Programmes of Action
NCSA:	National Capacity Self-Assessment
NDA:	National Designated Authority to the Green Climate Fund
NPFE:	National Portfolio Fo1mulation Exercise
OPS 5:	Fifth Overall Performance Study of the Global Environment Facility
PIFs:	Project Identification Forms
PSAG:	Private Sector Advisory Group to the Board of the Green Climate Fund
REDD:	Reducing Emissions from Deforestation and forest Degradation
SCCF:	Special Climate Change Fund
SCF:	Standing Committee on Finance
SIDS:	small island Developing States
STAR:	System for Transparent Allocation of Resources at the Global Environment Facility
TNAs:	Technology Needs Assessments
UNDP:	United Nations Development Programme
UNEP:	United Nations Environment Programme
UNFCCC:	United Nations Framework Convention on Climate Change
WB:	The World Bank

Contents

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I. Introduction

A. Mandate

1. By decision 3/CP.4, the Conference of the Parties (COP) decided to review the Financial Mechanism every four years in accordance with the provisions of Article 11, paragraph 4 of the Convention.

2. At its nineteenth session, the COP adopted the updated guidelines for the review of the Financial Mechanism[4] and requested the Standing Committee on Finance (SCF) to provide expert input with a view to the COP finalizing the review at its twentieth session. The SCF, at its sixth meeting, initiated its work on the fifth review and agreed that the secretariat should prepare a technical paper, which will inform the Committee in drafting its expert input to the COP.

B. Objective of the technical paper

3. In line with the objectives outlined in the updated guidelines for the review, this paper aims at providing insights on the elements that will be reviewed by the SCF when deliberating on the effectiveness of the Financial Mechanism. These elements include:

(a) The conformity of the Financial Mechanism with the provisions of Article 11 of the Convention and the guidance provided by the COP;

(b) The effectiveness of the activities funded by the Financial Mechanism in implementing the Convention;

(c) The effectiveness of the Financial Mechanism in providing financial resources on a grant or concessional basis, including for the transfer of technology, for the implementation of the Convention's objective on the basis of the guidance provided by the COP;

(d) The effectiveness of the Financial Mechanism in providing resources to developing countries under Article 4, paragraph 3;

(e) The effectiveness of access modalities for developing countries.

4. The paper also aims at providing elements for the deliberations on how to improve the consistency and complementarity of the Financial Mechanism with the other sources of investment and financial flows.

5. The findings contained in this paper may serve as a basis for recommendations that the SCF is to provide to the COP.

C. Scope and methodology

6. This paper elaborates on the policies, procedures and activities of the operating entities of the Financial Mechanism: the Green Climate Fund (GCF) and the Global Environment Facility (GEF), including the funds under the Convention that are managed by the GEF, the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF). As the GCF is in the process of being fully operationalized, particular attention is given to the GEF and the climate funds it manages. Moreover, this paper also examines how consistency and complementary are sought between the activities funded under the Convention and those supported by the other sources of investment and financial flows.

7. This paper is informed by desk research and literature review of the sources of information identified in the updated guidelines, complemented with past decisions related to the Financial Mechanism and inputs from the interaction with the secretariats of the operating entities of the Financial Mechanism. Interviews with stakeholders of the operating entities of the Financial Mechanism were also undertaken to generate further information. As there were time limitations, it was not possible to expand the research beyond the available literature and conduct surveys on an appropriate sample of recipient countries in order to complement aspects where updated information was not available. Such an approach could be undertaken in preparing for the sixth review of the Financial Mechanism.

[4] Annexed to decision 8/CP.19.

II. Assessment and key findings for reviewing the effectiveness of the Financial Mechanism of the Convention

8. This chapter of the technical paper aims at providing insights on the aspects that will be assessed by the SCF in deliberating on the effectiveness of the Financial Mechanism. In so doing, it reviews the policies, procedures and activities of the operating entities of the Financial Mechanism against the criteria identified in the updated guidelines for the review. As agreed by the SCF at its sixth meeting[5], these criteria have been grouped into the following clusters:

(a) Governance;

(b) Responsiveness of the operating entities of the Financial Mechanism to COP guidance;

(c) Mobilization of financial resources;

(d) Delivery and effectiveness of financial resources;

(e) Results and impacts achieved with the resources provided;

(f) Consistency of the implementation of the Financial Mechanism with the objectives of the Convention;

(g) Coherence and complementarity of the Financial Mechanism with the other sources of investment and financial flows.

A. Governance

9. This section was prepared using a combination of desk-research and interviews with relevant stakeholders. The former includes documentation from the GEF's last overall performance studies on "governance", insights from the GEF annual reports to the COP; previous submissions by Parties on the review of the Financial Mechanism. The research is largely focused on the GEF as the first acting operating entity of the Financial Mechanism but it includes a section on the governance of the GCF, which builds on information available from the Governing Instrument and initial decisions by the Board of the GCF.

10. Insights from this section may be useful in deliberating on the effectiveness of the Financial Mechanism in terms of its conformity with the provisions of Article 11 of the Convention and the guidance provided by the COP.

1. Transparency of the decision-making process of the operating entities

11. Established in 1994, the GEF is the first and longest running operating entity of the Convention's Financial Mechanism. The GEF Instrument, the GEF's founding document, allows for universality of participation in the GEF's ultimate governing body, the Assembly. An equitable, balanced representation of participating countries is promoted through a constituency model within the Council of the GEF (GEF Council).[6]

12. Decision-making in both the GEF Assembly and the GEF Council is by consensus. If consensus fails in the Council, formal voting (although this has never been exercised) is based on a double-weighted majority, which would require in effect a 60 per cent majority of participants and a 60 per cent majority of contributors (non-recipients), to approve a decision.[7] The meetings of the GEF Council are webcasted.

13. The GEF is considered to be fairly transparent and democratic in its decision-making. A recent report by Transparency International concluded that the GEF operates with significant transparency in terms of information disclosure.[8] In fact, the GEF practices on information disclosure require all relevant information regarding the organization, its projects and operations to be made available to the general public. As a result, all documents submitted to the GEF Council for approval are posted simultaneously on the GEF website. As

[5] SCF/2014/6/11, paragraph 22.
[6] GEF Instrument.
[7] Ibid.
[8] Transparency International, Protecting Climate Finance, An Anti Corruption Assessment of the Global Environment Facility's Least Developed Countries Fund and Special Climate Change Fund (28 February 2014).

of April 2013, the GEF is a member of the International Aid Transparency Initiative (IATI), and has endorsed the principles of IATI to report funding data in accordance with the IATI common standard.

14. While there has been improved transparency at the level of the GEF Assembly and GEF Council, there are indications that there is room for improvement in information disclosure by, and accountability of the GEF Agencies. Project Implementation Reports and Evaluations carried out at the project level are not readily available nor is information regarding anti-corruption practices and safeguards of GEF Agencies.[9] GEF Agencies should release financial information on a project basis, rather than just as cumulative totals, in order to allow a better third party verification of project funding.[10] Procedures that guide project identification and approval by agencies as well as implementation of projects should also be simplified to promote greater transparency and understanding at the country level. The undertaking of National Portfolio formulation Exercises (NPFEs) during GEF-5 helped to improve transparency at the project identification phase.

15. In managing the LDCF and the SCCF, the GEF Secretariat has achieved a number of best practices regarding transparency.[11] Nevertheless, Transparency International reports that there is room for improvement in the disclosure of information regarding policies and safeguards of the GEF Agencies, and bolstering the transparency of the meetings Council of the LDCF/SCCF (LDCF/SCCF Council) meetings through greater numbers of observers.[12]

16. The GCF is governed and supervised by a Board (the GCF Board) that has full responsibility for funding decisions[13] and that is supported by the GCF Secretariat. The Board is composed of 24 members, composed of equal number of members from developed and developing country Parties are selected by their respective constituency or regional group within a constituency. The Board is independent and accountable to the COP.

17. Decision-making is taken by consensus of Board members and two-thirds of Board members must be present at a meeting to constitute a quorum. The GCF Board will develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted. Additionally, Interim Information Disclosure Practice has been adopted by the Board and will remain in force until the Board adopts a comprehensive information disclosure policy of the GCF.[14] The GCF Board meetings are not webcasted but they are recorded and the recordings are available three weeks after the meeting through registration only.

2. Level of stakeholder involvement

18. The GEF has evolved into a Facility that is very open to multi-stakeholder involvement. Stakeholders for the GEF include the parties to the relevant Conventions, the COP, Donors, NGOs and CSOs. The GEF's high degree of transparency has fostered a greater sense of participation from stakeholders at the country level, particularly civil society organizations, and the private sector.

19. The GEF formally engages civil society participation through the GEF Civil Society Organization (CSO) Network. To date there are 560 accredited CSOs, which have the opportunity to contribute to the formulation of the policies of the GEF through their regional focal points.

20. The meetings of the Council of the GEF are preceded by consultation with the CSO Network. Two CSO representatives participate in GEF Council meetings as observers and can make interventions during the meeting. The GEF is currently reviewing its Policy on Public Involvement in GEF Projects, in conjunction with

[9] Transparency International, Protecting Climate Finance, An Anti Corruption Assessment of the Global Environment Facility's Least Developed Countries Fund and Special Climate Change Fund (28 February 2014), pp. 10-15.
[10] Transparency International, Protecting Climate Finance, An Anti Corruption Assessment of the Global Environment Facility's Least Developed Countries Fund and Special Climate Change Fund (28 February 2014), p. 15.
[11] The policies, procedures and the governance structure of the GEF apply equally to these funds, unless modified by the LDCF/SCCF Council.
[12] Transparency International, Protecting Climate Finance, An Anti Corruption Assessment of the Global Environment Facility's Least Developed Countries Fund and Special Climate Change Fund (28 February 2014), pp. 15.
[13] Governing Instrument of the Green Climate Fund, paragraph 5.
[14] GCF Board Decision B.05/15.

the CSO Network, in order to formulate guidelines for public involvement in the meetings of the Council of the GEF by November 2014. Recommendations on further enhancing CSO engagement focus on further refinement of indicators for "meaningful engagement" at different stages of the project cycle and review of the impact of CSO-led initiatives especially in terms of local outcomes and contribution to local and national sustainability.

21. The GEF draft 2020 strategy[15] highlights the importance of increasing engagement with, and mobilizing the support of the private sector.[16] The GEF has been considered innovative in enhancing private sector engagement and supporting public private partnerships through initiatives such as the Earth Fund and GEF-5 USD 80 million private sector set-aside. Challenges have been faced when private sector engagement has occurred on an ad hoc basis and has not been integrated at any stage in project design and implementation. The reality of dealing with multiple requirements across GEF Agencies has also erected barriers to effective participation.[17] The GEF-6 Policy Recommendations request the GEF Secretariat, in collaboration with GEF Agencies, to present a report in November 2014 on actions taken to enhance private sector engagement, with a time-line for future actions on mainstreaming.[18]

22. The GEF-6 Policy Recommendations emphasize the importance of the work of the GEF Secretariat managing the Country Support Program, particularly in enhancing country-ownership through the National Portfolio Formulation Exercises (NPFEs). The work of the GEF in implementing the principles and guidelines for engagement with indigenous peoples has been appreciated by GEF participants to the replenishment process. [19]

23. The GCF's Governing Instrument mandates the Board to make arrangements, including developing and operating accreditation processes, to allow for effective participation by accredited observers in its meetings and to invite to participate as active observers two civil society representatives, one each from developing and developed countries, and two private sector representatives, one each from developing and developed countries.

24. The GCF Board has adopted additional rules of procedures of the Board relating to observers and an accreditation process of observers to the Fund was put in place. To date, 183 organizations including CSOs, private sector organizations and international entities have been accredited as observers to the meetings of the Board. As well, all four accredited active observers from the civil society and the private sector participate in the GCF Board meetings and are invited to make interventions.

3. Gender sensitive approaches

25. Gender mainstreaming is the concept of assessing the different implications of any planned policy action for women and men. It is particularly important in climate financing due to the particular vulnerability of women to the effects of climate change and the important role women play in supporting climate change adaptation within communities.

26. The Policy on Gender Mainstreaming,[20] along with the GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards,[21] arose from the November 2010 decision of the GEF Council to accredit new agencies and entities to receive GEF funding and implement projects.[22] Both policies now apply

[15] GEF 2020 Draft Strategy Paper for the Global Environment Facility (4 September 2013).
[16] Ibid.
[17] Ibid.
[18] GEF/A.5/07/Rev.01, Report on the Sixth Replenishment of the GEF Trust Fund, p. 227.
[19] Ibid.
[20] PL/SD/02 Policy on Gender Mainstreaming.
[21] PL/SD/03, Policy on Agency Minimum Standards on Environmental and Social Safeguards (12 September 2013).
[22] The existing Minimum Fiduciary Standards required GEF Partner Agencies' project appraisal processes to include environmental and social safeguard measures, but did not set clear minimum standards in this area.

uniformly across the GEF and all its Agencies[23] on which the GEF relies to mainstream gender in project implementation.

27. The Policy on Gender Mainstreaming provides that seven minimum criteria must be established by all GEF Agencies prior to being eligible to receive GEF financing. The OPS 5 sub-study on gender mainstreaming conducted by the GEF Independent Evaluation Office (GEF IEO) in October 2013 found that although the GEF Secretariat had made significant efforts to implement the Policy, further work was required. Of the 157 completed projects that were analysed, and for which gender issues were considered relevant, only 35 per cent were found to adequately mainstream gender in design and implementation.[24]

28. Despite the Policy having broad application, it is only applied by the GEF Agencies to projects where gender issues were considered to be relevant.[25] The sub-study highlighted that this could be a flawed process, as international gender specialists are increasingly providing evidence that categories that may not directly relate to women or communities, such as energy technologies and energy efficiency, are in fact gender relevant through issues such as employment practices.[26] Moreover, recent results from the Annual Monitoring Review (AMR) also indicate steady increases from 2011-2013 in the inclusion of gender-specific information in reporting, resulting from increased awareness within the GEF and GEF Agencies following the introduction of the Policy.[27]

29. The sub-study highlighted the importance of collecting sex-disaggregated information and gender qualifiers. Agencies such as the International Fund for Agricultural Development (IFAD), the United Nations Development Programme (UNDP) and the World Bank use relevant questions and gender markers in project document.[28] Project documentation[29] for GEF financed projects could be improved by including more in-depth gender indicators and questions to identify gaps in equality.

30. Additional recommendations centred on the need for the GEF to consider institutional capacity; gender elements in project review and design; gender analysis; measures to minimize/mitigate adverse gender impacts; monitoring and evaluation of gender mainstreaming efforts; and embedding of gender experts in projects. In order to adequately implement the Policy, the GEF Secretariat and GEF Agencies require significant resources and support.

31. Under GEF-6, the GEF plans to adopt a more comprehensive and programmatic approach toward gender mainstreaming across GEF programs and projects.[30] The Climate Change Mitigation (CCM) Focal Area within the GEF-6 Programming Strategies highlights the use of gender analysis as part of the socio-economic assessment during project preparation, and the use of gender disaggregated project level indicators where relevant.[31] Furthermore, the GEF-6 Policy Recommendations emphasize that more concerted action needs to be taken to enhance gender mainstreaming, while noting the GEF's commitment to systematically enhance gender mainstreaming at corporate and focal area levels during GEF-6. To this end, the GEF Secretariat will develop a gender action plan, identifying ways to enhance gender mainstreaming, including the use of relevant gender sensitive indicators and sex-disaggregated data, to be presented to the Council of the GEF in October 2014.

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[23] PL/SD/03, Policy on Agency Minimum Standards on Environmental and Social Safeguards (12 September 2013) and Guideline GN/SD/03, Application of Policy on Agency Minimum Standards on Environment and Social Safeguards (12 September 2013), p. 4.
[24] GEF Evaluation office, OPS 5: GEF's Policy on Gender Mainstreaming, pp. 7–11 (technical document #16) 2013.
[25] Based on interviews with GEFSEC and agencies.
[26] GEF Evaluation office, OPS 5: GEF's Policy on Gender Mainstreaming, p. 17 (technical document #16) 2013.
[27] GEF/C.46/04, Annual Monitoring Review (AMR) FY 2013: Part II (May 1, 2014), paragraph 199.
[28] See Recommendation 3, OPS5 Technical Document #16, Sub-study on the GEF's Policy on Gender Mainstreaming (October 31, 2013) p. 35.
[29] The GEF Secretariat project review sheet, Project Identification Form and CEO Endorsement Template.
[30] GEF/R.6/12, Strategic Position for the GEF, Second Meeting for the Sixth Replenishment of the GEF Trust Fund (13 August 2013), paragraph 94.
[31] GEF/C.46/07/Rev.01, Summary of the Negotiations for the Sixth Replenishment of the GEF Trust Fund, Annex A: GEF-6 Programming Directions, p. 60.

32. The GCF is the first global climate fund to include gender equality concerns in its initial governing instrument. The GCF commits to "taking a gender-sensitive approach" in its funding and will encourage the involvement of relevant stakeholders, addressing gender aspects, in order to maximize the impact of its funding.[32] At its sixth meeting, the GCF Board requested the Secretariat to prepare a gender policy statement and gender action plan by October 2014. At its seventh meeting, the GCF Board approved an initial results management framework, which takes a gender-sensitive approach where results are disaggregated by gender, where relevant. It also approved an investment framework, including initial criteria for assessing programme and project proposals which include gender aspects.[33]

33. There is much to learn from the GEF Policy on Gender Mainstreaming as the GCF proceeds to develop its own approaches. Recommendations have focused on integration of gender equality in the structure and organization of the GCF itself, supporting gender considerations in financing through the development of gender sensitive criteria and innovative access modalities that would ensure effective access of resources to support a gender-sensitive approach.

4. Environmental and social safeguards

34. The GEF takes an "Agency systems" approach to environmental and social safeguards. GEF Agencies are assessed as to whether they have sufficient "systems" in place to apply environmental and social safeguards to projects financed by the GEF.[34] The goal of environmental and social safeguards is to prevent or mitigate any unintended negative impacts to people and the environment that might arise through operations of the GEF.

35. The GEF expressly acknowledges that while there are benefits to the GEF in applying the safeguards, the application of safeguard policies to projects generally adds time and cost to the project development.[35] The safeguard policies should support the ability of GEF Agencies to implement social and environmental protections without making the process too onerous, and creating unnecessary barriers to accreditation which might ultimately undermine the process.[36] Most of the institutions going through the accreditation process have had to create new policies to meet the minimum standards of the GEF. This has presented a challenge to ensure a dialogue around the purpose of accreditation for a mutually beneficial outcome rather than the top down imposition of requirements.

36. As of November 2013, the World Wildlife Fund, Inc. (WWF) and Conservation International are accredited GEF Project Agencies. The Development Bank of South Africa and the International Union for Conservation of Nature (IUCN) received approval in May 2014 to progress to the final stage of accreditation.

37. At the seventh meeting of the Board of the GCF in May 2014, the Board adopted, as the GCF's interim safeguard standards, the International Finance Corporation's Performance Standards on Environmental and Social Sustainability. The Board committed to creating standards unique to the GCF within three years of becoming operational and called for accreditation of entities seeking the support of the GCF to take place following a "fit-for-purpose" approach that takes into account the nature, scale and risks of activities that the entity will likely take on. The GCF Board also established an independent technical accreditation panel to advice on the accreditation of implementing entities and intermediaries.[37]

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[32] Governing Instrument of the Green Climate Fund, paragraph 3.
[33] GCF Board decision B.07/04.
[34] Guideline GN/SD/03, *Application of Policy on Agency Minimum Standards on Environment and Social Safeguards (September 12, 2013) p. 5. The use of the terms, "Agency Systems" or "Safeguard Systems", mean a GEF Agency's legal and in*stitutional framework, including all applicable policies, regulations, rules and procedures. For National Institutions accredited as GEF Agencies, it shall include a country's applicable national, sub-national, or sectoral laws, policies, regulations, rules, and procedures.
[35] Guideline GN/SD/03, Application of Policy on Agency Minimum Standards on Environment and Social Safeguards (12 September 2013), p. 3.
[36] Gaia Larsen, Athena Ballesteros, Striking the Balance, World Resources Institute (April 2014); Louise Helen Brown, Clifford Polycarp and Margaret Spearman, Within Reach: Strengthening Country-ownership and Accountability in Accessing Climate Finance, World Resources Institute (November 2013).
[37] Seventh Board Meeting of the GCF, May 2014.

38. The GCF Secretariat is tasked with developing guidelines on the operationalization of the above-mentioned fit-for-purpose approach to accreditation. In so doing, they will face many of the same challenges faced by the GEF, including how to deal with the time and cost of accreditation and the need to support both access to finance by a broad range of institutions and protection against environmental and social risks.[38] To be successful, the process will need to be implemented in a way that aims to build on and support the implementing entity's existing systems, and could require financial assistance.[39]

39. Many recipients of finance from the GCF will also inlcude financial intermediaries, that is, institutions that will channel funds from the GCF to other institutions. These institutions will pose a particular challenge in that the GCF will need to ascertain not only whether they have adequate social and environmental policies, but that they are able to ensure that the institutions to which they channel funding do likewise. The challenge posed by financial intermediaries will be particularly significant in light of the limited involvement that the GCF will have in project oversight. The GCF has already taken steps to avoid reliance on its own sole independent redress mechanism and instead has created a proactive accountability framework. At the seventh meeting of the GCF Board in May 2014, the Board noted the need for further consideration of a monitoring and accountability framework, including specific policies for the suspension and cancellation of accreditation.

5. Fiduciary standards

40. In June 2007, the GEF Council approved a set of minimum fiduciary standards for strengthening the accountability of GEF Agencies.[40] The minimum fiduciary standards reflect several core principles including provisions for professional standards, independence, transparency, monitoring and response and value-for-money.[41] There is no set of agreed internationally recognized minimum fiduciary standards for a fund such as the GEF. However, there is a common understanding that there must be a minimum required level of functions to ensure accountability and transparency.

41. As with the other standards, the responsibility for monitoring and implementing the Minimum Fiduciary Standards primarily rests with the GEF Agencies. As of January 2014, all 10 GEF Agencies are in compliance.

42. At the seventh meeting of the GCF Board in May 2014, the Board adopted a set of initial fiduciary principles and standards reflecting international best practice, and committed to review them within three years. These initial fiduciary principles and standards will "distinguish between basic and specialized fiduciary criteria and will reflect the institutional capacities necessary to deliver against the Fund's objectives and in accordance with the scope of responsibilities entrusted to the implementing entity or intermediary".[42] The above-mentioned fit-for-purpose approach to accreditation will determine how the fiduciary standards will be applied. The GCF Secretariat will provide additional specialized fiduciary standards at the eighth meeting of the GCF Board in October 2014, for consideration by the Board.

B. Responsiveness of the operating entities to COP guidance

43. In accordance with Article 11 of the Convention, the Financial Mechanism shall function under the guidance of and be accountable to the COP, which shall decide on its policies, programme priorities and eligibility criteria.[43] The COP provides guidance to the Financial Mechanism through its operating entities. This section elaborates on the responsiveness of the operating entities to COP guidance. It focuses in

[38] Gaia Larsen, Athena Ballesteros, Striking the Balance, World Resources Institute (April 2014); Louise Helen Brown, Clifford Polycarp and Margaret Spearman, Within Reach: Strengthening Country-ownership and Accountability in Accessing Climate Finance, World Resources Institute (November 2013).
[39] Ibid.
[40] GEF/C.31/6, Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies (Minimum Fiduciary Standards) and, GEF/C35.5, Compliance of the GEF Agencies on the Implementation of Minimum Fiduciary Standards.
[41] GEF/C.31/6, Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies, article 4.
[42] Seventh Board Meeting, May 2014.
[43] Paragraph 1 of Article 11 of the Convention.

particular on the GEF and the efficiency of its project cycle, since the GCF is still in the process of operationalization.

44. The section is informed by the findings of OPS 5; GEF Council documents; recent decisions providing guidance to the operating entities; recent reports of the operating entities to the COP; inputs from the discussions on the provision of guidance to the operating entities at the meetings of the SCF; background documents on the guidance to the operating entities, as well as inputs from interviews with stakeholders of the operating entities.

45. Insights from this section may be useful in deliberating on the effectiveness of the Financial Mechanism in terms of its conformity with the provisions of Article 11 of the Convention and the guidance provided by the COP.

1. Level of responsiveness to COP guidance

COP Guidance to the operating entities

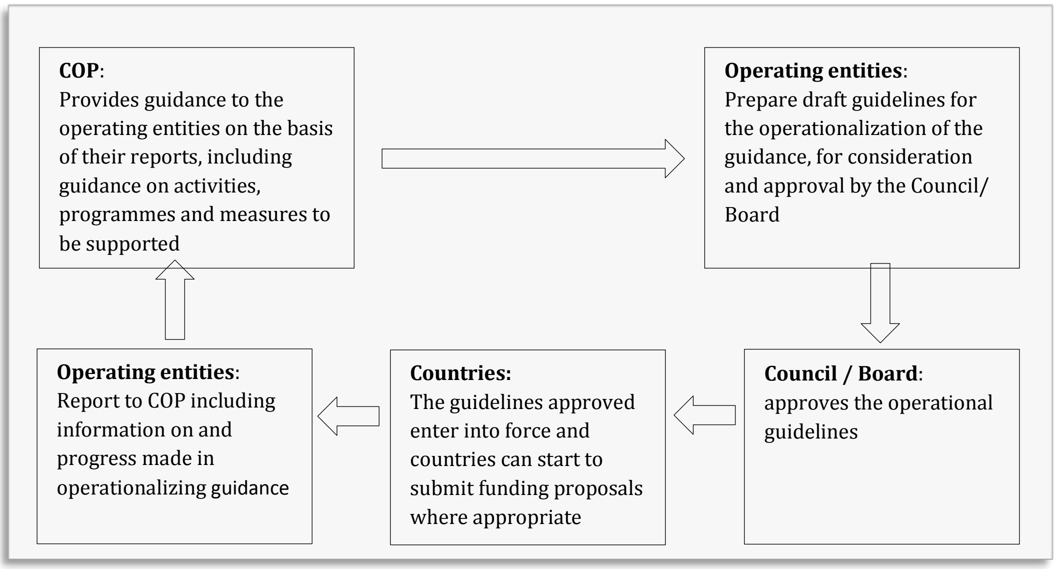
46. The guidance which has hitherto been provided by the COP to the GEF has been instrumental in setting the framework for its operations. Such guidance has addressed various aspects related to programming, policies and procedures, as well as eligibility criteria at the GEF, while covering the main thematic issues under the Convention such as mitigation, including technology transfer and support for reporting requirements by developing countries, adaptation and capacity-building.

47. As for the GCF, the guidance provided by the COP hitherto has pertained mainly to the operationalization of the Fund. At its nineteenth session, the COP provided initial guidance to the GCF on policies, programme priorities and eligibility criteria.[44]

Responsiveness to COP Guidance

48. Provisions in the Memorandum of Understanding between the COP and the Council of the GEF, as well as in the arrangements between the COP and the GCF, request both operating entities to take appropriate actions in response to the guidance received from the COP and to report on the actions taken in their annual reports to the COP. Every year, both the GEF and the GCF include in their reports to the COP, a chapter on how the guidance provided at the precedent sessions of the COP has been addressed. Box 1 below portrays the flow of steps from COP guidance to operationalization by the GEF.

Box 1 From COP guidance to operationalization by the GEF



[44] Decision 4/CP.19.

49. Different views and assessments have been made on the level to which the GEF has responded to Convention guidance. On the one hand, the OPS 5 finds that Convention guidance is fully reflected in the strategies of the CCM Focal Area of the GEF, as well as in the strategies of the LDCF and SCCF, and that provisions and requests from the COP are largely taken into account in programming GEF resources. It therefore concludes that the level of the responsiveness of the GEF to Convention guidance, including guidance provided to the LDCF and SCCF, is high at both the strategic and portfolio levels.[45]

50. On the other hand, some of the stakeholders of the GEF that were interviewed when preparing this paper, expressed the view that, although efforts have been deployed by the GEF to operationalize the guidance received from the COP, there is room for improvement in terms of timing of the response from the GEF (as they found the GEF to be slow in operationalizing the guidance) and the adequacy of such responses (which they found not to be sufficiently commensurate with the financing needs of developing countries, specifically with reference to enabling activities such as national communications).

51. It is difficult to establish, at a micro level, to what extent the GEF has been responsive to the guidance provided by the COP on specific or thematic issues, such as adaptation for instance. Updated information in this regard is not available in the literature[46] and filling this information gap would require further work, particularly in analysing the actions undertaken by the GEF in response to guidance provided on thematic issues. Nonetheless, in the framework of this review, attention could still be given to the elements that pose a challenge to the operationalization of the guidance by the GEF as identified in the literature and also pointed out by the GEF.

52. In accordance with the spirit of paragraph 50 above, the OPS 5 has identified the some features of Convention guidance which have made operationalization difficult for the GEF. These feature include:

(a) The **cumulative and repetitive nature** of the guidance, which derives from the fact that new guidance often repeats, but rarely replaces old ones, therefore creating a steadily increasing set of requirements and requests to the GEF. This contrasts with the practice in the GEF, where new strategies replace older ones;
(b) The **ambiguity of language** of the guidance, which is often reflective of political compromises, leaving room for different interpretation and thereby, posing a challenge to the GEF in understanding the nature and level of response expected by Parties;
(c) The **lack of prioritization**, which makes a strategic approach to the guidance difficult;
(d) The **timing of the provision of the guidance which** poses a challenge to the operationalization of guidance that has financial implications**,** in light of the limited flexibility of the GEF to re-programme resources between replenishments. As an example, the OPS 5 cited guidance provided by COP 17 to the GEF to "make available support to non-Annex I Parties preparing their first biennial update reports as early as possible in 2012 and on the basis of agreed full-cost funding"[47]. The OPS 5 noted that since resources were already allocated in the CCM Focal Area, the operationalization of this guidance in the requested timeframe might have been challenging unless the GEF was endowed with additional resources between replenishments.[48]

53. Moreover, feedback received from the GEF Secretariat points to the fact that **guidance is often formulated with little discussion with the GEF** about their feasibility or ease of implementation, and that opportunities for the GEF to share its perspectives with Parties on specific draft guidance tend to have been ad hoc and limited. Box 2 below illustrates some examples of recent COP guidance that have been difficult to implement by the GEF.

[45] GEF Evaluation office, OPS 5: Relevance of the GEF to the Conventions, p. 4. (technical document #4), 2013.
[46] The most recent study on the responsiveness of the GEF to a specific thematic guidance that was encountered in drafting this paper was the 2007 paper: "The Global Environment Facility: funding for Adaptation or Adapting to Funds?" by Moehner A. and Klein, R.J. available at <http://www.sei-international.org/publications?pid=77>.
[47] Decision 2/CP.17, paragraph 44.
[48] GEF Evaluation office, OPS 5: Relevance of the GEF to the Conventions, p. 4. (technical document #4), 2013.

Box 2 Examples of recent COP guidance that have been difficult to implement

- Decision 1/CP.19 "urge[d] and request[ed] (…), the operating entities of the financial mechanism (…) to provide support for " the domestic preparations of the Parties' intended nationally determined contributions. The guidance raised expectations of near-term support from the GEF to allow developing country Parties to initiate or intensify the domestic preparation of their intended nationally determined contributions. However, it did little to clarify the scope of those contributions, consequently leaving the GEF and its implementing agencies to face questions as to what could be expected to support.
- The GEF regularly receives guidance on matters such as the project cycle, transparency, capacity-building and public awareness; calling on the GEF to 'strengthen', 'improve', 'increase' or 'clarify' its operations or procedures in a particular area but without clearly articulating what the GEF is expected to achieve. As a result, it is difficult for the GEF to determine when it can be considered to be in compliance with the guidance received.

Source: Inputs provided by the GEF Secretariat.

54. In light of the issues highlighted in the preceding paragraphs, possible actions/principles could be considered in order to enhance the responsiveness of the GEF to the guidance received and facilitate the assessment of such responsiveness at the review stage[49]. Some of these actions/principles include the following:

(a) Clarity could be sought in the provision of the guidance to the GEF, by ensuring that COP decisions provide elements, such as specific targets to be achieved, that would enable the GEF to better understand what would be considered as a full response to the guidance and ease operationalization;

(b) Where specific guidance to the GEF is repeated, clarity could also be provided on whether such repetition is due to a lack of response from the GEF to the related guidance;

(c) Given that guidance to the GEF has accumulated over the years to an enormous volume, it may be useful to analyse, compile and consolidate past guidance provided to the GEF in order to identify redundancies, inconsistencies, as well as guidance that have already been replied to by the GEF. This could be done also with the objective of defining a set of core guidance against which the GEF could be assessed. A similar exercise of consolidating guidance has successfully been undertaken by the Convention on Biodiversity, which identified obsolete, repetitive and overlapping guidance, and adopted a compilation of guidance to its Financial Mechanism that streamlined the bulk of existing guidance to the GEF.[50] The need for such an exercise was acknowledged in the preamble decision 11/CP.17 but no action has been taken so far;

(d) Attention could also be given to the timing of COP guidance, especially those with resource implications, vis-à-vis the GEF's four-year replenishment cycle, in order to ensure that key guidance be fully considered in programming strategies and policy recommendations associated with each replenishment period;

(e) The GEF could be given more space and opportunity to share its perspectives on the feasibility of, as well as on foreseeable challenges to the operationalization of draft guidance. In this regards, the SCF has been regularly engaging with both the GEF and the GCF during its meetings on issues pertaining to the provision of guidance by the COP.

2. Efficiency of GEF project cycle

55. The COP has hitherto provided guidance to the GEF on its project cycle. Such guidance ranges from requests to streamline the project cycle and make it more simple, transparent and efficient, to invitations to the GEF to coordinate its project cycle with the ones of its implementing agencies to facilitate expedited approval and implementation of projects in recipient countries.

[49] These actions/principles could also to be taken into account as lessons learned when providing guidance to the GCF.
[50] GEF Evaluation office, OPS 5: Relevance of the GEF to the Convention, p. 5 (technical document #4), 2013.

56. The GEF project cycle is a series of steps through which a project must go in order to access funding from the GEF and achieve its objectives. There are two main categories of project cycle that are applied to the different funding options at the GEF:

(a) A **regular project cycle** that is applied to Full Size Projects (FSPs)which are those projects requesting more than USD 2 million in GEF funding;

(b) An **expedited project cycle** that is followed by Medium Sized Projects (MSPs), which are those projects requesting up to USD 2 million in GEF funding. Expedited procedures, including direct access by countries, also apply to enabling activities within a ceiling of USD 1 million.[51]

57. The main difference between the two categories of project cycle is that, under the expedited cycle, the Council approval of Project Identification Forms (PIFs) has been delegated to the CEO and, if there is no request for project preparation grant, the documents for projects can be directly submitted for CEO endorsement.[52]

58. The GEF also follows programmatic approaches in funding projects in recipient countries. Such approaches consist of integrated sets of multiple projects covering one country or a region, funded through a phased and multi-year commitment of GEF funding. Depending on whether the coordinating agency of the programmatic approach meets the criteria for delegated approval authority,[53] individual projects included in the programme can be submitted directly for CEO endorsement.

Performance of the GEF project cycle and factors of delays

59. The time elapsed for projects to move from one step to another step of the project cycle is indicative of the efficiency with which GEF projects are prepared. As full size projects account for a considerable share of GEF funding (86 per cent during GEF5), the time elapsed for their preparation is frequently used in the GEF partnership as an indicator of the performance of the GEF project cycle.

60. The GEF has made considerable efforts over the past 10 years to improve the efficiency of the GEF project cycle. Full Size Projects (FSPs) approved during GEF-1 took an average of 36 months to move through the full project preparation cycle. This already lengthy preparation time increased to 50 months for GEF-2 projects, and to 66 months for GEF-3 projects. During GEF-5, the average time for preparation of GEF project cycle dropped to 18.5 months. The current standard of GEF project cycle is 18 months.

61. Nevertheless, several factors continue to cause delays in the GEF project cycle. While some of these factors pertain to the review and decision-making process within the GEF partnership, other factors are outside the realm of influence of the GEF as they are directly linked to the specifics of the project itself or the recipient country. Factors pertaining to the former category include:

(a) The prominence of information requirements at the concept development phase, especially on co-financing, which was identified in the OPS 5 as a major cause of resubmission of Project Identification Form during GEF-5[54];

(b) Increased number of resubmissions at various phases of the project cycle;

(c) Inconsistencies between information provided between different phases of the GEF project cycle;

(d) The time/effort to get co-financing letters to be included in the documents for CEO endorsement, etc.

[51] With the recent streamlining measures approved by the GEF Council, the GEF project cycle now applies across the GEF, including the LDCF and SCCF.
[52] Detailed information on the different steps of the GEF project cycle is available at <http://www.thegef.org/gef/project_cycle>.
[53] Restricted to GEF Agencies that in their governance structure have a board that reviews and approves projects. *See* GEF document on programmatic approaches available at <http://www.thegef.org/gef/node/4650>.
[54] GEF Evaluation office, OPS 5: Assessment of the GEF Project Cycle, p. 15. (technical document #18),2014.

62. Different measures and policy reforms are currently being undertaken within the GEF partnership in order to address the bottlenecks in the project cycle. At its November 2012 meeting, the GEF Council agreed on a set of eight streamlining measures of the project cycle and a pilot project for the harmonization of project cycles between the GEF and the World Bank whereby the GEF Secretariat would engage closely at key points of decision making for GEF projects at the Bank. [55] Box 3 below presents some highlights on the measures just mentioned.

Box 3 Project cycle streamlining measures at the GEF

Eight project cycle streamlining measures:	**Pilot project for the harmonization of project cycles between the GEF and the World Bank:**
1. Simplify project preparation grant request process; 2. Increase ceiling for MSPs to USD 2 million; 3. Streamline key project related templates including revised review sheets; 4. Organize multifocal area project reviews to be more systematic and consistent; 5. Modify milestone extension process; 6. Tranche payment of Agency fees; 7. Monitor Agency service standards; 8. Streamline procedures for enabling activities.	• To reduce duplication in documentation by simplifying the GEF templates • To make review processes more effective and interactive by synchronizing review and decision stages of the Bank and the GEF; • Positive effects already achieved: ○ Increased cooperation between staff of both institutions; ○ Expedited decision making on project clearance and approval; ○ Avoided duplication of documentation.

Source: GEF/C.46/Inf.13, Progress Report on the GEF Project Cycle Streamlining and Harmonization Process p. 3. http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C.46.Inf_.13%20Progress%20Report%20on%20the%20GEF%20Project%20Cycle%20Streamlining%20and%20Harmonization%20Process_April%2030%202014.pdf

63. The Council also encouraged the GEF Secretariat, in collaboration with the GEF Agencies, to prepare a policy proposing the cancellation of projects that exceed time-frame targets for project preparation for consideration at the October 2014 Council meeting.

64. In January 2014, following the concerns raised by the OPS 5 regarding overdue projects, the GEF Secretariat and the GEF Agencies took stock of all projects that exceeded time-frame standards; and found 126 in total. In February 2014, the CEO communicated to all recipient country operational focal points requesting their cooperation in expediting project preparation. Since then the GEF Secretariat, with Agency cooperation, has focused on projects that have been most delayed in the pipeline, and is undertaking tripartite discussions which include recipient countries, Agencies and the GEF Secretariat towards either cancelling specific projects or agreeing to continue their preparation with firm project specific deadlines which are no later than 31 December 2014.[56]

[55] Depending on the experiences from the pilot and the assessments of resource implications for the exercise, the Secretariat will explore similar engagements with other GEF Agencies, particularly with multilateral development banks. GEF/C.43/06, Streamlining of Project Cycle, p. 2.
[56] Information provided by the GEF Secretariat.

65. Furthermore, in addition to the eight streamlining measures currently under implementation, four inter-agency working groups were also established to explore options to enhance project cycle performance at the GEF. In this regard, the following are some of the possible actions that have been identified by the working group on the project cycle streamlining[57]:

(a) PIF approval to be undertaken on a rolling basis with cumulative approved PIFs presented in semi-annual meetings of the GEF Council;

(b) PIF to be reviewed against clearly defined eligibility criteria and the review to provide strategic guidance for design;

(c) The review for CEO endorsement to focus on consistency of project with the eligibility criteria at the PIF stage and the incorporation of comments by the GEF Secretariat and the Scientific and Technical Advisory Panel;

(d) Medium Size Projects to follow only one-step project cycle with a maximum reimbursement of up to USD 50,000 for project preparation activities;

(e) The project harmonization process to be extended to other agencies, particularly for blended operations.

66. Finally, GEF-6 Policy Recommendations request the Secretariat, in collaboration with the GEF Agencies, to continue reviewing performance against the current project cycle time-standard of 18 months between Council approval and CEO endorsement to identify:

(a) More effective measures to expedite project preparation; and
(b) An appropriate project cycle time-standard for GEF-6.

67. Further, the policy recommendation also requested the Secretariat, in collaboration with the appropriate GEF entities, to submit for Council consideration in October 2014 further measures to improve the policies and procedures associated with the full project cycle, including the programmatic approach, and a portfolio management system to keep track of project progress through the partnership. [58]

68. Looking ahead, the challenge is to ensure expedited procedure for preparing GEF projects but without undermining the quality of projects prepared. Although some of the streamlining measures have already been fully implemented by the GEF, there is not yet evidence on their gains in terms of efficiency at the project cycle. There are signs, however that the measures will contribute to a faster preparation of GEF projects.

C. Mobilization of financial resources

69. In accordance with Article 4, paragraph 3 of the Convention , developed countries are to provide financial resources to assist developing countries in implementing the objectives of the Convention. Understanding the level to which resources have been mobilized in this context has been an important political issue in the UNFCCC process.

70. This section reviews the efforts made by Parties to mobilize through the operating entities of the Financial Mechanism, financial resources for climate action in developing countries. In doing so, it also addresses issues such as the adequacy, predictability and sustainability of resources, co-financing, as well as the role of the Financial Mechanism in scaling-up the level of resources. The section is informed by the reports of the operating entities to the COP; findings of OPS 5, documents prepared for the meetings of the GEF Council; decisions by the Board of the GCF, information provided by the GEF Secretariat and interviews with stakeholders of the operating entities

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[57] The other three working groups are: (a) Further Simplification of Templates and MSP Process; (b) Regional Projects: (c) Co-financing. Status update on the various groups is annexed to the Council document GEF/C.46/Inf.13, Progress report on the GEF Project Cycle Streamlining and Harmonization Process.
[58] GEF/C.46/07/Rev.01, Summary of Negotiations of the Sixth Replenishment of the GEF Trust Fund, at pp. 226-227.

71. Insights from this section may be useful in deliberating on the effectiveness of the Financial Mechanism in providing financial resources to developing countries.

1. Amount of resources provided to developing countries

72. During the period of this review, 2010–2014, efforts have been undertaken by developed country Parties to further mobilize resources to assist developing countries in implementing the objectives of the Convention.

73. Developed countries committed to provide new and additional resources approaching USD 30 billion between 2010 and 2012 to developing countries, with balanced allocation between mitigation and adaptation. They also reaffirmed that funding for adaptation will be prioritized for the most vulnerable countries, such as the least developed countries (LDCs), small island developing states (SIDS) and Africa. This commitment came to be known as Fast-Start Finance (FSF). Developed country Parties have submitted annual reports to the secretariat, including information on the resources provided to achieve this goal; as well as ways in which developing countries did access these resources. [59] Many developed countries have reported their contribution to the GEF-5 as part of their FSF commitments.

74. Alongside FSF pledges, developed countries also committed to jointly mobilize USD 100 billion per year by 2020 from a variety of sources, public and private, bilateral and multilateral, including alternative sources, in the context of meaningful mitigation actions and transparency on implementation. Work is currently on-going at the level of the Convention to provide clarity on how climate finance is being scaled-up to achieve this goal by 2020.[60] The operating entities of the Financial Mechanism serve as one of the channels through which developed country Parties are fulfilling their financial commitments under the Convention. Developed country Parties also provide financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels.[61]

Resources mobilized through the GEF

75. The GEF Trust Fund (GEFTF) has been the primary source for grants provided by the GEF to recipient countries. Funding for climate change at the GEF can be classified in terms of direct and indirect funding. The former directly supports climate change projects and the latter supports projects which are considered as climate relevant, while supporting projects under other thematic areas of the GEF.

76. In terms of directly financing climate change projects, resources under the GEFTF are allocated primarily to mitigation through the Climate Change Mitigation Focal Area which also includes funding for technology transfer and for the fulfilment of Convention obligations by developing countries. CCM funding has increased steadily from the GEF Pilot Phase to GEF-5 despite competing priorities at the GEF (in light of the GEF also serving other environment related Conventions). As of June 2014, the GEFTF has funded 787 projects on CCM amounting to more than USD 4.5 billion.[62] Recently, Donors pledged resources to the GEFTF for its sixth replenishment cycle to a level of USD 4.43 billion. While the allocation to the GEF-6 Climate Change Focal Area has slightly decreased compared to GEF-5, there are several climate-relevant components in the new Integrated Approaches and within the Sustainable Forest Management set-aside, which make that overall, financing for climate change related interventions continue to increase from GEF-5 to GEF-6.

[59] Available at: <http://unfccc.int/5646.php>.
[60] Such work is being undertaken through several streams such as the in-session workshops on long-term finance, the biennial high-level ministerial dialogues on climate finance, the work of the Standing Committee on Finance on the biennial assessment and overview of climate finance flows and the biennial submissions by developed country Parties on their strategies and approaches for scaling-up climate finance from 2014 to 2020.
[61] Article 11 of the Convention, paragraph 5.
[62] FCCC/CP/2014/2, GEF report to COP 20.

77. Funding in support to Climate Change Adaptation (CCA) at the GEF is delivered directly through the LDCF and SCCF.[63] Both Funds rely on voluntary contributions from developed countries and have experienced increasing trends in contributions since their establishment. As at June 30, 2014, cumulative pledges to the LDCF amounted to USD 906.64 million (of which 96 per cent (USD 872.63 million) have been paid), whilst USD 334.1 million has been pledged to the SCCF (of which 94 per cent (USD 344.1 million) has been paid).[64]

78. As for GEF's indirect funding to climate change, the GEF has begun to assess the level of funding that it allocates to projects that provide benefits in terms of either or both climate change mitigation and adaptation. In this regard, a recent assessment undertaken by the GEF Secretariat on the cohort of projects approved during the fiscal years of 2012 and 2013, estimates that about USD 647 million climate relevant financing is provided through projects in other focal areas with meaningful climate change benefits (e.g. biodiversity, land degradation, sustainable forest management/REDD+, or sound chemical management).[65] Table 2 below recapitulates funding mobilized for climate change through the GEF as highlighted in the preceding paragraphs.

Table 2: Climate Change funding at the GEF

GEF climate related Funds or financing	*Amount mobilized/pledged (in USD million)*
GEF Trust Fund (CCM)	4,500.00a
LDCF	906.64
SCCF	334.1
Climate –related financing at the GEF[b]	647.0

[a] Funding from inception to 30 June 2014. Same applies to LDCF and SCCF funding.
[b] Estimates made on the cohorts of projects approved during the fiscal years of 2012 and 2013.

Sources: GEF report to COP 20http://unfccc.int/resource/docs/2014/cop20/eng/02.pdf
Annual Monitoring Review of the GEF (AMR) for fiscal year 2013: part II:
http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C.46.04%20Annual%20Monitoring%20Review%20%28AMR%29%20FY13%20-%20Part%20II_May%201%202014.pdf

The initial resource mobilization for the GCF

79. An important milestone was achieved at the seventh meeting of the Board of the GCF, when it completed the eight essential requirements[66] for the Fund to receive, manage, programme and disburse resources, and thereby decided to commence the process for an initial resource mobilization.

80. Although no numerical figure or target was defined for this initial resource mobilization, it was agreed this would be commensurate with the Fund's ambition to promote the paradigm shift towards low-emission and climate resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.

81. A timeline for the capitalization process was agreed by the GCF Board: in late June 2014, Donors met in Oslo to commence their technical discussions on an initial resource mobilization for the GCF. Another meeting has also taken place in September 2014, prior the final pledging session by the end of November 2014. While stressing the urgency to reach pledges by November 2014, the Board also noted that the initial resource mobilization process may need to continue beyond this date.[67] Although no formal pledging has

[63] In 2005, the Strategic Priority on Adaptation (SPA) was launched as a USD 50 million allocation within the GEFTF, with the objective of reducing vulnerability and increasing adaptive capacity to the adverse effects of climate change within the GEF focal areas. As SPA resources have been fully allocated, the GEF now finances adaptation solely through the LDCF and SCCF. *See* GEF report to COP 20, p. 25.
[64] FCCC/CP/20124/2, GEF report to COP 20, pp. 26–28.
[65] GEF/C.46/04, Annual Monitoring Review (AMR) FY 13: part II, p. 80.
[66] The requirements can be found in annex XXII to GCF Board document GCF/B.05/23.
[67] GCF Board decision, B.07/09.

been undertaken so far, some developed and developing countries have already made announcements on their individual contributions to the Fund's initial resource mobilisation. .

2. Amount of finance leveraged and modalities of co-financing

82. In light of the challenge of mobilizing considerable amounts of finance to support climate action in developing countries, the operating entities of the Financial Mechanism can play a pivotal role in leveraging and mobilizing further amounts of resources. This objective is enshrined in the concept of co-financing that has underpinned GEF's action since its inception.

83. According to the policies of the GEF, co-financing for GEF-financed projects comprises those resources that are additional to the GEF grant and are provided by the GEF Agency itself and/or by other non-GEF resources (governments, private sector, NGOs as well as bilateral channels) in support of the implementation of GEF-financed project and the achievement of its objectives. Co-financing is required for all FSPs, MSPs and programmatic approaches at the GEF, excluding the ones funded through the LDCF and SCCF. Co-financing is optional for GEF enabling activities.

84. Co-financed resources can include any or all of the following categories: grants, loans at market or concessional rates, guarantees, cash and specific in-kind support.[68] The provisions on co-financing aim not only to contribute to a further mobilization of resources but also to ensure that the GEF supports only the incremental cost of projects financed, as per its mandate.

85. From the estimates of co-financing ratios achieved during GEF-5, climate change has attained the highest co-financing ratios: 9.5 (co-financing) to 1 (GEF) at the portfolio level (with a median ratio of 5.2 to 1).[69] As a result, climate change accounts for about 50 per cent of total co-financing mobilized by the GEF to date, followed by multifocal area projects (mostly financed with biodiversity and climate change mitigation resources).[70] However, caution should be used when looking at these ratios, especially at the portfolio levels as they mask the high variability in project co-financing ratios, and the flexibility accorded by the GEF to countries with special circumstances (LDCs and SIDS) from which a higher level of co-financing is not necessarily requested during the approval process. National governments have been the main source of co-financing (equivalent to about 41 per cent of GEF 4 and GEF-5 co-financing mobilized), followed by the GEF Agencies as the second highest provider of co-financing (about 25 per cent of GEF 4 and GEF-5 total co-financing), the private sector and bilateral, multilateral sources, foundations or NGOs.

86. The determination of co-financing resources for adaptation is slightly different. Since the GEF is requested to fund the full additional costs of adaptation through the LDCF and SCCF, the cost of 'business as usual' development activities which are activities that would be implemented also in absence of climate change, are considered as co-financing. Table 3 below summarises the available data on the level of resources mobilized through co-financing in climate change projects at the GEF.[71]

Table 3: Resources mobilized by the GEF for climate change through co-financing

	GEF Amount (in USD million)	*Co-financing (in USD million*
Climate change mitigation		
From inception to 30 June 2014	4,441.7	29,041.5
LDCF (As at June 2014)	823.95	3790.81
SCCF (As at June 2014)	55.48	282.98

Source: FCCC/CP/2014/2, GEF report to COP 20.
http://unfccc.int/resource/docs/2014/cop20/eng/02.pdf

[68] GEF/C.39/Inf.3, GEF Project and Programmatic Approach Cycles, annex 7.
[69] GEF Evaluation office, OPS 5: Cofinancing (technical document #21), tables 5 and 6, 2014.
[70] GEF/C.46/09, Co-financing Policy, at p. 13.
[71] Ibid.

87. There is wide consensus among the overall performance studies of the GEF that co-financing is beneficial for GEF projects, as it helps to bring more resources to projects, increases country-ownership as well as the likelihood that the follow-up activities for a given GEF project receive support of the national stakeholders.[72] In this context, participants to the process for the GEF-6 replenishment affirmed that the GEF should continue to seek higher levels of co-financing as a means to achieve greater environmental impact and to encourage country-ownership.

88. At its recent meeting in May 2014, the GEF Council approved a revised co-financing policy that will be applied to GEF projects as of 1 July 2014. The new policy clarifies the definition of co-financing and approaches to promoting effective co-financing and sets an ambition for the overall GEF portfolio to reach a co-financing ratio of at least 6 (co-financing) to 1(GEF) with expectations for greater co-financing in upper middle income countries that are not SIDS. [73]

89. As the policy clarifies the concept of co-financing and how it is to be applied by the GEF, it can be expected that the new policy will help to remove some of the issues pertaining to co-financing identified in the OPS 5, such as the lack of transparency in the way co-financing requirements were reviewed by the GEF, and the impacts of co-financing in slowing down the project cycle.

90. While there is no explicit mentioning of co-financing requirements in the GCF programming documents, there is an expectation that through its private sector facility the GCF will leverage further financial resources for climate change.

3. Adequacy, predictability and sustainability of funds

91. According to paragraph 3 of Article 4 of the Convention, the provision of new and additional financial resources by developed Country Parties to assist developing countries in implementing the Convention shall take into account the need for adequacy and predictability in the flow of funds. Such principles are essential to assist developing countries in integrating and mainstreaming climate change into their development planning and to foster an impact in the context of long-term action on climate change.

92. There is no agreed definition of what would constitute an adequate flow of financial resources at the level of the Convention. The Oxford English Dictionary defines the word adequacy as the "state or quality of being adequate, satisfactory or acceptable in quality or quantity".[74]

93. If one were to address the issue of adequacy along the lines of the definition above, assessing the adequacy of funding under the Financial Mechanism in qualitative terms would imply looking at the provisions of the operating entities of the Financial Mechanism in terms such as access, funding modalities and guiding principles, which is being done in the context of the overall scope of this paper. The assessment of the adequacy in quantitative terms would imply that the level of resources provided through the operating entities is commensurate to the financing needs of developing countries.

94. To-date, however, there is no agreed assessment of the financing needs of developing countries at the level of the Convention. This poses a challenge to a quantitative assessment of the adequacy of the funds provided through the Financial Mechanism. Moreover, it is to be noted that the operating entities of the Financial Mechanism represent only one channel through which developed country Parties can fulfil their financial commitments under the Convention[75]. As a result, an assessment of the adequacy of the resources mobilized for developing countries, which looks only at the operating entities, will be misleading because of the narrow scope. This objective will be explored in the context of the work of the SCF on the first biennial assessment and overview of climate finance flows (BA), in light of the request by COP 19 to the SCF to also assess how adaptation and mitigation needs can most effectively be met in climate finance.

[72] GEF Evaluation office, OPS 5: Cofinancing (technical document #21), 2014.
[73] The new GEF co-financing policy is available at <http://www.thegef.org/gef/policies_procedures/co-financing>.
[74] Oxford English Dictionary.
[75] As per paragraph 5 of Article 11, developed country Parties may also provide and developing country Parties avail themselves of, financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels.

95. Predictability can be addressed both in terms of the resource mobilization approach of the funds (supply side) and in terms of the allocation of resources mobilized (demand side).

96. In terms of resource mobilization approach, funding for CCM at the GEF is subject to a good level of predictability due to the fact that resources for the GEFTF are provided every four years through a replenishment process. Data from a recent report by the GEF Trustee depict a high level of materialization of pledges by Donors to the GEF. As of 31 March 2014, of the USD 12,891 million that has been pledged to the GEF since its establishment, about 99 per cent has been confirmed by Donors. [76] The amount of resources pledged to the GEFTF by Donor countries has increased over the years from an initial capitalization of USD 1 billion in the pilot phase to a level of USD 4.433 billion recently pledged to the GEF for its sixth replenishment cycle.

97. Funding for adaptation at the GEF is subject to a lack of predictability, especially when compared to funding for mitigation. As the LDCF and SCCF are not subject to a replenishment process, they rely on voluntary contributions from developed countries. However, it is to be noted that, apart from few exceptions, resources have recurrently been pledged to both Funds during the meetings of the LDCF/SCCF Council and that there has been an increase in the cumulative level of pledges to both Funds which has been supported by strong levels of materialization of these pledges: 94 per cent for the LDCF and 90 per cent for the SCCF.

98. In terms of predictability for recipient countries, in 2010 the GEF introduced the System for Transparent Allocation of Resources (STAR), which is applied in programming and allocating resources within and among focal areas during GEF-5.

99. The STAR is a formula-based approach that combines GEF indexes on Global Environmental Benefits and Country Performance with a social and economic index based on Gross Domestic Product, which is weighted to reflect the additional funding needed by poorer countries.[77]

100. Several benefits to recipient countries were expected with the introduction of the STAR. These included enhanced predictability of funding and flexibility in programming, as well as enhanced planning and contribution to country-ownership of GEF projects and programmes.[78] According to the mid-term evaluation undertaken by the GEF Independent Evaluation Office (IEO), on the one hand, the STAR has contributed to making GEF operations more relevant to country needs and priorities and has led to greater transparency in GEF operations; on the other hand, a major effect of the STAR is that it has increased the level of certainty of the LDCs and SIDS on being able to access GEF funds.[79] As a result, estimates of the uptake of the utilization of the STAR allocations by developing countries show an uptake of 93 per cent for the overall GEF Trust Fund with 80 and 85 per cent of utilization by LDCs and SIDS respectively as at November 2013.

101. Looking ahead, GEF-6 Policy Recommendations agreed on the need for providing more resources to LDCs and SIDS in line with recent guidance from the Conventions, while reducing concentrations in a few countries. In this regard, provisions on the STAR have been updated to allow for further allocations to those groups of countries. These measures include:

[76] GEF/C.46/Inf.10/Rev.01, GEF Trust Fund Financial Report, Summary of Financial Information as of 31 March 2014.
[77] Further explanation on how the STAR is computed is available at <http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C.46.05.Rev_.01_Proposal_for_the_System_of_Transparent_Allocation_of_Resources_(STAR)_for_GEF-6_May_19_2014.pdf>.
[78] GEF booklet on the STAR, available at <http://www.thegef.org/gef/sites/thegef.org/files/publication/GEF_STAR_A4_april11_CRA.pdf>.
[79] Mid-Term Evaluation of the System of Transparent Allocation of Resources, prepared by the GEF Independent Evaluation Office.

(a) Increasing the weight of the GDP per capita Index from 04.04 to 0.08;

(b) Lowering the ceilings of each focal area by 10 per cent;

(c) Increasing the aggregate floor to USD 6 million for LDCs only;

102. As for the LDCF and SCCF, a different approach to the allocation of resources is followed by the GEF in order to appropriately respond to the mandates of the Funds. For example, the LDCF applies a principle of "balanced access" based on provisions by the COP in order to ensure that funding for the implementation of National Adaptation Programme of Action (NAPA) is available to all LDCs. Consistent with such a principle, the LDCs have agreed on imposing a "ceiling" on the resources accessible by each country, in order to avoid depleting the limited resources of the Fund by countries which have strong institutional capacity in preparing projects. As of 20April 2014, each LDC could access up to USD 30 million from the LDCF in accordance with the principle of equitable access. The maximum amount that each country could access was raised from USD 20 million in December 2013 in response to the significant, additional contributions received between June and December 2013.[80] This increase in the ceiling came as good news to some of the LDCs that were close to reaching the former ceiling after preparation and implementation of their NAPAs under the LDCF.

103. Because resources for the LDCF and SCCF are provided by developed countries on a voluntary basis, it is not possible to accurately predict the amount of resources available to any given country in the future. As a result, these Funds cannot be considered predictable and sustainable. The GEF and the GCF may consider collaborating in the allocation of funds and the use of funding pathways that may include the use of the LDCF and the SCCF.

104. Like the GEF, the GCF is expected to have a replenishment process over time. The GCF has agreed on initial parameters for the allocation of its resources. The Fund will aim for a 50:50 balance between mitigation and adaptation over time, and aim for at least 50 per cent of the adaptation finance to be allocated to particularly vulnerable countries, including LDCs, SIDS and African States. Moreover, the Fund will manage access to resources with a view to seeking geographic balance and a reasonable and fair allocation across a broad range of countries, while maximizing the scale and transformational impact of the mitigation and adaptation activities of the Fund.

105. Furthermore, the Board also decided to maximize the engagement of the private sector, including through significant allocation to the Private Sector Facility.[81] In addition, country circumstances and needs for finance will be considered as part of the investment framework of the fund, which will present the basis for project selection.[82]

4. Role of the Financial Mechanism in scaling-up the level of resources

106. Mobilizing additional resources for achieving global environmental benefits has always been at the core of GEF's activities. Several approaches have been pursued by the GEF to achieve this objective.

107. Co-financing is by far the most prominent approach used by the GEF to mobilize resources from other channels including governments, bilateral agencies, Multilateral Development Banks (MDBs), foundations, non-governmental organizations (NGOs) and the private sector. Despite some of the concerns on co-financing mentioned in earlier sections, co-financing is widely considered as beneficial to programmes and projects of the GEF, with the highest co-financing ratios achieved for climate change. Co-financing ratios are particularly high for programs implemented by MDBs who often use finance from the GEF for technical assistance and capacity-building programs as part of large scale investments using loans and other instruments.[83]

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[80] <http://www.thegef.org/gef/sites/thegef.org/files/publication/23469_LDCF.pdf>.
[81] Decision B.06/06 of the GCF Board.
[82] Decision B.07/06 of the Board of the GCF.
[83] 83 Smita Nakhooda and Maya Forstater, The Effectiveness of the Global Environment Facility, ODI (London) 2013.

108. One outcome of the efforts of the GEF to engage private sector actors has resulted in access to increased resources through private sector co-finance. The OPS 5 concludes that the GEF has engaged a wide variety of for-profit entities with diverse industry focus, size, and approach to environmental issues. There are some examples of successful engagements with the private sector which have led scaling-up and market change, particularly in the Climate Change Focal Area.[84]

109. In fact, the GEF has a growing emphasis on addressing the policy and regulatory barriers to mitigation. For example, GEF-5 has supported public private partnerships with the African Development Bank (AfDB) to attract private investment in clean energy in Sub-Saharan Africa. It is also working with the European Bank for Reconstruction and Development (EBRD) to establish a structured financing facility to catalyse the creation of energy efficiency and Energy Services Company (ESCO) markets in Egypt, Jordan Morocco, and Tunisia. A Public Private Partnership program with the Inter-American Development Bank (IADB) that will fund both climate change and biodiversity programs is underway. The GEF also engages small and medium enterprises in this initiative by partnering with the United Nations Industrial Development Organizations (UNIDO)to run a competition pilot to feature and support small and medium enterprises to develop clean technologies.[85] As for adaptation, private sector's involvement in the LDCF and SCCF is still at an exploratory stage.

110. In its current replenishment cycle, the GEF aims to strengthen private sector engagement through new programmes and instruments, such as the integrated approach and the non-grant instrument which provides opportunities to mobilize resources from the private sector.

111. At the time of drafting this report, the resource mobilisation process for the GCF is getting underway. The outcome remains to be seen, but there are high hopes for capitalisation at scale through a balance of instruments that will allow the Fund to offer both grants and loans with adequate risk tolerance to achieve the objectives of the Fund.

D. Delivery and effectiveness of financial resources

112. The delivery and effectiveness of finance, especially by the operating entities, are issues of paramount concern to all Parties to the UNFCCC. This section reflects on the emerging experiences of the GEF, the LDCF and SCCF. It is based on a review of the literature of these funds, a detailed analysis of available evaluations of their performance to date, and complemented by interviews with stakeholders of the Funds.

113. Insights from this section may be useful in deliberating on the effectiveness of the Financial Mechanism in providing financial resources for the implementation of the Convention and the effectiveness of the Financial Mechanism in providing resources to developing country Parties under Article 4, paragraph 3, of the Convention.

1. Accessibility

114. Non-Annex I Parties to the UNFCCC, countries eligible to borrow from the World Bank and eligible recipients of UNDP technical assistance are able to access the GEF. Programs must be consistent with national priorities while also delivering global environmental benefits. The same requirements apply for the SCCF, although the needs of the most vulnerable countries in Africa, Asia, and the SIDS are to be prioritised. The LDCF focuses on the needs of the 48 LDCs[86] which are particularly vulnerable to the adverse impacts of climate change. The accessibility of the GEF has been a substantial concern for recipient countries, particularly for smaller and less developed countries that have more modest capacity access the GEF network.

[84] GEF/R.6/17, final report of the OPS 5, section 7.7 on private sector engagement.
[85] Smita Nakhooda and Maya Forstater: The effectiveness of climate finance: a review of the Global Environment Facility.
[86] Previously 49 LDCs.

115. The GEF can only be accessed through its implementing Agencies (listed in box 4 below). Both the SCCF and the LDCF rely on the same implementing Agencies as the GEFTF and efforts are being made to expand the range of partners, as elaborated below. Historically, the World Bank (WB) has played a prominent role in implementing GEF projects; however, today UNDP implements the largest number of GEF, SCCF, and LDCF climate change projects[87]

Box 4: The Agencies of the GEF

Implementing Agencies

- The World Bank (WB)
- United Nations Development Programme (UNDP)
- United Nations Environment Programme (UNEP)

Executing Agencies

- Asian Development Bank (ADB)
- African Development Bank (AfDB)
- European Bank for Reconstruction and Development (EBRD)
- Inter-American Development Bank (IDB)
- International Fund for Agriculture and Development (IFAD)
- Food and Agriculture Organization of the United Nations (FAO)
- United Nations Industrial Development Organization (UNIDO).

Newly Accredited Project Agencies

- WWF US
- Conservation International
- Development Bank of South Africa (DBSA)
- International Union for the Conservation of Nature (IUCN)

Source: GEF 2014
http://www.thegef.org/gef/gef_agencies

116. Several factors shape the accessibility of finance at the GEF. These include: (i) GEF's allocation parameters (addressed in the precedent section on mobilization of financial resources); (ii) GEF's procedures and those of its Agencies; and (iii) the capacity of countries to formulate and develop proposals. The operating modalities of GEF Agencies also affect the accessibility of resources. In interviews, some recipient countries noted that the programing of their STAR allocation is often influenced by the processes, timelines, and capacities of the Agencies through which they work. While some of the barriers to accessing GEF Fund were solved with the STAR allocation system, co-financing remains an issue to access, especially for LDCs and SIDS. Moreover, some countries, however, stressed the value of having local representatives of GEF Agencies that they can engage directly in improving the accessibility of the GEF. They also highlighted the importance of the track record and expertise of the Agency on the relevant issue area.

117. The GEF Secretariat is taking steps to directly engage with countries to increase their awareness and understanding of policies and procedures, through dialogues at national level and other such mechanisms. In GEF-5, the decision was taken to allow developing country institutions to have "direct access" to the GEF (i.e. without working through GEF Agencies) for enabling activities such as the development of national communications to the UNFCCC and for NPFEs. The goal has been to support countries to make more strategic allocations of available resources.

118. Reviews of the experience to date with NPFEs found that in general they were useful to countries, but steps could be taken to strengthen their effectiveness as a tool for facilitating national ownership.[88] The Mid Term Evaluation of NPFEs concluded that they had been of moderate value as a capacity-building tool in countries where stakeholder capacity was low at the outset. However, the NPFE was not found to be effective in supporting more efficient GEF programming.

[87] UNIDO, UNEP, and finally the World Bank are the other major implementers of GEF projects.
[88] GEF Evaluation Office, 2014, Mid-Term Evaluation of the National Portfolio Formulation Exercise.

119. In the case of the LDCF and the SCCF, user friendly guides explaining fund structure and how to access them were developed to help ease navigation for countries, and regional workshops have included elements on accessing and programming resources of the LDCF. Whilst these efforts have been broadly helpful in clarifying procedures, the need for wider dissemination of guidelines, and further work to help countries navigate complex procedures is recognised.

120. One response to critiques of difficulties with accessing the GEF has been to expand the range of Agencies with which the country could work. Greater choice and competition, it is hoped, will improve access to the fund, and reduce the fees associated with access. This responds to some expressed dissatisfaction with current Agencies. For example OPS5 notes that some operational focal points commented that "agencies are mostly visible when they need an endorsement letter, and less visible after a project has been approved."[89]

121. In 2011 a pilot programme to accredit new implementing partners was initiated with the aim of accrediting up to ten institutions with at least half based in developing countries. The process is overseen by an accreditation panel, and has moved relatively slowly. In June 2013 the GEF Council announced that two international NGOs, WWF US and Conservation International (CI), would become GEF implementing agencies. Additionally, as of July 2014, the Development Bank of South Africa (DBSA) and International Union for the Conservation of Nature (IUCN) has been approved and the Chinese Foreign Economic Cooperation Office (FECO) has received conditional approval. Four agencies; the Brazilian Biodiversity Fund (FUNBIO), the Andean Development Bank (CAF), Banque Ouest Africaine de Développement (BOAD) and the Russian Federation VTB Bank were asked to implement improvements, and, in so doing, their compliance with the requirements would then be reviewed. An application from Peru's Fondo Nacional del Ambiente (FONAM) was rejected.[90]

122. In general, and as discussed earlier, (in section on Governance above) the pilot accreditation program has taken longer than many stakeholders expected as demonstrating compliance with the GEF's environmental and social safeguard policy requirements has been particularly difficult.[91]. The implications of these expanded GEF partnerships for its activities on climate change remain to be seen.

123. As for the GCF, its readiness programme is intended to support better direct engagement between the Fund and countries, which will have the option to develop strategic frameworks for engagement with the fund if desired. The GCF readiness programme will also provide technical and capacity-building support for implementing entities (particularly national and sub-national institutions) who may not yet meet the standards of the fund. At its seventh meeting, the GCF Board adopted the initial guiding framework for the Fund's accreditation process,[92] and therefore the mechanics of readiness support for accreditation are being developed to meet the ensuing needs in developing countries.

2. Disbursement

124. Generally, the speed and efficiency of disbursement through the GEF appears to be improving, although there are significant challenges. The OPS 5 finds that "all in all, there is an average of two years before the first disbursements for projects take place."[93] The study reflects on the timeliness of project implementation, drawing primarily on data regarding UNDP and the WB managed projects, and finds that in general the proportion of projects completed on time has been increasing. The number of projects delayed by more than two years is substantially reduced from GEF 4 levels according to the OPS 5, and GEF annual impact monitoring reports. However, slow disbursement continues to be a reason for project delays.

[89] GEF Evaluation Office, 2014, Fifth Overall Performance Study of the GEF (OPS 5) Final Report: At the Crossroads for Higher Impact.
[90] Full details on the accreditation panel process are available on the GEF website, at <http://www.thegef.org/gef/agencies_accreditation>.
[91] Smita Nakhooda and Maya Forstater, The Effectiveness of the Global Environment Facility, ODI (London) 2013.
[92] GCF Board decision B.07/02.
[93] GEF Evaluation Office, 2014, Fifth Overall Performance Study of the GEF Final Report: At the Crossroads for Higher Impact. Online: <http://www.thegef.org/gef/OPS5>.

125. The GEF reports on project level fund approval, and the status of project implementation. However, detailed information on the amount of funding that has actually been disbursed by the Agencies to the recipient countries partners has not recently been made available in an integrated form. The GEF Secretariat did prepare some initial analysis on disbursement across agencies for its 2013 Annual Monitoring Review for the meeting of the GEF Council in May 2014, and a more in-depth analysis is underway The report found that in general, the timeliness of disbursement appears to be improving, and initial data from the GEF-5 cycle suggest that 95 per cent of projects had their first disbursement within 5 months of approval, as compared to only 49 per cent in the GEF 4 cycle.[94] However the report highlights the lack of reliability of data on disbursement, due to a lack of standard definitions of when "disbursement" takes place amongst implementing agencies, (see box 5 below). The report signals that a process to harmonise reporting on this count will begin, and more detailed interrogation of the results will be forthcoming.

126. By contrast, there has been significant emphasis on disbursement in the SCCF and LDCF, whose annual reports include an update on the status of commitments and disbursement. In the case of the LDCF, the May 2014 annual monitoring report finds that active projects amount to USD134.98 million as of 30 June 2013, of which USD46.49 million had been disbursed, representing an average disbursement rate of 37.84 per cent.[95] The SCCF had committed USD94.29 million to 21 projects by 30 June 2013 of which USD33.22 million or 32.45per cent had been disbursed.[96]

Box 5: Examples of disbursement definitions by the different GEF Agencies

ADB, IFAD, IADB, UNEP:	Date when authorization for financial withdrawals is made
UNIDO, UNDP:	Date when financial authorization is committed
AfDB:	Date when conditions for first disbursement are fulfilled
World Bank:	Date when project is declared effective

127. Efforts are underway to strengthen GEF project monitoring systems in order to be able to provide better information on their status. These systems could be refined to provide project level information on disbursement. Over time, simplified results reporting could also be incorporated into such formats in a structured way, and incorporated into recognised needs to improve learning across the portfolio. Notwithstanding the need for better information on disbursement, there is a need for more detailed analysis of the reasons for slow disbursement.

3. Country-ownership of projects and programmes

128. The GEF-5 process has had a greater focus on measures to strengthen country-ownership, so that investments are directed towards priority sectors, technologies, and activities identified by recipient countries. Projects must be supported by a letter from the country operational focal point when submitted to the GEF. The GEF also supports dialogues at national level to facilitate stakeholder consultation, helping to identify country priorities, increasing country-ownership and coordination. In the past, these were primarily attended by the GEF political and operational focal points, but they now include other stakeholders including representatives of civil society.

[94] GEF/C.46/04, GEF Annual Monitoring Review (AMR) FY13:PART II.
[95] GEF FY 13 Annual Monitoring Review of the Least Developed Countries Fund and the Special Climate Change Fund, 1 May 2014.
[96] GEF FY 13 Annual Monitoring Review of the Least Developed Countries Fund and the Special Climate Change Fund, 1 May 2014.

129. Countries are now also supported to undertake NPFEs to engage across government and relevant stakeholders on how GEF resources should best be used and prioritised and therefore identify a set of project ideas that will best utilize the funds allocated from the GEF. Should they wish to undertake NPFEs, up to USD 30,000 is available to help countries do so, in consultation with relevant stakeholders.

130. A mid-term evaluation of NPFEs found that in the majority of cases, the NPFE provided a helpful framework for interaction between the Fund and stakeholders at country level. However uptake was relatively low. Only 42 countries participated, of which only 35 submitted their results to the GEF Secretariat.[97] The review further suggested that these exercises would be more useful at the end of a GEF cycle, rather than at the beginning, as happened in the pilot phase, so they can inform programming of the resources under the new cycle.

131. Additionally, mid-term reviews of experience with the STAR suggest that the clarity that countries now have on the scale and scope of their GEF allocation can help strengthen ownership of programming process.[98] This finding is echoed in the OPS 5, although it notes that this strengthened government ownership may come at the cost of finance for private sector led activities. [99]

132. Overall, while provisions for greater ownership are being strengthened, there is a recognised need to continue to deepen engagement. Countries interviewed in undertaking this review recognised that GEF supported programs respond to their needs and circumstances. They noted that the direct engagement of the different Ministries (Environment, Finance, etc. as appropriate) in managing spending can help strengthen ownership, while acknowledging capacity constraints to make sufficient time from key staff available. The OPS 5 was generally positive with respect to the extent to which recipient countries were perceived to have ownership of GEF supported programs.[100] This was reinforced during GEF-5 with the undertaking of NPFEs by some developing countries as it helped to facilitate stakeholder engagement on how best to use the country allocations.

133. With respect to the SCCF, the 2012 evaluation concluded that while most programs were highly relevant to national programs, "stakeholder ownership and commitment to SCCF projects is ambivalent in several cases".[101] It further noted that while civil society organisations are involved in implementation of some programs, in many cases there is no evidence of wider stakeholder engagement in programming. On the LDCF, a particular concern raised in the 2009 evaluation was the fact that, in some countries, governments and national stakeholders did not play a central enough role in the development of NAPAs.[102] Over time, however, guidelines for deeper country engagement in NAPA development have emerged, and the proposed approach to the development of NAPs seeks to strengthen national ownership, with improvements in stakeholder engagement noted in the 2013 AMR.[103]

134. The principle of country-drivenness has been a driving principle in the design of the GCF. It is also a key element of the GCF Investment Framework approved in May 2014. Coherence with national policies and strategies, institutional capacity, and engagement with national stakeholders will be key consideration in approving programs to be supported by the GCF.

[97] GEF Evaluation Office, 2014, Mid-Term Evaluation of the National Portfolio Formulation Exercise.
[98] GEF Evaluation Office, Mid Term Review of the GEF System for Transparent Allocation of Resources (STAR) 2013.
[99] GEF Evaluation Office, OPS 5 Final Report: At the Crossroads for Higher Impact..
[100] GEF Evaluation Office, OPS5: Meta Evaluation on Country-ownership and Drivenness (Technical Document # 6), 2013.
[101] GEF Evaluation Office, Evaluation of the Special Climate Change Fund, 2012.
[102] COWI and IIED, 2009, Joint external evaluation of the Least Developed Countries Fund for Adaptation to Climate Change.
[103] GEF *FY13 Annual Monitoring Review of the Least Developed Countries Fund and The Special Climate Change Fund,* May 2014.

135. Countries will nominate a "National Designated Authority (NDA)" that is to engage national stakeholders in agreeing on strategic priorities for the Fund and seek to strengthen its foundation in national processes and priorities. Countries will have flexibility in how they structure their NDA, but the initial guidance on operationalization of an NDA prepared by the GCF Secretariat indicates that within their country, they should be able to facilitate coordination with key stakeholders, and influence economic and financial issues.[104] The Fund places a strong emphasis on consultation with stakeholders including government, subnational institutions, civil society and the private sector.

136. The GCF Secretariat is beginning the process of engagement with countries to understand priorities. The GCF Readiness Program will support strengthening NDA arrangements so that governments and public and private sector stakeholders can engage in deliberations over how to program available resources. It will be important to build on the experience of the GEF with national stakeholder dialogue, to ensure that these processes are robust, inclusive and effective.

137. In addition, the GCF governing instrument provides for a "no-objection" procedure aimed to ensure that all projects align with national priorities. The details of this mechanism remain to be agreed by the GCF Board. The Board is also debating options to "enhance" direct access and give national stakeholders and institutions greater control over programming and spending of resources in line with national priorities. Finding the right balance between provisions that will allow countries requisite flexibility and autonomy in programming resources and provisions that ensure accountability for delivery of finance in adherence with the standards of the Fund and its evolving investment and results frameworks has been an issue of much deliberation.[105]

4. Sustainability of funded projects and programmes

138. From 2006 to 2013 the GEF Independent Evaluation Office reported that 298 Climate Change projects were rated for sustainability, of which 70% were rated moderately satisfactory or higher. GEF climate change programs have been assessed in terms of the extent to which initiatives have been adopted more widely. The OPS 5 concludes that there was broader adoption of some (66 per cent) of initiatives related to the majority of projects.[106] In the majority of cases, the wider adoption was reflected in the mainstreaming of relevant practices or considerations into wider practices, policies or regulations. Mainstreaming of the relevant practices, however, normally requires time that goes well beyond the life of the project. Risks to sustainability include staff turnover and changes in government priorities as potential impediments to both successful implementation and sustainability.[107]

139. In the case of the SCCF, evaluators concluded that "most projects include explicit provisions for the replication and scale-up of results after project completion through the co-financing made available" but in practice, evidence of scale-up or sustainability has been mixed, as a result of political and administrative barriers in some cases, and funding barriers in others.[108]

140. Evaluator's views on the sustainability of the LDCF are similarly mixed. The lack of clear guidance on how NAPAs should be developed, and the slow pace at which they proceed, has meant that by the time they were complete, the technical outputs of NAPAs were not always still relevant. Furthermore, questions have been raised about the sustainability of NAPAs when led by external consultants rather than government and national stakeholders.[109]

[104] GCF B.06/07, Country-ownership-- Secretariat Draft Proposal, February 2014. Available at <http://gcfund.net/fileadmin/00_customer/documents/pdf/Country_Ownership_fin_20140211.pdf>.
[105] Louise Brown, Clifford Polycarp, and Margaret Spearman. Within Reach: Strengthening Country-ownership and Accountability in Accessing Climate Finance.
[106] GEF Evaluation Office, 2014, GEF OPS 5 Final Report: At the Crossroads for Higher Impact.
[107] GEF Evaluation Office, 2014, OPS 5 Final Report: At the Crossroads for Higher Impact.
[108] GEF Evaluation Office, 2012, *Evaluation of the Special Climate Change Fund.*
[109] COWI and IIED. (2009). Joint external evaluation of the Least Developed Countries Fund for Adaptation to Climate Change.

141. In the case of the GCF, the fact that the fund is not yet fully operational and has no track record of implementation means that it is not possible to comment on the sustainability of the programs it is funding. However, through its results and investment frameworks, the Fund is cognisant of the need to ensure programs are sustainable. This consideration also needs to be built into the wider risk management framework of the Fund.

5. Enabling environments

142. The GEF-5 outcome area 6 included a focus on "enabling activities" that will support countries to meet UNFCCC requirements such as national communications and technology needs assessments. While these information tools can certainly support strengthened enabling environments, the focus of UNFCCC dialogues on climate finance has been on the policies, regulations, institutions and governance in recipient countries that will enable low carbon and climate resilient development. Capacity development has also been an important consideration in this regard.

143. A recent GEF evaluation of mitigation projects in China, India, Mexico and Russia concluded that projects that have adopted "comprehensive approaches to address market barriers and specifically targeted supportive policy frameworks" have been the most impactful.[110] In several cases, GEF funding has supported the costs of technical assistance or capacity-building that complements or supports investment programs financed by implementing agencies and others. The combination of GEF grant finance for feasibility studies with investment in interventions to demonstrate and scale-up interventions may be particularly catalytic.[111]

144. Technical papers assessing GEF support for mitigation for the OPS 5 documented causal links between GEF support and key policy changes in a third of the projects that it reviewed.[112] The evaluation emphasized the importance of public sector institutions, strategies and policies, in providing appropriate framework and enabling environment to private sector replication of the approaches piloted. Finally, it emphasised the importance of capacity-building components of programs that target public institutions, knowledge centres, and the private sector, in supporting the mainstreaming of climate programmes. It found that enabling programs that engaged key non-governmental stakeholders, including the private sector who could be advocates for policy change, were more successful.[113]

145. The GCF has the potential to improve the enabling environments in developing countries for the effective use of climate finance,. The initial investment framework approved at the seventh meeting of the GCF Board recognises strengthening enabling environments such as policies, rules and regulations, institutions and governance that enable low carbon and climate resilient investment as key to investments that realise a "paradigm shift". In addition, the initial results framework guidance approved by the Fund similarly recognizes the need to monitor improvements in policies, regulations and institutional capacity.[114] Finally, an objective of the readiness support will be to help countries strengthen the strategic framework through which they access GCF resources, and develop investment programs that will respond to the investment criteria and results framework of the Fund, both of which appear to recognize the importance of enabling requirements. While it is too early to reach conclusions about the impact of such provisions, there is ample room for the GCF to learn from the experiences of other Funds. It can do this by linking investments with focused efforts to engage stakeholders within countries in programming, strengthening the enabling environment, technical assistance and capacity-building.

[110] GEF Evaluation Office, 2013, *Climate Change Mitigation Impact Evaluation: GEF Support to Market Change in China, India, Mexico and Russia.*
[111] Smita Nakhooda and Maya Forstater, *The Effectiveness of the Global Environment Facility,* ODI: London, 2013.
[112] GEF Evaluation Office, OPS5: GEF Climate Change Mitigation GHG Analysis (Technical Document#20), 2013.
[113] GEF Evaluation Office, 2013, *Climate Change Mitigation Impact Evaluation: GEF Support to Market Change in China, India, Mexico and Russia.*
[114] Proceedings of the 7th Meeting of the GCF Board, May 2014 < http://www.gcfund.org/fileadmin/00_customer/documents/MOB201406-7th/GCF_B07_12_Report_7th_Board_Meeting_fin_20141015.pdf. >

E. Results and impacts achieved with the resources provided

146. This section of the review reflects on the impacts and results that are being achieved by the GEF, SCCF, and LDCF. The GCF is not yet operational, and its results framework remains under development. It is, therefore, largely excluded from this discussion. This analysis draws heavily on the OPS 5 and underlying technical papers on mitigation and adaptation, GEF annual impact monitoring reports, as well as GEF reporting to the COP. It also draws on secondary research and academic literature on the impact of the GEF.

147. Insights from this section may be useful in deliberating on the effectiveness of the activities funded by the Financial Mechanism in implementing the Convention.

1. Mitigation results achieved

148. The technical paper on GEF support for mitigation prepared for OPS 5 found that as of June 30, 2013, the GEF has allocated a total of USD3.3 billion to 615 projects that address climate change mitigation. This includes climate change focused programs from activities that reduce emissions from deforestation and degradation in developing countries, alongside support for sustainable forest management. In GEF-5, some countries were given access to additional funding if they allocated a minimum portion of their STAR allocation to projects focused on forests and climate change. Of this, USD 3.1 billion has been allocated to 547 projects with explicit mitigation targets. The total amount of direct and indirect mitigation expected from these 547 projects is 2.6 and 8.2 billion tons of CO2eq emissions, respectively, or 10.8 billion tons combined.[115]

149. The GEF has invested in standardised tools and formats for reporting on greenhouse gas (GHG) emission reductions, and a separate template for reporting on emissions from REDD+ interventions.[116] As a result, there is relatively complete and comparable information on GHG emission reductions from the GEF.

150. GEF IEO evaluations of mitigation stress the difficulties of consistent reporting.[117] The key underpinning parameters are dynamic, and this may result in substantial changes to realised GHG emission reductions: for example, national grid emission factors will change as the energy mix in the region changes. Similarly, assumptions about the future benefit period for an intervention shape expected emission reductions. It makes a great deal of difference where one places the boundaries on a GHG account, that is, to include only direct reductions or indirect reductions as well. Moreover, some GEF support for technical assistance or capacity-building may enable a project that results in emission reductions to happen, but the narrow component supported by the GEF might not deliver direct reductions.[118]

151. Similarly, assessing the cost effectiveness of interventions can be difficult: when assessed on the basis of GEF contributions, costs per ton of CO_2eq are fundamentally affected by whether co-financing is taken into account. If only GEF funds are used, then costs per unit are much lower than if co-finance is also accounted for.[119] GEF evaluations of mitigation completed for OPS 5 observe that costs vary across interventions substantially from USD1 - USD10 per ton, and vary further depending on whether one factors in estimates of indirect emissions.[120]

152. The GEF Council has requested the GEF Secretariat to collaborate with the Scientific and Technical Advisory Panel (STAP) to develop better systems and they have put in a technical working group process

[115] GEF Evaluation Office, *OPS5: GEF Climate Change Mitigation GHG Analysis (Technical Document#20)*, 2014.
[116] GEF REDD+ Tracking Tool. Available online at <http://www.thegef.org/gef/TT/SFINANCIAL MECHANISM-REDD>.
[117] GEF Evaluation Office, 2013, *Climate Change Mitigation Impact Evaluation: GEF Support to Market Change in China, India, Mexico and Russia.*
[118] Smita Nakhooda and Maya Forstater, The Effectiveness of the Global Environment Facility, 2013.
[119] The same report suggests that forest emission reductions are generally least cost on a direct emission basis, at USD 2 per ton. The median cost is USD 5.8 per ton, and the average cost is USD 1.2 per ton. The evaluation concludes that the costs of emission reductions, however, are generally competitive and in line with costs incurred in comparable CDM projects.
[120] GEF Evaluation Office, *OPS5: GEF Climate Change Mitigation GHG Analysis (Technical Document#20)*, 2014.

aimed at delivering better guidance by January 2015.[121] Three working groups will seek to develop better ex-ante methodologies (particularly in Land Use, Land-Use Change and Forestry (LULUCF) and for urban areas), to improve GHG emission estimation systems, and strengthen implementation at all project cycle levels. These efforts are expected to improve accuracy of impact measurement whilst ensuring that additional burdens are not placed on the project development process. [122]

153. Evaluations note that while the reductions may be significant in absolute terms, they are small compared to the scale of the global GHG mitigation challenge.[123]

154. GEF evaluations suggest that the climate change mitigation focal area of the GEF is high performing. A review of 212 CCM projects, including 167 Full Size Projects and 45 Medium Size Projects completed in the context of the OPS 5 found that 80 per cent of projects were rated "Moderately Satisfactory" or higher in likelihood of achieving objectives, and 78 per cent moderately satisfactory or higher in terms of implementation progress.[124] The most recent Annual Monitoring Review notes that "the GEF CCM catalytic effects have been achieved through five approaches[125]:

(a) Government policy development;

(b) Demonstration of state-of-the-art technologies;

(c) Institutional development and capacity-building;

(d) Engagement of the private sector;

(e) Promotion of public awareness on clean energy technologies.

155. The need for better and standardised systems to assess other outcome areas and indicators related to co-benefits is recognised, though this has not been a central focus for the Facility [126] In practice, project implementers report on a diversity of issues, using different methodologies and priorities. The need to simplify and streamline the results management framework of the GEF is recognised, and a process to this end has begun.

2. Adaptation results achieved

156. The GEF, LDCF and SCCF have all supported focused efforts to support countries to adapt to and strengthen their resilience to the impact of climate change. Over time, frameworks for monitoring and assessing the impact of these programs through a common results framework have emerged. In 2008 a joint Adaptation and Monitoring Assessment Tool (AMAT) was adopted and has been refined over the years, with its most recent iteration released in 2012. The excel-based tool is used three times over the life of a project to present information on progress.

157. Technical papers on adaptation to climate change prepared as inputs into the OPS 5 highlighted the fact that programs financed through the LDCF largely reflected the priorities that were identified as a result of the NAPA Process.[127] They noted that "of the 51 projects reviewed representing 35 countries, 58 per cent are aligned with the highest priority and 42 per cent with a high priority of the NAPA."[128] In May 2013, an MSP funded by the LDCF to assist LDCs with country-driven processes to advance National Adaptation Plans

[121] GEF/C.46/Inf.1 Proposals for the improvement of the methodology of Greenhouse gas emission reduction calculations April 2014.
[122] GEF Proposals *for the Improvement of the Methodology of Greenhouse Gas Emission Reduction Calculations April 2014*
[123] GEF Evaluation Office, *OPS5: GEF Climate Change Mitigation GHG Analysis (Technical Document#20),* 2014.
[124] GEF Evaluation Office, *OPS5: GEF Climate Change Mitigation GHG Analysis (Technical Document#20),* 2014. This exceeds the target that the GEF council set, for at least 75 per cent of programs to be moderately satisfactory.
[125] GEF Annual Monitoring Review (AMR) FY13:PART II GEF/C.46/04, May 1, 2014.
[126] GEF Evaluation Office, 2013, *Climate Change Mitigation Impact Evaluation: GEF Support to Market Change in China, India, Mexico and Russia.* This finding was also echoed in interviews with GEF Council members.
[127] GEF Evaluation Office, OP5S: Adaptation to Climate Change Technical Paper #19, 2014.
[128] GEF Evaluation Office, 2014, *Fifth Overall Performance Study of the GEF OPS 5 Final Report: At the Crossroads for Higher Impact.*

process (NAPs) was approved. The program is coordinated by UNDP, and aims to strengthen institutional and technical capacities for iterative development of NAPs.[129]

158. In general, project appraisals and evaluations suggest that the performance of the LDCF portfolio is relatively strong. As at June 30, 2013, the 39 projects contained in the active portfolio of the LDCF had already reached an estimated 240,000 direct beneficiaries and trained nearly 30,000 people in various aspects of climate change adaptation. Through these 39 projects, more than 120,000 hectares of land had also been brought under more resilient management. Moreover, 16 national policies, plans or frameworks in six LDCs had been strengthened or developed to better address climate change risks and adaptation, while 13 projects had enhanced climate information services in 12 LDCs.[130]

159. Under the SCCF, 24 projects were estimated to have reached more than 1 million direct beneficiaries and trained nearly 1,500 people in various aspects of climate change adaptation. Through these 24 projects, more than 210,000 hectares of land had also been brought under more resilient management. Moreover, 23 national policies, plans or frameworks in 18 countries had been strengthened or developed to better address climate change risks and adaptation, while 6 projects had enhanced climate information services in 14 countries.[131]

3. Technology Transfer

160. Support for technology transfer has been a renewed focus of the GEF in express response to the adoption of the Poznan Strategic Work Program on Technology under the UNFCCC and the creation of a technology mechanism.

161. The GEF and the UNEP led Climate Technology Centre and Network (CTCN) has made concerted efforts to bring their activities on technology into greater alignment and complementarity. The GEF has attended meetings of the CTCN Advisory Board to facilitate consultation and information sharing.[132] The GEF reports efforts to identify projects that can provide practical experience or support the CTCN. Efforts are being made to ensure complementarity and learning, including through biannual meetings to monitor project progress, and reflect on experiences gained. The GEF has now also provided financial support to the CTCN: in June 2014 a USD 1.8 million medium size GEF project was approved.[133]

162. The first objective of the GEF-5 climate change strategy was to promote the demonstration, deployment, and transfer of innovative low-carbon technologies. Several funded projects addressed aspects of technology transfer, predominately related to market transformation for specific technologies. [134] This does not, however, highlight particular funding for technology transfer but rather for projects with some element of transfer inclusion in their wider remit. The GEF-5 long term program on technology is positioned as a response to UNFCCC guidance. In this context, the GEF provided USD 52 million to four regional technology networks in Africa, Asia, Europe and Latin America in partnership with their respective regional development banks.[135]

163. GEF reports to the UNFCCC recognise that there has been a relatively modest focus so far on technology transfer for adaptation. Only one adaptation project was received in response to a 2009 call for

[129] It targets12 priority countries, while other developing countries may also take advantage of resulting tools and methodologies (GEF Report to UNFCCC 2013)
[130] GEF *FY13* Annual *Monitoring Review of the Least Developed Countries Fund and The Special Climate Change Fund,* May 2014.
[131] GEF *FY13* Annual *Monitoring Review of the Least Developed Countries Fund and The Special Climate Change Fund,* May 2014.
[132] <http://www.thegef.org/gef/sites/thegef.org/files/documents/document/Addendum%20COP19%20Report%20-%20GEF%20consultation%20with%20CTCN.pdf>.
[133] FCCC/CP/2014/2, GEF Report to COP 20, p. 36.
[134] SBI40 *Report of the Global Environment Facility on the progress made in carrying out the Poznan strategic programme on technology transfer May 2014.*
[135] GEF, Report to the UNFCCC on GEF Consultation with the Climate Technology Center and Network, October 2013. The respective banks are the EBRD for Europe, ADB for Asia, IDB for Latin America, and the AfDB for Africa. <http://www.thegef.org/gef/sites/thegef.org/files/documents/document/Addendum%20COP19%20Report%20-%20GEF%20consultation%20with%20CTCN.pdf>.

projects to support technology transfer.[136] Nevertheless, technology transfer is an objective of the adaptation results framework for the GEF, SCCF and LDCF.

164. Impact monitoring reports from the GEF note that 42 of 71 LCDF projects with relevant objectives contribute directly to technology transfer. Evaluations of GEF programs highlight the overarching linkages between GEF interventions and the wider conditions necessary to enable technology transfer. The OPS 5 concluded that: "technologies were the most broadly adopted type of intervention after policies and regulations." The report further notes the link between technology transfer as an impact, and as an input into wider efforts to support effective finance for climate change, recognizing that "mainstreaming typically took place because of financial incentives provided by the national government to adopt the technologies. Replication was typically taken on by the private sector as a result of data showing that a technology was both cost-effective and profitable. Thus, sound monitoring demonstrating the benefits of a technology is crucial to its broader adoption"[137] The GEF's FY 13 AMR report further highlights the importance of good cooperation between private and public sectors for technology transfer projects.

165. GEF investments in technology have supported global learning efforts. For example, most evaluations of the GEF experience with support for Concentrating Solar Thermal Power (CSP) emphasized slow processes of implementation, and modest impacts of the program as conceived [138] Yet many of the lessons from these experiences have been incorporated into recent efforts to scale-up CSP, including through regional programs supported by the GEF itself and other Donors in the Middle East and North Africa. These new initiatives appear to be having some promising results, including with public private partnership models.[139] While disciplined approaches must be taken to technology transfer finance, there also needs to be room to experiment and, in some cases fail, in order to learn how to do things better.

166. Programming to support technology transfer will continue in GEF-6, and will seek to include and respond to national technology related priorities articulated in a country-driven manner, through the CTCN.[140]

4. Capacity-building

167. Evaluations, literature, and reports from the GEF Secretariat itself emphasise the centrality of capacity-building efforts to GEF projects. The GEF report to the UNFCCC of October 2013 notes that capacity-building is embedded in both mitigation and adaptation projects, and that there has been a particular focus on capacity-building for "enabling activities" for Convention obligations such as National Communications and Technology Needs Assessments. GEF self-reporting suggests that between 2012 and 2013, the GEFTF, the LDCF and SCCF-portfolios supported more than 200 standalone, multifocal area and cross-cutting capacity development projects. The total funding amounts to USD436 million.

168. During the GEF-5 cycle, cross-cutting funding, in addition to STAR allocations, was made available to strengthen capacity to manage global environmental issues at national level. These "Cross Cutting Capacity Building" (CB2) included (i) a National Capacity Self-Assessment (NCSA) (ii) strengthening capacity development elements in GEF projects (iii) targeted capacity development projects and (iv) country specific programs for addressing critical needs in LDCs and SIDS.

169. A 2013 evaluation of these CB2 activities included a survey of all focal points and government representatives that had been involved in these activities. Sixty per cent of those surveyed said that the activities had "very much" or "much" improved key capacities. It suggests that capacity-building programs

[136] GEF, *Report of the Global Environment Facility to the Conference of the Parties: Note by the Secretariat*, November 2013.
[137] GEF Evaluation Office, 2014, *Fifth Overall Performance Study of the GEF OPS 5 Final Report: At the Crossroads for Higher Impact*.
[138] World Bank evaluation of CSP experiences.
[139] CPI Ourzazate Case Study, 2013.
[140] Examples under the GEF-6 strategy include piloting advanced energy technologies, support for performance-based mechanisms, mitigation or reduction of emissions of short-lived climate forcers (SLCFs), as well as promotion of de-risking tools.

have "played a major catalyst role".[141] The approach of programming activities in response to NCSAs was seen to strengthen and ensure ownership. Many projects had a strong focus on national, regional and local coordination, including supporting inter-ministerial coordination, committees. The sustainability of these interventions, however, is debatable. The evaluation also concluded that the people involved in the implementation of these projects were largely satisfied with implementation arrangements, and appreciated their flexibility. However, the evaluation also stressed that these projects have not been very visible, well known or recognised by external stakeholders. In turn, there was a need to strengthen linkages between these cross-cutting activities and focal area programs that had capacity-building dimensions to them.

170. Other evaluations of the GEF, however, have been somewhat more critical of its approach. The OPS 5, for example, noted that operational focal points, NGOs, and some executing agencies expressed the view that "GEF Agencies are sometimes more interested in ensuring their continued role than in building national capacity to directly implement GEF projects." It did note, however, that operational focal points in SIDS and LDCs were generally more appreciative of the help that agencies offer in overcoming capacity constraints related to accessing and managing GEF resources. Another point of contention has been perceptions of reliance on international implementing agencies and consultants for the delivery of capacity-building programs, and to substitute for capacity gaps. However, short-cutting this constraint by employing consultants to do the work without proper engagement with government staff, and thereby capacity development, will often lead to a lack of national ownership of plans developed."[142]

F. Consistency of the Financial Mechanism with the objective of the Convention

171. This section will examine the consistency, or degree of adherence, that exists between the Financial Mechanism and the objective of the Convention. It will include an examination of the level of consistency of the programme priorities and policies of the GEF as the acting operating entity of the Financial Mechanism.[143] The GCF is not yet fully operational and it is thus premature to discuss how its efforts have been consistent with the objective of the Convention. The section is informed by the OPS 5; GEF Council documents; recent decisions providing guidance to the operating entities as well as documentation from the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

172. Insights from this section may be useful in deliberating on the effectiveness of the Financial Mechanism in terms of its conformity with the provisions of Article 11 of the Convention and the guidance provided by the COP.

The objective of the Convention

173. Article 2 of the UNFCCC stipulates that "the ultimate objective of this Convention and any related legal instruments that the Conference of the Parties may adopt is to achieve, in accordance with the relevant provisions of the Convention, stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner."[144]

174. The provisions of the Convention were agreed upon to meet the objective of the Convention and subsequent decisions taken by the COP hitherto have been adopted with the same aim, from the provision of initial guidance on policies, programme priorities and eligibility criteria to the operating entities of the Financial Mechanism, to the provision of further guidance provided by the COP thereafter.

[141] GEF, Capacity Development Study CB2, December 2013. Available at <https://www.thegef.org/gef/sites/thegef.org/files/Docs/CB2%20Study-Final%20Report%20December19-FINAL.pdf>.
[142] COWI and IIED, *Joint external evaluation of the Least Developed Countries Fund for Adaptation to Climate Change*, 2009.
[143] Article 11.1 of the Convention.
[144] <http://unfccc.int/files/essential_background/background_publications_htmlpdf/application/pdf/conveng.pdf>.

1. The extent to which the resources provided by the GEF contribute to achieving the objective of the Convention

Consistency measured in terms of strategies, programme and priorities

175. In the initial guidance by the COP to the GEF,[145] there is no explicit mention of "consistency with the objective of the Convention". This consistency is, however, integrated into the list of programme priorities identified in that initial guidance, as it mentions that:

(a) Priority and emphasis should be given to the funding of agreed full costs (or agreed full incremental costs, as appropriate) incurred by developing countries in complying with their obligations and other relevant commitments under the Convention; as well as to enabling activities undertaken by developing countries such as planning and endogenous capacity-building;

(b) Support from international and intergovernmental effort should be provided to activities aimed at strengthening research and technological capabilities for the implementation of the Convention in developing countries;

(c) Emphasis should be placed on improving national public awareness and education on climate change and response measures;

(d) Finance should be provided by the operating entity or entities of the Financial Mechanism for the formulation by developing countries of nationally determined programmes to address climate change issues which are in accordance with national development priorities, and the operating entity or entities of the Financial Mechanism should be available to assist, if so requested, in the implementation of the national programmes adopted by developing countries.

176. Further guidance by the COP to the GEF, in subsequent years, has been in accordance with the objective of the Convention. The GEF has reported that it continues to be responsive to such guidance by incorporating it into its climate change strategies, and by approving relevant projects and programmes, thereby assisting developing countries and economies in transition in meeting the objectives of the UNFCCC.[146] Moreover, the OPS 5 concludes the level of the responsiveness of the GEF to Convention guidance is high both at the strategic and portfolio levels.

177. In terms of the stabilization of GHG concentrations in the atmosphere, during GEF-5, the CCM Focal Area at the GEF has financed projects in the areas of technology transfer, energy efficiency; renewable energy; management of land use (LULUCF); and sustainable transport. The GEF has reported that the projects funded during GEF-5 are expected to mitigate over 510 Mega tons of Carbon Dioxide Equivalent (CO2 eq) directly or indirectly over their lifetime, satisfying the cumulative GHG mitigation target of 500 Mt of CO2 equivalent that was set for GEF-5.[147]

178. Along the same lines of the GEF-5, the GEF-6 CCM Program aims to support developing countries and economies in transition "to make transformational shifts towards a low emission development path". It has three objectives and five programmes (as outlined in table 5 below) which the GEF has designed to be aligned with the objective and provisions of the Convention.

Table 5: GEF-6 Climate Change Mitigation Focal Area Strategic Framework

CC objectives	*Programmes*
CC1: Promote Innovation, Technology Transfer and Supportive Policies and Strategies	Programme 1: Promote timely development, demonstration and financing of low-carbon technologies and mitigation options
	Programme 2: Develop and demonstrate innovative policy packages and market initiatives to foster new range of mitigation actions

[145] Decision 11/CP.1.
[146] <http://www.thegef.org/gef/climate_change>.
[147] FCCC/CP/2014/2, GEF report to COP 20, p. 14.

CC objectives	*Programmes*
CC2: Demonstrate Systemic Impacts of Mitigation Options	Programme 3: Promote integrated low-emission urban systems Programme 4: Promote conservation and enhancement of carbon stocks in forests and other land-use, and support climate smart agriculture
CC3: Foster Enabling Conditions to Mainstream Mitigation Concerns into Sustainable Development Strategies	Programme 5: Integrate findings of convention obligation and enabling activities into national planning processes and mitigation contributions.

Source: Report on the sixth replenishment of the GEF Trust Fund, <http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.A.5.07.Rev_.01_Report_on_the_Sixth_Replenishment_of_the_GEF_Trust_Fund_May_22_2014.pdf>, p. 62.

179. Funding for adaptation at the GEF is channelled through the LDCF and the adaptation window of the SCCF (the GEF Adaptation Programme). Overall, the operationalization of these funds by the GEF has been in line with their mandate and the guidance provided by the COP, being thereof consistent with the objectives of the Convention.

180. As the LDCF and SCCF are the main sources for adaptation financing in most developing countries, both Funds have contributed to assist their recipients in identifying and addressing their most pressing adaptation needs. As well, the Funds have supported developing countries in their transition towards a continuous and progressive planning process to also identify and address their medium and long-term adaptation needs. This goal will continue to be pursued by the GEF Adaptation Programme for its next cycle, as it aims to increase resilience to the adverse impacts of climate change in vulnerable developing countries.[148]

Catalytic role of the GEF

181. In order to achieve the objectives of the Convention, additional financial resources are needed to enhance the capacity of developing countries to pursue a low emission development path and reduce their vulnerability to the negative effects of climate change. The Convention stipulates that these resources shall be provided by developed country Parties through bilateral and multilateral channels including the operating entities of the Financial Mechanism.

182. As an operating entity of the Financial Mechanism, the GEF is endowed with resources to assist developing countries to meet the objective of the Convention. With annual commitments on Climate Change of about USD 600 million,[149] the GEF plays a relatively small but catalytic role in global public funding for climate change outcomes.

183. The catalytic role of the GEF is identified as a key operational strategy for its work and it aims at seeking to maximize global environmental benefits, while leveraging additional financing from other sources.[150] As it is important that activities are undertaken at a large scale in order to achieve a meaningful impact, through its catalytic role the GEF seeks to reach a broader adoption of its interventions both during and after the interventions have ended.

184. In this context, the OPS 5 finds that the intervention logic of the GEF is catalytic and successful. The GEF has been effective in supporting countries in meeting their obligations to multilateral environmental agreements while GEF projects are effective in producing outcomes, while sustainability and progress towards impact of the outcomes is promising.[151] During GEF-5, 66 per cent of climate change projects had

[148] GEF/LDCF.SCCF.16/04, GEF Programming Strategy on Adaptation to Climate Change for the Least Developed Countries Fund and the Special Climate Change Fund, p. 5.
[149] In FY 2014, USD 393.05 million was committed through the CCM focal area, USD 230.84 million through the LDCF and USD 39.04 million through the SCCF. See GEF report to COP 20, FCCC/CP/2014/2, p. 2.
[150] GEF Operational Principle 9, Operational Strategy, 1994.
[151] Summary of OPS 5 final report, At the Crossroads for Higher Impacts, pp. 1–2.

some broader adoption initiatives adopted or implemented, with mainstreaming being the most common mechanism of broader adoption, followed by replication and market change.[152]

185. The interventions most often successfully mainstreamed were policy, legislative and/or regulatory measures. 49 projects have successfully introduced these interventions and hence have contributed to developing an enabling institutional framework that ought to lead to the eventual reduction of GHGs. As well, 13 projects have successfully mainstreamed mechanisms for financing and promotion of energy efficiency and renewable energy.[153]

186. Technologies and infrastructures introduced by climate change projects were the most common type of intervention replicated, in 14 projects. Projects that were highly relevant to the stakeholders and that successfully demonstrated the applicability, effectiveness and feasibility of a particular technology were replicated.[154] Furthermore, through its intervention model, the GEF has been able to mobilize additional financial resources for climate change in developing countries through co-financing.[155]

187. Several reasons underline the catalytic performance of the GEF. At first, unique among international organizations, the GEF has a strong mandate to interact with its recipient countries on how global environmental benefits could be incorporated into national laws and regulations. Moreover, the GEF has fostered country-ownership into its interventions and where country-ownership is achieved outcomes improve and the speed of transformation and broader intervention increases as well.[156]

188. Two main issues, however, undermine the catalytic role of the GEF. The first is related to the length of the GEF project cycle on which there is consensus within the GEF partnership that it is long due to delays in project preparation and implementation. While several measures are being undertaken by the GEF to address the bottlenecks identified in the project cycle, a move to a programmatic approach is recommended to help ensure that action is undertaken and impacts are achieved in a rapid and integrated manner that is consistent with what the science demands in terms of stabilization of GHG emissions and wide-spread resilience in developing countries.

189. The second issue is related to the level of funding provided to the GEF. In this regard, the OPS 5 finds evidence that higher levels of GEF funding would lead to faster progress towards impact, and concludes that if the GEF is to continue to play its catalytic role it should be endowed with more funds.

2. Towards meeting the objective of the Convention

190. By decision 1/CP.16, Parties agreed on the long-term goal of holding the increase in the global average temperature below 2 degree Celsius above pre-industrial levels, and that deep cuts in global GHG emissions are required to achieve that goal. In this context, Intergovernmental Panel on Climate Change affirms that achieving that goal would require profound transformations, especially in energy and infrastructure and that the greatest financing needs are in developing countries. Moreover, the IPCC has noted that emissions patterns that limit the temperature increase from pre-industrial level to no more than two degree Celcius, require considerably, different patterns of investments.[157]

191. As an operating entity of the Financial Mechanism, the GEF, through its projects and programmes, contributes to supporting developing countries in meeting the objectives of the Convention while enhancing their resilience to the adverse effects of climate change. But, the GEF provides just a small portion of the public financing for climate change since funding for climate action in developing countries is also channelled through other bilateral and multilateral sources. Nevertheless, the GEF through its intervention logic has been catalytic in leveraging further financial resources for climate action in developing countries,

[152] OPS 5 technical document #12, Progress towards Impact, p. 2.
[153] OPS 5 technical document #12, Progress towards Impact, pp. 7–8.
[154] Ibid.
[155] Ibid.
[156] Summary of OPS 5 final report, At the Crossroads for Higher Impacts, p. 15.
[157] IPCC, AR5, Working Group II on Climate Change Mitigation, Summary for Policy Makers, accessed at: <http://report.mitigation2014.org/spm/ipcc_wg3_ar5_summary-for-policymakers_approved.pdf>.

establishing the frameworks for scaling-up investments in low-carbon technologies in developing countries, and achieving considerable progress towards meaningful impact in developing countries.

G. Consistency and complementarity of the Financial Mechanism with other sources of investment and financial flows

192. This section examines the consistency and complementarity that exists between the operating entities of the Financial Mechanism and between the activities funded under and outside the framework of the Convention. The section builds on the findings of the biennial assessment and overview of financial flows (BA), documents prepared for the Council of the GEF as well as for the meeting of the Board of the GCF, the Governing Instrument of the GCF, and the Independent Evaluation Report of the Climate Investment Funds (CIFs), documents prepared for the meetings of the Adaptation Fund Board as well as independent reviews of climate funds.

193. Insights from this section may inform deliberations on how to improve the consistency and complementarity of the FM with the other sources of investment and financial flows.

1. Consistency and complementarity between the Funds under the Convention

194. The provisions for the delivery of climate–related financing to developing countries under the Convention have evolved over the last two decades. The COP, at its seventh session, established the LDCF and the SCCF. The mandate of the LDCF is to support projects that address the urgent and immediate adaptation needs of the least developed countries (LDCs), while the mandate of the SCCF is to finance activities, programs, and measures relating to climate change that are complementary to those funded by the resources allocated to the CCM focal Area of the GEF Trust Fund and by bilateral and multilateral funding.[158] The SCCF has four funding windows which include: (i) Adaptation; (ii) Transfer of technologies; (iii) Energy, transport; industry, agriculture; forestry and waste management; (iv) Activities to assist developing country Parties referred to under Article 4, paragraph 8(h), in diversifying their economies, in accordance with decision 5/CP.7.[159]

195. Consistency and complementarity are ensured at different levels at the GEF, from strategic to programming and operational levels. At the strategic level, the different funds have distinct but complementary scope and focus. While the CCM Focal Area in the GEFTF focuses on funding mitigation and enabling activities related the fulfilment of reporting requirements by non-Annex I Parties, the LDCF focuses especially on financing the urgent and immediate adaptation needs of LDCs. The SCCF focuses on supporting all vulnerable developing countries and not only LDCs.

196. In terms of consistency and complementarity at the programming level, since GEF-5, the GEF has approved multi-focal as well as multi-fund projects, which combine strategic objectives and funding of LDCF and SCCF with that of the CCM Focal Area. One example is the establishment of the Poznan Strategic Programme on Technology Transfer for which USD 50 million was programmed, with USD 35 million allocated from the GEFTF and the remaining USD 15 million allocated from the SCCF.[160] At the operational level, consistency and complementarity are also ensured through provisions and requirements at project review and approval stages that aim at avoiding duplication and overlap between the activities funded by the different Funds managed by the GEF.

197. At its 16th session, the COP established the GCF as an operating entity of the Financial Mechanism of the Convention with the mandate to "support projects, programmes, policies and other activities in developing country Parties using thematic windows".[161] The establishment of the GCF as an operating entity of the Financial Mechanism marked an important milestone in the climate finance architecture under the Convention. The Governing Instrument of the GCF provides that the GCF shall operate in the context of

[158] Decision 7/CP.7, paragraph 1(c).
[159] Decision 7/CP.7, paragraph 2.
[160] See document, FCCC/CP/2014/ 2, GEF Report to COP 20, p. 31.
[161] Decision 1/CP.16, paragraph 102.

appropriate arrangements between itself and other existing funds under the Convention and between itself and other funds, entities, and channels of climate change financing outside the Fund.[162]

198. As the GCF is expected to operate through financing windows including mitigation, adaptation and the Private Sector Facility, there may be overlaps between the scope of its activities and the ones funded by the GEF, LDCF and SCCF. In this context, the GEF and the GCF Secretariats have begun to engage between each other in order to identify commonalities and areas where complementarity could be sought and enhanced between the respective Funds.

2. Consistency and complementarity with the activities funded by other climate finance flows and sources of investment

199. Paragraph 2(a) of decision 11/CP.1 establishes that "consistency should be sought and maintained between the activities (included those related to funding) relevant to climate change undertaken outside the framework of the financial mechanism and the policies, programme priorities and eligibility criteria for activities as relevant, established by the Conference of the Parties".

Overview of other climate finance flows and sources of investment

200. The financial support to climate-related activities outside the Convention is provided through both public and private channels. Public climate finance comes from two main types of sources: multilateral and bilateral climate finance flows. Private climate finance comes from two main categories of flows that are identified in the literature: public-private flows (export credits and Certified Emission Reductions (CERs) from the Clean Development Mechanism (CDM)) and private investments and finance.[163]

201. Multilateral climate channels include multilateral climate funds, which are funds financed by developed countries that provide financial support to adaptation and mitigation (including activities for the reduction of emissions form deforestation and forest degradation (REDD+)) in developing countries, and the Multilateral Development Banks (MDBs). The MDBs channel a considerable amount of resources to developing countries and 13 economies in transition of the European Union and have reported climate finance commitments of about USD 24.1 and USD 26.8 billion in 2011 and 2012 respectively.[164] The MDBs serve as implementing entities of the operating entities of the Financial Mechanism and recipient countries can avail themselves of their support to access their respective country allocation at the GEF for example. Table 6 below, extracted from the Biennial Assessment and Overview of Climate Finance Flows (BA) provides an overview of the different multilateral climate channels that are outside the framework of the Convention.

Table 6: Overview of the multilateral climate funds outside the Convention

Name	*Focus*	*Administrator*	*Year Operational*	*Funds Pledged*	*Funds Deposited*	*Funds Approved*
Adaptation Fund	Adaptation	Adaptation Fund Board	2009	416	395	226
Pilot Program for Climate Resilience*	Adaptation	World Bank*	2008	1,160	973	772
Congo Basin Forest Fund	REDD+	AfDB	2008	186	165	95
Forest Carbon Partnership Facility	REDD+	World Bank	2008	743	539	114
Forest Investment Program	REDD+	World Bank*	2009	599	530	279

[162] Paragraph 31 of the Governing Instrument of the GCF.
[163] Biennial Assessment and Overview of Financial Flows report, forthcoming.
[164] Ibid.

Name	*Focus*	*Administrator*	*Year Operational*	*Funds Pledged*	*Funds Deposited*	*Funds Approved*
UN REDD Programme	REDD+	UNDP	2008	249	215	193
Clean Technology Fund	Mitigation	World Bank*	2008	5,242	4,599	3,549
Scaling Up Renewable Energy Program for Low Income Countries	Mitigation	World Bank*	2009	521	506	136

Notes: Funds Pledged = contributor pledges; Funds Approved = funds committed to approved projects; * denotes a fund that is part of the Climate Investment Funds administered by the World Bank Group, African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD) and Inter-American Development Bank (IDB); REDD+ = projects to reduce emissions from deforestation and forest degradation, foster conservation and sustainable management of forests, and enhance forest carbon stocks.

Source: the Biennial Assessment and Overview of Climate Finance Flows (Information taken from the Climate Funds Update http://www.climatefundsupdate.org Accessed April 16, 2014).

202. As for bilateral sources of climate finance in developing countries, on one hand, some developed countries use bilateral finance institutions such as Agence Française de Développement (AFD, France), KfW Bankengruppe (KfW, Germany) and Japan International Cooperation Agency (JICA, Japan), to deliver development assistance including climate finance. On the other hand, several developed countries have established bilateral climate funds, as accounting mechanisms to track and publicize their international climate finance contributions. These funds include:

(a) International Forest Carbon Initiative (Australia);
(b) Global Climate Change Alliance (European Commission);
(c) Global Energy Efficiency and Renewable Energy Fund (European Commission);
(d) International Climate Initiative (Germany);
(e) International Climate and Forest Initiative (Norway);
(f) International Climate Fund (United Kingdom).

203. It is difficult to accurately estimate the amount of financial resources that flow from developed to developing countries mostly because of the lack of data on private flows. Nevertheless, overall estimates of current climate finance flows from developed to developing countries range from USD 40 billion to as much as USD 120 billion per year. In this context, the resources committed from the funds under the Convention total well under USD 1 billion per year, most of which are disbursed by the GEF for mitigation. [165]

204. In terms of sectors supported, the climate-related activities funded outside the framework of the Financial Mechanism fall under the two overarching themes of mitigation (energy, transport, industry, agriculture, forests and forestry to name a few) and adaptation (water, agriculture, human health, infrastructure management (including coastal zones)).[166] Moreover, the financial support provided to developing countries outside the framework of the Convention is also aimed at supporting the establishment of appropriate policy and regulatory frameworks that would foster investments in mitigation and adaptation in developing countries, or the mainstreaming of climate change into development planning.

205. In the context of support to mitigation, the CDM has been a successful incentive to implement mitigation action in developing countries. It has done this by awarding to project owners, credits to CERs for verified emission reductions achieved by a registered project. Until recently, the CDM was a significant source of finance for climate projects in developing countries and a significant driver of growth in renewable energy investment in developing countries and globally. By the end of 2013, over 7400 projects had been

[165] Biennial Assessment and Overview of Financial Flows report, forthcoming.
[166] The various sectors of intervention for both mitigation and adaptation to climate change are highlighted by the IPCC AR4. <http://www.ipcc.ch/publications_and_data/ar4/syr/en/spms4.html>.

registered in 93 developing countries representing an estimated investment in excess of USD 400 billion.[167] To date the CDM has issued (achieved) 1.46 billion of CERs (tons of CO_2-eq).

206. Another channel that has supported mitigation in developing countries is the Clean Technology Fund (one of the two funds of the Climate Investment Funds (CIFs)[168] which are managed by the World Bank and jointly implemented with some of the MDBs). The CTF is the presently the largest multilateral mitigation fund, with a cumulative capitalization of USD 5.5 billion in grants and concessional loans. The CTF provides middle income countries with highly concessional resources to explore options to scale up the demonstration, deployment, and transfer of low carbon technologies in renewable energy, energy efficiency, and sustainable transport. Each CTF investment plan is tailored by the country to be integrated into national development objectives and to serve as a programmatic organizing framework for the activities of actors across institutions, stakeholder groups, and sectors. More than 100 projects have emerged from the CTF plans. These projects are expected to have a major impact on reducing CO_2 emissions and on strengthening the viability and availability of clean technologies nationally, regionally, and globally.[169]

207. In terms of adaptation, the Adaptation Fund[170] has been an important vehicle, which supports adaptation activities in developing countries. The AF was established to finance concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol of the Convention and are particularly vulnerable to the adverse effects of climate change. Since its operationalization in 2009, the AF has allocated USD 232 million of grants to 40 developing countries.[171] The AF has also pioneered direct access with the accreditation of national implementing entities from developing countries, which can directly access the Fund without intermediaries as opposed to the GEF. To date 17 national entities from developing countries have been fully accredited and can directly access the AF for financing adaptation projects and programmes.

208. Another channel that has supported adaptation in developing countries is the Pilot Programme for Climate Resilience (PPCR) of the CIFs. The PPCR funds technical assistance and investments to support countries' efforts to integrate climate risk and resilience into core development planning and implementation. With a total amount of pledges amounting to USD 1.3 billion, the PPCR provides incentives for scaled-up action and initiates transformational change by catalysing a shift from "business as usual" to broad-based strategies for achieving climate resilience at the country level.

Towards ensuring consistency and complementarity with the other sources of finance and investments

209. As an operating entity of the Financial Mechanism of the Convention, the GEF has reported that it continues to work collaboratively with other organizations on complementary financing activities. In this respect, the Independent Evaluation of the CIFs, has highlighted that the Clean Technology Fund (CTF) of the CIFs have complemented GEF efforts to tailor policy environments or support capacity-building (see box 8 below), but overlapped with the GEF in terms of supporting similar technologies.[172] Moreover, the GEF has developed a strategy for private sector engagement, which emphasises Public Private Partnerships, working

[167] Biennial Assessment and Overview of Financial Flows report, forthcoming.

[168] The Climate Investment Funds (CIF) were established in 2008 with the objective of financing pilot activities aimed at initiating transformational change towards low-carbon and climate-resilient development. The CIFs were agreed to open the opportunity for blending funding for climate solutions with other MDB, national and private sector development resources, thereby leveraging substantial additional funds. The two CIF funds are the Clean Technology Fund (CTF), financing scaled-up demonstration, deployment and transfer of low-carbon technologies for significant greenhouse gas (GHG) reductions within country investment plans; and the Strategic Climate Fund (SCF), financing targeted programs in developing countries to pilot new climate or sectoral approaches with scaling-up potential. <https://www.climateinvestmentfunds.org/cif/node/1>.

[169] The CTF webpage < https://www.climateinvestmentfunds.org/cif/node/2>.

[170] The adaptation Fund was established under the Kyoto Protocol of the Convention. It is supervised by the Adaptation Fund Board under the authority and guidance of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol.

[171] <https://adaptation-fund.org/content/adaptation-fund-infographic>.

[172] Report on the Independent Evaluation of the Climate Investment Funds, p. 4.

with MDBs to promote innovative financing, and to support small and medium enterprise innovation as well as entrepreneurship.

Box 8 Examples of complementarity between the GEF and the Climate Technology Fund

GEF grants can be used to help lower the risks of project financing schemes and to facilitate their design and implementation. For example, in India, the GEF is providing a pool of risk capital for commercial lenders for the CTF Partial Risk Sharing Facility for Energy Efficiency. In Mexico, the CTF is supporting the Efficient Lighting and Appliances Project with the GEF financing helping to ensure the involvement of the country's development banks. By reducing the risks associated with consumer default, it removes a major barrier in the residential end-use sector allowing the adoption of more energy-efficient appliances. The GEF is committed to further enhancing complementarity with other climate financing initiatives.

Another example is in Ukraine, where the European Bank for Reconstruction and Development (EBRD) used GEF grants to develop the regulatory framework for renewable energy and associated feed-in tariffs, accompanied by financing from CTF and EBRD and equity from domestic investors to support a direct-lending facility

Sources: the GEF website, <http://www.thegef.org/gef/node/10570> and the Independent Evaluation of the CIFs, < http://www.cifevaluation.org/cif_interm_report.pdf>.

210. In terms of adaptation financing, efforts and measures have been taken by the GEF and the AF to enhance synergies and avoid duplication of action on the ground. For example, a recently approved AF project in Tanzania included arrangements for UNEP to implement an AF project combined with an LDCF project in the same area of intervention in order to reduce costs, build synergies and avoid duplication.[173] Consistency and complementarity between the activities funded by the LDCF, SCCF and the AF are also sought at the operational level through continuous communication between the GEF and AF Board secretariats, and provisions in their respective review and approval processes that aim at avoiding duplication of project/programmes between the two financing entities.

211. Furthermore on adaption financing, consistency and complementarity are also been addressed between the activities funded by the LDCF, SCCF and the PPCR. With its program-oriented approach, the PPCR operates on a higher policy level than the LDCF and the SCCF, which focus mainly on specific projects.[174] Although there are some overlaps in the scope of the activities, as PPCR projects target similar sectors as the LDCF and SCCF, (for example agriculture, land as well as water resource management), PPCR has shown stronger thematic focus on climate information services, with nearly a fifth of approved project funding directed at climate information services and disaster risk management.[175]

212. With the establishment of the GCF, the challenge of overlapping scope between the activities it will finance and those financed outside the framework of the Convention is high. The Governing Instrument of the GCF stipulates that "the Board will develop methods to enhance complementarity between the activities of the Fund and the activities of other relevant bilateral, regional and global funding mechanisms and institutions, to better mobilize the full range of financial and technical capacities".[176]

[173] The project which is entitled "Implementation of Concrete Adaptation Measures to reduce Vulnerabilities of Livelihoods and Economy of Coastal Communities in Tanzania" will be implemented jointly with a LDCF project which aims at strengthening institutional capacities of NGOs and academic organizations and include support to interministerial and district-level authorities in integrating adaptation concerns in local planning. <https://www.adaptation-fund.org/sites/default/files/ilovepdf.com-8.pdf>.
[174] Robert O'Sullivan et al, World Wild Fund: The Creation and Evolution of Adaptation Funds, at page 28.
[175] Ibid.
[176] GCF Governing Instrument, paragraph 34.

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