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Event Paper

Further Development of Initial Investment Framework: Sub-Criteria and Methodology

Review Note

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Contents

Introduction

The purpose of the Investment Framework (IF) is to translate the Fund's overarching objectives into clear guidelines for investment decisions[1]. A number of decisions have already been taken by the Board to clarify the types of projects and programmes that the Green Climate Fund (GCF) is willing to invest in. However, the Board still needs to decide on the activity–specific criteria that will be used to make funding allocation decisions, and will essentially operationalize the investment policies and strategies along activity-based lines, and will guide the Board's day-to-day funding decisions. Following the last Board meeting the Investment Committee has sought input from a range of stakeholders to help craft the sub-criteria, and choose an appropriate assessment methodology.

To this end, the Investment Committee[2] has prepared a document for consideration at the upcoming 9th Board Meeting in Songdo 24-26th March 2015 that will consider:

i) Definitions for activity-specific sub-criteria and a set of activity-specific indicators; and

ii) Options for a methodology to be employed by the Secretariat to assess the relative quality and innovativeness of comparable proposals in comparable circumstances[3] (with consideration of minimum benchmarks).

The following note offers analysis of the proposed activity-specific sub-criteria and assessment factors, and of the suggested methodologies for the selection of programmes and projects. The remainder of the note looks at each of the technical elements that will be considered at the upcoming meeting. The main points

[1] See Smith, B. & Rai, N., Comments and Analysis: GCF Investment Framework, IIED (2014) for an overview of the Investment Framework– available at http://pubs.iied.org/G03854.html?a=Neha%20Rai%20and%20Barry%20Smith

[2] The Investment Committee has been established to develop and revise investment strategies and instruments, and make recommendations to the Board on the Private Sector Facility (PSF), objectives and results, the social and environmental safeguards and the risk management framework.

[3] Further Development of the Initial Investment Framework: Sub-Criteria and Methodology, GCF/B.09/07

of contention that merit attention of the Board in Songdo are – from the Least Developed Countries (LDCs) and Small Island Developing States (SIDS) perspective:

KEY POINTS

- Readiness support activities could explicitly feature an element around building capacity of IEs in developing countries – in particular LDCs- to ensure they can meet the assessment factors.
- Efficiency and Effectiveness criterion should be reframed so as to discourage a short-term outlook that rewards 'business as usual' investments rather than programmes and projects 'paradigm shift' investments.
- All assessment factors should avoid measuring absolute numbers, and should be recalibrated to include a scoring methodology that is accompanied my narrative to ensure better informed allocation decisions.
- Minimum benchmarks (Option A) can be elaborated for country groupings, as well as to ensure that truly transformative projects and programmes are financed by the GCF.

The Activity-specific sub-criteria and indicative assessment factors

The activity-specific sub-criteria criteria inform the approval process for project and programme allocation decisions, and apply to both adaptation and mitigation actions.

The indicative assessment factors (including indicators) for the investment sub-criteria have also been elaborated for consideration by the Board. These seek to provide clarity on how the sub-criteria could be assessed, and respond to the Board's request for activity-specific indicators. Both quantitative and qualitative indicators and assessment factors have been identified. It is envisaged that the assessment factors will be evolved and refined over time as experience is gained and lessons are learned. Not all indicative assessment factors are applicable to all activities, and funding proposals are to focus only those factors that are relevant to that particular proposal, country context and priorities[4]. There are 6 main criteria and 24 coverage areas, and 33 activity-specific sub-criteria as detailed in the table below[5]. The previous iteration of the activity-specific sub-criteria included guidance on assessment along the lines of 1= Low to 5= High or a simple Yes / No response as indicated in the on an Illustrative assessment scale. These relative scores were to be assigned to each sub-criterion when deliberating on a particular proposal. This assessment scale has now been dropped and the indicative assessment factors have been somewhat expanded up on and offer more scope for the inclusion of narrative in the assessment of proposals

There has been much debate on whether income level of a recipient country should be used to guide allocation decisions. Agreement was reached on the 'economic and social development level of the country and the affected population' as detailed below under the criteria on 'Needs of the recipient'. This has subsequently been expanded to include vulnerability factors as well, and the assessment factors states that LDCs and SIDS and vulnerable groups should be considered when sub-criteria are being evaluated.

[4] Ibid, page 2
[5] Supra Note 3, Annex 2, Initial investment framework: activity-specific sub-criteria and indicative assessment factors, page 8

Table 1: Activity-specific sub-criteria and indicative assessment factors (new assessment factors highlighted in blue)

Criterion	Definition	Coverage Area	Activity-specific sub-criteria	Indicative assessment factors (including indicators)
Impact/result potential	Potential of the programme/project to contribute to the achievement of the Fund's objectives and results areas	Mitigation Impact	Contribution to shift to low-emission sustainable development pathways	Expected tonnes of carbon dioxide equivalent (t CO_2 eq) to be reduced or avoided (PMF-M Core 1)[6];
				Degree to which activity avoids lock-in of long-lived, high-emission infrastructure;
				Expected increase in the number of households with access to low-emission energy;
				Expected increase in number of small, medium and large low-emission power suppliers (PMF-M 6.0 and related indicator(s)), and installed effective capacity);
				Expected decrease in energy intensity of buildings, cities, industries, and appliances (PMF-M 7.0 and related indicator(s));
				Expected increase in use of low-carbon transport (PMF-M 8.0 and related indicator(s));
				Expected improvement in management of land or forest areas contributing to emissions reductions (PMF-M 9.0 and related indicator(s));
				Expected improvement in waste management contributing to emission reductions (e.g. the change in the share of waste managed using low-carbon strategies and/or the change in the share of waste that is recovered through recycling and composting); and/or
				And/or other relevant assessment factors as appropriate on a case-by-case basis.
		Adaptation Impact	Contribution to increased climate-resilient sustainable development	Expected total number of direct and indirect beneficiaries; number of beneficiaries relative to total population (PMF-A Core 1);
				Degree to which the activity avoids lock-in of long-lived, climate-vulnerable infrastructure;
				Expected reduction in vulnerability

[6] PMF-M Core 1 refers to a linkage with the first core indicator in the Mitigation Performance Measurement Framework, as contained in document GCF/B.08/07. PMF-A 5.0 refers to a linkage with the indicator 5.0 in the Adaptation Performance Measurement Framework.

				by enhancing adaptive capacity and resilience for populations affected by the proposed activity, focusing particularly on the most vulnerable population groups and applying a gender-`sensitive approach;
				Number of people affected by climate change related natural disasters (including deaths);
				Number and type of institutions using climate information to inform policy and decision-making; THIS HAS
				Expected strengthening of institutional and regulatory systems for climate-responsive planning and development (PMF-A 5.0 and related indicator(s));
				Expected increase in generation and use of climate information in decision-making (PMF-A 6.0 and related indicator(s));
				Expected strengthening of adaptive capacity and reduced exposure to climate risks (PMF-A 7.0 and related indicator(s));
				Expected strengthening of awareness of climate threats and risk-reduction processes (PMF-A 8.0 and related indicator(s)); and/or
				And/or other relevant assessment factors as appropriate on a case-by-case basis.
Paradigm shift potential	Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment	Potential for scaling-up and replication and its overall contribution to global low-carbon development pathways, consistent with a temperature increase of less than 2 degrees	Potential for expanding the proposal's impact without equally increasing its cost base (scalability)	Demonstration of a robust and convincing theory of change for replication and scale-up Opportunities for scaling up the scope and impact of the intended project/programme without equally increasing the total costs of implementation Expected opportunities and the corresponding impact potential for replication of the proposed activities in the project/programme in other sectors, institutions, geographical areas or regions, communities or countries Description of how the project/programme contributes to global low-carbon development pathways, and is consistent with a temperature increase of less than 2 degrees, in terms of technology advancement, technology cost
			Potential for exporting key structural elements of the proposal to other sectors, regions or countries (replicability)	
			Level of contributions to global low-carbon development pathways, consistent with	

			a temperature increase of less than 2 degrees	reduction, an innovative business model, etc.
		Potential for knowledge and learning	Expected contribution to the creation or strengthening of knowledge, collective learning processes, or institutions	Vision of the long-term goals, how they will be reached, and relevant measurable indicators of success Identification of key actors, milestones and opportunities for knowledge generation
		Contribution to the creation of an enabling environment	Innovativeness Sustainability of outcomes and results beyond completion of the intervention Mobilization of other relevant actors Market development and transformation	Opportunities for targeting new market segments, developing or adopting new technologies, business models and/or processes Arrangements and provisions for long term continuation of relevant outcomes and key relevant activities derived from the project/programme Expected potential to mobilize other relevant public, private and other actors at the local and/or national level with a view to enhancing the long term success of the of the proposed project/programme Extent to which the project/programme creates new markets and business activities at the local, national or international level Degree to which the activity will change incentives for market participants by reducing costs and risks, and eliminating barriers to the deployment of low-carbon solutions
		Contribution to the regulatory framework and policies	Potential for strengthened institutional and regulatory systems for low-emission planning and development, and/or for	Expected changes in the national/local regulatory or legal frameworks to systemically address investment in low-emission technologies and activities, development of low-emission policies, and improvement of low-emission planning and development

			climate-responsive planning and development	Degree to which the activity shifts incentives or promotes mainstreaming of climate change activities into policies and regulatory frameworks and decision-making processes at national, regional and local levels, including private-sector decision-making
		Overall contribution to climate-resilient development pathways consistent with a country's climate change adaptation strategies and plans	Potential for expanding the proposal's impact without equally increasing its cost base (scalability)	Opportunities for scaling up the scope and impact of the intended project/programme without equally increasing the total costs of implementation
			Potential for exporting key structural elements of the proposal to other sectors, regions or countries (replicability)	Expected opportunities and the corresponding impact potential for replication of the proposed activities in the project/programme in other sectors, institutions, geographical areas or regions, communities or countries
Sustainable development potential	Wider benefits and priorities	Environmental and co-benefits	Expected positive environmental impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate	Positive environmental externalities can reasonably be expected through the implementation of the proposal in areas such as air quality, soil quality, conservation, biodiversity, etc.
		Social co-benefits	Expected positive social impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate	Potential for externalities in the form of expected improvements, for women and men as relevant, in areas such as health and safety, low-emission energy access to vulnerable groups, access to education, improved regulation and/or cultural preservation. These co-benefits may also derive from the mechanisms to be used in the implementation of the proposal and the social and political changes needed to implement them, such as the clarification of land

				tenure and enhanced participation in decision-making
		Economic co-benefits	Expected positive economic impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate	Potential for externalities in the form of expected improvements in areas such as expanded and enhanced job markets, job creation for women and men (directly and indirectly in the technology cycle and management/finance roles), increased and/or expanded involvement of local industries; increased collaboration between industry and academia; growth of private funds attracted; contribution to an increase in productivity and competitive capacity; improved sector income-generating capacity, contribution to an increase in energy security; change in water supply and agricultural productivity in targeted areas, etc.
		Gender-sensitive development impact	Potential for reduced gender inequalities in climate change impacts and/or equal participation by gender groups in contributing to expected outcomes	Explanation of how the project activities will address the needs of women and men to correct prevailing inequalities in climate change vulnerability and risks
Needs of the recipient	Vulnerability and financing needs of the beneficiary country and population	Vulnerability of the country	Level of exposure of people, and/or social or economic assets or capital, to risks derived from climate change	Level of exposure to climate risks and the degree of vulnerability (e.g. particularly vulnerable countries, including least developed countries (LDCs), small island developing States (SIDS) and African States)
		Vulnerable groups and gender aspects	Comparably high vulnerability of the beneficiary groups	Proposed project/programme supports groups that are identified as particularly vulnerable in national climate or development strategies, with relevant sex disaggregation
		Economic and social development level of the country and the affected population	Specific vulnerable groups (minorities, disabled, elderly, children, female heads of households, etc.) addressed	Level of social and economic development of the target population compared to the average of the country

		Absence of alternative sources of financing	Opportunities for overcoming specific barriers to financing	Explanation of the existing barriers that create absence of alternative sources of financing and how they will be addressed
		Need for strengthened institutions and implementation capacity	Opportunities to address lack of institutional and implementation capacity in the key or relevant institutions in the context of the proposal	Description of a specific plan for how key or relevant institutions' institutional and implementation capacity will be strengthened
Country ownership	Beneficiary country ownership of and capacity to implement a funded project or programme (policies, climate strategies and institutions)	Existence of a national climate strategy	Country has a current and effective national climate strategy or plan, NAMA, NAP or equivalent and as appropriate	Proposal addresses the country's existing and effective climate priorities and national, local or sectoral plans, and attracts sustained high-level political support in implementing countries
		Coherence with existing policies	The proposal has not been objected by the country's NDA or focal point	Proposal received no-objection by NDA or focal point in accordance with the Fund's no-objection procedure.
				Proposal demonstrates coherence and alignment with one or more priority areas identified in the country's national climate strategy, including in the context of NAMAs or NAPs, as appropriate and applicable
			Objectives are in line with priorities in the country's national climate strategy	Degree to which the activity is supported by a country's enabling policy and institutional framework, or includes policy or institutional changes
				Project/programme sponsor identified as a credible champion
		Capacity of implementing entities, intermediaries or executing entities to deliver	Experience and track record of the implementing entity, intermediary or executing entities in key elements of the proposal	Proponent demonstrates a consistent track record and relevant experience and expertise in similar or relevant circumstances as the proposed project/programme (e.g. sector, type of intervention, technology, etc.)
		Engagement with civil society organizations and other relevant stakeholders	Stakeholder consultations and engagement	Proposal has been developed in consultation with civil society groups and other relevant stakeholders, with particular attention paid to gender equality, and provides a specific mechanism for their future engagement in accordance with the

				Fund's ESS and stakeholder consultation guidelines. The proposal places decision-making responsibility with in-country institutions and uses national systems to ensure accountability.
Efficiency and effectiveness	Economic and, if appropriate, financial soundness of the programme/project	Cost-effectiveness and efficiency regarding financial and non-financial aspects	Financial adequacy	Demonstration that the funds requested are adequate and reasonable given the planned activities
			Cost-effectiveness (mitigation only)	Estimated cost per t CO_2 eq (e.g. estimated marginal abatement cost (US$) per t CO_2 eq) (PMF-M Core 2)
				Economic and other co-benefits vis-à-vis project cost
		Amount of co-financing	Potential to catalyse and/or leverage investment (mitigation only)	Expected volume of finance to be leveraged by the proposed project/programme and as a result of the Fund's financing, disaggregated by public and private sources (PMF-M Core 3)
				Co-financing ratio (total amount of co-financing divided by the Fund's investment in the project/programme)
				Expected indirect/long-term low-emission investment mobilized as a result of the implementation of activity
		Programme/project financial viability and other financial indicators	Expected economic and financial internal rate of return	Economic and financial rate of return with and without the Fund's support (i.e. hurdle rate of return or other appropriate/relevant thresholds)
			Financial viability in the long run	Description of financial soundness in the long term (beyond the Fund's intervention)
		Industry best practices	Application of best practices and degree of innovation	Explanations of how industry best practices and/or best available technologies are considered and applied
				If applicable, the proposal specifies the innovations or modifications/adjustments made based on industry best practices

Its should be noted that the Investment Framework sits alongside the 'Analysis of the Expected Role and Impact of the Green Climate Fund' (GCF/B.09/06) which considers opportunities for the Fund to maximize its impact in agreed results areas derived from intended Fund-level impacts for mitigation and adaptation – presented below in Figure 1. The analysis presents potential investment opportunities that can inform the efforts of NDAs and Focal Points, accredited or potentially to be accredited entities, and other stakeholders in identifying opportunities or developing proposals that the Fund could support.

Figure 1: Mitigation & Adaptation Result Areas:

Reduced emissions from	*Increased resilience of*
Energy generation and access	**Livelihoods of people and communities**
Transport	**Infrastructure + built environment**
Buildings, cities, industries and appliances	**Health, food and water security**
Forests and land use	**Ecosystems and ecosystem services**

The Impact Analysis seeks to provide an analytical basis by which the Fund can develop a strategic approach to programming and portfolio development. The assessment has considered the following factors:

1) Emission reduction potential;
2) Adaptation costs and needs;
3) Level of poverty and vulnerability;
4) Co-benefits;
5) Cost efficiency;
6) Current programming priorities of existing sources of climate finance, particularly other climate-related funds; and
7) The potential to catalyse private sector investment.

It should be noted that these factors upon which the impact of the Fund are being assessed, are not the same as the 6 criteria (detailed in the table above) upon which the Fund will choose to make investments.

IIED Comments & Inputs

- **Readiness support to ensure adherence with assessment factors by Implementing Entities (IEs) -** IEs are already involved in the early stages of proposal generation, submission and analysis[7]. At the last Board meeting it was decided that one of the activities under the Readiness Programme is to support the preparation of projects and proposals[8]. There is scope that such readiness support activities could explicitly feature an element around building capacity of IEs in developing countries – in particular LDCs- to ensure they can meet the assessment factors. The Secretariat has also been

[7] Annex VII: Project and programme activity cycle, Decisions of the Board – Seventh Meeting of the Board, 18-21 May 2014, GCF/B.07/11,19 June 2014, Meeting of the Board,18-21 May 2014, Songdo, Republic of Korea
[8] Annex XVI, Indicative list of activities to be included in the readiness programme, Decisions of the Board – Eighth Meeting of the Board, 14-17 October 2014, GCF/B.08/45, 3 December 2014

requested to prepare tools and guidance materials to enable applicants to comply with the fit-for-purpose accreditation requirements and process[9]. As previously noted by IIED, the Secretariat's work should also include support so that IEs can apply the activity-specific sub-criteria thoroughly, and so that there is a consistent approach across allocation decisions[10].

- **The criterion of 'Efficiency and Effectiveness' should be reframed -** the 6th criterion has a fairly narrow focus on cost effectiveness and co-financing. Experience from the Climate Investment Fund's (CIF) Clean Technology Fund (CTF) suggest investment criteria focusing on economic soundness of programmes or projects will not bring about 'transformation' (or a 'paradigm shift' in the case of the GCF); investment criteria must be less ambiguous, and more useful for decision-making, in part by recognizing trade-offs among objectives[11] i.e. paradigm shift criterion should trump cost effectiveness criterion for allocation decisions. Experience for the CIF's in co-financing and leveraging also indicates it can be can be incredibly difficult to precisely determine what contribution the CIF has made to securing or catalyzing additional project financing, and for this particular sub-criterion it is important to have a robust and realistic understanding of when and why the Fund has actually mobilized private sector and other finance as a consequence of its investments[12]. Co-benefits have now been included as additional definitions of efficiency, which is an encouraging step in the right direction, as other positive impacts are being factored into project and programme analysis. However, co-benefits are still conjoined with economic factors, as the assessment factor states '*Economic and other co-benefits vis-à-vis project cost'*. Co-benefits in relation to project cost should be a standalone assessment factor to discourage a tight focus on just the economic side of things. An indication of how co-benefits will be quantified would also be another useful step e.g. ex-ante analysis or another modelling technique. Furthermore, the design of projects and programmes should have considerations beyond mere economic efficiency, which may imply short-termism. This is essential if the GCF is to truly accomplish a paradigm shift, as the drive for quick results contradicts the idea of transformational change, and encourages business-as-usual interventions such as climate proofing because they deliver over more predictable timeframes, as was found in CIF Pilot Programme for Climate Resilience (PPCR) programming in Bangladesh and Nepal[13].
- **A more nuanced approach to the assessment factors is essential –** a number of the assessment factors are measured in absolute quantitative terms e.g. *'Expected total number of direct and indirect beneficiaries (reduced vulnerability or increased resilience); number of beneficiaries relative to total population'….'Number and type of institutions using climate information to inform policy and decision-making'*). However, purely quantitative assessment factors limit the use of qualitative narratives, which can offer an opportunity for a more holistic and accurate metric for decision-making[14]. Indeed, it has been recognized that a rating or scaling is sometimes used to indicate the extent to which the proposal performs against each of the criteria. The Board should recalibrate these indicators so that degrees and levels are assessed and scored, instead of total numbers or measures, and that these levels can be accompanied by narrative to substantiate the score awarded, which would assist in better informed allocation decisions. This would help overcome the technical challenge in devising quantitative indicators.
- **Exclusion of non-fundable technologies and sector as part of the investment framework -** there is scope for adopting an exclusion list approach towards sectors and non-fundable technologies i.e. those sectors not consummate with the GCF aim of affecting a paradigm shift towards low emission and climate-resilient development pathways as set out in the Governing Instrument. This could

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[9] Decisions of the Board – Seventh Meeting of the Board, 18-21 May 2014, GCF/B.07/11, 19 June 2014, Meeting of the Board, 18-21 May 2014, Songdo, Republic of Korea, Para 8 (p), page 4
[10] See Smith, B. & Rai, N. Comments and Analysis: Investment Framework Review Note for the 8th meeting of the Green Climate Fund (GCF), IIED (2014) – available at http://pubs.iied.org/G03854.html
[11] ICF International. 2014. Independent Evaluation of the Climate Investment Funds. Washington, DC: World Bank, page 59
[12] Ibid
[13] Rai, N. Climate Investment Funds: understanding the PPCR in Bangladesh and Nepal, IIED (2013)
[14] Smith, B., Monitoring and evaluating climate adaptation: a review of GCCA experience, IIED (2014)

potentially be incorporated as a sub-criterion under the 'Impact/Result Potential' criterion, and an exclusion list of technologies could be attached as an assessment factor. Given that activity-specific sub-criteria seek to signal as clearly as possible to countries, accredited entities, project developers and other stakeholders what kind of projects or programmes the Fund seeks to finance[15], this would inform the entire operation of the GCF, and ensure that fossil fuel programmes and projects would not be considered for financing.

- **The indebtedness levels of LDCs/SIDS should be included as a 'Coverage Area' under 'Needs of the Recipient' –**Accredited entities are required to list, as part of their application for accreditation, the range of financial instruments that they have the capacity and expertise to deploy[16]. However, there is no consideration anywhere in the IF of a country's level of current debt. Whilst it is stated that the Fund will only seek to provide minimum concessional funding (i.e. a grant-equivalent subsidy element) necessary to make a project or programme viable[17], this does not take account of a countries current level of indebtedness. Furthermore, financing provided by the Fund to intermediaries can be blended with their own financial resources in order to increase the level of concessionality of the financing they extend to projects and programmes[18]. This essentially means that loans from multilateral development banks (MDBs) would become attractive to developing countries through the addition of GCF financing. This may mean that LDCs will become more inclined to opt for these loans, given the attractiveness of these loans. Many LDCs are already heavily burdened by debt, and debt flows to developing countries are rising[19]. There is the opportunity to integrate current level of country debt as a Coverage Area so as to ensure an appropriate sequencing of financial instruments to a particularly debt-laden country (i.e. grants followed by loans). This would also entail the addition of debt analysis as an assessment factor attached to this coverage area.
- **More closely define 'energy access' under 'Impact/Result' criterion –** currently the assessment factor merely states '*Expected increase in the number of households with access to low-emission energy'*. However, this does not indicate that pro-poor energy access will be considered. There is scope to more closely define energy access as an assessment factor so as to ensure more universal energy access for vulnerable groups; for example incorporating Sustainable Energy For All's Global Tracking Framework[20], or the Poor People's Energy Outlook's Energy Supply Index and a set of Minimum Standards for Household Energy Services[21]. In order to meet end users development needs, access needs to be defined in terms of access to a range of services for households, communities and services designed in a participatory way.
- **Result areas should exclusively driven by recipient countries themselves**- the impact analysis seeks identify strategic priority areas and investment opportunities to maximize the Fund's impact with reference to the strategic results areas, and which are not adequately supported by existing climate finance mechanisms. However, the priority of each country must be set exclusively by that country, and not determined centrally by The Fund. Furthermore, the GCF may launch a call for proposals in the coming months; the implications of this is that the GCF will proactively seek out proposals that fit with the impact results areas, as opposed to letting developing countries entirely devise programmes and projects that are tailored entirely to their needs. There may be tacit pressure to fit in with the pre-established impact results areas.

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[15] Supra Note 3, page 1
[16] See Decision B.08/12, Decisions of the Board – Eighth Meeting of the Board, 14-17 October 2014
[17] See Annex XIV Initial Investment Framework, Decisions of the Board – Seventh Meeting of the Board, 18-21 May 2014 GCF/B.07/11 19 June 2014
[18] Ibid
[19] See International Debt Statistics 2015, World Bank Group, page 3 – available at http://data.worldbank.org/sites/default/files/ids2015.pdf
[20] See Sustainable Energy For All's Global Tracking Framework – available at http://www.se4all.org/2013/10/29/se4all-global-tracking-framework/
[21] See Practical Action (2014) Poor people's energy outlook 2014: Key messages on energy for poverty alleviation, Rugby, UK: Practical Action Publishing.

Assessment Methodologies

The Fund's aim is to ensure that the best quality programmes and projects are selected, and the 'comparison methodologies' will bring about a degree of competition between funding proposals. Indeed, each funded activity is to be assessed and approved based on its merits with regard to the Fund's activity-specific decision criteria. To help the Secretariat devise an assessment methodology to assist in choosing programmes and projects for funding, GCF/B.09/07 examines the respective assessment methodologies and practices of other climate funds and international financial institutions[22].

Each were assessed to see:

- Whether or not the organization uses specific and separate investment or review criteria for mitigation and/or adaptation projects;
- If the organization's project assessment uses primarily quantitative or qualitative investment or review criteria in assessing a project;
- Whether or not the organization assigns an overall project score; and
- Whether or not a fully competitive selection process is used[23].

A number of findings were presented in the document:

- For all funds different criteria are used for mitigation and adaptation, using both quantitative and qualitative methods to assess funding proposals;
- Weighting systems are generally not used (with the exception of the CIF);
- Minimum benchmarks are used to a limited extent for assessing specific aspects (cost-effectiveness, economic and financial rate of return or development effectiveness). Under these circumstances, minimum benchmarks function more as points of reference and managerial discretion is applied;
- Rating or scaling is sometimes used to indicate the extent to which the proposal performs against each of the criteria. It is consistently conducted at the criteria level.
- It is difficult to establish quantitative indicators for each criterion or sub-criterion across the initial investment framework.
- Establishing benchmarks is technically difficult given the wide range of activities across different sectors, technologies, countries, development levels and a variety of other factors. When used as a point of reference for minimum requirements under specific circumstances, benchmarks can, however, be a useful technical tool in project assessment.

Based on these findings, three key conclusions were drawn:

- The initial investment framework as currently designed, including the criteria, coverage area, proposed activity-specific sub-criteria and indicative assessment factors, is comprehensive and consistent with the practices of the funds and institutions The investment framework should remain strategic and flexible;
- Other funds and institutions define high-level review criteria and a set of mostly qualitative questions. Quantitative indicators are then identified was appropriate. Assessment at the criteria level provides a higher level of comparability and consistency across funding proposals. Criteria-

[22] Supra Note 3, page 2. The Funds/institutions assessed were: The Adaptation Fund (AF), The Climate Investment Funds (CIF), The Global Environment Facility (GEF) (including the Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF)), The African Development Bank (AfDB), The Inter-American Development Bank (IDB) and the World Bank.
[23] Ibid

level assessments apply to all funding proposals, unlike assessments at the sub-criteria level, where only some sub-criteria are applicable and relevant for a given funding proposal Criteria-level assessment, enriched where applicable by sub-criteria data, therefore represents a balanced approach that streamlines both the proposal development and assessment processes while facilitating good quality and comparable and consistent assessment;

- Implementation experience will provide the best source of information to test the design of the investment framework and to further improve it over time.

Two separate assessment methodologies are presented in Annex III. Option A features Indicative minimum benchmarks that will offer an early indication of whether the funding proposal broadly aligns with the Fund's investment criteria. Option B is where the Secretariat and the Technical Advisory Panel will use their qualitative judgment.

IIED Inputs & Comments

- **Clear criteria to define 'paradigm shift' across all GCF documentation is essential –** Option A introduces two indicative minimum benchmarks for the criterion[24]:
  i. Potential of achieving scale up or replication is at least two times that of the proposed activity in the targeted area; or
  ii. Significant contribution to the creation of enabling environments or regulatory framework(s) and policies that will lead to tangible and measurable climate results.

  However, these are different from the Paradigm Shift Objective Indicators contained in the Performance Measurement Frameworks[25]. It is essential that there is a clear and universally applied definition across GCF operations of the term 'paradigm shift' so that proposals are selected on the same basis as by which success will be assessed. Again, lessons can be drawn from the experience of the CIFs, where the 'transformative impact' goal was not consistently pursued across CIF programming, as there was not adequate interpretation of what was meant by transformation[26].
- **The benchmarks for Efficiency and Effectiveness under Option A should assessed in conjunction with proposal's benchmarks on paradigm shift potential -** assessing co-financing leverage ratios in isolation could reward business-as-usual projects that are already economical, whereas the Board should reward leverage in the context of the transformational potential of the proposal, and thus helping to ensure that the Fund's resources are allocated to the most ambitious and transformational proposals[27].
- **Development and country income level benchmarks should be developed under Option A –** both Options A and B require the Secretariat and the Technical Advisory panel to '*take into account varying circumstances and sectoral and technological contexts*', but there is no guidance on how this will be factored in to decision making. This may lead to varying approaches in assessment of proposals. However, developing a specific set of benchmarks for each group of countries could assist with this. Whilst there is already a degree of segregation of the proposed benchmarks taking this into account, there is scope for further development. As the benchmarks are intended to give an early indication of whether a proposal broadly aligns with the investment criteria, the Board

[24] Supra Note 3, page 16
[25] See Annex VIII: Mitigation and adaptation performance measurement frameworks, Decisions of the Board – Eighth Meeting of the Board, 14-17 October 2014
[26] See ICF International. 2014. Independent Evaluation of the Climate Investment Funds. Washington, DC: World Bank.
[27] See Practical suggestions to implement benchmarking in the Green Climate Fund Investment Framework, Centre for Clean Air Policy (2014)

should develop different benchmarks that vary and are grouped according to the development and income profile of recipient countries; indicative minimum benchmarks would be lower for LDCs and SIDS than for middle income countries. This precursory step would ensure that country circumstances are integrated into funding decisions from the start of the process.

- **More guidance is required on 'qualitative judgement' for Option B –** Option be is reliant on the '*qualitative judgement'* of the Secretariat and Technical Advisory Panel in the application of the criteria and sub-criteria. However, this leaves considerable wriggle room for more a subjective assessment of proposals in the absence of uniform approach. More guidance is needed on how the qualitative judgement will be applied.
- **Up-weighting for vulnerability criteria in funding proposals coming from LDCs and SIDs (even within comparable groups of countries) should be considered in proposal assessment-** CIF experience suggests that there is room for more explicit guidance on weighting systems. The CIFs have set ambitious climate and development benefit objectives but have given inconsistent messages about the relative importance of these objectives[28]. For the GCF, lower economic viability weighting for proposals from developing countries should be considered, whilst higher weighting to vulnerability criteria: vulnerability factors should be weighted more heavily in allocation decisions for proposals from LDCs than economic viability factors. This will ensure countries with lower readiness and inadequate existing pipeline projects receive equal treatment.

[28] ICF International. 2014. Independent Evaluation of the Climate Investment Funds. Washington, DC: World Bank, page 59