

Annex I. Review of GCF MRV Requirements and Procedures

This Annex describes GCF MRV frameworks and policies for proposal design, evaluation, and implementation for mitigation projects/programmes.

MRV in Proposal Development and Review

MRV in proposal design

The GCF proposal approval process describes the Fund’s project/programme cycle¹. Stages II and III of the project cycle broadly address key steps for concept note and proposal development. The template for submitting funding proposals to the Fund is the primary guide for AEs on required content of projects/programmes. It applies to all sizes of projects/programmes, except those under the category of “simplified approval process”².

Besides a thorough description of the proposed project/programme, the funding proposal template requires financial and economic analyses of proposed activities, an exit strategy, a market analysis (if applicable), a risk assessment, a description of environmental and social safeguards, and gender components of proposed activities, among other information. AEs must also describe how proposed activities are expected to perform against the criteria in Fund’s investment framework, and provide a logic framework and a detailed rationale in the form of a theory of change that explains how activities will lead to achieve expected outcomes, mitigation impacts, and the Fund’s paradigm shift objective.

Per the GCF accreditation model, AEs are expected to have in place policies and procedures to be responsible fiduciaries to the Fund. In their Accreditation Master Agreements (AMAs)³, AEs agree to comply with a “first-level due diligence” requirement to provide the best possible information available based on their internal capacities, policies, and practice.

Accounting for GCF Investment Criteria in Proposal Design

AEs must describe the expected performance of proposed activities in a project/programme against the Fund’s investment framework (Proposal Template Section E), which contains six criteria to guide investment decisions in a manner that is cost-effective, aligns with national priorities, and promotes broader transformation. Investment criteria are described in table 1 below.

¹ Decision B.17/09 Review of the initial proposal approval process

² AEs proposing micro level projects (up to USD 10 million) that fall within risk category C (having low or no environmental and social risks) may use a simplified version of the template.

³ Formal agreement between and AE and the Fund, which provides the legal basis, including contractual responsibilities, that guides their relationship

Table 1: GCF Investment Criteria

	Criteria	Description
1.	Impact potential	Mitigation and adaptation impact
2.	Paradigm shift potential	Contribution to transformational shift toward low-carbon, climate-resilient development
3.	Sustainable development potential	Wider benefits and priorities (economic, social and environmental)
4.	Needs of the recipient	Vulnerability and financing needs of beneficiary country and population
5.	Country ownership	Beneficiary country ownership of and capacity to implement a funded project or programme
6.	Efficiency and effectiveness	Economic and financial soundness of programme or project

Each criterion has corresponding sub-criteria and indicative assessment factors that guide AEs in describing how each proposed activity meets the desired objectives. Sub-criteria and indicative assessment factors are also used by the Secretariat and ITAP to assess the extent to which proposed activities meet each criterion. The Fund, however, does not refer to specific methodologies to calculate quantitative indicators, nor does it provide basic preferred content or checklists for qualitative criteria.

AEs must report quantifiable information for only two core criteria in mitigation funding proposals: impact potential, and efficiency and effectiveness, as described in box 1 below. Other criteria (paradigm shift potential, sustainable development, needs of the recipient, and country ownership) require only qualitative information. The template does not specify any benchmarks to use, or any other guidance.

Box 1. Quantitative metrics in the investment framework

There are three key metrics, or core indicators, mitigation proposals must reflect:

- **Impact potential:** expected tonnes of carbon dioxide equivalent tCO₂eq to be reduced or avoided annual/lifetime
 - The template requires AEs to describe the methodology used for calculating indicators. There are no further requirements beyond a methodology description.
 - The template requires AEs to describe how the project/programme indicator values compare to appropriate benchmarks (i.e. indicator values for a similar project/programme in a comparable context).
- **Efficiency and effectiveness:** (i) estimated cost per tCO₂eq, calculated as total investment cost/expected lifetime emissions reductions, and (ii) estimated GCF cost per tCO₂eq removed
 - The template requires AEs to describe the methodology used for calculating indicators. There are no further requirements beyond a methodology description.
 - The template requires AEs to describe how the project/programme indicator values compare to appropriate benchmarks established in a compatible context.

There is no specific methodology AEs are expected to follow to make these calculations, nor guidance provided to AEs on minimum levels of information expected.

Logic Model and Proposal Performance against the Fund's RMF

Funding proposals must describe a long-term vision through a theory of change that elaborates how short-, medium- and long-term changes will be achieved through the Fund's investments.

The Board approved a Results Management Framework with guidelines and performance indicators, "against which performance will be reviewed periodically to support the improvement of the Fund's impact, effectiveness, and operational performance."⁴ Box 2 below provides a brief description of the structure of the Fund's RMF and PMF, with corresponding indicators.

Box 2. GCF RMF and Mitigation PMF

RMF

The Fund's RMF⁵ indicates causal linkages that lead from project/program activities, outputs and outcomes, to aggregate impacts for mitigation and adaptation result areas ("Fund-level impacts"), and eventually toward a paradigm shift objective: low-carbon, climate-resilient, country-driven development pathways. The RMF is divided into a logic model for adaptation and one for mitigation, and they are further developed through a set of indicators in the PMF. The levels depicted in the mitigation logic model are described below:

- Paradigm shift objective: Shift to low-emission, sustainable development pathways
- Impacts (Fund level metrics that are consistent across mitigation projects)
 - Reduced emissions through increased low-emission energy access and power generation
 - Reduced emissions through increased access to low-emission transport
 - Reduced emissions from buildings, cities, industries, and appliances
 - Reduced emissions from land use, deforestation, forest degradation, and through sustainable forest management and conservation and enhancement of forest carbon stocks
- Project/programme outcomes (specific to each project/programme)
 - Strengthened institutional and regulatory systems for low-emission planning and development
 - Increased number of small, medium, large low-emission power suppliers
 - Lower energy intensity of buildings, cities, industries, and appliances
 - Increased use of low-carbon transport
 - Improved management of land or forest areas contributing to emissions reductions
- Project/programme outputs (specific to each project/programme)
- Activities (specific to each project/programme)
- Inputs (specific to each project/programme)

PMF⁶

The PMF for mitigation seeks to facilitate the monitoring of outputs, outcomes, and impacts of the Fund's investments for individual projects/programmes and at aggregate portfolio levels. It provides a set of 18 indicators

⁴ Paragraphs 57 and 58 of the Governing Instrument

⁵ Approved by the Board in decision GCF/B.05/03

⁶ https://www.greenclimate.fund/documents/20182/239759/5.3_-_Performance_Measurement_Frameworks_PMF_.pdf/60941cef-7c87-475f-809e-4ebf1acbb3f4

that build on, and further develop, the Fund’s RMF, and aim to help measure progress toward intended results at a project/programme level, at a Fund impact level, and towards meeting the paradigm shift objective⁷

The PMF specifies indicators for mitigation impacts and outcomes, but provides no guidance on methodologies or calculations to be used by applicants. While the Secretariat has offered some observations and commentary on methodologies and calculations for some of the indicators in the PMF, these are deemed informative and not prescriptive. AEs are not required to follow these suggestions when selecting methodologies or defining assumptions for calculations.

Proposals must use the indicators in the Fund’s PMF to describe the causal logic that leads to outcomes, impact, and a paradigm shift. Proponents have flexibility in selecting indicators for outputs, activities, and inputs, and are encouraged by the Secretariat to use project/programme-specific additional outcome indicators if necessary. The theory of change must demonstrate how inputs and activities are converted into changes at various levels (project/programme level to paradigm shift level).

The funding proposal template requires AEs to detail two main components to develop the logic framework, as described in table 2 below:

Table 2: Logic Framework requirements in the GCF funding proposal template (Section H)

Section H.1		Section H.2: Arrangements for monitoring, reporting, and evaluation
Section H.1.1: Long-term vision	Section H.1.2: Outcomes at project/programme level	
<p>To report on the paradigm shift objective to which a project/programme contributes, as well as Fund-level impacts, AEs are expected to select indicators from the PMF.</p> <p>For each expected result, AEs must provide information for the following metrics:</p> <ul style="list-style-type: none"> • Indicator (to be selected from the PMF) • Means of verification (description to be provided by AE) • Baseline • Target (mid-term and final) • Assumptions 	<p>To report on project/programme outcomes, AEs are expected to select Indicators from the PMF. The GCF requires AEs to detail the following metrics for each of the expected outcomes:</p> <ul style="list-style-type: none"> • Indicator (to be selected from the PMF) • Means of verification (description to be provided by AE) • Baseline • Target (mid-term and final) • Assumptions 	<p>AEs must define Institutional settings and implementation arrangements for monitoring, reporting, and evaluation of projects/programmes, including expected methodologies. AEs are to indicate how interim/mid-term and final evaluations will be organized, and the timing to conduct them. The template requires only descriptions of planned monitoring, reporting, and evaluation arrangements. At the proposal design stage, AEs have considerable flexibility with respect to how they design monitoring and evaluation plans and define their baseline data.</p>

At its seventh meeting, the GCF Board approved certain indicators in the PMF, noted others, and requested⁸ the Secretariat to develop further guidance on methodologies, data sources, frequency, and

⁷ According to Annex VIII of decision B.08/07 through which the Board adopted the PMF, its format is intentionally simple, and does not include details that can be added at a later stage, such as technical definitions, baselines, data sources, calculation methodologies, reporting formats, and targets.

responsibilities for reporting. The Secretariat submitted documents that further developed PMF indicators for Board consideration at its twelfth and thirteenth meetings, however, no decisions were adopted then. The issue has not been included in a Board agenda since its seventeenth meeting. The OPM has conducted an analysis of mitigation and adaptation key performance indicators and MRV of other climate finance mechanisms, which is expected to serve as the basis to update and finalize the RMF and PMF, along with recommendations from the Fund’s Independent Evaluation Unit (IEU)⁹.

As noted above, the funding proposal template does not specify any minimum requirements or basic expected information AEs should include when defining and setting monitoring, reporting, and evaluation arrangements for selected indicators. An exception is found in the Fund’s Reduced Emissions from Deforestation and Forest Degradation (REDD+) results-based payments (RBP) pilot programme, which provides thorough MRV guidance.¹⁰

Other Relevant Elements Metrics elaborated at the Proposal Development Stage

Proposals must also include information on selected financing metrics, taking into account the conditions in the accreditation of each AE as set in their corresponding AMAs, as well as levels of co-finance, and requested concessionality from the Fund.

- Proposed co-financing: Presently the GCF does not require a minimum level of co-financing, and this element is analysed on a case-by-case basis.
- Required concessionality by AE and interest rates (as applicable depending on selected instrument): These are usually negotiated between the AE and the Secretariat. There are no additional requirements beyond a mandate to request the minimum level of concessionality from the Fund.

Concepts such as incremental cost also influence the design of funding proposals, particularly the amount requested from the Fund. According to the Fund’s Governing Instrument, the Fund will finance “agreed full and agreed incremental costs for activities to enable and support enhanced action on adaptation, mitigation (including REDD+), technology development and transfer, capacity-building, and the preparation of national reports by developing countries”.¹¹

⁸ https://www.greenclimate.fund/documents/20182/24943/GCF_B.07_11_-_Decisions_of_the_Board_-_Seventh_Meeting_of_the_Board__18-21_May_2014.pdf/73c63432-2cb1-4210-9bdd-454b52b2846b

⁹ https://www.greenclimate.fund/documents/20182/1270184/GCF_B.21_20_-_Results_management_framework__Independent_Evaluation_Unit_recommendations_to_improve_the_Results_Management_Framework_-_Final_Report.pdf/17a4ccbb-b891-53bf-55b1-b4d4c8a7a734

¹⁰ Decision B.08/08 adopted the REDD+ logic model and PMF for results-based payments, which provides detailed guidance that GCF financed REDD+ projects are expected to follow and decision B.18/07 through which the Board adopted the REDD+ RBP pilot program.

¹¹ Paragraph 35 of the GCF Governing Instrument

Policies that provide guidance to apply the concept of incremental cost and the methodology to calculate it, as well as concessionality to be requested from the Fund, and a co-financing methodology continue to await Board consideration and approval.

Proposal Evaluation by the Secretariat and ITAP

The Secretariat and ITAP are in charge of assessing submitted funding proposals, and making recommendations to the Board regarding proposal approval, conditional approval, or rejection. Upon proposal submission, a designated task manager from the Secretariat manages proposals through all stages of the review process by relevant Secretariat divisions and ITAP as established in the Fund’s approval process. This section looks at how the GCF considers the reported metrics.

The Role of the Secretariat

In stage five of the Fund’s proposal approval process¹², the Secretariat conducts an initial review of proposal completeness, and a “necessary and appropriate second-level due diligence”. The Secretariat must also assess proposal compliance with environmental and social safeguards, the Fund’s gender policy, GCF risk guidelines, financial policies, and any other relevant Board guidance, in addition to an assessment of the performance of the project/programme against activity-specific criteria under the investment framework, and the proposed logic model.

The OPM, in turn, is often brought in to provide feedback on MRV components of proposals during the final stages of the proposal review process, or at a time determined by the task manager in charge of managing the proposal through the Fund’s approval cycle.

The Role of ITAP

As per the Fund’s proposal approval process, ITAP, a six-member body of experts in various sectors and geographies, conducts an assessment of proposals’ performance against the Fund’s investment criteria. ITAP has a mandate¹³ to conduct technical assessments of proposals at the “analysis and recommendations to the Board” stage of the Fund’s programme/project activity cycle. Per decision B.09/05, the Board mandated ITAP to use a low-medium-high scale to assess the performance of medium and large projects/programmes against the Fund’s six investment criteria. Micro and small projects/programmes are also assessed against the criteria, but are not assigned a score.

ITAP was also mandated to use minimum benchmarks in assessing funding proposals. The Board recently decided to use instead investment criteria indicators, as described in box 3 below. The process to develop them started at the Board’s ninth meeting in 2015 and has not yet concluded.

Box 3. Investment Criteria Indicators (ICIs)

¹² Approved by the Board in decision B.07/03, amended by decision B.17/09

¹³ In decision B.09/10 the Board approved the terms of reference that guide ITAP’s role in the proposal approval process

Through decision B.09/05 the Board decided the Fund (including ITAP) would use indicative minimum benchmarks, in accordance with its investment policies, to ensure projects/programmes demonstrate the maximum potential for a paradigm shift toward low carbon-climate resilient sustainable development. The Board also requested the Secretariat, with guidance from the Investment Committee, to develop indicative minimum benchmarks for consideration of the Board.

The Investment Committee and the Secretariat, with support from an external consultant, analyzed best practices and available data from comparable institutions on indicative minimum benchmarks, identified data gaps and constraints to develop them, and delivered a preliminary set of indicative quantitative minimum benchmarks for two investment criteria (mitigation impact potential; and mitigation effectiveness and efficiency).

In early 2018, the Board decided to shift from the concept of minimum benchmarks to the use of indicators, and requested the Secretariat to prepare a proposal that further developed the ICIs. The Secretariat shared a proposal for Board consideration¹⁴ at its twentieth first meeting, which proposed indicators for each of the investment criteria, to be applied on a pilot basis for one year. The proposed ICIs do not provide quantitative or qualitative goalposts to be met for each criterion; rather, they specify certain basic descriptions and/or calculations that AEs must incorporate as they address the performance of their proposed activities against each criteria.

No decision was made at the Board's 21st meeting on approving the ICIs. Consideration has been, deferred.

MRV during Project Implementation and Results Assessment at the Portfolio/Fund Level

Reporting Requirements for AEs with regard to MRV

Monitoring and Accountability Framework (MAF) for AEs

The MAF was designed¹⁵ to ensure that AEs comply with accreditation standards over time, and the effective implementation of GCF-funded projects/programmes. During the implementation phase, AEs are primarily responsible for the monitoring and evaluation of their funded activities, and must report accordingly to the Secretariat. Reporting requirements during the implementation period include:

- a. Annual Performance Reports (APRs), including financial management reports, which must align with metrics in the RMF and its PMF, as well as reporting requirements on ESS that are consistent with the Fund's environmental and social management system. APRs contain:
 - A narrative report (with supporting data as needed) on implementation progress based on the logic framework submitted in the funding proposal
 - Considerations on the ongoing performance of the project/programme against the GCF investment framework criteria, including updates on the indicators and a report on ESS and gender, and financial performance of the project/programme.

¹⁴ GCF/B.21/18 Investment Criteria Indicators
https://www.greenclimate.fund/documents/20182/1270184/GCF_B.21_18_-_Investment_criteria_indicators.pdf/900c1917-8736-42ac-afbc-1cc36a31a37f

¹⁵ Decision B.11/10

Additional details on APR content are provided in box 4 below.

Box 4. APR content

AEs must complete the following sections in the APRs they submit for projects/programmes under implementation:

- **General information**
 - Executing entity, implementation period, current year of implementation, closing year, budget, amount of GCF proceedings approved
- **Overall project progress report**
 - Narrative that describes overall progress on implementation of funded activities, achievements, delays, and/or challenges related to planned activities. AEs are required to report on the performance of funded activities against the Fund's RMF and investment framework
 - Milestones achieved during the reporting period for the funded activity, actions, challenges, and lessons learned, including issues of non-compliance with GCF standards, and achievements
 - Description of issues that might result in a change of the scope of the project, if any
- **Project output implementation status**
 - Output, activity, status, deliverable/milestone for current reporting period, deliverable/milestone for next reporting period, remarks (if any)
- **Progress update on Fund-level impact indicators in RMF/PMF of project/programme logic framework**
 - Fund-level impact core indicators for mitigation, baseline, current value, target (mid-term), target (final), variances from target, variances from proposed methodology
- **Progress update on project/programme level indicators of the logic framework**
 - Outcome and output indicators for mitigation, baseline, current value, target (mid-term), target (final), variances from target, variances from proposed methodology
- **Changes during implementation**
- **Environmental and social safeguards and gender**
- **Annexes: financial statements, other**

- b. An interim evaluation report and final evaluation report for each funded activity. These project/programme-level evaluations should also assess the performance of the funded activity against the GCF investment framework criteria, including financial/economic performances as part of the project/programme efficiency and effectiveness criterion.
- Submission of APRs might be required during the post-implementation period¹⁶
 - The Secretariat will report to the Board on an annual basis on AEs' performance in relation to their GCF funded activities. This report will be based on the APRs received and will inform on progress in implementation, potential risks and lessons learned.

¹⁶ As per the Board's decision, in some cases, it will not be cost-effective to contract the AE to provide post-implementation monitoring. In these cases, the GCF would develop alternative arrangements.

Other MRV Responsibilities for AEs

Besides reporting responsibilities in the MAF, AEs agree to specific MRV obligations in their AMAs, as explained in graph 1 below:

Graph 1: Additional reporting requirements for AEs under the AMA

RMF	MAF	APRs
<ul style="list-style-type: none"> Proposals must include a logic framework and arrangements for monitoring, reporting, and evaluation of the activities consistent with the RMF 	<ul style="list-style-type: none"> AEs must inform the Fund of material changes that might affect their compliance of standards and accreditation requirements AEs must cooperate with the Fund in conducting annual reviews of funded activities AEs are to apply MAF provisions in accordance with their own policies and procedures for all activities under implementation 	<ul style="list-style-type: none"> APRs must report on the status of each funded activity throughout a given reporting period, and include a narrative on implementation progress based on the logic framework submitted in the proposal, investment criteria, and RMF APRs must be submitted annually (unless stated otherwise in the FAA)

Funded Activity Agreements (FAAs), the legal agreements between the Fund and AEs that guide the conditions of proposal implementation, may contain additional measurement and reporting requirements for AEs, tailored to the specifics of the approved proposal. FAAs’ content, however, is undisclosed, and provides some margin for negotiation of requirements between the Fund and the AE.

Portfolio Management and Aggregating Outcomes to Estimate Fund Level Impacts

The OPM manages the Fund’s portfolio and monitors the implementation of projects and programmes after the first disbursement of resources from the Fund to the AE.

In fulfilling this role, the OPM uses APRs to obtain information on implementation progress, and make recommendations as necessary. Upon receiving the APR, the OPM can pose follow-up questions as necessary, and is in charge of systematizing the flow of information from projects/programmes level to outcome, impact, and paradigm shift levels. The information OPM operates with depends on reporting responsibilities and commitments from AEs. OPM is to determine its own protocols on how indicators are to be aggregated taking into account variances across projects, and methodologies used by AEs.