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Annual portfolio performance report (2023)

Summary

This annual portfolio performance report presents a review and analysis of the performance of the GCF portfolio of investments from projects and programmes and the Project Preparation Facility under implementation as at 31 December 2023.

Table of Contents

List of figures

Executive summary

1. This seventh annual portfolio performance report provides an overview of the progress in implementation and delivery of results by the portfolio of GCF projects and programmes, and the Project Preparation Facility as at 31 December 2023. It highlights implementation challenges encountered by accredited entities (AEs), as well as lessons from implementation. It concludes with the priority actions for improving portfolio monitoring and performance management going forward.

Progress and results in 2023

Funded activities – projects and programmes[1]

2. In line with the priorities and objectives of the updated Strategic Plan for the GCF 2020–2023, the GCF portfolio of projects and programmes continued its steady growth, with 34 new projects and programmes approved in 2023. As at 31 December 2023, the portfolio comprised 243 projects and programmes,[2] with a total GCF investment amounting to USD 13.5 billion. There were 205 projects under implementation, an increase of 24 compared with 2022. The portfolio under implementation represents a GCF investment of USD 9.3 billion, which is expected to mobilize co-financing of up to USD 27.5 billion (co-financing ratio of 3:1).

3. Total disbursements of GCF resources to the projects and programmes for which the financial analysis was undertaken[3] increased by USD 0.7 billion from USD 2.5 billion in 2022 to USD 3.2 billion in 2023. Disbursements to public sector projects and programmes accounted for 62 per cent (USD 2 billion), while private sector projects and programmes received 38 per cent (USD 1.2 billion) of the total. Regarding the share of disbursements for projects and programmes, USD 2.8 billion was managed by international access entities (IAEs) compared with USD 436 million managed by direct access entities (DAEs).

4. In line with the growth in the portfolio, as well as the increased normalization of activities after the coronavirus disease 2019 (COVID-19) pandemic, cumulative expenditures grew by 73 per cent, from USD 1.5 billion in 2022 to USD 2.6 billion in 2023, representing an expenditure rate of 81 per cent. Improvements in the rate of progress in the early stages of implementation contributed to the increased expenditure rate in 2023, because most of the projects and programmes approved from 2020 to 2022 became effective during the second half of 2021 and early 2022. In 2023, 28 projects reported an expenditure rate of less than 5 per cent, compared with 25 projects in 2022.

5. The co-financing ratio for private sector projects and programmes under implementation has remained constant at 3.3 times that of GCF funding. This ratio is greater for public sector projects and programmes (2.7 times). The co-financing expenditure as at 31 December 2023, was approximately USD 3.7 billion, for projects and programmes under implementation in 2023. Of that amount, USD 1.8 billion (48 per cent) was from the 35 private sector portfolios compared with the 140 public sector organizations contributions of USD 1.9 billion (52 per cent). The private sector portfolio exhibited a co-financing expenditure ratio of 2:1, in contrast with a 1.9:1 ratio observed for the public sector ones.

6. As at 31 December 2023, the GCF portfolio demonstrated notable progress in balancing funding between mitigation and adaptation results areas, compared with previous years. The

[1] 'The 243 GCF funded activities are referred to throughout this document as "projects and programmes", these are distinct from the grants under the Readiness and Preparatory Support Programme.
[2] Financial performance analysis was undertaken for a total of 175 projects and programmes, including 6 projects and programmes that were completed by the end of 2023 (FP007, FP017, FP019, FP023, FP024, FP046). Eight projects, which are in the GCF REDD+ Results-Based Payments (RBP) Pilot Programme, were excluded from the financial analysis owing to the peculiar nature of the RBP portfolio versus the rest of portfolio. Note also that the United Nations exchange rate as at 31 December 2023 was applied to convert non-United States dollars project/programme funding into United States dollars.

share of the portfolio across the GCF results areas ranged between 8 per cent and 14 per cent with the only exception being the energy access and power generation results area, which constituted 23 per cent of the total portfolio and continues to see a decrease (e.g. from 32 per cent in 2021 and 26 per cent in 2022).

7. Notably, there has been a significant increase in the proportion of funding allocated to results areas that have experienced underinvestment relative to other areas in the past, particularly in the adaptation theme. For example, the funding allocation for infrastructure and built environment has spiked (i.e. a growth rate of 1.5 times, from USD 0.99 billion in 2022 to USD 1.5 billion in 2023), expanding its share from 9 per cent to 11 per cent of the portfolio. Health, food and water security, another results area which has experienced underinvestment, increased its share in GCF funding terms from USD 1.07 billion in 2022 to USD 1.5 billion in 2023, while its share among all results areas in percentage terms, rose from 9 per cent to 11 per cent.

8. With an average implementation maturity rate[4] of 48 per cent for mitigation and 47 per cent for cross-cutting themes at the end of 2023, the 55 mitigation and 62 cross-cutting projects under implementation reported having achieved a total reduction of 71.2 million tonnes of carbon dioxide equivalent (Mt CO_2 eq), which constitutes 7.2 per cent of the original lifetime target of greenhouse gas emission reductions amounting to 987 Mt CO_2 eq through to 2030.

9. The adaptation portfolio under implementation is comprised of 79 adaptation-only and 50 cross-cutting projects and programmes with an implementation maturity rate of 73 per cent for adaptation-only and 59 per cent for cross-cutting at the end of 2023. The adaptation portfolio benefited 140 million people (55 million direct beneficiaries and 85 million indirect beneficiaries) or 24 per cent of the total lifetime target of 571 million beneficiaries.

10. As at 31 December 2023, GCF resources were channelled into 30 of the 77 accredited DAEs for the support of 57 approved projects and programmes, compared with 28 of the 46 IAEs which had 186 approved projects and programmes. In terms of projects approved and GCF funding allocated to IAEs and DAEs, in 2023, IAEs had 27 projects approved with GCF funding of USD 1,709 million, while DAEs had 7 projects approved with GCF funding of USD 369 million. The comparable figures for 2022 were 10 projects approved with GCF funding of USD 1,031 million for IAEs, and 9 projects with GCF funding of USD 413 million for DAEs. Financing for IAEs has increased by 65 per cent when comparing the years 2022 and 2023, while for DAEs it has decreased by 10 per cent.

11. In terms of compliance with environmental and social safeguards (ESS), AEs continued to undertake activities to ensure safeguarding of GCF projects and programmes. Compliance with the updated GCF Gender Policy continues to be high and the shift from gender sensitivity to gender responsiveness is seen through stronger gender targets for gender mainstreaming, and more concrete actions on the ground.

12. Several projects and programmes have incorporated best practices in their approaches in addition to meeting to meeting the requirements of the GCF Indigenous Peoples Policy, including efforts to advance Indigenous knowledge in the context of climate change adaptation and resilience through inter- and intra-generational practices.

Lessons learned

13. As the portfolio matures, the lessons derived from implementation inform the development of the Secretariat's data analysis, tools, systems and processes. This allows the Secretariat to improve its efficiency and responsiveness to partner needs and inform its adaptive management approach, improving delivery of GCF projects and programmes. In

[4] The average funded activity implementation time elapsed as at the end of 2023 compared with the average project lifetime.

addition, the Secretariat is harnessing the lessons from implementing projects and programmes, and the Project Preparation Facility, and continues to improve project selection, design and implementation monitoring for improved risk management and results.

14. The following key lessons learned have been derived from the implementation of GCF projects and programmes:

(a) **Project changes over the programming cycle:** Multi-year delays between the project design stage, project effectiveness and project implementation have been seen historically. These delays lead to outdated baselines, market movements, changes in country contexts, technologies, design assumptions, and/or approved budgets. In response, the Secretariat has improved efficiency and sped up post-approval and pre-effectiveness processes. However, there is still room for improvement in addressing delays beyond the Secretariat's control, especially due to country- and AE-level processes;

(b) **Terms and conditions:** It is important to ensure the clarity of terms and conditions, including the requirements and submissions needed to meet legal obligations. Such clarity helps avoid lengthy implementation delays. For example, private sector projects often require greater flexibility in financial terms and conditions as they operate in a more dynamic and time-sensitive environment. They also frequently require appropriate delegation of decision-making authority for commercial aspects of transactions to partner institutions. Thoughtfully increasing delegation of decision-making to AEs and executing entities (EEs) would minimize administrative delays arising from the Secretariat needing to approve relatively minor change requests. These could include adjustments to implementation, budgetary matters, and selected investment criteria;

(c) **GCF policies and processes:** There is a need to complete the updating of certain Secretariat policies, processes and guidance to make them simpler and more fit-for-purpose. These updates are designed to further enhance efficiency, particularly by continuing the improvements already made in reducing response times for assessments and shortening the time between assessments and implementation. By doing so, GCF aims to minimize the effects from risks such as inflation or political instability, that could potentially impact project execution. These policy reviews would address gaps in existing policies and align others with the roles and accountabilities of GCF partners. Examples include the Policy on Restructuring and Cancellation, and the ongoing reviews of the Information Disclosure Policy and Environmental and Social Policy;

(d) **Fundraising and disbursement:** The Secretariat's assessment of a Fund Manager's ability to raise capital for GCF-supported investment vehicles should be improved. Ideally, AEs should provide evidence of a track record in raising, investing and liquidating investment funds with a similar risk/reward profile to the one GCF is supporting. Disbursements should be made against fundraising milestones and disbursed proportionally against other investor commitments. Other non-governmental co-financing should be committed and allocated to implementation of projects and programmes at the same time as or before GCF disburses funding;

(e) **GCF restructuring:** Building on the lessons learned from past implementation experiences, the Secretariat is undergoing restructuring as part of the ongoing work of the Efficient GCF Task Force. This effort aims to streamline and update the Secretariat's policies and processes, including related guidance, to ensure they are simpler and more aligned with GCF objectives. These updates are designed to further enhance efficiency, particularly by continuing the improvements already made in reducing response times for assessments and shortening the time between assessments and implementation. By doing so, GCF aims to minimize risks such as inflation or political instability that could potentially impact project execution;

(f) **Recognizing the importance of in-person missions:** In-person missions are a key tool in the monitoring and accountability framework and help the Secretariat to assess implementation progress and provide AEs with enhanced support on reporting methods and quality. These missions strengthen personal relationships between the Secretariat and AEs, improving information flow, compliance and reporting outcomes. An increase in these missions has been possible post-COVID-19 and the Secretariat should continue to judiciously undertake such missions;

(g) **Foreign exchange (FX) risk:** Full assessment of FX risk at all levels of transaction (up to investee/borrower level) should take place along with cost implication analysis and resulting remedial measures to be considered at project design stage. Where possible, GCF should approve designs of projects and programmes where the structure limits FX exposure through co-financing denominated in the same currency as expenses/revenues and build in flexibility for the AE/EE to arrange hedging;

(h) **Mitigating political instability:** The Secretariat should review its policies and processes to mitigate the impact of political instability on projects and programmes. In 2023, multiple coups occurred in African countries, and fragile and conflict-affected states like Afghanistan, Haiti, Sudan, and the State of Palestine faced significant challenges that disrupted implementation efforts. To address these issues, the Secretariat should develop guidelines and best practices for handling adaptive management requests. These guidelines should focus on maintaining Project Management Units and continuing implementation wherever possible, or alternatively, suspending or terminating projects where there is no realistic prospect of proceeding as planned;

(i) **Fast-tracking adaptive management:** The Secretariat and AEs should have the capacity to fast-track adaptive management measures to protect project progress or outcomes when political unrest or extreme weather events threaten to halt or reverse project achievements. This recommendation will be incorporated into the 2024/2025 review of the Policy on Restructuring and Cancellation to ensure a more resilient approach in politically unstable contexts;

(j) **Pre-implementation challenges:** Pre-implementation challenges are frequently reported by AEs. One recurring issue is that projects are often not ready for implementation by the time they are approved, including key implementation aspects such as procurement. To address this, the Secretariat should provide more targeted communication and support, focusing on AEs delivering clear and comprehensive implementation plans and manuals to improve readiness and ensure smoother project execution from the outset;

(k) **Inflation and budget overruns:** Delays between project design and implementation have led to unexpected cost inflation. This has been further exacerbated by economic and inflationary shocks stemming from the measures taken to mitigate the financial impact of the COVID-19 pandemic and the conflict between the Russian Federation and Ukraine, creating exceptional challenges. To address these issues, continuing efforts to accelerate the project assessment approval and contracting cycle are critical. Additionally, the selective use of contingency budgets could be considered to help manage inflationary pressures and prevent budget overruns;

(l) **Misalignment with market demand:** Some programmes have experienced slower-than-anticipated uptake due to a misalignment between eligibility criteria and market demand. These programmes were initially oversized, anticipating greater demand than that which materialized. Furthermore, delays in both approval and deployment have contributed to this misalignment with market needs. To improve alignment, factors such as the cost of finance for the end borrower and the appetite to manage FX risks should be rigorously evaluated to better meet market demand;

(m) **Mismatch of the AE with the project type:** During the assessment phase, the Secretariat must ensure that the selected AE is well-suited for the specific project type. This includes confirming that the AE has the necessary staff, experience and geographical presence to oversee successful implementation. This is particularly critical for multi-country projects, where implementation is often managed through AE satellite offices and EEs that may be less familiar with the AE. Additionally, multi-country programmes present challenges in coordinating AEs with multiple EEs and national designated authorities (NDAs), often resulting in varying prioritization of the project across different countries. This misalignment between stakeholders can hinder smooth implementation and requires careful management to ensure consistency and project success;

(n) **Clarity in the theory of change:** The need for a clear theory of change linking climate risks to the project/programme objective and adaptation impact is crucial for AEs, particularly DAEs during project design and approval of subprojects. This will improve the likelihood of the project achieving the adaptation impacts as projected at the time of Board approval. DAEs require support from the Secretariat's technical experts to respond to reviews of the independent Technical Advisory Panel, recommendations or conditions when proposed changes may affect project effectiveness or may be misaligned with country context thus becoming an obstacle to the successful execution of projects and posing a reputational risk to the AEs and GCF; and

(o) **Recognizing the importance of in-person missions:** In-person missions are a key tool in the monitoring and accountability framework and help the Secretariat to assess implementation progress and provide AEs with enhanced support on reporting methods and quality. These missions strengthen personal relationships between the Secretariat and AEs, improving information flow, compliance and reporting outcomes. An increase in these missions has been possible post-COVID-19 and the Secretariat should continue to judiciously undertake such missions.

Proposed priorities for 2024 and 2025

Projects and programmes

15. During 2024 and 2025, the Secretariat will focus on the following to continue to improve simplification and efficiency of operations, quality of project and portfolio implementation and the reporting of the portfolio's climate results:

(a) Pursuing the ongoing review of some existing institutional policies (Information Disclosure Policy, Environment and Social Policy, and Policy on Restructuring and Cancellation) and identifying opportunities and recommendations that could be included in upcoming policy revisions and could improve implementation;

(b) Collecting lessons learned in the implementation of projects and programmes in fragile and conflict-affected states, defining of project design and implementation best practice and the identification of any procedural or policy gaps to deal with these cases;

(c) Continuing the ongoing efforts of the Efficient GCF Task Force, which will include focusing on post-approval processes and systems aimed at improving the Secretariat's responsiveness to AEs. This includes investing in system development to minimize manual handling of requests;

(d) Maintaining a proactive AE engagement strategy through regularly updated and implemented AE engagement plans. The Secretariat's restructuring, which integrates regional teams responsible for both pre- and post-approval project assessments and monitoring, is expected to enhance project design and ensure that lessons learned during implementation are captured and inform future project design more effectively. This proactive approach will also facilitate earlier identification of potential risks and enable timely risk mitigation actions to improve the delivery of climate-related impacts;

(e) Prioritizing the review of all project and programme annual performance reports (APRs) within six months of receipt will enable the timely implementation of adaptive management actions, the extraction of key lessons, and earlier investigation of concerns. To support this, the Secretariat must ensure adequate surge capacity for staff to review APR sections on environmental and social safeguards, gender, Indigenous Peoples, and financial reporting. Where necessary, the Secretariat will enlist professional services or individual consultants to assist in this process;

(f) Continuing to carry out well-planned and efficient missions, during which staff will visit projects, EEs, and AEs to assess implementation progress, addressing project delivery challenges, and providing capacity-building opportunities to help AEs meet GCF reporting and delivery standards. External fund agents will be employed when third-party assessments of project progress and corrective action recommendations are required;

(g) Furthering efforts to improve transparency and access to portfolio data and lessons learned through:

  (i) The launch or enhancement of the Open Data Library v3.0, which will include new dashboards focusing on project results; and

  (ii) The creation of a Project Knowledge Bank to make curated data, success stories, implementation lessons, and other resources available to GCF stakeholders;

(h) Advancing substantial efforts to ensure that all AEs meet their obligations to reflow bank and investment interest to GCF. While this process has been labour-intensive due to manual systems, progress has been observed in increasing the number of AEs reflowing (from 20 to 30), with further improvements expected by the end of 2024. The Secretariat will continue to improve systems and procedures throughout 2024 and 2025 to increase automation and boost the volume of reflows back to GCF; and

(i) Persisting in enhancing the quality of impact data (both mitigation and adaptation) that it receives, analyses, aggregates, and reports. Building on previous efforts to address monitoring and evaluation gaps and validate AE reporting of mitigation results, the Secretariat will focus on further improvements in 2024/2025 by strengthening the validation process for adaptation beneficiaries. In 2025, the Secretariat will also allocate targeted resources towards earlier analysis of data received from AEs through APRs, enabling earlier insights that can inform AE engagement, project performance assessments, and improve portfolio-level reporting. Achieving these objectives will require the allocation of internal resources and, potentially, additional support from external professional service providers.

I. Introduction

1.1 Background

1. The Governing Instrument for the GCF, paragraph 23(d) and (j), established the mandate for the Secretariat to conduct monitoring functions and prepare reports on the implementation performance of activities financed by GCF. These functions are codified in the monitoring accountability framework for GCF projects and programmes. This annual portfolio performance report presents an update on the progress made in the performance of the projects and programmes under implementation, as well as the Project Preparation Facility (PPF) for the reporting period ending 31 December 2023.

2. The report is informed by both qualitative and quantitative information on the portfolio gathered from the APRs,[1] interim and final evaluation reports, project completion reports, and financial reporting and annual financial statements submitted by the AEs as well as from active monitoring and adaptive management performed by the Secretariat regarding implementation challenges and issues. For the PPF support, the information for the reporting period is drawn from the technical and financial reports submitted by delivery partners and NDAs.

1.2 Actions taken in 2023 and continued in 2024 to strengthen portfolio monitoring and results measurement

3. In 2023, the Secretariat continued to strengthen its implementation and monitoring of an expanding portfolio of projects and programmes, as well as PPF grants through engaging AEs to proactively identify and manage emerging portfolio implementation risks to review implementation progress reports on grants and projects; and to process disbursements and adaptive management requests to facilitate continued implementation, compliance with legal conditions and covenants. The actions taken during 2023 and into 2024 are outlined below.

4. **Improving project reporting by AEs:** The Secretariat will introduce a new format for the APR in 2024. This revised format will enhance the capture of both quantitative and qualitative information, including potential upcoming adaptive management needs and lessons learned from implementation. This revised format will also enable the provision of more detailed information on subprojects and disbursements, with subproject progress provided on a country-by-country basis.

5. **Improving efficiency through systems:** The enhancement of the portfolio performance management system (PPMS) was a primary goal of the Secretariat with the new modules developed to help AEs submit project change requests for restructuring and budget plans. The Secretariat implemented several measures to improve efficiency of the disbursement request processing, including the PPMS mobile application and streamlined workflows. The launch of the new and updated modules and the mobile application was accompanied with video training modules and where needed, consultations with AEs to upgrade the system in a user-friendly manner. The disbursement and reporting modules for the PPF are planned to be launched to support management processes of all GCF portfolios.

6. **Improving reporting of results:** To improve the transparency and reliability of the reporting of climate results, the Secretariat has continued with remediation of gaps in monitoring and evaluation. In 2023, phase 2 of the remediation activities approved by the Board

[1] The full list of projects and programmes that submitted an APR for 2023 can be provided upon request, while annex III contains a graph indicating the total number of APRs submitted and those that were waived/not submitted.

was implemented by the AEs with support from the Secretariat. The project-level joint action plan developed under phase 1 by the AEs and the Secretariat, as approved at the thirty-third meeting of the Board (B.33), was rolled out and implemented by the AEs. In total, seven AEs (of which three were DAEs) implemented remediation activities for nine projects and programmes, resulting in the revision of logical frameworks and enhanced monitoring and evaluation (M&E) capacity of the project stakeholders. As part of the M&E gaps programme, the Secretariat also rolled out the M&E capacity-building programme under which seven AEs (of which six were DAEs) received online training followed by in-person workshops; in total, these training sessions were attended by more than 150 participants from diverse stakeholders such as AEs, NDAs, EEs and project staff.

7. **Capacity development on M&E:** As part of the M&E gaps exercise, several in-person training sessions were organized, accompanied by online training as pre-sessions. Six DAEs benefited from the training, including Environmental Investment Fund, Namibia, the Department of Environment, Antigua and Barbuda. Development Bank of Southern Africa, Peruvian Trust Fund for National Parks and Protected Areas, Centre de Suivi Ecologique, and the National Bank for Agriculture and Rural Development. The training covered a wide range of topics such as theory of change, results management, baseline data collection, and GCF evaluation, in addition to project-specific clinics on M&E. This participatory learning experience was very well received, with all participants confirming that it was a valuable experience.

Expansion of knowledge management and ability to share lessons learned

8. To enhance stakeholders' knowledge, the Secretariat developed and launched video training modules on creating a theory of change and a logical framework as part of GCF funding proposals. Additionally, training modules were created for AE-led evaluations, offering guidance on designing, commissioning, managing, and concluding effective evaluations. These modules are available on the GCF iLearn Platform and accessible to AEs, NDAs, and other partners.

9. The Secretariat continues to work to give transparency to the quantitative and qualitative results of its work. The Open Data Library v2.0 was launched in 2023 and serves as a resource to promote transparency, accountability, and accessibility of data related to GCF portfolio. Its main purpose is to provide stakeholders – such as partner countries, project implementers, researchers, and the public – access to important data sets, documents, and information related to GCF climate finance activities. This includes data on project proposals, approvals, disbursements, and portfolio performance. The Secretariat continues to work on improving this tool and aims to launch a revised and improved version 3.0 in 2024/2025.

10. GCF launched the Readiness Knowledge Bank in 2023, an online curated collection of Readiness and Preparatory Support Programme related GCF policies, tools, and guidance, case studies such as success stories of countries and partners who have benefited from GCF Readiness support, and dashboards of Readiness results. During 2024 and 2025, the Secretariat will launch the Projects Knowledge Bank, a similar online resource for its projects and programmes, this will provide dashboards on the portfolio performance and project data, provide success stories details on the climate action of countries and AEs delivered through GCF projects and programmes, tools and guidance, including documents and templates curated to assist audience understanding and to navigate the GCF processes across the project cycle and policies, research, and evaluation along with Board decisions and policies, and Independent Evaluation Unit studies related to GCF projects and programmes.

11. A cross-Secretariat review of learnings derived from approvals and implementation was initiated in 2023. This process identified 195 potential areas for enhancing efficiency and responsiveness, 43 of these ideas were prioritized for consideration. These areas were prioritized based on their potential impact and the effort required for implementation. The

Efficient GCF Task Force will consider implementing these improvements throughout 2024 and 2025.

12. The Secretariat continues to use multiple channels to disseminate learnings both internally and externally. The year 2023 saw the establishment of more structured sharing of learnings within the Secretariat, between the project origination and implementation teams, with the implementation teams highlighting design features, processes or legal documentation drafting that created implementation difficulties. Staff also engaged with AEs in person at GCF Regional Dialogues in Uruguay and Zimbabwe, twenty-eighth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, and at AE and GCF headquarters through scheduled programming meetings.

II. Performance review of projects and programmes in 2023

2.1 Implementation progress and performance

Progress in achieving GCF-1 strategic objectives

13. The portfolio has achieved some important gains in meeting the key priorities and strategic objectives of the first replenishment period of GCF (GCF-1). Below are the summaries and for more details on the progress and status as at December 2023, please refer to the portfolio status report being presented at B.40 for the most up-to-date information.

14. **Balance of adaptation and mitigation funding:** The portfolio allocation between mitigation and adaptation tilted in favour of adaptation at 51:49 respectively in grant equivalent terms. Ex post results of portfolio-level outcomes show that every USD 1 billion of GCF resources disbursed in (1) mitigation has contributed to the greenhouse gas (GHG) emissions reduction of 24.5 Mt CO_2 eq; and (2) adaptation has reached 64 million beneficiaries. These portfolio's ex post results are largely attributable to the projects approved during the initial resource mobilization (IRM) period (2015–2019). Ex post results from the portfolio approved during GCF-1 stand at 18.4 Mt CO_2 eq per USD 1 billion disbursed and 10 million beneficiaries per USD 1 billion disbursed.

15. **Adaptation funding to least developed countries (LDCs), small island developing States (SIDS) and African States:** Adaptation funding has remained considerably above the floor of 50 per cent in grant equivalent terms. The IRM baseline of 69 per cent in grant equivalent terms remains the same as at 31 December 2022. The current portfolio amounts to USD 4.98 billion of grant equivalents allocated to 67 of these countries.

16. **Geographical balance of funding:** Funding has been allocated to projects in 129 countries: 33 per cent to activities in Asia–Pacific, 39 per cent to those in Africa, 25 per cent to Latin America and the Caribbean, and 3 per cent to Eastern Europe. The IRM baseline is 41 per cent in Asia–Pacific, 35 per cent in Africa, 19 per cent in Latin America and the Caribbean, and 4 per cent in Eastern Europe.

17. **Funding channelled through DAEs:** The portfolio is on track to increase funding channelled through DAEs relative to the IRM in nominal terms: USD 766 million was approved at B.30–B.34, which resulted in an increase in the DAE share of the portfolio (in grant equivalent term) from 1 per cent of the IRM portfolio to 18 per cent of the portfolio.

18. **Allocation to the Private Sector Facility:** In grant equivalent terms, 18 per cent of the total portfolio has been approved through the Private Sector Facility. The IRM baseline was 16 per cent of the portfolio.

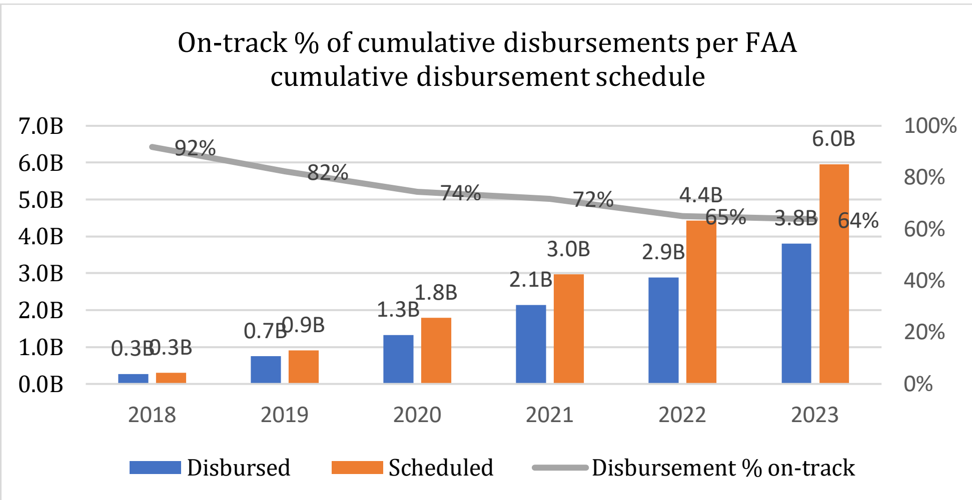
19. **Mobilized private sector finance:** Co-financing for private sector projects/programmes has stood at 3.3 times the GCF funding level, which is greater than that of 2.7 times for public sector projects/programmes.

Implementation progress

20. **Portfolio growth and distribution:** The portfolio has grown by 34 new projects and programmes approved in 2023, increasing the total number of projects and programmes to 243 (GCF funding: USD 13.5 billion as at 31 December 2023). Of these, 205 (84 per cent of total approved and an increase of 24 projects and programmes from 2023) were under implementation. These projects have been channelled through 58 entities (out of 123 AEs). Of this total, 30 were DAEs with 57 approved projects and programmes, and the remaining 28 were IAEs with 186 approved projects and programmes. The IAEs received 80 per cent of approved funds of USD 10.8 billion, while DAEs managed the remaining 20 per cent of approved funds of USD 2.7 billion (national DAEs: 8 per cent; regional DAEs 12 per cent); this split is because 63 per cent of DAE projects and programmes are small or micro-sized, whereas 61 per cent of IAE projects and programmes are large or medium-sized.

21. According to the Secretariat's assessment and evolving methodology,[2] 64 per cent of the projects and programmes are "on track" compared with 65 per cent in 2022 (see figure 1). The main contributing factor to the decrease of projects and programmes "on track" was the continued effects of the COVID-19 pandemic, the effects of which continue to impact project delivery, especially for those projects that reached effectiveness in 2020–2022. Inflationary pressures and logistics difficulties have required adaptive management actions and have delayed projects. This has resulted in a reduced need to draw down funds, or in some cases, projects and programmes not achieving their co-financing rates that would enable conditions for further GCF funds to be utilized.-financing rates that would enable conditions for further GCF funds to be utilized.

Figure 1: Percentage of projects and programmes "on track"



Abbreviation: FAA = funded activity agreement.

22. In terms of disbursements, the LDCs registered lower drawdown of funds with only 52 per cent of approved funds disbursed "on track", compared with 55 per cent for SIDS. This

[2] Whether a project is "on-track" or "not on-track" is determined by the project's adherence to the original disbursement schedule over time, and in a few cases, investigates the expenditure rate and not the disbursement rate. Thus, the present computation methodology is based solely on the use of "GCF funds" or proceeds as a proxy to determine whether a project or programme is "on-track" or "not on-track". It does not consider the quantum and timing of the achievement of climate results versus what was expected at project approval. It is anticipated that this enhancement will be introduced in future years.

finding implies a need for closer engagement with the AEs that are implementing projects and programmes in LDCs to facilitate more timely identification and addressing of potential bottlenecks or challenges, and deployment of adaptive management actions for faster implementation.

23. Multi-country projects and programmes (26 approved for SIDS and 40 for LDCs) have encountered challenges with implementation pace, with 50 per cent of multi-country projects in LDCs rated as "not on track". This may be attributed to the complexity of having multiple EEs and stakeholders involved. Based on this observation, the Secretariat will closely monitor a significant number of newly approved multi-country projects and programmes in LDCs to strengthen relationship management, coordination, and ensure effective implementation.

24. Considering these challenges, the Secretariat will need to pay close attention to the selection of AEs to ensure their capacities, including those of the EEs, are aligned in SIDS and LDCs, particularly during funding proposal development. This will be especially important in cases involving: (i) complex implementation arrangements; (ii) institutional or governance capacity gaps; or (iii) challenging implementation environments. Enhanced stakeholder management, private sector participation, and engagement with civil society will be encouraged to support successful portfolio implementation and to achieve desired outcomes in these projects and programmes.

25. **Simplified approval process (SAP):** Since 2017, 33 projects and programmes have been approved under the SAP. Of these, 14 were submitted by 11 DAEs and 19 by 9 IAEs. Currently, 26 projects and programmes are in the implementation phase, and none had been restructured by the end of 2023. Disbursement rates for SAP projects are low (45 per cent), likely due to many projects just beginning implementation, and others being impacted by COVID-19. Nine projects have requested extensions to their implementation periods. As a result, 59 per cent of projects are rated "on track", while 41 per cent are considered "not on track". Close engagement with AEs is needed to explore ways to speed up disbursements and implementation.

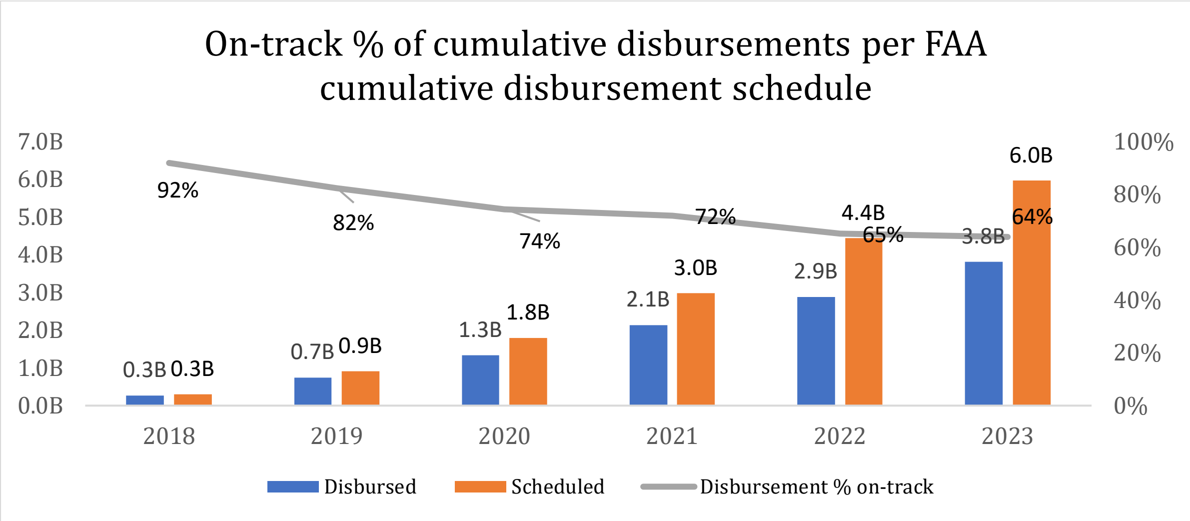
2.2 Financial performance, disbursement, and fund utilization

Disbursements

26. Total disbursements of GCF resources for the 176 projects and programmes included in the analysis[3] increased by USD 0.7 billion from USD 2.54 billion in 2022 to USD 3.23 billion in 2023, in line with the portfolio’s continued growth (see figure 2).

[3] Note that although 205 projects and programmes were under implementation (i.e. those that reached funded activity agreement (FAA) effectiveness as at 31 December 2023) or completed at the end of 2023, the financial performance analysis was conducted for 176 projects and programmes. Eight projects and programmes in the GCF REDD+ Results-Based Payment (RBP) Pilot Programme was excluded from the financial performance analysis owing to the peculiarity of the RBP modality versus the rest of projects and programmes. The completed projects (i.e. FP007, FP019, FP023, FP017, FP026 and FP046) were included in the analysis. Note also that the United Nations exchange rate as at 31 December 2023 was applied to convert funding amounts for the non-United States dollar projects and programmes into United States dollars.

Figure 2: Growth in GCF disbursements from 2018 to 2023 (in USD)

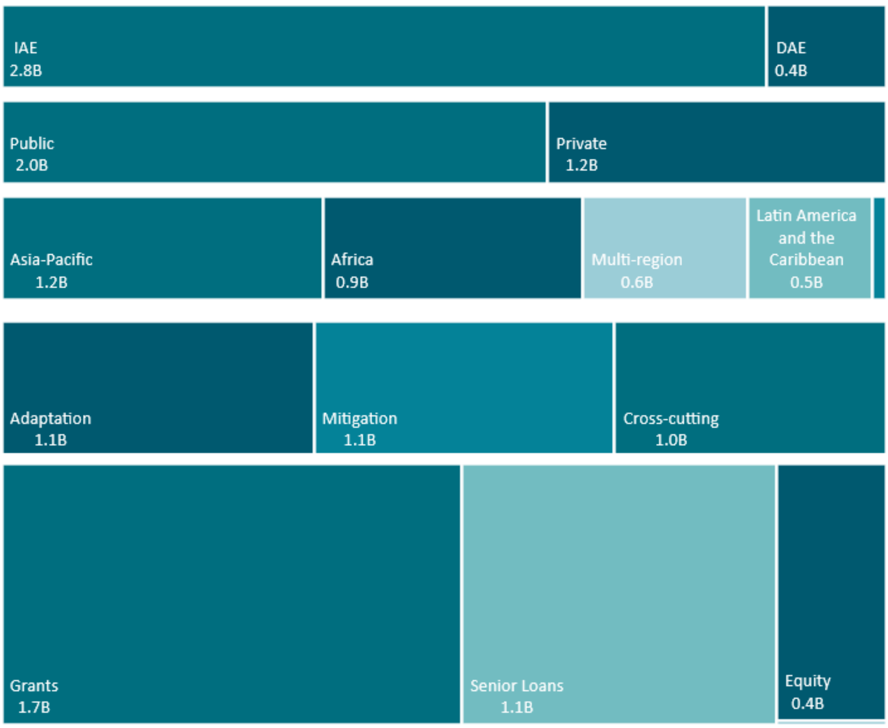


Abbreviation: B = billion, FAA = funded activity agreement.

27. A breakdown of the disbursements as at 31 December 2023 by entity, sector, region, theme, and financial instrument is shown in in figure 3.

28. Of the total cumulative funds disbursed as at the end of 2023, public sector portfolio accounted for 62.5 per cent (USD 2.0 billion), while the private sector ones received 37.5 per cent (USD 1.2 billion). The IAEs accounted for most total disbursements (USD 2.8 billion) compared with USD 1.2 billion disbursed to DAEs.

Figure 3: 2023 disbursements breakdown by entity, sector, region, theme and financial instrument (in USD)



Abbreviations: DAE = direct access entity; IAE = International access entity; B = billion.

29. As at the end of 2023, cumulative amounts of disbursements to Asia–Pacific were the highest, accounting for 37 per cent (USD 1.2 billion) of total disbursements, followed by the Africa region with 28 per cent (USD 0.9 billion), and Latin America and the Caribbean with 16 per cent (USD 0.5 billion). Multi-region programmes accounted for 19 per cent (USD 0.6 billion).

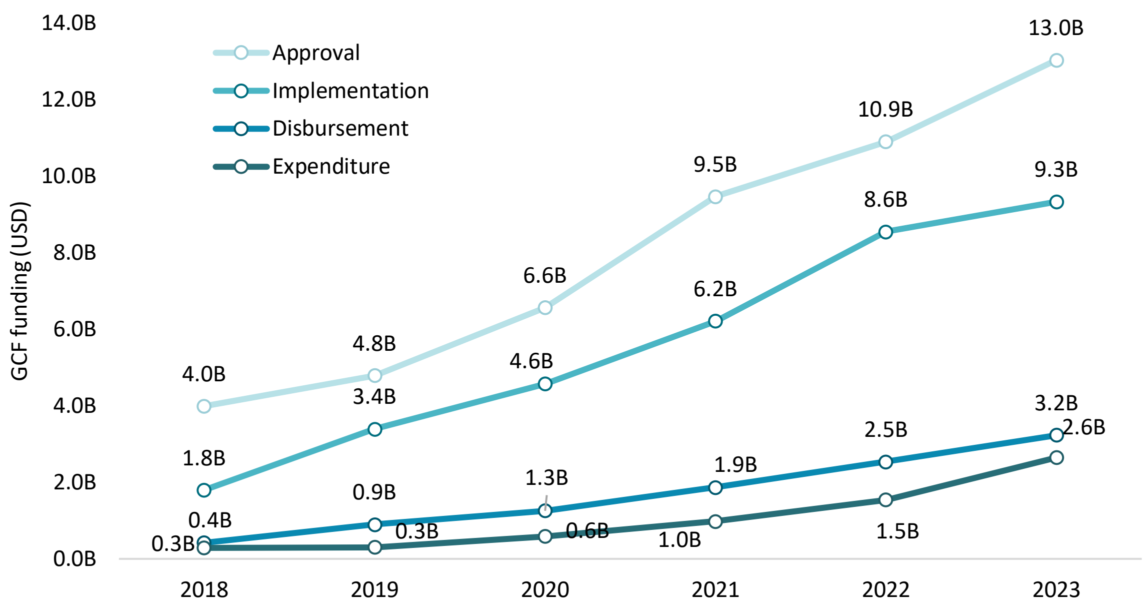
30. Disbursements to projects and programmes in adaptation and mitigation results areas, as well as those that are cross-cutting were evenly distributed, with total cumulative disbursements went to mitigation projects (34 per cent; USD 1.1 billion), followed by adaptation (34 per cent; USD 1.1 billion), and cross-cutting (32 per cent; USD 1.0 billion).

31. In terms of financial instruments, as at end of 2023, total cumulative disbursements of grants still accounted for above the half of the total disbursements made, 53 per cent, with USD 1.7 billion. Total cumulative disbursements of loans accounted for 26 per cent, with USD 1.1 billion, followed by 12.5 per cent of the total disbursements, with USD 0.4 billion disbursed for equity.

Expenditures

32. GCF expenditures increased by an average of 56 per cent annually from 2018 to 2023 (figure 4), reflecting a faster rate of spending. In 2023, the expenditure rate rose to 81 per cent, up from 61 per cent in 2022. The progress observed in early implementation stages contributed to this higher rate, with 28 projects and programmes reporting an expenditure rate below 5 per cent in 2023, compared with 45 in 2022. Disbursements also saw significant growth, averaging a 50 per cent increase per year, the outflow to projects increases to meet the financial demands of 176 ongoing projects in 2023. Additionally, the amount under implementation grew by 39 per cent per year on average, highlighting a strong and accelerating pace in executing approved projects. Lastly, the approved amount increased by 27 per cent annually, showing a steady rise in the volume of funds approved between 2018 and 2023.

Figure 4: Cumulative trend of GCF amounts by approved, under implementation, disbursed, and expended (in USD)

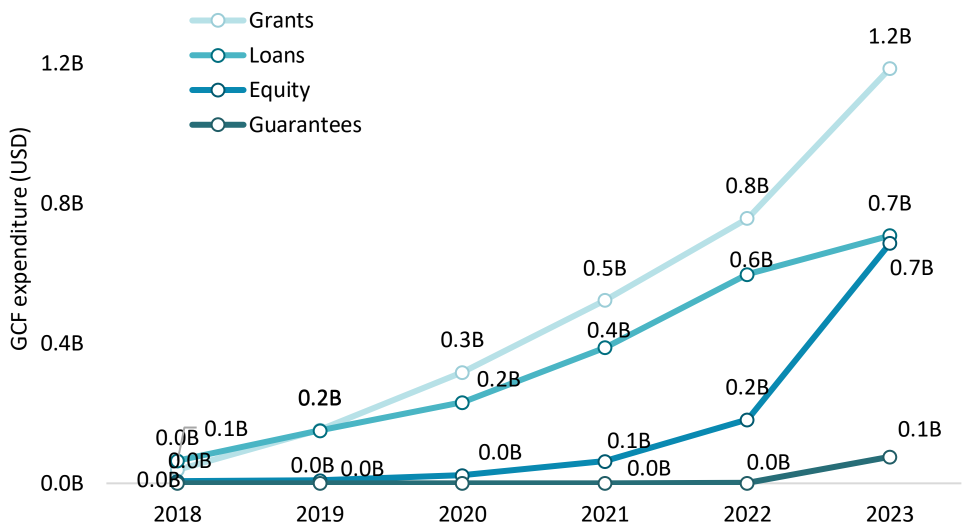


Abbreviation: B = billion.

33. When looking at actual expenditure by type of AE, there is a significant gap between IAEs, which account for USD 2.3 billion or 89 per cent, and DAEs, with USD 302 million or 11 per cent. This disparity mirrors the proportions of their approved portfolios under implementation. However, comparing the expenditure to the disbursed amount, IAEs are spending at a faster rate, with an expenditure rate of 84 per cent against total disbursements of USD 2.8 billion, whereas DAEs recorded a 69 per cent expenditure rate against USD 436 million in total disbursements.

34. Of the cumulative USD 2.65 billion in reported expenditures by AEs, 49 per cent came from the public sector portfolio, while 51 per cent was from private sector initiatives. When assessing the expenditure rate relative to disbursed amounts, private sector projects and programmes have been performing at a slightly higher rate, achieving 109 per cent compared with 65.2 per cent for public sector projects. Most of the public sector's expenditures (88 per cent for grants and 99 per cent for guarantees) were concentrated in grant and guarantee instruments, whereas the private sector's expenditures predominantly came from loan and guarantee instruments (75 per cent and 100 per cent, respectively).

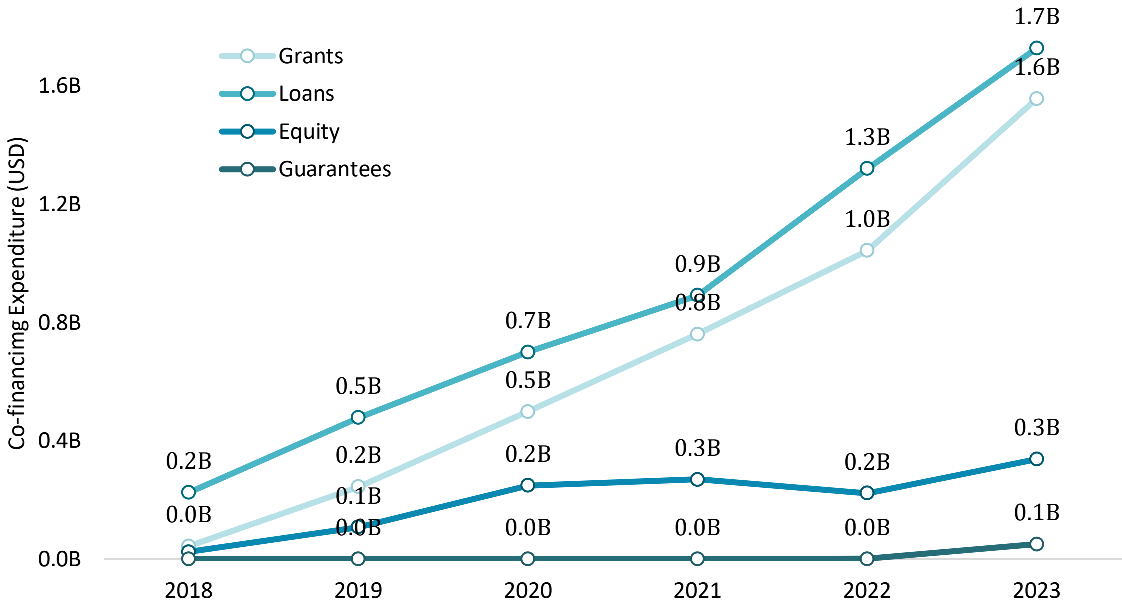
Figure 5: Cumulative trend of GCF expenditure by instrument (in USD)



Abbreviation: B = billion.

35. From 2018 to 2023, GCF grant expenditures grew by an average of 98 per cent annually (figure 5), making it the most spent of financial instruments, with total spending of USD 1.2 billion. GCF equity experienced the fastest growth, increasing by an average of 156 per cent per year, and is now tied with loans as the second-largest expenditure, both at USD 0.7 billion as at the end of 2023. GCF loan expenditures grew at an average rate of 61 per cent per year, while GCF guarantees, despite being the smallest at USD 0.1 billion in 2023, had the third-highest growth rate, averaging 75 per cent annually since 2022.

Figure 6: Cumulative trend of co-financing expenditure by instrument (in USD)



Abbreviation: B = billion.

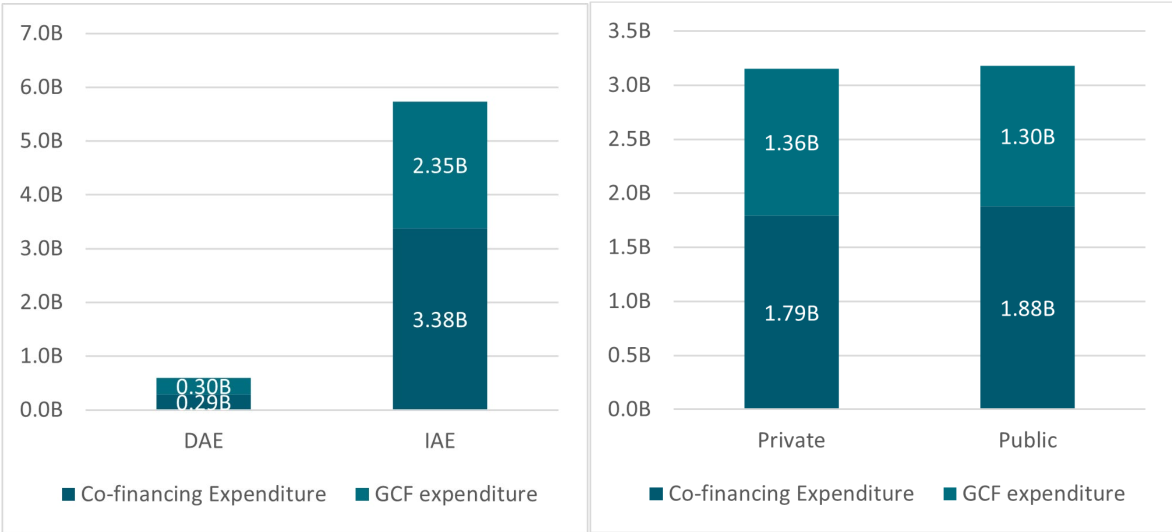
36. Co-financing grant expenditures saw the fastest growth, increasing by 100 per cent annually from 2018 to 2023 (figure 6), reaching USD 1.6 billion, surpassing GCF grant expenditures of USD 1.2 billion as at the end of 2023. Co-financing equity recorded the second-fastest growth, averaging 68 per cent per year, with expenditures amounting to USD 0.3 billion in 2023. Co-financing loan expenditures grew by an average of 50 per cent annually, reaching the highest expenditure amount of USD 1.7 billion. Meanwhile, co-financing guarantees, which began in 2022, grew at an average of 50 per cent per year and had the smallest expenditure amount, totalling USD 0.1 billion.

Co-financing expenditures

37. The portfolio under implementation includes GCF investments totalling USD 9.3–10.9 billion, which are projected to mobilize up to USD 28.5–30.8 billion in co-financing, resulting in a co-financing ratio of 32.8:1. As at 31 December 2023, co-financing expenditures amounted to approximately USD 3.1 billion, which is 1.2 times higher than the cumulative USD 2.6 billion spent using GCF funds. This indicates that co-financing has been instrumental in enhancing the overall financial capacity of the projects.

38. In terms of co-financing expenditures, the public sector has delivered a larger share, with 140 projects and programmes reporting a cumulative co-financing expenditure of USD 1.88 billion, representing 51.9 per cent of total co-financing expenditures (see figure 7, right side). The bulk of public sector co-financing has been in the form of grants. Conversely, the private sector has contributed USD 1.73 billion in co-financing across 36 projects and programmes, primarily through loans and equity. This highlights the different financial instruments leveraged by both sectors to support climate finance initiatives.

Figure 7: Cumulative co-financing expenditure versus GCF expenditure (2023) (in USD)



Abbreviations: B = billion, DAE = direct access entity; IAE = international access entity.

39. When examining co-financing expenditure by access modality, 92 per cent (USD 3.38 billion) was expended by projects and programmes managed by IAEs, while DAEs accounted for 8 per cent (USD 295 million) (see figure 7, left side). The ratio of co-financing expenditure to GCF expenditure is approximately 1.4:1 for IAEs, compared with 0.97:1 for DAEs. Co-financing expenditures from IAEs saw a significant increase of 47.6 per cent, rising from USD 2.29 billion in 2022 to USD 3.38 billion in 2023.

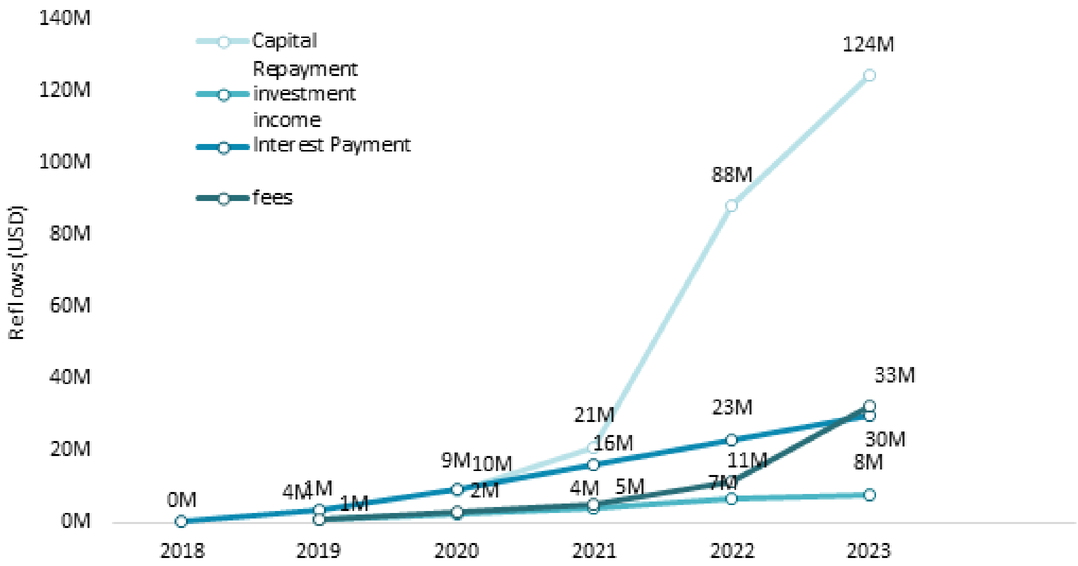
Reflows and investment income

40. GCF annual reflows in 2023 totalled USD 65.6 million, bringing the aggregate amount to USD 195.6 million as at the end of 2023. This cumulative figure marks a 50 per cent increase from 2022. As the portfolio matures, and more loans committed and disbursed to projects and programmes are reaching the end of their grace period, the expectation is that annual reflow amounts increase significantly in coming years. The cumulative trend of reflows from 2018–2023 is depicted in figure 8.

41. Capital repayments decreased year-on-year (from USD 67.2 million in 2022 to USD 36.4 million in 2023) owing to a large loan prepayment in 2022. Investment income[4] reflowed to GCF increased significantly from USD 6.0 million in 2022 to USD million in 2023. This is attributable to the changed interest environment in 2023. The split of the cumulative reflows and investment income as at 31 December 2023 is shown in figure 9.

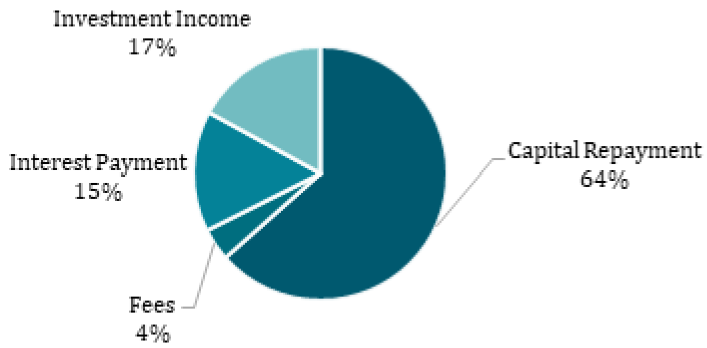
[4] The investment income component is earned on funds disbursed by GCF but not spent and retained in interest-bearing bank accounts managed by the projects and programmes.

Figure 8: Cumulative trend of reflows (in USD)



Abbreviation: M = million.

Figure 9: Cumulative reflows and investment income (per cent)

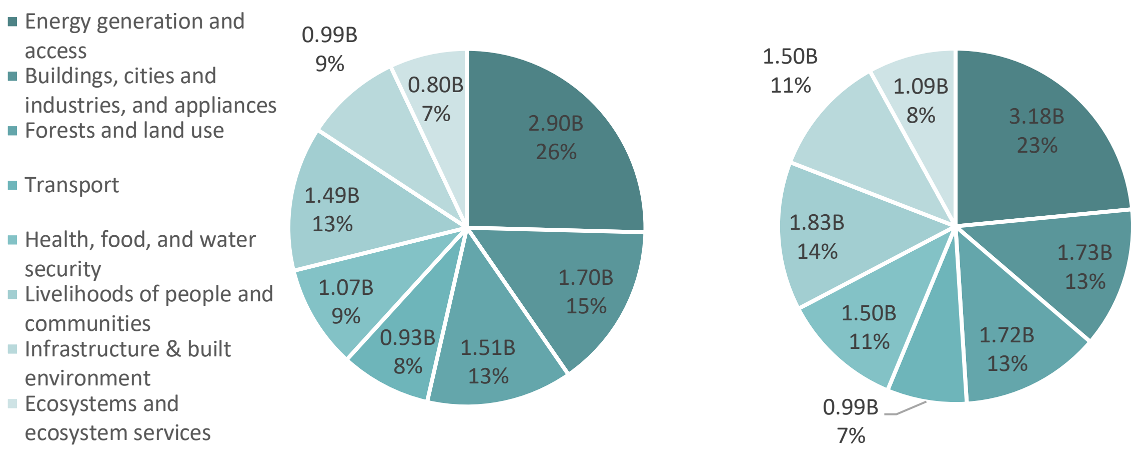


2.3 Progress on results

Portfolio composition by results area

42. In 2023, the GCF portfolio demonstrated noteworthy progress in its balance across the eight results areas. There has been a shift in the composition of the portfolio (see figure 10) with a notable upsurge in funding to infrastructure and built environment projects, which increased from USD 0.99 billion in 2022, to USD 1.5 billion in 2023 (a 51 per cent increase). The second was the health, food and water security results area, in which the percentage share of the portfolio increased from 9 per cent to 11 per cent (a 40 per cent increase from 2022). The energy access and power generation results area continued to have the largest funding allocation (USD 3.18 billion or 23 per cent), followed by buildings, cities, industries, and appliances (USD 1.73 billion or 13 per cent), and forestry and land use (USD 1.72 billion or 13 per cent).

Figure 10: Composition of the portfolio in relation to the eight results areas



Abbreviation: B = billion.

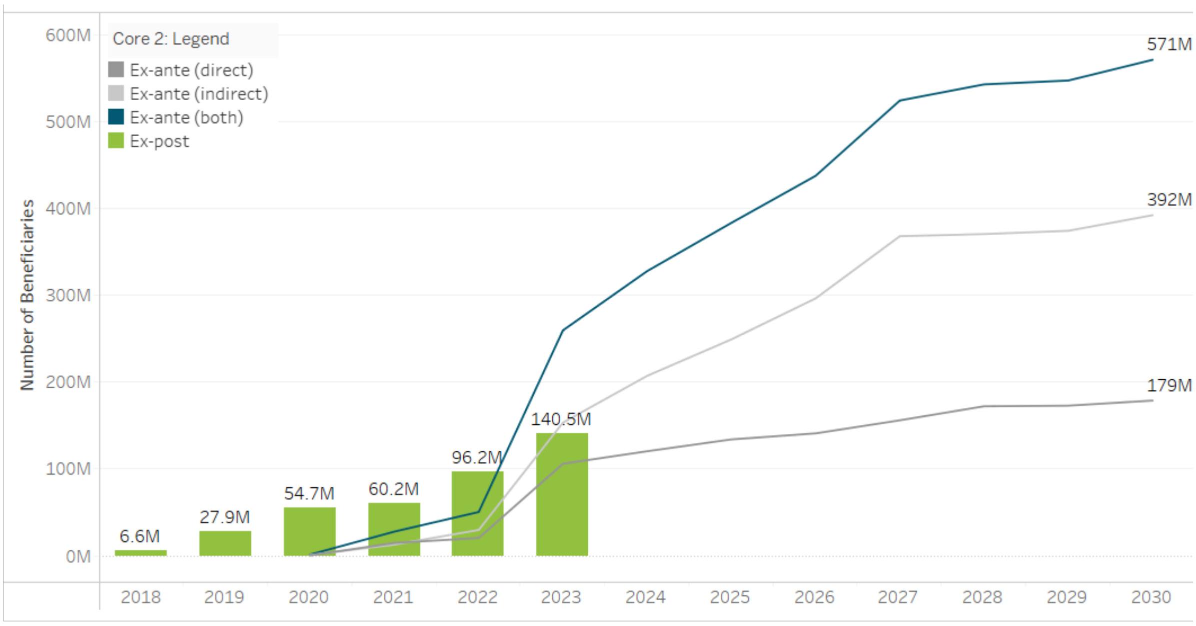
Status of results achievement of the portfolio

Adaptation impact overview

43. According to the APRs submitted by AEs in 2023, the 79 adaptation-only and 50 cross-cutting projects and programmes under implementation (which collectively have a 62 per cent implementation maturity[5] rate), benefited 140 million people, of which 55 million are direct beneficiaries, and 85 million indirect beneficiaries. This figure accounts for 24 per cent of the total lifetime target of 571 million beneficiaries (see figure 11). The Secretariat is in the process of developing an approach to review the adaptation results reported in the APRs.

5 Implementation maturity rate is the average projects and programmes implementation time elapsed as at the end of 2023 compared with the respective project/programme lifetime.

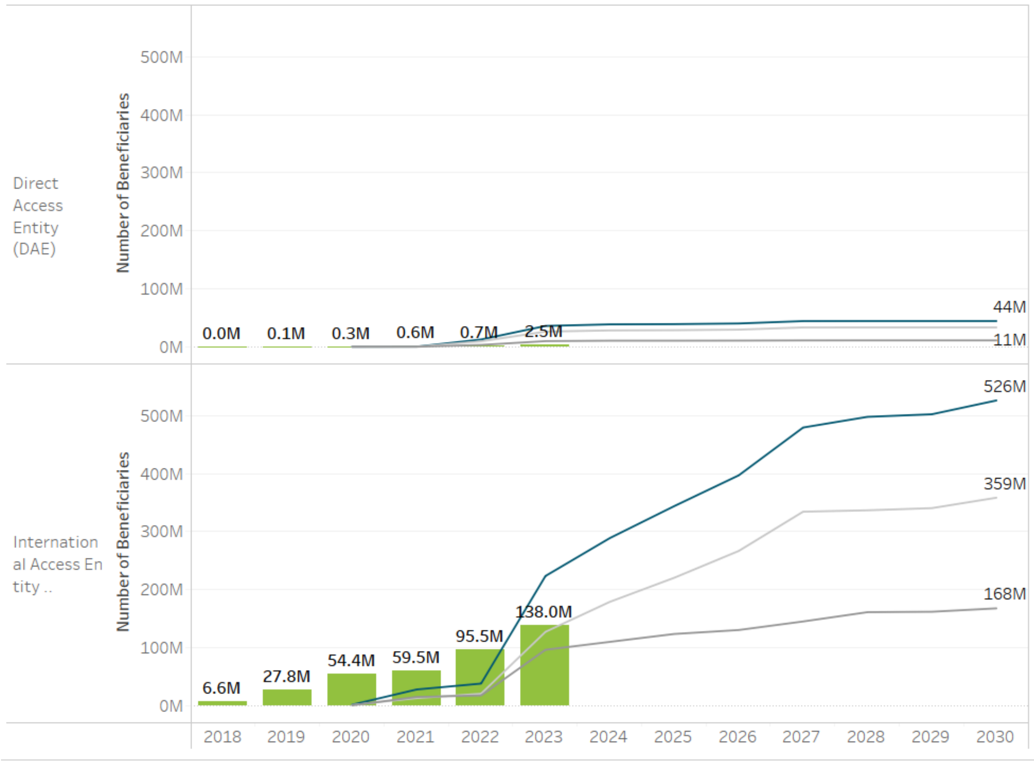
Figure 11: Cumulative adaptation impact results (ex post versus ex ante results) in direct and indirect beneficiaries reached over project/programme lifetime



Abbreviation: M = million (USD).

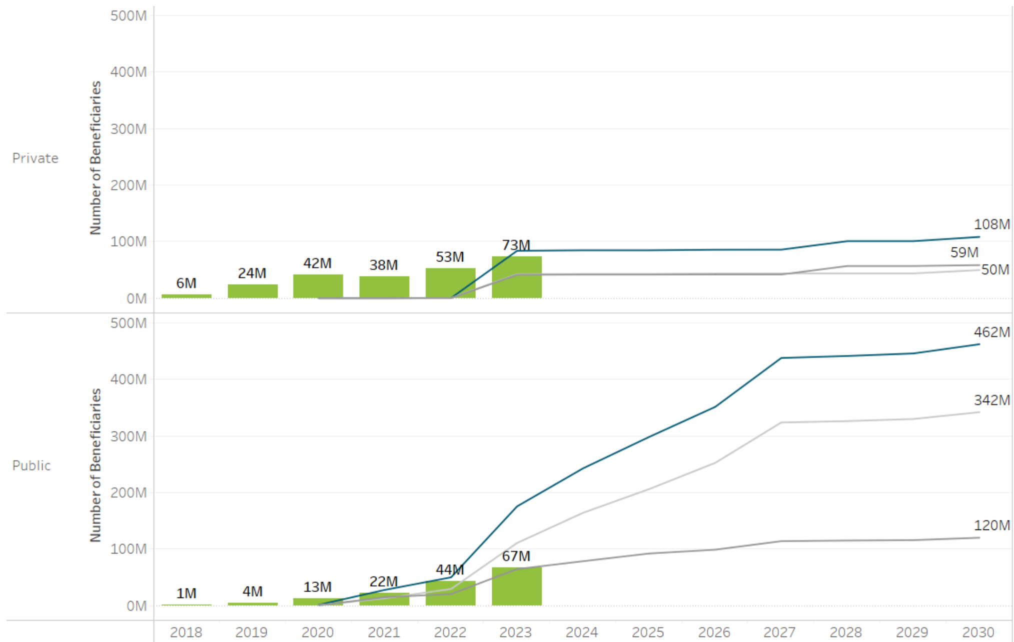
44. As shown in figure 12, the IAE adaptation portfolio is showing more progress towards the beneficiary targets than the DAE adaptation portfolio. Projects and programmes being implemented by IAEs (64) reported reaching 138 million people (36 per cent of the total IAE beneficiary target) compared with 15 DAE managed projects and programmes that reported reaching 2.5 million of beneficiaries (7 per cent of the total DAE beneficiary target).

Figure 12: Cumulative adaptation impact results (ex post versus ex ante results) in direct and indirect beneficiaries over time by entity type



Abbreviation: M = million (USD).

Figure 13: Cumulative adaptation impact results (ex post versus ex ante results) in direct and indirect beneficiaries over time by sector



Abbreviation: M = million (USD).

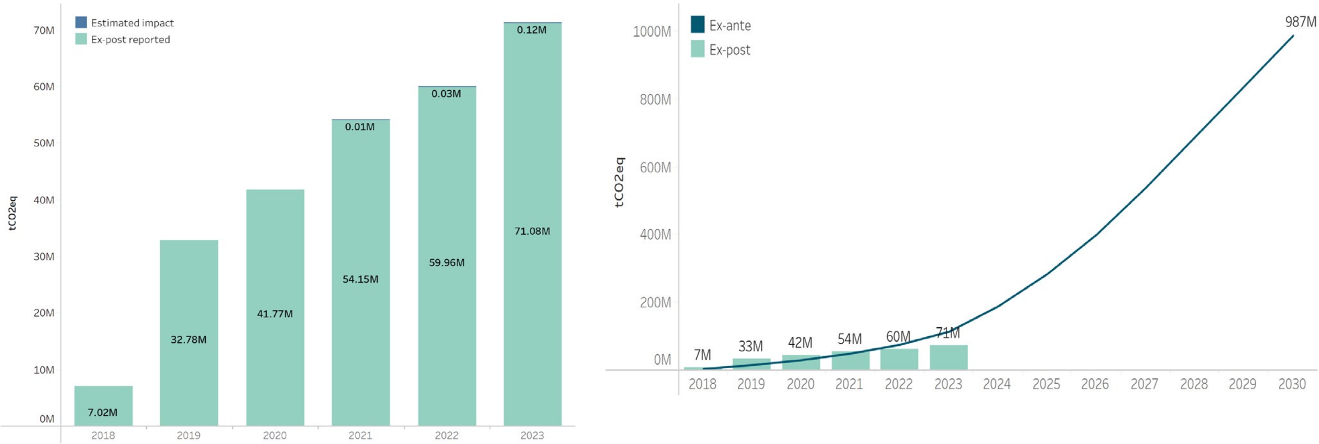
45. As shown in figure 13, the private sector portfolio is showing more progress towards the beneficiary targets than the public sector portfolio. Projects and programmes being

implemented by the private sector (5 reported) reported reaching 73 million people (67 per cent of the total private sector beneficiary target) compared with 74 public sector managed projects and programmes that reported reaching 67 million beneficiaries (14 per cent of the total public sector beneficiary target).

Mitigation impact overview

46. At 48 per cent maturity rate, the 55 mitigation and 62 cross-cutting projects and programmes under implementation in 2023 collectively reported having achieved emission reductions amounting to 71.2 Mt CO_2 eq (cumulative). This constitutes 7.2 per cent of the original lifetime target of GHG emission reductions of 987 Mt CO_2 eq spanning through 2030[6] as shown in figure 14. As indicated by this figure, the reported results are broadly in line with ex ante projections of mitigation impact at this point in the lifetime of the portfolio.

Figure 14: Cumulative mitigation impact results (ex post results) in t CO2 eq by year



Abbreviation: M = million (USD).

[6] This mitigation impact result does not include the eight projects and programmes under the GCF REDD+ RBP Pilot Programme (at a cost of USD 497 million) because these were claimed by the participating countries for GHG emission reductions achieved in the past (between 2014 and 2017) and were not a direct result of GCF investments.

Mitigation impact analysis

47. The Secretariat conducted a technical review of mitigation impact figures reported by AEs in the APRs for 111 projects and programmes for calendar year 2023. This review concluded that 33 projects and programmes under the four GCF mitigation results area[7] had implemented activities that contributed to net GHG emission reductions of 71.2 Mt CO_2 eq by the end of 2023, 26 of these projects and programmes reported GHG figures with information on methodologies, and on emission and removal factors, which allowed results to be cross-checked. For the remaining five, the Secretariat is working closely with the AEs to obtain further information.

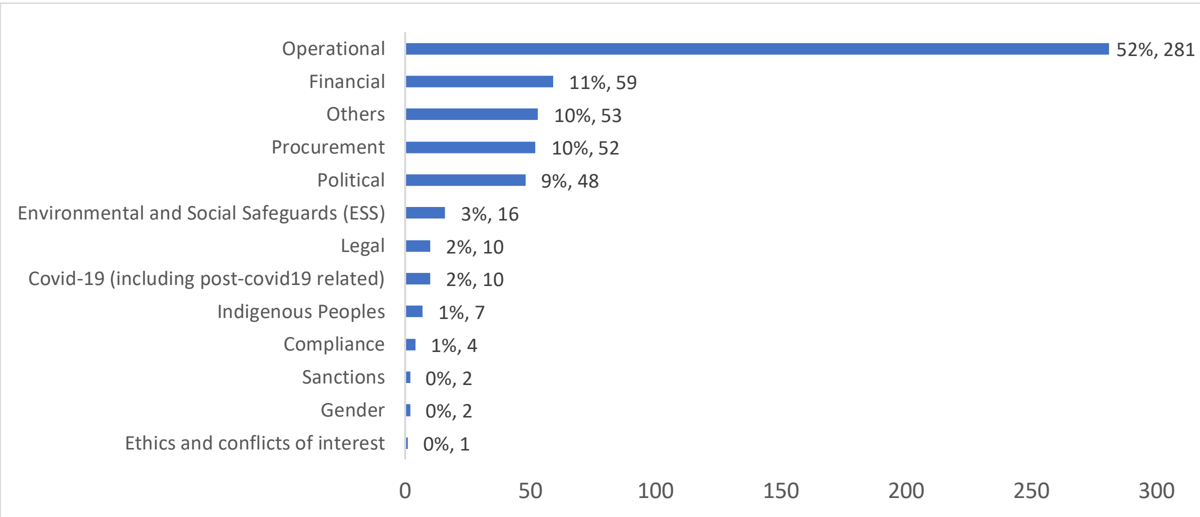
Progress against investment criteria

48. Since reporting performance against the six investment criteria by the AEs is qualitative, this report includes two case studies, one from each of the mitigation and adaptation windows, showcasing progress against the investment criteria in 2023 are presented in the annexes I and II.

2.4 Projects and programmes implementation challenges

49. In 2023, AEs reported project implementation challenges, the majority of which were described as operational, accounting for 52 per cent of the reported challenges, a reduction compared with 69 per cent in 2022, followed by financial challenges (11 per cent, a drop from 27 per cent in 2022), and procurement challenges (10 per cent, from 23 per cent in 2022), as shown in figure 15.

Figure 15: Portfolio implementation challenges



50. Operational challenges reported by AEs hinder the smooth implementation of projects. Many projects are not ready for immediate execution upon approval, procurement issues are reported causing delays and inefficiencies in implementation. Additionally, the absence of clear implementation plans, and detailed manuals often creates confusion and further hampers the progress of these projects. Capacity constraints also pose a major challenge. Both AEs and EEs frequently struggle to access qualified and skilled personnel, which impairs their ability to

[7] This number excludes the eight REDD+ RBP investments, because these were claims for emission reductions achieved in the past.

manage and execute projects effectively. Compounding this issue, government staff often do not prioritize project implementation, leading to delays and inadequate resource allocation. Coordination and prioritization among AEs, EEs, and NDAs are also problematic. These entities often face difficulties aligning their objectives, which results in conflicting priorities that further complicate the execution process. In terms of sourcing projects within programmes, delays and obstacles often arise. This can lead to a misalignment between the eligibility criteria set during project design and actual market demand. In some cases, oversized programmes have been developed, offering more capacity than the market can absorb, especially as market needs that the project/programme is designed for may shift between the design, approval, and implementation stages. Logistical and governmental issues further exacerbate these challenges. Delays in the supply of materials and approval of sites or activities are frequently reported, often due to government restructuring or the involvement of multiple countries in a single programme. Changes in government priorities or shifts in ministries responsible for climate change, as well as changes in political cycles, can lead to changes in implementation sites or delays in securing necessary approvals. Extreme weather events have also halted project implementation on several occasions.

51. **Financing issues**: Several finance-related challenges have been reported across various areas. Private equity funds are experiencing difficulties in fundraising due to the high-risk profile of GCF-backed investment vehicles, unfavourable market conditions, and the lack of a proven track record for some EEs, especially early stage fund managers. Co-financing has also fallen short for a range of reasons, including shifting government priorities and private sector financing sources failing to reach their capital targets. In some cases, co-financing sources can be replaced, but the process of securing new co-financing often causes delays for the EEs or AEs and requires adaptive management by the Secretariat. Additionally, foreign exchange (FX) risk embedded within certain projects has slowed implementation, as the low FX risk tolerance of some EEs, coupled with limited capacity and high costs associated with hedging, make managing this risk particularly challenging. The depreciation of local currencies further exacerbates the situation by reducing the United States dollar equivalent value of co-financing.

52. **Budgeting**: Both AEs and the Secretariat have noted that inaccurate or unclear cost estimations at the design stage frequently lead to the need for adaptive management. A major factor affecting project budgets is inflation, which has been particularly problematic when there is a long gap between project design, approval and implementation. Since 2021, a significant rise in global inflation has been observed, driven by factors such as the COVID-19 pandemic, government economic stimulus efforts, rising energy prices, the conflict between the Russian Federation and Ukraine, and post-pandemic economic recovery. Inflation has affected project budgets on multiple fronts, including the costs of commodities, shipping, logistics and civil works.

53. **Procurement**: AEs and EEs faced different procurement challenges during bidding processes such as those related to a lack of domestic suppliers or qualified candidates requiring a new bidding process, or weak procurement capacity within the Project Management Units, especially among the DAEs, which caused delays. Some AEs required GCF disbursements before they could initiate a procurement process, in turn emphasizing the need for ensuring related terms and conditions, which accounts for the link between timely GCF disbursements and AE procurement processes.

54. **Political and regulatory challenges**: Coups and conflicts have significantly affected project implementation in several regions. Countries such as Afghanistan, Burkina Faso, Haiti, Mali, Niger, the State of Palestine, and Sudan have experienced conflicts and social unrest that either halted or delayed project progress. Even in cases of peaceful government transitions, elections and changes in leadership can lead to delays in decision-making, with outgoing and incoming governments often having conflicting agendas and priorities. These transitions

frequently result in a change of government EEs, as well as shifting national priorities regarding climate change, further complicating the continuity and alignment of project goals.

55. **Other challenges**: Technical issues impact project implementation, such as the failure to account for planting seasonality accurately during project design or implementation. Additionally, assets delivered through the project may not align with the actual needs of beneficiaries or may be outdated by the time they are distributed. Strategic and management challenges also arise, particularly with NDAs requiring capacity-building to effectively engage with GCF projects and the broader ecosystem. This includes improving their understanding of GCF terminology and implementation protocols. In some cases, NDAs demonstrate reluctance to engage with GCF, compounded by high turnover following changes in government, which further disrupts continuity in project oversight and management.

56. Finally, it is important to note that these implementation challenges are further exacerbated in more complex projects, particularly multi-country initiatives and programmes that involve multiple EEs. Factors such as issues of ownership, securing counterpart funding, the varying capacities of EEs, and their internal processes, all significantly influence the pace of implementation. The complexity of coordinating across different countries and EEs adds additional layers of difficulty, often resulting in slower project execution and greater management challenges.

2.5 Status of restructuring requests and implications for the portfolio

Overview of change requests in 2023

57. The total number of non-major change requests approved by the Secretariat has increased significantly in recent years, increasing from 36 in 2021 to 72 in 2022 to 115 in 2023. Changes approved by the Board increased from 5 to 9, a combination of country additions, extensions of deadlines and major changes under the Policy on Restructuring and Cancellation.

58. A total of 83 (34.2 per cent) projects and programmes were affected by change requests during 2023, compared with 33.7 per cent in 2022 and 25.8 per cent in 2021, indicating the increased requirement for adaptive management of projects.

Non-major change requests in 2023

59. In terms of thematic areas, 26 (31.3 per cent) of the change requests originated from mitigation projects and programmes, 30 (36.1 per cent) from adaptation projects and programmes, and 27 (32.5 per cent) from cross-cutting projects and programmes. This is a continuing trend indicating that the adaptation and cross-cutting portfolios require more effort and time for adaptive management during implementation and have more lessons learned that need to be considered during the project design phase compared with the mitigation portfolio.

60. The most common reason for changes was for extensions of deadlines, in total 49. Seventeen of these were to extend project duration, 15 to extend the period for funded activity agreement (FAA) effectiveness and 17 for the extension of GCF-1. The remaining 66 changes were for a variety of reasons. The reason for the changes is proportionally similar to 2022.

Major change requests in 2023

61. In 2023, the Secretariat endorsed five private sector and four public sector projects and programmes under implementation for major changes as per the Policy on Restructuring and Cancellation. The change requests varied and included the addition of further countries, a change in the environmental and social safeguards (ESS) category and on two occasions, changes in pricing and the financial structure of the deal which needed Board approval.

62. Noting the increase in the number of adaptive management requests (including restructuring requests) and the implications on its workload and responsiveness, the Secretariat is undertaking various initiatives:

(a) Organizing dedicated sessions to share knowledge and experiences to improve and learn from lessons drawn during the M&E of the projects and programmes during implementation;

(b) Undertaking ad hoc missions and the use of the external fund agents where a third party is better placed to review progress, including where a specialist technical review is needed;

(c) Maintaining continuous focus on streamlining internal processes and simplifying decision-making, improving the interaction between the AEs and GCF. This includes streamlining and automating requests through PPMS; and

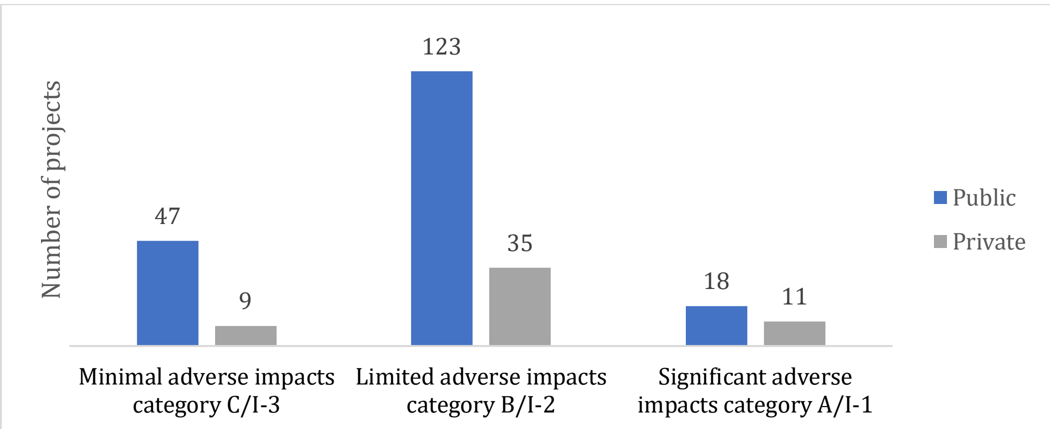
(d) Engaging in ongoing assessment and review of the Policy on Reconstruction and Cancellation, which will result in a proposal to the Board in 2025.

2.6 Environmental and social safeguards, gender, and Indigenous Peoples

Portfolio environmental and social risk categorization

63. Consistent with the GCF Environmental and Social Policy, projects and programmes under implementation are assessed in terms of three ESS categories: minimal or no adverse environmental and/or social risks and impacts (Category C/low level of intermediation (I-3)); having limited adverse environmental and/or social risks and impacts (Category B/medium level of intermediation (I-2)); and having significant adverse environmental and/or social risks and impacts (Category A/high level of intermediation (I-1)). The approved portfolio has 158 (65 per cent) of projects and programmes assigned as Category B or I-2 category and this is the main categorization in both the public and private sectors as can be seen in figure 16.

Figure 16: Project categorization of environmental and/or social risks and impacts by sector (cumulative number of approved projects and programmes)



Status of AE compliance with environmental and social safeguards and gender-related requirements in legal agreements

64. Seventy-eight AEs provided updates on the execution of environmental and social management frameworks, environmental and social management systems, environmental and

social management plans (ESMPs), strategic assessments, resettlement action plans, stakeholder engagement plans, and adherence to the conditions and covenants in FAAs for projects and programmes currently in progress. These reports focused on issues relating to ESS, gender considerations, and Indigenous Peoples.

65. In alignment with the GCF subproject ESS due diligence requirements, AEs have been actively carrying out and reporting on their ESS-related activities for 2023. Compliance has been observed in areas such as:

(i) Preparing environmental and social impact assessments, ESMPs, Indigenous Peoples plans, and resettlement action plans;

(ii) Organizing inception workshops;

(iii) Updating assessments and ESMPs;

(iv) Procuring civil works;

(v) Construction planning;

(vi) Monitoring the implementation of ESMPs for ongoing activities;

(vii) Setting up stakeholder engagement plans;

(viii) Conducting stakeholder engagement;

(ix) Developing and distributing materials on the project and its environmental and social risk management;

(x) Delivering staff and community training on environmental and social management;

(xi) Recruiting safeguards personnel and consultants; and

(xii) Establishing legal and implementation agreements with governments and EEs.

66. As part of the GCF mandate to institutionalize AE-specific grievance redress mechanisms (GRMs), the portfolio review found that, as at 31 December 2023, GRMs had been set up and made operational for 13,840 projects and programmes. This process included informing EEs, stakeholders, and project beneficiaries about the contact details, accessibility and basic procedures of these mechanisms, which are progressing as per the GRM requirements.

67. A number of AEs took the necessary steps to implement, monitor and report on their projects and programmes as required by the updated GCF Gender Policy. This included allocating financial, human and other resources to execute the gender action plans submitted as part of the approved funding proposals. In implementing these action plans, some AEs further refined their gender-related baselines, indicators, targets, and other elements. AEs also notified the Secretariat of any changes or submitted updated versions of their project-level gender action plans.

Overall trend of the environmental, social and gender action plans developed and implemented

68. Projects and programmes that submitted their first APRs, and a few that submitted their second APRs in 2023, reported on the establishment of project steering committees and implementation units. They also developed terms of reference for recruiting ESS staff, carried out onboarding and training on ESS standards and requirements, and implemented the relevant ESS management plans. Additionally, they set up project-level GRMs and held inception meetings or workshops with stakeholders, during which they presented the project's ESS requirements, procedures, and the Independent Redress Mechanism. Strategic assessments and

screenings were also conducted to update documentation that would guide the project's implementation and performance monitoring.

69. The remaining projects and programmes under implementation during the reporting period shared progress updates on their efforts to implement environmental and social management plans, frameworks, or action plans to mitigate environmental and social risks and impacts. No significant environmental or social issues requiring the attention of GCF were reported. However, in cases where changes occurred – such as modifications in regulatory frameworks or new site-specific information – AEs updated the relevant management plans, frameworks, or action plans and communicated these updates to GCF.

70. The number of projects and programmes reporting that stakeholder engagement was affected by movement and gathering restrictions due to the ongoing COVID-19 pandemic decreased from 27 in 2021 to 0 in 2023, consistent with the declaration of the World Health Organization that COVID is no longer a global health emergency.

71. Thirty-seven projects and programmes engaged with Indigenous Peoples to develop activity-specific or subproject-specific Indigenous Peoples plans. These engagements included seeking free, prior, and informed consent, consulting on updates or the development of Indigenous Peoples plans and frameworks and creating free, prior and informed consent methodologies. These activities also involved gathering feedback from Indigenous Peoples about project activities, conducting capacity-building initiatives, and promoting the use of Indigenous knowledge systems and practices, particularly in areas like agriculture and water management.

72. Additional good practices observed during the reporting period included protecting Indigenous Peoples' social, cultural and customary rights, ensuring access to payments for environmental services and benefit-sharing schemes, and incorporating Indigenous knowledge and practices into natural resource management, sustainable agriculture, and climate resilience strategies. Furthermore, participatory systems involving Indigenous Peoples were employed to monitor the implementation of ESMPs and stakeholder engagement activities, while the needs and participation of Indigenous Peoples were integrated into ecosystem management, restoration plans, ESMPs and various livelihood and resettlement plans.

73. Several projects highlighted efforts to promote Indigenous knowledge in the context of climate change adaptation and resilience through intergenerational practices, using videos, manuals, case studies and other educational materials available in Indigenous languages. This is in addition to meeting the requirements of the GCF Indigenous Peoples Policy.

74. All projects and programmes endorsed by the Board since the adoption of the updated GCF Gender Policy in late 2019 have conducted gender assessments and developed gender action plans in line with the updated GCF Gender Policy and the Gender Action Plan. Some AEs have also refined and improved existing gender action plans in response to feedback from GCF.

75. AEs continued to report on gender-focused activities implemented alongside GCF projects and programmes. These activities included training and awareness-raising efforts aimed at promoting the voices of women and girls (such as ensuring their participation in consultations) and strengthening their agency. Equitable and timely access to project benefits was also reported, including access to climate information for informed decision-making, employment opportunities, additional income for enhancing climate resilience, improved water access, and specific actions to support women-led green businesses.

76. The shift from gender sensitivity to gender responsiveness is reflected in stronger gender mainstreaming targets and more concrete actions on the ground. Compliance with the updated GCF Gender Policy is 100 per cent in terms of gender assessments and action plans being submitted with funding proposals. However, this policy compliance does not always lead to immediate implementation or reporting on gender action plans. Reporting quality varies

among AEs; while some APRs indicate systematic collection of sex-disaggregated data, others do not, and only a few provide qualitative data on how project benefits are reducing the gender-related workload of women. Country-specific circumstances, such as capacity gaps and difficulties in securing gender expertise, also affect the implementation of gender action plans. For example, challenges such as low participation of women in certain sectors, limited access to resources like land, and cultural barriers to participation were noted. The implementation of gender action plans is often dependent on the pace of overall project activities, which requires dedicated gender expertise by the AEs.

77. Guidance is being provided to ensure that monitoring and reporting capture qualitative changes – such as shifts in attitudes and practices – and to enhance women's skills as leaders and contributors to technical fields across various sectors. In this regard, some AEs have reported success stories, case studies, and examples of women accessing project benefits and actively participating in projects.

Emerging ESS issues and challenges

78. AEs are obligated to inform EEs, project beneficiaries, and the public about both the GCF Independent Redress Mechanism and the GRM of the AE through various methods, such as meetings, brochures, hotlines and other channels. In their APRs, AEs are required to provide detailed information on the actions they have taken to meet this obligation during the reporting period in the relevant project or programme target areas. However, 59 funding proposals did not include this information in their APRs, stating that they did not consider this to be a requirement of the accreditation master agreement or FAA. They either believed their GRM was adequate or did not find the GCF Independent Redress Mechanism to be a practical grievance resolution mechanism. As part of the APR reviews, follow-up questions were typically issued in cases where this information was missing or unclear, to clarify how the GCF Independent Redress Mechanism had been communicated to stakeholders.

79. The Secretariat's workload has grown significantly due to the expanding GCF portfolio under implementation, which includes ESS and gender reviews, as well as M&E tasks. To alleviate some of this pressure, the Office of Sustainability and Inclusion hired and onboarded three new staff members in 2023, specifically focused on post-approval activities. This helped address some capacity limitations related to APR reviews. Nevertheless, the workload for disclosure and ESS clearance processes for subprojects, especially for programmes with multiple subprojects, continues to rise as more programmes are approved by the Board. This has increased the strain on the capacity of the Operational Safeguards team within the new Secretariat structure. To manage this rising demand, additional staffing and capacity will be necessary to carry out the second-level due diligence required during the subproject development and implementation stages. Additionally, there will be a need to review and align relevant policies to clarify the responsibilities of both AEs and the Secretariat. The Secretariat's senior management is actively exploring solutions to address these capacity challenges.

2.7 Project Preparation Facility in 2023

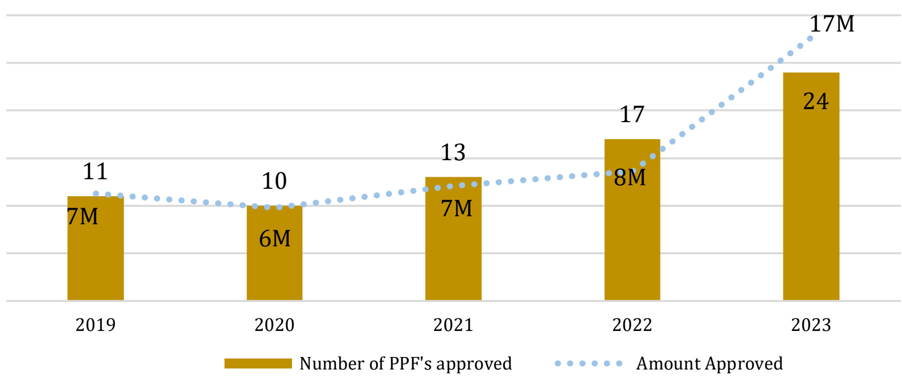
80. The PPF was established in 2015 to assist in the development of GCF funding proposals, particularly for small-scale projects and DAEs. The PPF operates through three main modalities: (i) funding, where grants are provided directly to AEs to procure the necessary services for project preparation; (ii) services, where GCF deploys a professional services firm from its roster to assist the AE during project preparation; and (iii) technical assistance, offering final support to strengthen proposals that have already been submitted to GCF but require further adjustments.

Figure 17: Key information on the Project Preparation Facility (as at December 2023)

Number of approved Project Preparation Facility requests		
91 **PPF grants approved**	**74** **Under implementation**	**30** **Closed**

81. In 2023, 24 PPF requests were approved, amounting to USD 16.61 million, with 11 (46 per cent) coming from DAEs. Compared with 2022, there was a consistent rise in approvals, committed PPF resources, and increased use of the service and technical assistance modalities, particularly by DAEs. DAEs have increasingly turned to the PPF team due to difficulties in directly procuring consultancy firms to help develop funding proposals for GCF consideration.

Figure 18: Year-to-year trend of Project Preparation Facility funding (in USD)



Abbreviations: M = million, PPF = Project Preparation Facility.

82. Of the 29 funding proposals approved by the Board in 2023, 9 were developed with PPF support. The USD 4.3 million allocated by the PPF for these nine proposals unlocked USD 728.8 million in GCF finance and USD 1.98 billion in co-financing for the projects.

83. The Secretariat has approved various change requests, including no-cost extensions for PPF grants and service contracts. By 31 December 2023, a total of eight change requests for the funding modality had been processed, and one contract with a professional services firm from the GCF roster was extended to provide additional time to finalize a funding proposal.

84. During B.37, the Board through decision B.37/22, approved the revision of the operating modalities and activities of the PPF, based on document GCF/B.37/05 and Add.01. The Board approved an allocation of USD 90.3 million for the PPF and allowed up to 2.5 per cent of the total resources to be used for partnership-building and knowledge-sharing activities related to project preparation. As at the end of 2023, the PPF had been allocated USD 148.03 million, with USD 55.51 million (37.5 per cent) committed to 91 requests submitted by AEs.

85. Through the same decision, the Board also increased the per-project cap for PPF resources from USD 1.5 million to USD 3 million and expanded the list of eligible activities to include stakeholder engagement and gender assessment and action plans for funding proposal development. The PPF also adopted a new mandate to focus on knowledge-sharing and partnership-building activities under GCF-2, which will be planned in consultation with countries and AEs.

III. Lessons learned from the reviews of the 2023 annual performance reports and interim evaluation reports

86. As the portfolio matures, lessons continue to emerge from the implementation of projects and programmes, the Readiness and Preparatory Support Programme, and the PPF portfolios. This chapter summarizes the lessons learned and actions required from the Secretariat in improving both its upstream (policy and design) and downstream (monitoring and adaptive management) processes for improved risk management and results.

3.1 Lessons learned from the portfolio under implementation

87. As the portfolio matures, the lessons derived from implementation inform the development of the Secretariat's data analysis, tools, systems and processes. This allows the Secretariat to improve its efficiency and responsiveness to partner needs and inform its adaptive management approach, improving delivery of GCF projects and programmes. In addition, the Secretariat is harnessing the lessons from implementing projects and programmes, and the Project Preparation Facility, and continues to improve project selection, design and implementation monitoring for improved risk management and results.

88. The following key lessons learned have been derived from the implementation of GCF projects and programmes:

(a) **Project changes over the programming cycle:** Multi-year delays between the project design stage, project effectiveness and project implementation have been seen historically. These delays lead to outdated baselines, market movements, changes in country contexts, technologies, design assumptions, and/or approved budgets. In response, the Secretariat has improved efficiency and sped up post-approval and pre-effectiveness processes. However, there is still room for improvement in addressing delays beyond the Secretariat's control, especially due to country- and AE-level processes;

(b) **Terms and conditions:** It is important to ensure the clarity of terms and conditions, including the requirements and submissions needed to meet legal obligations. Such clarity helps avoid lengthy implementation delays. For example, private sector projects often require greater flexibility in financial terms and conditions as they operate in a more dynamic and time-sensitive environment. They also frequently require appropriate delegation of decision-making authority for commercial aspects of transactions to partner institutions. Thoughtfully increasing delegation of decision-making to AEs and EEs would minimize administrative delays arising from the Secretariat needing to approve relatively minor change requests. These could include adjustments to implementation, budgetary matters, and selected investment criteria;

(c) **GCF policies and processes:** There is a need to complete the updating of certain Secretariat policies, processes and guidance to make them simpler and more fit-for-purpose. These updates are designed to further enhance efficiency, particularly by continuing the improvements already made in reducing response times for assessments and shortening the time between assessments and implementation. By doing so, GCF aims to minimize the effects from risks such as inflation or political instability that could potentially impact project execution. These policy reviews would address gaps in existing policies and align others with the roles and accountabilities of GCF partners. Examples include the Policy on Restructuring and Cancellation, and the ongoing reviews of the Information Disclosure Policy and Environmental and Social Policy;

(d) **Fundraising and disbursement:** The Secretariat's assessment of a Fund Manager's ability to raise capital for GCF-supported investment vehicles should be improved. Ideally, AEs should provide evidence of a track record in raising, investing and liquidating investment funds with a similar risk/reward profile to the one GCF is supporting. Disbursements should be made against fundraising milestones and disbursed proportionally against other investor commitments. Other non-governmental co-financing should be committed and allocated to implementation of projects and programmes at the same time as or before GCF disburses funding;

(e) **GCF restructuring:** Building on the lessons learned from past implementation experiences, the Secretariat is undergoing restructuring as part of the ongoing work of the Efficient GCF Task Force. This effort aims to streamline and update the Secretariat's policies and processes, including related guidance, to ensure they are simpler and more aligned with GCF objectives. These updates are designed to further enhance efficiency, particularly by continuing the improvements already made in reducing response times for assessments and shortening the time between assessments and implementation. By doing so, GCF aims to minimize risks such as inflation or political instability that could potentially impact project execution;

(f) **Recognizing the importance of in-person missions:** In-person missions are a key tool in the monitoring and accountability framework and help the Secretariat to assess implementation progress and provide AEs with enhanced support on reporting methods and quality. These missions strengthen personal relationships between the Secretariat and AEs, improving information flow, compliance and reporting outcomes. An increase in these missions has been possible post-COVID-19 and the Secretariat should continue to judiciously undertake such missions;

(g) **Foreign exchange (FX) risk:** Full assessment of FX risk at all levels of transaction (up to investee/borrower level) should take place along with cost implication analysis and resulting remedial measures to be considered at project design stage. Where possible, GCF should approve designs of projects and programmes where the structure limits FX exposure through co-financing denominated in the same currency as expenses/revenues and build in flexibility for the AE/EE to arrange hedging;

(h) **Mitigating political instability:** The Secretariat should review its policies and processes to mitigate the impact of political instability on projects and programmes. In 2023, multiple coups occurred in African countries, and fragile and conflict-affected states like Afghanistan, Haiti, Sudan, and the State of Palestine faced significant challenges that disrupted implementation efforts. To address these issues, the Secretariat should develop guidelines and best practices for handling adaptive management requests. These guidelines should focus on maintaining Project Management Units and continuing implementation wherever possible, or alternatively, suspending or terminating projects where there is no realistic prospect of proceeding as planned;

(i) **Fast-tracking adaptive management:** The Secretariat and AEs should have the capacity to fast-track adaptive management measures to protect project progress or outcomes when political unrest or extreme weather events threatens to halt or reverse project achievements. This recommendation will be incorporated into the 2024/2025 review of the Policy on Restructuring and Cancellation to ensure a more resilient approach in politically unstable contexts;

(j) **Pre-implementation challenges:** Pre-implementation challenges are frequently reported by AEs. One recurring issue is that projects are often not ready for implementation by the time they are approved, including key implementation aspects such as procurement. To address this, the Secretariat should provide more targeted communication and support, focusing on AEs delivering clear and comprehensive implementation plans and manuals to improve readiness and ensure smoother project execution from the outset;

(k) **Inflation and budget overruns:** Delays between project design and implementation have led to unexpected cost inflation. This has been further exacerbated by economic and inflationary shocks stemming from the measures taken to mitigate the financial impact of the COVID-19 pandemic and the conflict between the Russian Federation and Ukraine, creating exceptional challenges. To address these issues, continuing efforts to accelerate the project assessment approval and contracting cycle are critical. Additionally, the selective use of contingency budgets could be considered to help manage inflationary pressures and prevent budget overruns;

(l) **Misalignment with market demand:** Some programmes have experienced slower-than-anticipated uptake due to a misalignment between eligibility criteria and market demand. These programmes were initially oversized, anticipating greater demand than that which materialized. Furthermore, delays in both approval and deployment have contributed to this misalignment with market needs. To improve alignment, factors such as the cost of finance for the end borrower and the appetite to manage FX risks should be rigorously evaluated to better meet market demand;

(m) **Mismatch of the AE with the project type:** During the assessment phase, the Secretariat must ensure that the selected AE is well-suited for the specific project type. This includes confirming that the AE has the necessary staff, experience, and geographical presence to oversee successful implementation. This is particularly critical for multi-country projects, where implementation is often managed through AE satellite offices and EEs that may be less familiar with the AE. Additionally, multi-country programmes present challenges in coordinating AEs with multiple EEs and NDAs, often resulting in varying prioritization of the project across different countries. This misalignment between stakeholders can hinder smooth implementation and requires careful management to ensure consistency and project success;

(n) **Clarity in the theory of change:** The need for a clear theory of change linking climate risks to the project/programme objective and adaptation impact is crucial for AEs, particularly DAEs during project design and approval of subprojects. This will improve the likelihood of the project achieving the adaptation impacts as projected at the time of Board approval. DAEs require support from the Secretariat's technical experts to respond to reviews of the independent Technical Advisory Panel, recommendations or conditions when proposed changes may affect project effectiveness or may be misaligned with country context thus becoming an obstacle to the successful execution of projects and posing a reputational risk to the AEs and GCF; and

(o) **Recognizing the importance of in-person missions:** In-person missions are a key tool in the monitoring and accountability framework and help the Secretariat to assess implementation progress and provide AEs with enhanced support on reporting methods and quality. These missions strengthen personal relationships between the Secretariat and AEs, improving information flow, compliance and reporting outcomes. An increase in these missions has been possible post-COVID-19 and the Secretariat should continue to judiciously undertake such missions.

3.2 Lessons learned from the Project Preparation Facility

The following provides a summary of the main challenges and lessons learned during 2023:

(a) **Awareness of PPF funding:** The awareness of countries and AEs of the PPF funding, service and technical assistance modalities need to be increased, this also holds true for project-specific assessment approach applicants who are new to the various GCF modalities. Given the reform of Readiness and Accreditation, the PPF needs to engage frequently with partners to continue to build demand and uptake. This has been done via participation in the Latin America and Caribbean, and Africa Regional Dialogues in 2023, and via bilateral discussions with AEs and NDAs, and needs to continue given the increase in newly accredited entities in 2023;

(b) **Time to access PPF resources:** Several measures have been taken to reduce the time taken from concept note submission by AEs, funding proposal development (with or without PPF support) and to funding proposal approval by the Board. The Secretariat continues to introduce efficiency measures to narrow the processing time for PPF with a view to increasing speed of access to PPF resources and enhancing the quality of funding proposal deliverables that align with GCF requirements. Measures to support AEs in preparation of PPF applications, streamlining of PPF grant agreement templates, and digitalization of systems for review and reporting of PPF agreements have been pursued in 2023 and need to be continued to increase ease of access; and

(c) **Management of PPF grants and contracts:** There is a need for active management of disbursed PPF portfolio grants, and PPF service contracts, such that GCF and AEs can review progress by AEs in funding proposal development and take adaptive measures during the period of the grants. The Secretariat teams are increasingly providing input on funding proposals to ensure quality at entry of the first draft submission by AEs.

IV. Priorities going forward

4.1 Projects and programmes

During 2024 and 2025, the Secretariat will focus on the following to continue to improve simplification and efficiency of operations, quality of project and portfolio implementation and the reporting of the portfolio's climate results:

(a) Pursuing the ongoing review of some existing institutional policies (Information Disclosure Policy, Environment and Social Policy, and Policy on Restructuring and Cancellation) and identifying opportunities and recommendations that could be included in upcoming policy revisions that could improve implementation;

(b) Collecting lessons learned in the implementation of projects and programmes in fragile and conflict-affected states, defining of project design and implementation best practice and the identification of any procedural or policy gaps to deal with these cases;

(c) Continuing the ongoing efforts of the Efficient GCF Task Force, which will include focusing on post-approval processes and systems aimed at improving the Secretariat's responsiveness to AEs. This includes investing in system development to minimize manual handling of requests;

(d) Maintaining a proactive AE engagement strategy through regularly updated and implemented AE engagement plans. The Secretariat's restructuring, which integrates regional teams responsible for both pre- and post-approval project assessments and monitoring, is expected to enhance project design and ensure that lessons learned during implementation are captured and inform future project design more effectively. This proactive approach will also facilitate earlier identification of potential risks and enable timely risk mitigation actions to improve the delivery of climate-related impacts;

(e) Prioritizing the review of all project and programme APRs within six months of receipt will enable the timely implementation of adaptive management actions, the extraction of key lessons, and earlier investigation of concerns. To support this, the Secretariat must ensure adequate surge capacity for staff to review APR sections on environmental and social safeguards, gender, Indigenous Peoples, and financial reporting. Where necessary, the Secretariat will enlist professional services or individual consultants to assist in this process;

(f) Continuing to carry out well-planned and efficient missions, during which staff will visit projects, EEs, and AEs to assess implementation progress, addressing project delivery challenges, and providing capacity-building opportunities to help AEs meet GCF reporting and delivery standards. External fund agents will be employed when third-party assessments of project progress and corrective action recommendations are required;

(g) Furthering efforts to improve transparency and access to portfolio data and lessons learned through:

(i) The launch or enhancement of the Open Data Library v3.0, which will include new dashboards focusing on project results; and

(ii) The creation of a Project Knowledge Bank to make curated data, success stories, implementation lessons, and other resources available to GCF stakeholders;

(h) Advancing substantial efforts to ensure that all AEs meet their obligations to reflow bank and investment interest to GCF. While this process has been labour-intensive due to manual systems, progress has been observed in increasing the number of AEs reflowing (from 20 to 30), with further improvements expected by the end of 2024. The Secretariat will continue to improve systems and procedures throughout 2024 and 2025 to increase automation and boost the volume of reflows back to GCF; and

(i) Persisting in enhancing the quality of impact data (both mitigation and adaptation) that it receives, analyses, aggregates, and reports. Building on previous efforts to address monitoring and evaluation gaps and validate AE reporting of mitigation results, the Secretariat will focus on further improvements in 2024/2025 by strengthening the validation process for adaptation beneficiaries. In 2025, the Secretariat will also allocate targeted resources towards earlier analysis of data received from AEs through APRs, enabling earlier insights that can inform AE engagement, project performance assessments, and improve portfolio-level reporting. Achieving these objectives will require the allocation of internal resources and, potentially, additional support from external professional service providers.

4.2 Project Preparation Facility

89. The PPF is expected to begin to operationalize the revised operating modalities, activities and funding approved by the Board at B.37. While this means maintaining the current activities of the PPF, there will be an additional emphasis on supporting DAEs, particularly new DAEs, project-specific assessment approach applicants, private sector projects, investment programmes targeting financing at scale, and focusing on knowledge-sharing and partnership-building, among other areas as directed by the Board through decision B.37/22.

90. The Secretariat will also pursue a performance assessment followed by an expansion of the roster of PPF services firms, to expand the breadth of expertise available to AEs, seeking to broaden participation by local firms and private sector project developers. The Secretariat is currently working towards a request for proposals from firms to populate a new roster of

consultancy firms to assist countries and AEs with Readiness and PPF respectively and aims to conclude the request for proposal process in 2024/2025.

91. Additional efficiency measures will be pursued, including digitalization of PPF application submission and review platforms. This work was partly started in 2023 with adoption of the GCF Project Review and Tracking Platform for PPF review and will continue with roll-out of the PPMS for PPF grants. In addition, the Secretariat plans to extend its online submission system for PPF applications, as currently used for concept notes and funding proposal submission.

92. In addition, the Secretariat will also revise the PPF Guidelines, publish template terms of reference for use by AEs in preparing PPF applications, and streamline grant agreement and PPF reporting templates for ease of use by AEs. The Secretariat intends to evaluate and publish lessons learned from its portfolio of 91 approved PPF applications and engage in knowledge-sharing and partnership-building activities with AEs, NDAs and other partners. They are likely to take the form of participating in Regional Dialogues in the near term, expanding to webinars and publications in the medium term.

Annex I: Project Success Story Mitigation - FP103 – Promotion of Climate-Friendly Cooking: Kenya and Senegal

Supporting women's local businesses and climate-friendly cookstoves in Kenya

About 15 per cent of the energy demand worldwide is met by classic biomass such as firewood, charcoal, and plant residues. Some 2.8 billion people cook their daily meals with such biomass. Kenya is no exception: more than 80 per cent of Kenya's population uses biomass for cooking and heating. The combustion of these materials during cooking releases greenhouse gases (GHG).

Using improved cookstoves (ICS) instead of open hearths could save emissions equivalent to 0.6–2.4 gigatonnes of CO_2 each year.[1] To combat climate change, the Kenyan government has made it a priority of their national climate targets[2] to lower GHG emissions in the energy sector by 6.09 million tons CO_2 by 2030.

This change towards a low-emission development path is led by local ICS businesses producing and promoting climate-friendly cookstoves that reduce the need for biomass cooking, as well as reduce CO_2 emissions.

> ***"Earlier, we were using so much firewood we were cutting a tree every one to two weeks. Now we are using one tree for a month to two and a half months."***
>
> \- Charity Njeri Gachanja, stoves producer in Kenya

There are currently 53 female-led and/or owned ICS businesses in Kenya participating in the Promotion of Climate-Friendly Cooking: Kenya and Senegal project, which is co-financed by the German Federal Ministry for Economic Cooperation and Development (BMZ), the Green Climate Fund (GCF), Kenya's Ministry of Energy, and Senegal's Ministry of Petroleum and Energy and Ministry of the Environment and Sustainable Development. The project aims to sustainably scale up the ICS market in both Kenya and Senegal.

Among these 53 female ICS producers is Charity Njeri Gachanja, who started her ICS business, Charity Clay Works, in Murang'a County, Kenya over 25 years ago.

[1] Intergovernmental Panel on Climate Change (IPCC)
[2] National Determined Contributions (NDC)

Charity Njeri Gachanja, a stoves producer in Kenya Murang'a County preparing the clay for the ceramic liner production. © GIZ

Charity started off as an artisanal producer of ceramic liners, the clay components of an ICS, producing only about 20 ceramic liners a month. To make them, she places a clay mixture in a mould to shape it into a liner. Once the liner has dried, she fires it up to transform the clay into ceramic. The liners will be used to construct improved cookstoves.

To further upscale her business, she needed the machinery for mixing the clay, as well as a bigger kiln to produce ICS at greater volumes. Through the support of this project, she has been able to scale up her ICS business to produce 1,000 to 3,000 ceramic liners per month. She has also expanded her business to include in-home installations. She currently employs nine people, of whom four are women, providing them with a stable source of income. Her dream would be to grow her business further and, hopefully, to invest into rental income.

Another successful female ICS business is the Keyo Women Group production centre, which is run by a group of 15 women in Kisumu, a county in western Kenya at the shoreline of Lake Victoria.

Rose Okwach moulding and finishing stoves in their production centre in Keyo, Kisumu County. © GIZ

Rose Okwach has been a member of the group since 1987. Due to her long-term experience, she is responsible for moulding and finishing the liners for Jiko Kisasa, an inbuilt household stove for one or two pots with ceramic liner and without chimney liners. Initially, Rose and the group produced 300 to 500 liners per month, but through the support of the project, the group has managed to improve their quality and production capacity to roughly 1,600 liners.

Being part of the group has enabled her to provide for her family, own a house, and support her children in school. She now uses the Jiko Kisasa at home as well. Previously her family relied on the traditional three-stone fire for cooking, but now with the Jiko Kisasa, her family is saving over 500 Kenyan shilling (approximately USD 3.10) per month.

"Improved cookstoves have really helped me in saving wood fuel and improved my livelihood."

- Charity Njeri Gachanja, stoves producer in Kenya

Millicent Osodo member of Keyo Women Group doing final touches on the Jiko Kisasa Liner in their production centre in Keyo, Kisumu County. © GIZ

A market-based approach and long-term growth

To enable the group to further upscale their production, the project has supplied them with professionalization kits, two water tanks, three wheelbarrows, and other small equipment as part of a professionalization package. This market-based approach aims to enable ICS producers to upscale their stove production and support sustainable market growth. With this support, two members of the group have established sub-branches of the production centre in other locations in Kisumu County. In the future, the Keyo Women's Group plans to expand their production capacity to 4,000 stoves per month, which will entail more members starting their own production centres.

GCF's grant support has been crucial to kick-start the growth potential of the ICS market and promote efficient cooking technologies to reduce national biomass consumption and associated greenhouse gas emissions.

To reach this objective and to ensure long-term growth of the local ICS market, the project is implementing a double-pronged approach: (1) increase demand for improved stove technologies, and (2) improve supply-side capabilities. On the supply side, the project is enabling ICS producers by providing training and machinery to boost production. At the same time, to encourage more people in rural areas to take up the use of ICS, the project informs potential users about the hazards associated with conventional open hearths and showcases the benefits of optimized stoves.

Overall, some two million, predominantly rural households will benefit directly from the project. Almost one-third of these households are headed by women. Furthermore, the project's outcomes reduce the probability of respiratory disease and the time spent to collect fuelwood and cook meals. This has a positive indirect effect on the pursuit of income-generating activities and, for children, on school attendance and child development.

The project has contributed, as of December 2023, to the sale of over 1,120,000 ICS, resulting in 1,575,000 tons of CO_2 reduction, thus contributing to both Kenya and Senegal's efforts to reach their respective climate targets[3].

[3] National Determined Contributions (NDC)

Annex II: Project Success Story – Adaptation - FP059 - Climate Resilient Water Sector in Grenada (G-CREWS)

Building climate resilient economies: water solutions in the agriculture and tourism sectors in Grenada

Grenada, an island country of the West Indies in the eastern Caribbean Sea has a population of just over 100,000who largely depend on surface water and rainwater harvesting for its potable water needs. However, climate change is causing higher than average temperatures, unpredictable rainfall patterns droughts, and the intrusion of saltwater into groundwater sources due to sea level rise, exacerbating issues of water scarcity.

Grenada's top commercial sectors, tourism and agriculture, are both reliant on regular water sources. In the dry season, farmers experience a significant reduction in productivity or are unable to farm. Hotels and guesthouses suffer from unreliable water supply, rationing, water trucking costs and guest dissatisfaction.

In response to the challenges of the Small Island Developing State (SIDS), the Climate Resilient Water Sector in Grenada (G-CREWS) project, funded by the Green Climate Fund (GCF) and implemented by the German development agency, GIZ, strives to bolster water security through the adoption of water-efficient solutions in the agriculture and tourism sectors. The GCF grant will facilitate water auditing, solution design and implementation, and will incentivize significant private co-finance for the purchase of water-efficient equipment.

Greening tourism

Working in partnership with GCF and GIZ, the Grenada Development Bank is spearheading the implementation of a 'challenge fund' for tourism under the G-CREWS project. This fund provides two financing options, allowing hotel owners to receive reimbursement of funds up to 80% for bathroom retrofitting with water-efficient showers, toilets, and faucets, and the installation or upgrading of rainwater harvesting systems.

Four hotels have already benefited from water-saving devices and rainwater harvesting systems, experiencing both financial and operational gains. Ranging from award-winning boutique hotels to family-focused resorts, they share their experiences and advocate as water-efficient and sustainable tourism role models on the island.

> ***"We have had a 30% reduction in our usage of water, so it has had a major impact on our operating expenses"***
>
> \- Adele Garbutt, General Manager at The Calabash Hotel

In addition to financial saving, Maria Wilson, Point Salines Hotel Manager, says increased water availability during dry seasons improves her customers' satisfaction.

Maria Wilson, Point Salines Hotel manager says increased water availability during dry seasons improves her customers' satisfaction. Photo: Communications Unit/GIZ

> ***"I am in awe to see the savings we received as a result of the new Water Sense toilets and sinks."***
>
> Maria Wilson, Manager, Point Salines Hotel, Grenada.

Harvesting the rain: a sustainable water solution

Rainwater harvesting systems were installed at The Calabash, Point Saline, and True Blue Bay resort hotels. They consist of roof-water recuperation systems with gutters that are linked with waterpipes to off-the-ground water tanks. The size of the systems installed vary based on the size of the hotel and previously built water storage facilities. Under the project, both the Point Salines and The Calabash installed a 15,000-gallon tank, while the True Blue Bay resort installed a 13,400-gallon tank. Together, these installations are generating estimated annual water savings of 7,000 m^3.

"With the rainwater catchment programme, we use that water for gardening purposes (...) and for the pools. In our newest block, we use the rainwater for the toilets" says Russ Fielden from the True Blue Bay Resort.

Rainwater harvesting system installed at True Blue Bay resort. Photo: Communications Unit/GIZ

Dr. Dessima Williams, a long-time supporter of sustainable practices in the tourism industry, sees the opportunity given by the challenge fund for tourism as a way to inspire sustainable hotel operations nationwide.

> ***"The challenge fund allowed us to become more sustainable in water management. I am an advocate for getting water conversation as a broad practice and system in the country."***
>
> \- Dr. Dessima Williams, the Rainbow Inn

Delivering hope for agricultural sector amidst water scarcity

The economic repercussions of water scarcity are palpable in Grenada's falling agricultural production, particularly in cocoa, a key export crop. The decline of 57% in cocoa production[1] intensifies Grenada's reliance on food imports, impacting trade balance and foreign exchange reserves. The trend jeopardizes food security and accessibility for low-income citizens, as imported and local food prices escalate due to increased transport costs and declining yields. The G-CREWS project empowers businesses in the agricultural sector, offering up to 100% financing for rainwater harvesting and water-efficient installations. intensifies Grenada's reliance on food imports, impacting trade balance and foreign exchange reserves. The trend jeopardizes food security and accessibility for low-income citizens, as imported and local food prices escalate due to increased transport costs and declining yields. The G-CREWS project empowers businesses in the agricultural sector, offering up to 100% financing for rainwater harvesting and water efficient installations.

[1] According to the International Monetary Fund 2022 economic country report


Cocoa beans drying in a cocoa plantation in Grenada. Sufficient water availability ensures cocoa pods develop completely and consistently, leading to the production of superior cocoa beans. Photo: Frankonline from Getty Images

The overwhelming positive response from businesses in the agricultural sector to participate in the challenge fund underscores the urgency of water-related challenges. The surge in demand also reflects the sector's vulnerability to reduced water availability, evident from a sharp decline in the agricultural production.

The project has supported approximately 210 farms across Grenada with suggested new water-smart engineering solutions. The new designs include 120 irrigation systems, 60 shade houses, and 145 river or rainwater harvesting systems. The installation of these water-smart solutions will commence in mid-2024, providing hope to reignite and sustain Grenada’s agricultural production and the lives and livelihoods that depend on them.

The G-CREWS project is a pivotal step toward building climate resilient economies in Grenada. By addressing water challenges in key sectors, fostering awareness, and supporting innovative solutions, this initiative not only safeguards economic development but also sets a precedent for sustainable practices in the face of climate change.

Annex III: Submission status of 2023 annual performance reports