



## INDEPENDENT EVALUATION OF THE RELEVANCE AND EFFECTIVENESS OF GCF'S INVESTMENTS IN THE LATIN AMERICAN AND CARIBBEAN STATES

### BACKGROUND

The Independent Evaluation of the Relevance and Effectiveness of the GCF's Investments in the Latin America and Caribbean (LAC) States was approved as part of the 2024 workplan of the IEU. This evaluation serves the functions of accountability, learning and dialogue. The evaluation was submitted in time for B.40 in October 2024 and provides key lessons for the GCF's investments in the LAC region.

### OBJECTIVES AND SCOPE

The evaluation assessed the approach and investments of the GCF in LAC starting from the inception of the GCF, given that this is the first evaluation of GCF's investments focusing on the region.

The evaluation aims to: (i) assess whether GCF's investments have promoted a paradigm shift in the LAC region; (ii) assess the relevance of GCF's investments in the region; (iii) identify emerging results of GCF's investments in the region; and (iv) identify critical success factors for the relevance and effectiveness of GCF's investments in the LAC region.

To respond to its objectives, this evaluation focused on the GCF Secretariat's policies, approaches, tools and capacities deployed in LAC, as well as the contributions

of international/regional/national stakeholders and other climate funds/development partners.

### THEMES OF INTEREST

The evaluation focused on four areas identified after stakeholder consultations in the inception phase and through discussions within the evaluation team considering the contextual factors.

- **Relevance of programming:** The evaluation assessed the relevance of GCF programming to country needs, focusing on the NDCs and interviews with NDAs. It assessed whether the GCF focuses on desired themes and sectors, and if it can engage with countries in a manner suited to their vulnerability and needs.
- **Quality of access:** The evaluation assessed the quality of access to climate finance for LAC countries through the GCF, focusing on its optimized way to facilitate climate programming including the Readiness and Preparatory Support Programme (RPSP) and considering the specificities of single and multi- country programmes, timeliness, predictability, and flexibility of access to resources.
- **Implementation of GCF's investments:** As of B.39, the GCF has financed 70 projects in the region, with



only one project completed. The evaluation aims to understand implementation challenges in the LAC portfolio, identifying risks and challenges at design and implementation stages. Understanding project implementation challenges is a precursor to understanding the likelihood of achieving results in a theory-based evaluation.

- **Institutional capacity and enabling environment:** The evaluation aimed to assess if the GCF leverages the region's relatively strong capacity of public institutions, CSOs, governments, and the private sector, and if it fosters an enabling environment for broader impact creation beyond projects/programmes.

## CONCLUSIONS

### 1. GCF Value Proposition

The Fund has a unique ability to finance climate programming which is agnostic to the income levels of countries and an ability to operationalize "direct access" much more expansively than any other climate finance institution in the region. In addition, the GCF's ability to offer a wide range of instruments is also of value to the region. However, the GCF doesn't have clarity on how it will leverage such value proposition in its approach and engagement with countries.

### 2. Access

The quality of access to the GCF has not been able to support the programming ambitions of the countries in the region. This quality of access pertains to timeliness, predictability, and relevance of access. The current nature and degree of access do not fully reflect the institutional capacity and intent that exist in the region to undertake transformational programming. This also affects how direct access materializes in the region.

### 3. Country Ownership

Countries in the region demonstrate high ownership of the GCF as an institution and have clear ideas for using the GCF's financing to meet their climate priorities. The high ability to articulate national priorities and mechanisms for engaging with the GCF also defines the contours of how countries articulate their desired idea of country ownership. This typically tends to be in the form of desire for high involvement of NDAs and other public stakeholders, high level of direct access and a desire for higher magnitude of programming

through single country projects.

### 4. Coherence and Complementarity

NDAs and AEs play a crucial role in ensuring coherence and complementarity between the GCF and other sources of climate financing. The region presents interesting examples of coherence and complementarity in REDD+ RBP projects driven by NDAs and by AEs through some other projects. There is a presence of some regional-level platforms and dialogues for coherence and complementarity, but this is not systematic. Furthermore, such platforms have not yet been supported at the national level.

### 5. Enabling Environment and Climate Finance

The GCF has invested significant resources into creating an enabling environment, especially in terms of institutional and policy framework, for mobilizing climate finance in the region. This has laid the groundwork for building on an existing baseline for higher-level impacts such as access to a higher volume and better quality of climate finance. However, such a baseline is not uniform in all countries in the region and what exists has been achieved without a particular approach or link to the GCF's value proposition.

### 6. Implementation, Results and Adaptive Management

GCF projects in the region face operational, routine project management challenges, policy and regulatory barriers, institutional capacity challenges, and challenges related to political changes. All these challenges require support that is timely, focused, country/project specific and needs based. This is different from the current nature of adaptive management and implementation support that is provided by the GCF, which tends to be somewhat time intensive, and process driven. Meanwhile, there are some initial indications of good results emerging from some funded activities and readiness grants in the region.

### 7. National Level Partnerships and Private Sector Engagement

The region presents an interesting case of an intricate interaction between the public and private sectors in GCF programming wherein private sector actors remain deeply embedded into the programming that is tagged as public sector. However, engagement with

MSMEs remains a crucial element that is missing from the programming in the region. This stems from a general lack of recognition of and engagement with suitable institutions at the national level that can engage with MSMEs.

## RECOMMENDATIONS

**Recommendation 1:** The GCF should clarify its own approach to the region and its ability to meet the value proposition that countries see for it.

The GCF has inherent flexibility and offers a possible breadth of programming that makes it a valuable partner for countries in the region. Moving forward, the GCF should clarify its approach to investments and programming in as diverse a region as LAC. The GCF should clarify how it intends to leverage the value proposition that countries in the region see for it and the enabling factors that exist there. While the IEU recognizes that the GCF doesn't provide regional strategies yet, a clear internal articulation of the approach to fulfilling the value proposition will help the GCF tailor its offerings for the countries.

**Recommendation 2:** The GCF needs to calibrate access to the region in a manner that recognizes and leverages capacity that already exists while also further enhancing ownership of countries.

The GCF should adapt its processes and offerings to become fit for purpose for the region. Overall, the GCF should take a less compliance-oriented approach to enable greater access for countries in the region.

- In looking at accreditation for the region, the GCF should consider differentiated indicators of capacities and track record that recognize existing programming ability and experience of institutions in the region. Such indicators may include experience in development, environment and conservation programming which are organically related to experience in climate programming. Overall, a more tailored accreditation requirement for entities that caters to their existing capacity and experience is required.
- The GCF should actively consider countries in the region for providing modalities of direct access beyond institutional accreditation.
- In the funding proposal approval process, especially for single country projects, the GCF should take

steps to bring down the transaction costs for entities, especially for its direct access partners. This should involve the GCF relying more on national systems and capacities that exist, while also taking a more proactive role alongside the entities in the project design process. Doing so can help bridge the gap between the GCF's expectations and its existing institutional capacities in the region and the contextual realities in countries.

- In multi-country projects, the GCF should devise channels of communication or encourage AEs to do so during design and implementation. Doing so can help ensure a certain degree of predictability and visibility for NDAs in countries where such projects are expected to be operational.

**Recommendation 3:** The GCF's support for policy and enabling environment and institutional capacity should be country focused.

The GCF needs to take a country-specific view to understand the institutional capacity gaps and need for policy and enabling environment support. Such a country-specific view needs to build on work carried out so far, through the RPSP, in individual countries to fully leverage the impact potential.

The GCF should consider supporting national and regional platforms consisting of different stakeholders which can support coordination efforts at the national level in mobilizing climate finance and climate programming. The GCF should also ensure coherence and complementarity between different sources of climate financing, as well as country ownership.

**Recommendation 4:** The GCF should actively source and partner with national financial intermediaries as well as other national and regional partners in the region for private sector programming.

The GCF should proactively seek partnerships with national financial intermediaries and other institutions in the region, which could serve as a gateway to engaging with the local private sector, especially MSMEs in the countries.

The GCF's institutional accreditation as well as its project approval process may pose a hindrance to such engagement and, hence, such an endeavor should be undertaken while considering Recommendation 2 on providing fit-for-purpose access for the region.



**Recommendation 5:** The GCF's Latin America and Caribbean division and any potential future regional presence should fulfill specific responsibilities to realize the value proposition of the Fund in the region.

- **Origination with the countries.** The LAC division should actively source entities for partnerships in the region and ensure expeditious access to the GCF. This may include a proactive role and support in the accreditation process and the funding proposal approval process. In doing so, the LAC division may have to serve the function of reconciling the GCF's own requirements with the contextual realities of the region.
- **Interface with stakeholders.** The LAC division should promote active awareness raising and relevant information sharing with stakeholders in the region. In fulfilling such a function, the division should serve as an interlocutor for NDAs, AEs, CSOs and private sector in the region and provide an interface with the GCF in the lingua franca of the region.
- **Support during implementation.** The LAC division should provide country- and project-specific and responsive adaptive management services and implementation support for resolving barriers to effective implementation and achievement of results.
- **Regional presence.** Any future regional presence in LAC should be attuned to and resourced for fulfilling the above-outlined responsibilities: namely, origination with country partners, interface with stakeholders, and support during implementation, in a responsive manner.

## METHODS

The evaluation reviewed the key documents from the Board, the GCF Secretariat, and the UNFCCC, NDCs and country programmes, and the evaluations and strategies of other climate finance institutions and other development partners. The evaluation also gathered data on the GCF's approach and results in the region from a wide variety of stakeholders including NDAs, GCF Board members, DAEs, delivery partners (DPs), CSOs and IPs through interviews and focus group discussions.

A portfolio analysis was undertaken on self-reported results data and financial data from GCF monitoring and reporting systems including the RPSP, as well as the data management systems of the Secretariat. The IEU also took a closer look at the risk assessment in funding proposals and the implementation issues as identified in annual performance reports (APRs), to understand the risks and challenges of GCF's investments in LAC.

Lastly, the evaluation undertook a synthesis of existing evidence from the LAC region, as well as country case studies and special studies.

## CONTACT THE IEU

Independent Evaluation Unit  
Green Climate Fund  
175, Art center-daero, Yeonsu-gu  
Incheon 22004  
Republic of Korea

☎ (+82) 032-458-6450  
✉ [ieu@gcfund.org](mailto:ieu@gcfund.org)  
🌐 [ieu.greenclimate.fund](http://ieu.greenclimate.fund)



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CLIMATE  
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