



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 the 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.

CONCLUSIONS

C1: 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.

C2: 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.

C3: 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.

C4: 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.

C5: 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.

C6: 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.

C7: 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

R1: 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.

R2: 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.

R3: 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.

R4: 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.

R5: The GCF's LAC 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.

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