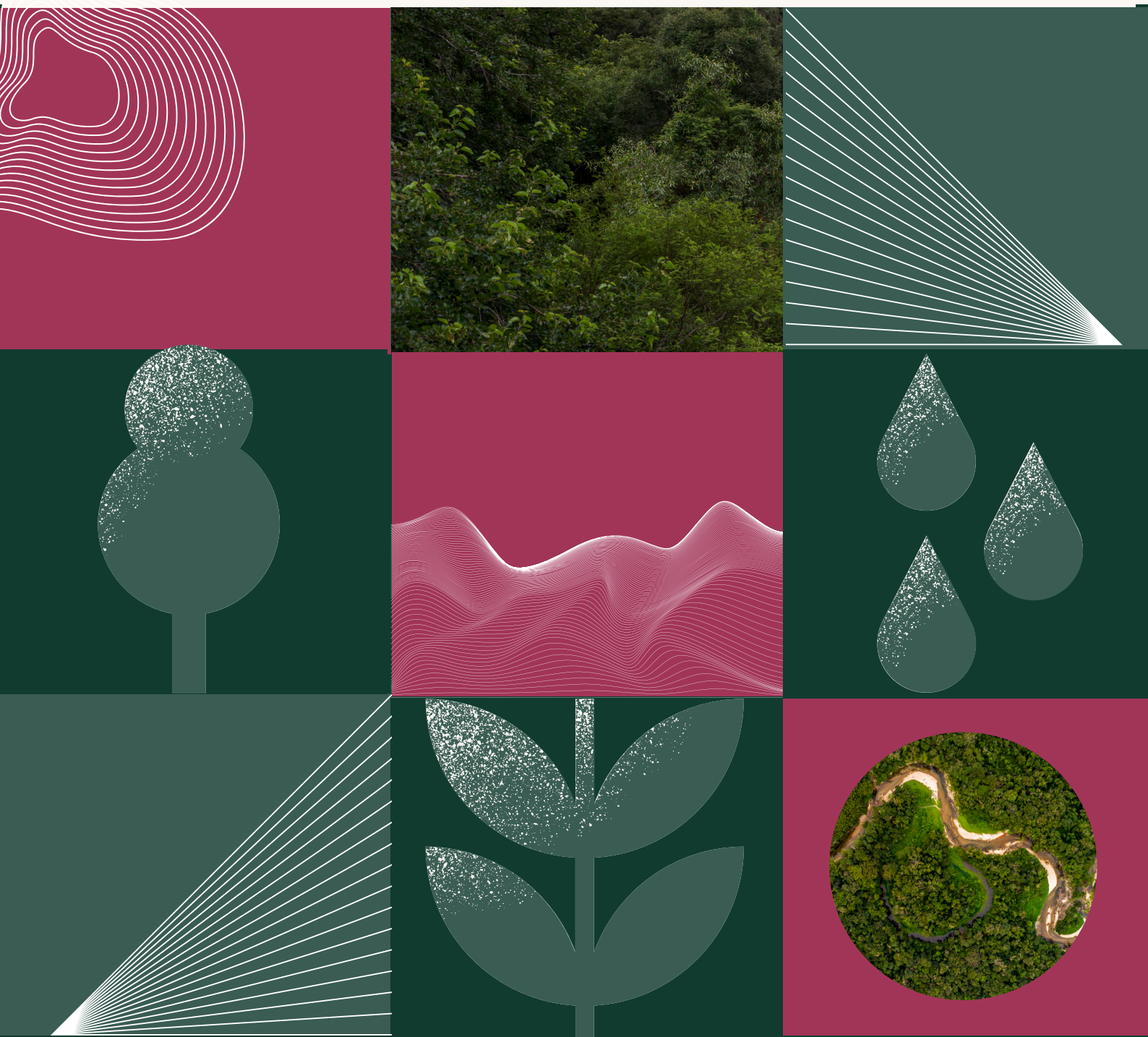


Executive Summary

LAC2024

Independent Evaluation of the Relevance and Effectiveness of GCF's
Investments in the *Latin American and Caribbean (LAC) States*



GREEN CLIMATE FUND
INDEPENDENT EVALUATION UNIT

Independent Evaluation of the Relevance and Effectiveness of GCF Investments in the Latin American and Caribbean States

EXECUTIVE SUMMARY

10/2024

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ABBREVIATIONS

AE	Accredited entity
APR	Annual performance report
CSO	Civil society organization
DAE	Direct access entity
DP	Delivery partner
FPIC	Free, prior, and informed consent
GCF	Green Climate Fund
IAE	International accredited entity
IEU	Independent Evaluation Unit
IPs	Indigenous Peoples
LAC	Latin America and the Caribbean
MSME	Micro-, small- and medium-sized enterprise
NDA	National designated authority
NDC	Nationally determined contributions
RBP	Results-based payment
REDD	Reducing emissions from deforestation and forest degradation
RPSP	Readiness and Preparatory Support Programme
UNFCCC	United Nations Framework Convention on Climate Change

EXECUTIVE SUMMARY

A. INTRODUCTION

1. BACKGROUND

The 2024 workplan of the Independent Evaluation Unit (IEU) was approved during the thirty-seventh meeting of the Board of the Green Climate Fund (GCF). The independent evaluation of the relevance and effectiveness of GCF investments in Latin American and the Caribbean (LAC) was approved as part of the workplan. This evaluation aims to serve the functions of accountability, learning and dialogue. It has been produced ahead of the fortieth session of the Board in October 2024 and provides key lessons and recommendations for GCF investments in the LAC region.

2. OBJECTIVES AND SCOPE

The evaluation assesses the approach and investments of GCF in LAC and covers the period starting from the inception of GCF, given that this is the first evaluation of GCF investments focusing on the region. The evaluation aims to: (i) assess whether GCF investments have promoted a paradigm shift in the LAC region; (ii) assess the relevance of GCF investments in the region; (iii) identify emerging results of GCF investments in the region; and (iv) identify critical success factors for the relevance and effectiveness of GCF investments in the LAC region.

To respond to its aims, this evaluation focused on GCF Secretariat policies, approaches, tools and resources/ capacities deployed in LAC, as well as the contributions of international/ regional/ national stakeholders and other climate funds/ development partners.

B. METHODOLOGY AND METHODS

1. EVALUATION CRITERIA

The objectives of the evaluation were achieved by applying the GCF evaluation criteria laid out in the GCF Evaluation Policy. The GCF evaluation criteria include relevance, effectiveness, and efficiency of projects and programmes; coherence in climate finance delivery with other multilateral entities; gender equity; country ownership of projects and programmes; paradigm shift towards low-emission and climate-resilient development pathways; replication and scalability; and unexpected and unintended results, both positive and negative.

2. METHODS

The following methods were deployed for data-collection with this evaluation:

- **Qualitative data-collection.** The evaluation reviewed key documents from the Board, the GCF Secretariat and the United Nations Framework Convention on Climate Change (UNFCCC), including nationally determined contributions (NDCs) and country programmes, and strategies and evaluations of other climate finance institutions and development partners. The evaluation also gathered data on the GCF approach and results in the region from a wide variety of stakeholders including national designated authorities (NDAs), GCF Board members, direct access entities (DAEs), delivery partners (DPs), civil society organizations (CSOs) and indigenous peoples (IPs) through interviews and focus group discussions.

- **Portfolio analysis.** Portfolio analysis was undertaken on self-reported results data and financial data drawn from the GCF monitoring and reporting systems, including on the Readiness and Preparatory Support Programme (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 implementation issues as identified in annual performance reports (APRs), to understand the risks and challenges of GCF investments in LAC.
- **Synthesis of existing evidence from the LAC region.** The IEU had published 16 evaluations as of the time of writing the approach paper of this evaluation in March 2024, and some of these evaluations undertook country case studies in LAC. The evaluation extracted common issues in these case studies, pertaining to LAC region, and prepared a separate analytical piece for the evaluation, published as a LabReport on the IEU website.
- **Country case studies and special studies.** As part of this evaluation, country case studies were conducted in Argentina, Costa Rica, Dominican Republic, Jamaica, and Ecuador, and included interviews with NDAs, DPs, accredited entities (AEs), and pipeline AEs. The IEU also undertook a special study on REDD+ results-based payment (RBP) projects in the LAC region. The region has seven out of eight REDD+ RBP projects approved under the GCF REDD+ RBP pilot programme.

3. THEMES OF INTEREST

In addition to the GCF evaluation criteria, the evaluation focused on four areas identified after stakeholder consultations in the inception phase and through discussions within the evaluation team on contextual factors.

- **Relevance of programming.** The evaluation assessed the relevance of GCF programming to country needs, based on 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 quality of access to GCF resources and climate finance by LAC countries, covering the GCF support programmes, including the RPSP and considering the specificities of single and multi-country programmes, timeliness, predictability, and flexibility of access to resources.
- **Implementation of GCF investments.** As of the thirty-ninth session of the Board, the GCF has financed 70 projects in the region, with only one project completed as of the time of writing this report. The evaluation aimed 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 GCF leverages the relatively strong capacity of the region's public institutions, CSOs, governments, and private sector, and if it fosters an enabling environment for broader impact creation beyond projects/programmes.

C. FINDINGS

1. RELEVANCE AND VALUE PROPOSITION

A significant number of countries in LAC are upper-middle-income countries. In principle, benefits of international development cooperation do not reach countries with this profile. However, the GCF does not apply limitations of most other multilateral players when it comes to concessionality or flexibility of available instruments. The GCF has the potential for operationalizing direct access with a wide range of institutions. This is in a region where there is a wide range of institutions with potential for collaborating with the GCF. In addition, most countries in the region are capable of clearly articulating their needs and mobilizing relevant capacities.

The GCF is also able to finance through a variety of instruments irrespective of the income levels of countries and is able to provide financing for long-term capacity-building through RPSP. GCF's readiness financing is generally well appreciated and highly relevant in providing useful financing to countries with for capacity-building for NDAs, and pipeline DAEs. The Fund does not yet have a specific approach to its investments in the region to build on its value proposition and is a reactive and opportunistic player in the region.

2. EFFECTIVENESS

The GCF has invested heavily in the preparation and creation of institutional capacity and an enabling environment for mobilizing climate finance in the LAC region. There are examples of countries having used the RPSP for the preparation of national-level programmes as an umbrella for climate projects. That being said, RPSP has not been uniformly deployed in line with the opportunities that exist in the region and does not always build on the region's existing capacities. Access to climate finance, especially through direct access, has not materialized substantially, in spite of good, pre-existing institutional capacity in the region. The reasons for this gap in direct access include, inter alia, language barriers, time zone differences, and inconsistencies in GCF project review processes.

The disparity between the region's capacity and lack of commensurate programming also has to do with the gap between the way institutional capacity is understood by GCF, the proxy indicators used by GCF for institutional capacity, and the form of capacity that exists in the region and the way it is understood by stakeholders therein. There are some emerging higher-level results in the funded activity portfolio in the region and in the RPSP portfolio. However, this portfolio also faces challenges during implementation which may hinder the achievement of results.

Programming tagged as private sector accounts for only 24 per cent of total GCF financing in the region, with most of it being through multi-country projects. However, GCF's engagement with the private sector and the mobilization of private-sector interest and financing is heavily embedded into its public sector programming, thus demonstrating interesting examples of public-private partnerships.

3. COHERENCE AND COMPLEMENTARITY

In REDD+ RBP projects, excellent coherence and complementarity has been driven through coordination efforts of NDAs and AEs. Coherence and complementarity have been undertaken through the provision of resources for complementary upstream and downstream interventions. Countries have been able to link the financing received through RBP with financial resources provided by other international and national organizations. A second lever of ensuring such

coherence and complementarity has been through the amplification of resources through co-financing of resources. However, such examples of coherence and complementarity are not captured suitably in GCF's systems.

NDAs play an important role in ensuring coherence and complementarity at the national level but face limitations such as lack of oversight over programming, lack of timely information from the GCF, variable capacity and changes in political dispensation. In multi-country projects, NDAs have very limited involvement in the project design phase. Multi-country projects are largely formulated and designed and implemented by international accredited entities (IAEs) and large regional DAEs with little to no direct contribution from NDAs.

Regional dialogues are highly valued for their potential in ensuring coherence and complementarity. However, the record of establishing newer forums for dialogue and resultant coherence and complementarity remains mixed, with some interesting examples of regional platforms developed by AEs for promoting coherence and complementarity.

4. EFFICIENCY

Countries in the region have received substantial RPSP financing and have accessed the RPSP faster on average than other regions. However, projects in the region take a slightly longer time for the approval, as compared to most other regions. In absolute terms, the timelines for the approval of RPSP and funding proposals remain long. Multi-country projects take less time to be approved as compared to single-country projects. Adaptation projects tend to take longer to get approved than cross-cutting and mitigation projects. Overall, REDD+ RBP projects remain an exception to the long approval timelines. Disbursement timelines of funding to projects in LAC are not materially different from those in other regions. Thus, overall, good institutional capacity in the region has not had a material impact on efficiency.

5. COUNTRY OWNERSHIP

Stakeholder engagement in the process of REDD+ RBP projects has been robust, including the inclusion of CSOs in the process. However, in other GCF projects, stakeholder engagement has been mixed, with better engagement of CSOs at the national level as compared to the local level. Direct access remains a crucial, if not sole demand of countries in the quest for country ownership. NDAs strongly emphasize direct access as part of their needs, and that they want to "own" GCF investments. However, the manifestation of such ownership remains a work in progress. GCF's cumbersome processes negatively affect ownership of GCF investments.

There are doubts about multi-country projects and their level of country ownership. However, there are different kinds of multi-country projects and each of these projects has different implications for country ownership. Certain types of multi-country projects do engage with national stakeholders, but these stakeholders tend to be outside the GCF's sphere of engagement. Overall, multi-country projects tend not to engage NDAs systematically.

6. SUSTAINABILITY, REPLICATION AND SCALING UP

In REDD+ RBP projects there are some built-in measures for potential sustainability. Within the larger GCF programming there are examples of heavy embedding of the private sector in public sector projects which bodes well for the sustainability of results. Changes in the political priorities and capacity challenges within NDAs may negatively impact sustainability of results. On the other hand, while the RPSP has not built on its successes to ensure sustainability, this may change with

the approval of the revised Readiness and Preparatory Support Programme 2024–2027, and its focus on a country-specific and access-centred approach.

7. GENDER AND INDIGENOUS PEOPLES

Institutions in LAC generally have good experience of incorporating gender and IPs dimensions into their programming. In addition, GCF's processes have built relevant capacity among entities pertaining to environmental and social safeguards. That being said, the approaches of AEs to gender and IPs are still evolving gradually towards gender transformative approaches and participatory governance among IPs. As pertains to free, prior, and informed consent (FPIC), stakeholders hold different views on when it should be sequenced in the programming cycle, with some stakeholders wishing for FPIC during the design of the funding proposal while others advocate for FPIC at implementation when specific communities for interventions are decided.

D. CONCLUSIONS AND RECOMMENDATIONS

The conclusions and recommendations of this evaluation will have to be placed in an organizational context that is rapidly evolving. As of the time of writing this report, GCF has created a new regional division that will be responsible for GCF investments in the LAC region. There are ongoing discussions on establishing regional presence, which is a key demand of many countries in the region. In addition, discussions are taking place on a new partnership and access strategy, accreditation reform and an efficient GCF reform process to make the institutional processes more efficient. Through these reforms, GCF intends to bring changes to provide fit-for-purpose access to countries.

1. CONCLUSIONS

a. GCF's value proposition in the LAC region

The Fund is endowed with the ability to undertake consistent and long-term capacity-building and the building of an enabling environment. The Fund also 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, GCF's ability to offer wide range of instruments is also of value to the region. The countries in the region recognize the unique potential that GCF may offer and have clear ideas and implicit pathways through which they wish to engage with GCF, wherein they want to reconcile their national priorities with GCF's offerings. However, GCF does not have clarity on how it will leverage such value proposition in its approach and engagement with countries. This lack of clarity within GCF leads to an ambiguous approach to programming, leading to some level of concentration in programming and insufficient leverage of GCF's value proposition. This gap between the GCF's approach and the value proposition for countries also leads to an underutilization of the potential of GCF finance in the region. GCF is capable of having a much larger impact in LAC if it recognizes the enablers that exist in the region and leverages these enablers to fulfil the roles that the countries in the region see for the Fund. These enablers include the range of institutions in the region and the intent among countries to engage with GCF.

Ability to meet country expectations. Countries in the region have stated that access to GCF and the nature of this access are central to the value proposition of the Fund for the region. The region presents an intent-ready, and impact-potential rich environment. These factors combined with the

generally good capacity and experience among the institutions in the region in implementing programming relevant to the GCF mandate have the potential to enable and facilitate access. However, access constraints are still prevalent on account of the structural barriers at GCF's end around the difficulty of institutional accreditation, timeliness of GCF processes, language barriers, time zone differences, lack of timely information for countries and entities and a metaphorical divide between the region and GCF on mutual expectations. While countries may sometimes lack capacity in certain respects, GCF also seems to lack the capacity, human resources and efficiency at the Fund level to meet the region's climate ambitions.

b. Access

Quality of access. The quality of access to GCF has not been able to support the programming ambitions of the countries in the region. This quality of access pertains to timeliness of access, predictability of access and relevance of access. Access for the LAC region remains long in absolute terms. Access to GCF is also resource-intensive and cumbersome for countries in the region. The prevalence of multi-country projects further accentuates concerns around quality of access.

Institutional capacity for effective access. The current nature and degree of access do not fully reflect the institutional capacity and intent that exists in the region to undertake transformational programming. Inter alia, this also reflects how institutional capacity is understood in GCF and how it manifests in the region. GCF takes a more compliance-oriented approach to judging institutional capacity while institutions in the region tend to possess capacities borne out of experience of implementing programming relevant to GCF's climate mandate. This gulf in the acceptable proxies of institutional capacities is what leads to difficulty in forging substantive programming partnerships at scale with entities and institutions in the region.

Direct access. The compliance-oriented approach to understanding institutional capacity in GCF also tends to affect how GCF partners with institutions in the region for direct access. Direct access is currently being operationalized in the region through institutional accreditation and most DAEs currently do not have a project or entities with potential to directly access GCF are not accredited. Thus, direct access remains an untapped modality for implementing locally owned, robust programming in LAC. The region appears to possess many institutions with clear vision, experience and capacity to implement climate programming, with inevitable intra-regional variations. GCF has invested significant resources into building capacity for direct access in the region but its engagement with and facilitation of direct access is still not deliberate nor reflective of the full potential of this modality. The spectrum of institutions already in the AE pool have trouble programming with GCF, while many institutions with capacity to be direct access partners remain outside the AE pool of GCF.

c. Country ownership

Countries in the region demonstrate high ownership of GCF as an institution and have clear ideas for using GCF's financing to meet climate priorities. The high ability to articulate national priorities and mechanisms for engaging with 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.

Realizing country ownership through direct access and single-country programming is directly influenced by the high cost of programming with GCF, while engagement of NDAs and other stakeholders is a function of GCF's nature of engagement with countries through AEs and DPs.

Multi-country projects create challenges for country ownership and how it is perceived at the national level. The unpredictability and lack of timeliness of flow of finance to countries combined with lack of visibility and involvement of NDAs leads to lower NDA ownership for multi-country projects.

d. Coherence and complementarity

NDAs and AEs play a crucial role in ensuring coherence and complementarity between GCF and other sources of climate financing. However, a combination of intermittent capacity at NDAs, GCF's access mechanisms of working through AEs and lack of updated information about GCF's policies and procedures hinder them from taking up such a role. AEs, on the other hand, may have incentives which are at odds with ensuring coherence and complementarity between GCF and other sources of climate finance. The region does present interesting examples of coherence and complementarity driven by AEs. While there is a presence of some regional-level platforms and dialogues for coherence and complementarity, this is not systematic and the same has not yet been supported at the national level.

e. Enabling environment and climate finance

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 via its RPSP. In addition, resources have also been invested in strengthening institutional capacities, especially national-level capacities. 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 GCF's value proposition. The ongoing country-level pivot of GCF's readiness and institutional capacity-building efforts and its increasing focus on promoting access to GCF financing is a positive step in building on the efforts so far.

f. Implementation, results and adaptive management

GCF projects in the region, inter alia, face operational, routine project management challenges; policy and regulatory barriers; institutional capacity challenges; and challenges related to political changes. These challenges have differential levels of impact on project implementation and progress and ultimately on the ability of the institution to achieve results. Certain challenges such as policy and regulatory barriers signify significant hindrance but also present significant opportunity for systemic change if they can be resolved. Institutional capacity challenges that tend to be encountered are usually gaps in specific parts of the institutions rather than absence of institutions altogether. All these challenges require support which is timely, focused, country/project-specific and need based. This is different from the current nature of adaptive management and implementation support that is provided by GCF, which tends to be somewhat time intensive, and process driven.

Given the early stage of implementation of projects, it has been challenging to capture results of the projects in the region. There are some initial indications of good results emerging from some funded activities and readiness grants in the region. These results bear out the flexibility that GCF instruments and financing provide for countries and entities, and the potential scale they offer in certain contexts.

g. National-level partnerships and private-sector engagement

Public-private collaboration in GCF programming. Private-sector programming remains a key element of GCF engagement in the region. 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. Such embedding also points to a relatively well-developed private sector in certain countries of the region, and collaboration between public and private sectors wherein both can share risks. The depth of such private-sector engagement of GCF is not fully captured in its systems and documents.

Private-sector engagement and MSMEs. The Governing Instrument for the GCF encourages the participation of private-sector actors in developing countries, in particular, local actors, including small- and medium-sized enterprises and local financial intermediaries. However, engagement with MSMEs remains a crucial element which 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. Often, these institutions tend to be national financial intermediaries. Accreditation, as it currently exists in GCF, remains a significant barrier for such engagement. GCF's long and cumbersome proposal review process is another hindering factor that discourages proposals from existing AEs with the ability to engage MSMEs. To that extent, engagement of the private sector, especially MSMEs, is also intricately and innately linked to direct access in the region.

h. REDD+ results-based payment projects

REDD+ RBP projects have largely demonstrated good examples of country-led programming and coherence and complementarity with other sources of climate finance. They have set a good example for stakeholder engagement at different levels, underwritten by robust national REDD+ strategies and accompanying institutional frameworks. Such robust institutional and policy support has also ensured coherence and complementarity with other sources of climate financing for maximizing the reach and impact of their REDD+ programming.

i. Indigenous Peoples and gender

Traditionally, the region has been highly aware of and conversant with issues pertaining to indigenous people, stemming from active engagement and advocacy by civil society and indigenous people organizations. For this reason, the institutions in LAC generally have good experience of engaging and programming with IPs. However, GCF's policies concerning IPs and gender are still being operationalized in the GCF portfolio. The planned gender and IP-related benefits span a wide spectrum ranging from livelihood enhancement to empowerment and community conservation of natural resources. The portfolio of GCF in LAC reflects mixed engagement with IPs. In some instances, such as REDD+ RBP, IPs have been involved significantly in the national-level structures while in some other projects, the governance structures of projects do not include IPs substantively and meaningfully.

2. RECOMMENDATIONS

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

GCF has inherent flexibility and offers a possible breadth of programming that makes it a valuable partner for countries in the region. Moving forward, GCF should clarify its approach to investments and programming in as diverse a region as LAC. 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 IEU recognizes that GCF does not provide regional strategies yet, a clear internal articulation of the approach to fulfilling the value proposition will help GCF tailor its offerings for the countries.

Recommendation 2: 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.

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

- In looking at accreditation for the region, GCF should consider differentiated indicators of capacities and track record which 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.
- 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, GCF should take steps to bring down the transaction costs for entities, especially for GCF's direct access partners. This should involve 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 to bridge the gap between GCF's expectations, institutional capacities as they exist in the region and contextual realities in countries.
- In multi-country projects, GCF should devise channels of communication or encourage AEs to do so, during design and implementation to ensure a certain degree of predictability and visibility for NDAs in countries where such projects are expected to be operational.

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

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.

GCF should consider supporting national and regional platforms consisting of different stakeholders which can support coordination efforts at the national level for the mobilization of climate finance and climate programming, and ensure coherence and complementarity between different sources of climate financing while also ensuring country ownership.

Recommendation 4: 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.

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.

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

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

- **Origination with the countries.** The LAC division should actively source entities for partnerships in the region and ensure expeditious access to 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 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 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, viz. origination with country partners, interface with stakeholders, and support during implementation, in a responsive manner.