THE INDEPENDENT EVALUATION UNIT'S

FORESIGHT STUDY

on climate finance

a technical report

GREEN CLIMATE FUND | Independent Evaluation Unit

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An Interim Deliverable
Contributing to the
Third Performance Review

GREEN CLIMATE FUND | Independent Evaluation Unit

IEU'S FORESIGHT STUDY ON CLIMATE FINANCE: TECHNICAL DISCUSSION PAPER

An IEU Deliverable Contributing to the Third Performance Review

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ABBREVIATIONS

AE	Accredited entity
C2ES	Center for Climate and Energy Solutions
CIF	Climate Investment Funds
COP	Conference of the Parties
CPI	Climate Policy Initiative
CSO	Civil society organization
DAE	Direct access entity
EMDEs	Emerging markets and developing economies
FCAS	Fragile and conflict-affected States
FRLD	Fund for Responding to Loss and Damage
FX	Foreign exchange
GCA	Global Center on Adaptation
GCF	Green Climate Fund
GEF	Global Environment Facility
IDB	Inter-American Development Bank
IEA	International Energy Agency
IEU	Independent Evaluation Unit
IISD	International Institute for Sustainable Development
IMF	International Monetary Fund
JETP	Just energy transition partnership
L&D	Loss and damage
LDC	Least developed country
LIC	Low-income country
MDB	Multilateral development bank
MIC	Middle-income country
MRV	Measurement, reporting and verification
NBFI	Non-bank financial institution
NCQG	New Collective Quantified Goal
NDA	National designated authority
NDB	National development bank
NDC	Nationally determined contribution
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PV	Photovoltaic

RBF	Results-based financing
RDB	Regional development bank
SDR	Special drawing right
SIDS	Small island developing State
TPR	Third Performance Review
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UN-OHRLLS	United Nations Office of the High Representative for the LDCs, LLDCs and SIDS

INTRODUCTION

The Green Climate Fund (GCF) Independent Evaluation Unit (IEU) is mandated to undertake periodic reviews of the GCF's performance to inform replenishment decisions and guide strategic planning. As part of the Third Performance Review (TPR), the IEU conducted this forward-looking landscape and foresight study to understand how climate finance is likely to evolve over the next 5 to 10 years, identify the fundamental drivers shaping these changes, and assess how the GCF might position itself to remain effective under different future scenarios.

Global climate finance is entering a period of profound uncertainty. Record flows (exceeding USD 2 trillion in 2024) coexist with widening structural gaps, particularly around adaptation, loss and damage (L&D), and concessional finance for vulnerable countries. Although private investment into commercially viable mitigation is accelerating, public finance is under mounting pressure from shrinking official development assistance (ODA), high interest rates, sovereign debt stress and heightened geopolitical volatility. At the same time, the climate finance architecture is becoming increasingly crowded and fragmented, with new funds, platforms and initiatives overlapping in mandate and creating higher transaction costs for developing countries. These trends shape both the opportunities and risks that the GCF must navigate in the next programming cycle.

The foresight exercise therefore took a scenario-based approach, recognizing that the next decade may be shaped by divergent combinations of political cooperation, macrofinancial stability, technology-led market shifts and institutional reform. These scenarios helped assess where the GCF can add value across a range of plausible futures, as well as which strategic options might favour certain scenarios and which might constitute "no-regrets" actions.

This foresight study will also directly inform the wider TPR by providing a structured framework to test the robustness of emerging recommendations against multiple plausible futures. By examining how different levels of finance, cooperation, geopolitical dynamics and system fragmentation could shape the operating environment, the study enables the TPR to stress-test proposed recommendations (e.g. around country programming, access and accreditation, and private finance). It also helps the TPR to identify which actions hold under all scenarios and to clarify where the GCF must hedge, adapt or prioritize.

This study explored the following four questions:

1) What major trends, drivers and uncertainties are likely to shape climate finance in the short to medium term (including economic, environmental, political, social and technological factors)?
2) What is the relative role of the GCF within the climate finance architecture, and what are its key strengths and weaknesses compared to other institutional or market pathways?
3) How is climate finance expected to evolve over the next 5 to 10 years in terms of scale, composition, financial mechanisms and institutional delivery models?
4) How should the GCF be positioned to deliver on its mandate and ambition in light of these potential developments?

APPROACH AND METHODS

This foresight study used a structured, evidence-based approach to explore how the global climate finance system may evolve to 2035 and what this implies for the GCF's future role, relevance and comparative advantage. This study applied futures and foresight methods to anticipate plausible shifts in climate finance and test the robustness of GCF strategic positioning across multiple futures. The approach integrated horizon scanning, expert consultation, scenario construction and strategic "wind-tunnelling" to support adaptive, forward-looking insights and inform the IEU's TPR.

The process began with exploratory research and horizon scanning across a broad body of qualitative and quantitative evidence, including literature from multilateral institutions, climate finance trackers, academic analyses, United Nations Framework Convention on Climate Change (UNFCCC) processes and evaluations of other climate funds, alongside major data sets such as multilateral development bank (MDB) climate finance reports, Organisation for Economic Co-operation and Development (OECD) Creditor Reporting System data, and Climate Policy Initiative (CPI) estimates. This phase identified political, technological, economic, environmental and social drivers and mapped signals of change, from geopolitical fragmentation and ODA contraction to technology shifts, private capital dynamics and evolving climate risk patterns. Key parameters (e.g. multilateral versus bilateral dominance, centralized versus devolved access, public versus private finance, institutional agility, and justice versus efficiency in allocation) were distilled to guide scenario design.

Building on this evidence, the study conducted targeted consultations with approximately 20 experts drawn from MDBs, think tanks, other climate funds, national institutions, academia and civil society. They were selected to offer a balanced view, independent of but familiar with the GCF and wider climate finance landscape. Structured interviews captured views on drivers of change, critical uncertainties, "wild cards", and desirable or concerning futures. These initial consultations refined the initial parameters, broadened perspectives, and ensured scenarios were plausible and strategically relevant. Expert views on each topic are collated in boxes below.

Merging literature, data and expert insights, the study then developed four scenario narratives illustrating how climate finance could evolve under different combinations of political cooperation, institutional coordination and financial scale. These are not predictions but testing environments designed to expose vulnerabilities, stress strategic assumptions and illuminate opportunities. Each scenario describes the future architecture, governance, access dynamics, public–private roles, allocation norms and wider context.

Once the scenarios were drafted, wind tunnelling and strategic stress testing assessed how GCF strategies, reforms and operating models would perform across each future. This identified robust ("no-regrets") options and areas requiring adaptation or contingency planning. It also supported back-casting to determine actions the GCF could take now to move towards favourable futures or avoid undesirable ones. Finally, scenarios and strategic implications underwent expert validation through written feedback and a workshop before being synthesized into this IEU discussion paper contributing to the TPR. As a result, this discussion paper does not constitute the final report or recommendations of the TPR. The TPR will produce a final report in 2027.

I. TRENDS, DRIVERS AND UNCERTAINTIES IN CLIMATE FINANCE

This section sets out the main drivers, headwinds and shocks expected to shape global climate finance over the next 5 to 10 years. It traces how record finance flows coexist with deep structural gaps, how the recent New Collective Quantified Goal (NCQG) and "Baku to Belém Roadmap" redefine the political landscape, and how macrofinancial, geopolitical, technological and institutional forces are interacting to produce a "two-speed" transition. Across sections, a recurring theme emerges: private, market-driven flows into commercially viable mitigation are accelerating, while public, concessional and grant-based finance for adaptation, L&D, and low-income countries (LICs) is under acute stress.

1.1. CLIMATE FINANCE TRENDS AND THE EMERGING NCQG ARCHITECTURE

Global climate finance has reached unprecedented levels, with flows estimated at USD 1.9 trillion in 2023 and surpassing USD 2 trillion in 2024, driven primarily by more than USD 1 trillion in private investment (Naran et al., 2025). Public climate finance also hit a milestone: developed countries exceeded the long-standing USD 100 billion pledge in 2022, delivering USD 115.9 billion, nearly 80 per cent of which was public finance (OECD, 2024b). However, these headline achievements obscure the far larger scale of investment required. CPI estimates that finance must increase fivefold (to USD 7.4 trillion annually through 2030) to align with a 1.5°C pathway (Naran et al., 2024). At the same time, the world continues to heavily subsidize and invest in fossil fuels, with USD 1 trillion in new production/distribution investment and USD 1.4 trillion in consumer subsidies in 2022 (Naran et al., 2024).

Beneath these aggregate statistics, deeper structural failures persist. Adaptation finance remains dramatically insufficient: developing countries received only USD 32.4 billion in 2022, while global adaptation finance reached USD 68 billion, far below emerging markets and developing economies' (EMDEs) needs and civil society estimates of USD 215–387 billion per year (OECD, 2024b; United Nations Environment Programme [UNEP], 2023; Naran et al., 2024; Civillini, 2025). Mitigation continues to dominate (at around 60 per cent of 2022 public flows), reflecting better commercial returns (OECD, 2024b; Naran et al., 2024). Meanwhile, private finance is heavily skewed towards advanced economies and China. Historically, middle-income countries (MICs) have received around 81 per cent of total flows (2022 data), whereas least developed countries (LDCs) and small island developing States (SIDS) have captured only small shares (Alayza et al., 2024; Naran et al., 2024; Naran et al., 2025). LDCs received just 11 per cent of public climate finance in 2022, and fragile and conflict-affected states (FCAS) received about 2.5 per cent of total flows despite high vulnerability (OECD, 2024a, 2025b; Cao, 2025; Naran et al., 2024). Private finance is even more concentrated: less than 10 per cent of flows to LDCs and less than 2 per cent of flows to low- and lower-middle-income SIDS come from private sources (Naran et al., 2024). Key sectors such as agriculture, forestry and other land use remain chronically underfunded (Naran, Zhang, & Gupta, 2024). These patterns have produced a significant divergence: a two-speed system where commercially attractive mitigation in richer and more creditworthy markets accelerates, while adaptation, L&D and concessional finance for LDCs, SIDS and FCAS fall further behind. Without structural reform, the literature expects this dominance to persist into 2035, with finance following creditworthiness and bankability rather than vulnerability (Alayza et al., 2024; CPI, 2025; Naran et al., 2025).

Against this backdrop, the NCQG agreed at the twenty-ninth Conference of the Parties (COP29) in Baku marks a major shift from the legacy USD 100 billion target. The NCQG establishes a dual architecture: first, a quantified public-side commitment for developed countries to mobilize at least USD 300 billion per year by 2035, representing the minimum floor for Annex I public and publicly mobilized finance; and second, a system-wide goal to scale total international climate finance to at least USD 1.3 trillion annually by 2035, covering public, private and multilateral flows (CPI, 2025; International Institute for Sustainable Development [IISD], 2024; Falduto & Jachnik, 2025). This structure acknowledges that public budgets alone cannot close the trillion-dollar

gap (CPI, 2025; Dasgupta, 2025), yet it also introduces significant ambiguity: by decoupling developed-country obligations from the broader mobilization target, the NCQG creates space for creative accounting. Donors could claim progress towards the USD 1.3 trillion headline (dominated by private flows) while failing to meet their USD 300 billion public-side responsibility.

The political and technical centrepiece of this new regime is the Baku to Belém Roadmap to USD 1.3 trillion, to be delivered by the COP30 Presidency (CPI, 2025). This roadmap must articulate how global finance will scale from the USD 300 billion floor to the USD 1.3 trillion target, defining roles for MDBs, development finance institutions, domestic financial systems, carbon markets and Article 6 mechanisms, while establishing rules for recognizing South–South flows, measuring private mobilization, and preventing double-counting (Falduto & Jachnik, 2025; IISD, 2024).

Four challenges stand out for operationalizing the NCQG and the Baku to Belém Roadmap.

- **Measurement and attribution:** New methodologies must be in place before the 2028 progress report to classify "mobilized" private finance, recognize voluntary non-Annex I contributions, and eliminate double-counting (Falduto & Jachnik, 2025; CPI, 2025; IISD, 2024).
- **Mobilization realism:** Blended finance remains a central pillar of the MDB and NCQG mobilization agenda yet has not scaled despite two decades of experimentation; a 2025 OECD analysis describes it as a "cottage industry" dominated by bespoke, fragmented deals with weak standardization and limited transparency (OECD, 2025e). Mobilization ratios remain modest, especially in LICs, where MDBs mobilize only USD 0.37 in private finance per public dollar (Kenny, 2025), prompting efforts to shift from one-off transactions towards replicable, platform-based approaches through the OECD Development Assistance Committee Blended Finance Guidance (OECD, 2025e).
- **Quality of finance:** Although the NCQG recognizes the need for grants and highly concessional finance (especially for adaptation and L&D), it sets no binding sub-targets and leaves unresolved long-standing concerns that loan-heavy finance can exacerbate debt distress (IISD, 2024; Schalatek, 2025b; Kowalzig et al., 2025; Oxfam America, 2025). Historical data indicate that in the 2016–2020 period loans accounted for over 72 per cent of public climate finance (with grants around 25 per cent) and concessional finance has fallen to just 7 per cent of total flows despite rising volumes (Christian Aid, 2024; Naran, Zhang, & Gupta, 2024). MDB data from the 2019–2023 period similarly show 67 per cent of climate finance provided as loans and 7 per cent as grants (Alayza et al., 2024), intensifying debt-sustainability pressures for LDCs and vulnerable countries already "straining under the weight of record debt" as investment needs accelerate (Cichocka & Mitchell, 2022; Dafermos, 2025; World Bank, 2024e).
- **Burden-sharing and political feasibility:** Although developed countries must take the lead, the text is silent on distribution among them (Falduto & Jachnik, 2025), and with several major donors reducing ODA (OECD, 2025c), the Baku to Belém process is likely to become the central arena for negotiating unresolved burden-sharing conflicts (Falduto & Jachnik, 2025).

Expert view

Interviewed experts broadly affirm the emergence of a "two-speed" climate finance system: mitigation increasingly attracts private capital due to technological maturity, while adaptation remains "structurally non-commercial" and chronically underfunded. This creates a sharp divergence, where private investment accelerates in stable markets, and LDCs and SIDS face a persistent "structural financing gap" that private flows consistently bypass. Most experts are highly sceptical of the NCQG trajectory towards USD 1.3 trillion, describing its reliance on private mobilization as a "political retreat" by fiscally constrained donors who "have no money". They warn that separating donor obligations from broader mobilization targets risks "creative accounting" and "relabelling", where headline growth masks the absence of additionality. A minority of respondents are more optimistic, suggesting public climate finance could grow over the next decade through commitments such as the Baku pledge and rising European Union ambition. Nonetheless, even these experts caution that such increases will not reach vulnerable countries unless structural barriers are addressed. The dominant view is that higher global finance targets are unlikely to translate into meaningful impact while sovereign debt distress and the "unfunded costs of access" remain unresolved. Across perspectives, there is near-unanimous agreement that the binding constraint for LDCs and SIDS has shifted from technology to the prohibitive "cost of capital", which prevents vulnerable countries from benefiting even as global climate finance expands. Finally, experts vigorously validate the critique of blended finance as a "cottage industry". There is consensus that the current model of "bespoke", one-off deals has failed to scale. Experts warn against "chasing leverage ratios" in low-income contexts where mobilization is structurally weak, urging a shift towards "replicable" platforms and standardized instruments to move beyond "niche" status.

1.2. MACROFINANCIAL HEADWINDS

The macrofinancial backdrop for climate action is one of "steady but slow" growth, persistent inflation and tighter financial conditions. The International Monetary Fund (IMF) projects global growth easing from 3.3 per cent in 2024 to 3.2 per cent in 2025 and 3.1 per cent in 2026, with advanced economies at around 1.5 per cent and EMDEs at roughly 4 per cent (IMF, 2025b). This subdued trajectory constrains fiscal space for both donors and recipients. At the same time, the "zero era" for interest rates has definitively ended: to tackle sticky services inflation, major central banks have adopted a higher-for-longer stance (IMF, 2024b; Flowers & Martin, 2024). Because green investments are typically capital-intensive with long payback periods, they are highly sensitive to financing costs; empirical evidence shows a clear negative relationship between real interest rates and green investment intensity (Harris, 2024). Recent failures of offshore wind auctions and squeezed renewable project margins in 2023–2024 illustrate how higher rates are already dragging on the energy transition in practice (Harris, 2024).

For EMDEs, the most acute constraint is sovereign debt stress. Public debt in EMDEs is projected to rise from around 70 per cent of gross domestic product to 83 per cent by 2030 (Ribbert, 2025). The World Bank's *International Debt Report 2024* highlights record external public debt service payments of USD 1.4 trillion in 2023, leaving countries "straining" to meet obligations (World Bank, 2024e). This directly squeezes fiscal space, forcing trade-offs between servicing debt and investing in climate action (OECD, 2025a; Gwaindepi & Karimu, 2024; World Bank, 2024e; Neunuebel, 2022). Given the loan-heavy composition of public climate finance noted above (OECD, 2024b), the very instruments used to finance climate action can worsen debt sustainability and reinforce a "dual debt and climate crisis", particularly where climate lending cannot meaningfully beat market terms or where countries have limited debt-absorptive capacity (OECD, 2024a; Dafermos, 2025). Debt distress also feeds through domestic financial systems via a sovereign–bank nexus: banks in EMDEs increased their government debt holdings by more than 35 per cent between 2012 and 2023, making their balance sheets more exposed as sovereign risk rises and reducing their capacity and appetite for long-term climate lending (World Bank, 2024d). A 2024 World Bank study found that in almost 60 per cent of EMDE banks, climate-related lending accounted for less than 5 per cent of portfolios (World Bank, 2024d). At the same time, climate vulnerability raises borrowing costs: climate-vulnerable countries face higher sovereign spreads, while climate disasters materialize as contingent liabilities that further deteriorate debt metrics, reinforcing a vicious cycle between climate risk and the cost of capital (IMF, 2024c).

At the systemic level, financial stability risks remain elevated. The IMF's October 2025 *Global Financial Stability Report* flags stretched asset valuations, renewed pressure in sovereign bond markets and rising vulnerabilities in the rapidly expanding non-bank financial institution (NBFI) sector (IMF, 2025a). This is particularly concerning because NBFIs (pension funds, insurers, private credit and other asset managers) are precisely the actors that MDBs and the NCQG framework expect to provide large-scale private climate finance (G20, 2024b; World Bank, 2025b). A shock originating in the NBFI sector could therefore have a dual impact: destabilizing global financial markets while simultaneously crippling the main channel intended to deliver the trillions in private mobilization envisaged under the NCQG (G20, 2024b; World Bank, 2025b).

Expert view

Interviewed experts universally endorse the diagnosis of a severely constrained macrofinancial environment, identifying sovereign debt distress and high interest rates as the definitive binding constraints on climate action. This shift has moved the central challenge from technology availability to affordability, making capital-intensive green investments in EMDEs prohibitively expensive. There is strong consensus that this dynamic creates a tightening sovereign fiscal position, forcing governments into harsh trade-offs between debt servicing and climate investment, with reports that IMF programmes are effectively blocking new borrowing in some contexts. Consequently, the development finance system's structural reliance on MDB lending is increasingly questioned; a common view holds that standard loans are losing utility where they cannot meaningfully beat market terms or where nations simply cannot absorb further debt. Although a minority anticipates relief from potential interest rate cuts, the dominant outlook remains pessimistic, projecting a continued zero-sum fiscal landscape that severely limits the efficacy of traditional financing tools.

1.3. Public finance squeeze and geopolitical fragmentation

Public climate finance now faces a major shock driven by a politically induced contraction in ODA from key donors. After reaching a record high in 2023, global ODA is projected to fall sharply, with the OECD anticipating a 9–17 per cent decline in 2025, following a 9 per cent drop in 2024, a trajectory that would push ODA back to roughly 2020 levels by 2027 (OECD, 2025c; Civillini, 2025; Kowalzig et al., 2025). The reductions are concentrated among the four largest donors, with the United States, Germany, France and the United Kingdom all cutting simultaneously for the first time in nearly three decades (OECD, 2025c; Falduto & Jachnik, 2025; CONCORD Europe, 2025). Because ODA is the backbone of grant-based and highly concessional climate finance, these cuts jeopardize the core public financing channels on which developing countries rely.

The drivers are overwhelmingly political, not macroeconomic. ODA is being diverted to humanitarian crises, conflicts and rising in-donor refugee costs (OECD, 2025b; United Nations Department of Economic and Social Affairs, 2024; Institute for Economics & Peace, 2025). In the United Kingdom, this has produced situations where the donor becomes the largest recipient of its own ODA, shrinking the budget available for international climate action. These domestic shifts coincide with a wider geopolitical retreat from multilateralism: conflicts and security priorities are displacing climate from foreign-aid agendas (Kosma, Guilanpour, & Pourarkin, 2024), and leadership turnover generates volatility as governments retract or revise climate pledges. The 2025 change of government in the United States of America, with its immediate cancellation of USD 4 billion in GCF pledges, withdrawal from just energy transition partnerships (JETPs) and cancellation of nearly all United States Agency for International Development programmes, has become the clearest example, reinforcing perceptions of hostility and deepening mistrust among developing countries (Ahluwalia, 2025; Schalatek, 2025a; OECD, 2024c; Gabbatiss, 2025a; Oxfam & CARE, 2025).

The shock to ODA is also one of quality, not just quantity. With EMDEs already facing unsustainable debt paths, the collapse of grant-based finance pushes countries towards harder-term loans, contradicting the needs of the most vulnerable (Ribbert, 2025; World Bank, 2024e). Civil society analyses argue that a substantial share of public climate finance is provided on loan terms that are frequently insufficiently concessional for high-vulnerability contexts, leading some to describe the system as "profiteering" on climate finance and worsening debt burdens for vulnerable communities (Kowalzig et al., 2025; Oxfam America, 2025). Scenario projections suggest public climate flows could fall from USD 95.3 billion in 2022 to USD 72–79 billion by 2025 (Kowalzig et al., 2025). This creates a fundamental contradiction at the heart of the NCQG and the broader climate finance architecture: the types of finance most needed (grants and highly concessional funds) are the very ones collapsing the fastest, undermining credibility, predictability and equity across the system.

Expert view

Experts overwhelmingly corroborate the diagnosis of a "politically induced contraction" in ODA, forming a universal consensus that "traditional donors have no money" due to severe fiscal constraints and competing defence priorities. Respondents emphasize that "political retrenchment" and volatility have eroded trust, with US political cycles creating persistent "uncertainty" regarding future commitments. Consequently, experts validate the warning of a "quality shock": as grant availability collapses, vulnerable nations are pushed towards loans they cannot absorb, deepening "debt distress" precisely when concessionality is most needed. However, a notable minority view challenges this pessimism, predicting that public climate finance could actually expand over the next decade, bolstered by rising European Union ambition and commitments such as the "Baku pledge". Despite this exception, the dominant outlook remains grim, characterizing the trend as a "political retreat", where domestic backlash displaces international climate obligations.

1.4. MDB REFORM AS COUNTER-CATALYST

MDB reform now represents the central positive driver for public climate finance amid shrinking ODA and rising debt pressures. Following the G20's review of capital adequacy frameworks, MDBs have launched a "bigger, better, more effective" reform agenda to optimize balance sheets, adjust risk appetites, revise callable-capital treatment, and expand portfolio-insurance programmes (G20, 2024a; Lee & Matthews, 2024; World Bank, 2024h). These capital adequacy framework-linked reforms are projected to unlock USD 300–400 billion in additional lending headroom over the next decade (Inter-American Development Bank [IDB], 2024a; World Bank, 2024c). MDBs reported record climate finance of USD 137 billion in 2024, including USD 85 billion for LICs and MICs, and collectively raised their 2030 target to USD 120 billion annually for these clients (European Investment Bank, 2025; IDB, 2025; World Bank, 2024f).

Crucially, MDB reform is designed to strengthen private mobilization. MDBs reported a 33 per cent rise in private finance mobilized in 2024, driven by expanded use of guarantees, syndications and risk-sharing structures (European Investment Bank, 2025; World Bank, 2024b). New tools such as hybrid capital and risk-transfer products aim to "stretch" MDB capital and crowd in institutional investors (World Bank, 2025a; IDB, 2024a). MDBs are also deepening country-level collaboration through mutual reliance agreements that harmonize requirements, streamline co-financing and reduce transaction costs (World Bank, 2024c, 2025b). These reforms are integral to delivering the NCQG and the Baku to Belém Roadmap by unlocking system-wide mobilization towards the USD 1.3 trillion goal (Schumer et al., 2025). However, this creates a structural tension: MDBs are increasingly expected to compensate for donor failures. With ODA falling and concessional windows such as the International Development Association underfunded, MDBs must deliver more climate and development finance from essentially the same capital base (Falduto & Jachnik, 2025; World Bank, 2024a), even as many EMDEs cannot absorb more non-concessional debt (Ribbert, 2025; World Bank, 2024e).

The ability of MDBs to act as genuine climate finance multipliers therefore depends on complementary reforms. These include capital increases, strong replenishments of concessional funds, and integrating debt-sustainability analysis into climate lending decisions to avoid exacerbating debt distress (Schalatek, 2025d). MDBs must also coordinate more closely with country-led platforms, domestic institutions and national development banks (NDBs) to ensure that expanded lending headroom results in coherent, country-owned climate investment plans rather than fragmented projects (IDB, 2024a). Alignment with new grant-based mechanisms such as the Fund for Responding to Loss and Damage (FRLD) will further determine whether MDB reform becomes a genuine multiplier or another bottleneck within the evolving climate finance architecture.

Expert view

Experts widely validate the literature's positioning of MDBs as the "primary channel" for scaling investment, driven by capital reforms and market access. There is a strong consensus that MDBs will remain central pillars of stability to 2030. However, experts forcefully corroborate the warning regarding "structural tension": without a parallel increase in grants, scaling MDB lending risks worsening debt distress in vulnerable nations already "straining" to meet obligations. A common view questions the utility of standard MDB loans in markets where they cannot significantly beat market terms, arguing they risk "crowding out" private solutions or failing to address the affordability constraint. Furthermore, experts highlight a critical operational barrier: internal "incentive systems" currently encourage MDB staff to prioritize their own pipelines rather than the joint programming required for system-wide mobilization. A notable minority view challenges the premise of MDB dominance entirely, predicting they will actually "shrink in relative importance" by 2035 compared to sovereign wealth funds and state-led capital.

1.5. Technology shift and market transformation

Technological change is emerging as a major independent driver reshaping the investment profile of the low-carbon transition. Between 2014 and 2024, global average prices for solar photovoltaic (PV) modules and electric vehicle batteries fell by more than 80 per cent (International Energy Agency [IEA], 2024a), with solar panel prices alone dropping around 30 per cent in the last two years of that period (Saur Energy International, 2025; IEA, 2024b, 2025c; Casey, 2025). As a result, renewables (especially solar PV) have become the cheapest source of new electricity generation in many markets (IEA, 2025b), accelerating deployment and pushing these technologies from the margins of climate finance into the mainstream of commercial investment (Casey, 2025; Williamson, 2025). This deflationary green-technology trend is a major reason private climate finance has surpassed USD 1 trillion, particularly in advanced economies and China (Naran et al., 2025; IEA, 2024b).

However, these same market forces are generating new risks and imbalances. Rapid capacity expansion, especially in China has created manufacturing overcapacity in solar and batteries, compressing margins (sometimes into negative territory) and contributing to market volatility (Saur Energy International, 2025; IEA Photovoltaic Power Systems Programme, 2025; IEA, 2025a, 2025c). Meanwhile, investment has lagged in harder-to-abate sectors, such as clean hydrogen, industrial decarbonization and carbon capture, marked by multiple project cancellations and slower-than-expected technological progress (Krishnan et al., 2025). The market is therefore financing the "easier" parts of the transition far faster than the harder areas, reinforcing the two-speed pattern visible in geographic climate finance flows. This structural divide is further reshaped by the long-delayed breakthrough on Article 6: COP29 finalized rules for both Article 6.2 and Article 6.4, converting them into operational, compliance-grade carbon markets (IISD, 2024; Environmental Defense Fund, 2024; UNFCCC, 2024d). These mechanisms are intended to create a regulated, fungible global carbon asset class that could unlock hundreds of billions of dollars in mitigation cost savings (Environmental Defense Fund, 2024; GIZ, 2025; Mahul & Ranger, 2025). The key uncertainty is whether high-integrity standards will successfully block low-quality credit inflows (including possible Clean Development Mechanism carry-over) that could undermine market credibility (Environmental Defense Fund, 2024).

Expert view

Experts confirm the "deflationary" trend in green technology, attributing the price collapse in solar and batteries largely to China – price efficiencies that are often not counted in official flows. However, they emphasize a critical shift: the binding constraint is no longer technology cost but the "cost of capital" and grid stability, particularly in EMDEs. Consequently, a "two-speed" divide is deepening: commercial capital flows to mature technologies, whereas "hard-to-abate" sectors (e.g. green cement) lag, requiring the "patient capital" that markets tend to avoid. Regarding Article 6, opinion is divided. While acknowledged as a potential tool, a specific expert view explicitly warns that market-based mechanisms (as per articles 6.2 and 6.4) risk being "profit-driven" and misaligned with national goals, instead advocating for non-market approaches (Article 6.8) to finance adaptation.

1.6. Forcing functions: environmental, social, legal

Climate impacts are now functioning as direct fiscal, macroeconomic and political drivers in the global climate finance system. Global insured losses from natural catastrophes are projected to reach USD 145 billion in 2025 (World Bank, 2024d). In the United States alone, the first half of 2025 recorded USD 85 billion in damages from 14 separate billion-dollar disasters, the costliest first half on record, surpassing previous highs in 2021 and 2024 (Smith, 2026; National Centers for Environmental Information, National Oceanic and Atmospheric Administration, 2025). With 27 billion-dollar events in 2024, such disasters have become a chronic drag on growth

and public finances, rather than one-off shocks (Smith, 2026; Munich RE, 2025; Berlin & Frampton, 2025). Treasuries, regulators and central banks are increasingly forced to treat climate risk as a near-term budgetary and financial stability concern, accelerating the mainstreaming of climate risk into fiscal planning and prudential oversight.

These escalating impacts have pushed L&D from the margins of negotiations into the core of climate finance politics. Pressure from SIDS and LDCs, in particular, secured recognition of L&D as a third pillar alongside mitigation and adaptation, culminating in COP27's creation of the FRLD (Watson, Schalatek, & Evéquoz, 2024; Schalatek, 2025b). Operationalized at COP28 and further advanced through 2024, the FRLD is now entering a critical start-up phase, establishing interim procedures for disbursement by 2026 (Schalatek, 2025a, 2025c). Importantly, the FRLD prioritizes grant-based finance and simplified access, including small direct grants to communities and Indigenous Peoples, explicitly designed to avoid worsening debt burdens (Schalatek, 2024a, 2024b). Beyond L&D, social mandates are diverging across regions: 80 per cent of global citizens support stronger action (United Nations Development Programme [UNDP], 2024), African nationally determined contributions (NDCs) remain 75 per cent conditional on international finance, and FCAS are systematically "locked out" of finance due to perceived fiduciary risk, despite extreme vulnerability (Lee, N. et al., 2025; Cao, 2025). This conflict blind spot heightens the risk of climate-driven instability, displacement and security crises.

At the same time, a rapidly shifting climate litigation landscape is creating new external pressures on the finance system. Nearly 3,000 cases have been filed globally, increasingly moving from symbolic challenges towards strategic liability actions targeting corporate emitters and their financiers (LSE Grantham Institute, 2025; Murray, 2025; Field & Hanawalt, 2024). New "polluter pays" and "turning-off-the-taps" cases seek to impose direct financial liability on companies (and potentially on financial institutions) that continue financing high-emitting activities (Holland, Thompson Oliver, & Vesey, 2025; Zero Carbon Analytics, 2025). A landmark lawsuit by a Peruvian farmer against German utility Rheinisch-Westfälisches Elektrizitätswerk AG is expected to set a precedent in 2025, with a plaintiff victory likely to rapidly re-price climate-related liability risks, accelerating divestment from fossil assets far faster than regulatory channels (Zero Carbon Analytics, 2025). Together, these forces – including escalating physical impacts, new L&D institutions, widening social mandates and rising legal liability – are reshaping the risk landscape that underpins both public and private climate finance.

Expert view

Experts corroborate the diagnosis that climate impacts are becoming "macroeconomic" drivers, yet they offer a dominant, sceptical view regarding the political response. There is consensus that the assumption that escalating disasters will drive increased climate finance is "proving unreliable"; experts observe that political attention focuses on immediate operations rather than translating into "sustained international financing". Regarding new institutions on L&D, opinion is divided between political necessity and operational cynicism. While some view new institutions as vital pillars for equity, a strong critical view characterizes such funds as "political signalling" created by negotiators who know they "will not receive meaningful capital", or as vehicles designed specifically to "bypass" existing institutions such as the GCF. Furthermore, experts strongly validate the concern regarding fragility, noting that conflict-affected states are "locked out" of standard finance, making the GCF's ability to operate in high-risk contexts a critical, non-redundant function. Litigation is noted as a potential "shock", but experts emphasize donor politics as the more immediate constraint.

1.7. Trends in the institutional architecture

The structure of the global climate finance architecture itself is a major barrier to scale and equity. Climate finance is channelled through dozens of bilateral, multilateral and private institutions, each with distinct access requirements, fiduciary rules and monitoring systems (G20, 2024b; United Nations Conference on Trade and Development (UNCTAD), 2025a, 2025c). The UNCTAD describes this architecture as "highly fragmented", "slow,

unpredictable, and burdensome" for developing countries (UNCTAD, 2025b, 2025c). Fragmentation increases transaction costs, complicates planning and raises governance and corruption risks, especially where oversight capacity is limited (World Bank, 2025a). Empirical work shows that climate finance is experiencing faster "proliferation of providers" and shrinking project sizes compared to other development sectors, reinforcing this complexity (Cichocka & Mitchell, 2022).

This complexity is not neutral; it systematically advantages countries with greater administrative and technical capacity. Navigating multiple templates, safeguards, reporting requirements and proposal processes demands sophisticated bureaucratic systems that many LDCs and SIDS lack (UNCTAD, 2025c). This produces a "fragmentation–inequity nexus" in which vulnerable countries receive disproportionately less finance because they are least able to absorb the high transaction costs. In 2022, LDCs received only 18 per cent of total climate finance provided and mobilized for developing countries, while SIDS received just 2.8 per cent (UNCTAD, 2025c). Adaptation finance (vital for these groups) represented only 3.4 per cent of global climate finance in 2023 (UNCTAD, 2025c). Political responses to systemic gaps often generate new funds and initiatives, such as the FRLD, further adding governance layers and increasing fragmentation unless carefully coordinated (Schalatek, 2025a, 2025b). With each new thematic or regional facility, duplication increases and measurement, reporting and verification (MRV) become even more difficult due to differing definitions and indicators (Cichocka & Mitchell, 2022; Watson, Schalatek & Evéquoz, 2024; Lee, N. et al., 2023; UNCTAD, 2025b).

Yet fragmentation is also driving a countermovement towards harmonization and platform-based approaches. The GCF and other multilateral climate funds are pursuing a joint action plan on complementarity and coherence. The G20 MDB reform agenda and NCQG implementation debates now converge on the need for country-led platforms that align MDBs, NDBs and other financiers behind unified, government-owned investment strategies (Abraham et al., 2025; IDB, 2024a; Schumer et al., 2025). MDBs are increasingly adopting mutual reliance agreements to harmonize procurement standards and safeguards, reducing duplication and transaction costs (World Bank, 2024c, 2025c; Schumer et al., 2025). Meanwhile, South–South climate finance is expanding, with flows among G77 countries growing fivefold to USD 23 billion between 2018 and 2022, offering alternative channels that may be less burdensome and more politically aligned (Naran et al., 2024; UNCTAD, 2025c). These developments represent early steps towards a more coherent and accessible architecture.

Expert view

Experts overwhelmingly affirm the literature's diagnosis of a "highly fragmented" and "burdensome" climate finance architecture, attributing fund proliferation primarily to political incentives, especially the desire for visibility and the impulse to circumvent governance gridlock. As several noted, funds are structurally "easier to create than to close", making meaningful consolidation deeply unlikely. This fragmentation, they argue, produces a "fragmentation–inequity nexus": complex and duplicative access requirements create a de facto bias towards high-capacity states while systematically disadvantaging LDCs and SIDS. Concrete examples (such as a single intervention requiring five separate approvals across different funds) illustrate the "duplicative policing" that drains administrative capacity and slows delivery. A small minority of experts suggested that fragmentation can, at times, offer developing countries "more choice and bargaining power". However, the dominant view is that it instead generates "overlapping platforms" with "inconsistent standards", further amplifying transaction costs and procedural burdens. In response, experts strongly favour pragmatic coordination solutions (most notably "mutual reliance" frameworks and robust "country platforms") to align disparate financiers behind unified, nationally led strategies. These mechanisms are seen as far more realistic and impactful than pursuing institutional mergers, which experts widely view as politically implausible and operationally counterproductive.

1.8. High-impact shock scenarios and systemic tail risks

Looking beyond structural trends, the 2025–2030 climate finance landscape is increasingly exposed to high-impact "shock" scenarios that could trigger abrupt, non-linear shifts in flows. The most immediate are geopolitical shocks: leadership changes in key donor countries, exemplified by the 2024 US election, have already produced sharp reversals of climate finance commitments (Ahluwalia, 2025; Schalatek, 2025a). Armed conflicts can rapidly divert ODA towards humanitarian and security needs, compressing climate budgets and undermining predictability (Kosma, Guilanpour, & Pourarkin, 2024; OECD, 2025b). These shocks not only reduce available finance but erode trust and weaken the credibility of future pledges, creating a destabilizing feedback loop for countries relying on external support.

Equally significant are macrofinancial shock scenarios. A sudden spike in global interest rates, a disorderly correction in financial markets, or a default by a major EMDE could trigger a "sudden stop" in capital flows and cascades of sovereign defaults (Ribbert, 2025; Institute of International Finance, 2025; IMF, 2025a). Given already fragile debt dynamics, such a cascade could freeze private capital flows to EMDEs (the very flows critical to NCQG mobilization) and eliminate remaining fiscal space for climate spending. Vulnerabilities in the NBFI sector, which is heavily entangled with sovereign and corporate exposures, further amplify these risks (IMF, 2025a). A third shock category concerns climate-governance breakdowns: the failure of COP29 to deliver a credible finance outcome has intensified concerns about the effectiveness of the UNFCCC process (Ahluwalia, 2025). Continued stalemate or perceived bad faith could trigger a "shock shift" of decision-making to alternative forums such as the G20 or BRICS, potentially increasing speed among major economies but marginalizing vulnerable countries and reducing transparency (UNFCCC, 2024a; Flowers & Martin, 2024).

These shocks are deeply interdependent, increasing the likelihood of compound crises. A global recession, triggered by geopolitical escalation or financial instability, could simultaneously depress ODA, constrain MDB lending, collapse private-investment appetite, and weaken political attention to climate action (IMF, 2024a; Whiting, 2024; Flowers & Martin, 2024; Berlin & Frampton, 2025). Severe uninsured climate disasters can themselves trigger or amplify such downturns, particularly in highly exposed regions (Costa, 2024; Munich RE, 2025). Meanwhile, litigation-driven shocks (where major liability rulings rapidly re-price fossil-related risks) could accelerate asset stranding and reverberate through bank and NBFI balance sheets, sovereign revenues and capital-market stability (LSE Grantham Institute, 2025; Holland, Thompson Oliver, & Vesey, 2025). The interaction of geopolitical, macrofinancial, governance and climate-physical shocks creates a non-linear risk environment with profound implications for the stability and scale of climate finance.

Expert view

Experts strongly affirm the diagnosis of a "non-linear" and increasingly unstable risk landscape, agreeing that geopolitical shocks and macrofinancial volatility pose the most immediate threats to the climate finance system. There is broad consensus that "abrupt donor policy reversals" (especially those linked to US electoral cycles) have created a persistent "political risk premium", undermining predictability, destabilizing pipelines, and eroding trust among recipients and implementing entities. Respondents further warn that conflict-driven ODA diversion (e.g. towards Ukraine and Gaza) is actively compressing climate budgets and generating a "zero-sum" environment for scarce concessional finance. Experts also validate concerns about macrofinancial fragility, including the growing likelihood of "cascading sovereign defaults" and the possibility of a major market correction or global recession that could sharply curtail private mobilization and eliminate remaining fiscal buffers. Although cited by fewer respondents, several highlight additional systemic risks: potential "climate litigation shocks" that reshape liability and investment behaviour, and the "weakening" or even "implosion" of the UNFCCC process, which could shift decision-making into alternative political or financial forums. Across interviews, experts emphasize that these dynamics represent more than routine volatility. They warn of a potential "systemic breaking point", where the convergence of geopolitical instability, fiscal stress and institutional fragility could overwhelm the current architecture, sharply constraining the ability of climate finance institutions (including the GCF) to plan, mobilize and deliver at scale.

1.9. Summary

The 2025–2030 climate finance landscape is best understood as a widening "Great Divergence" between two trajectories. On one trajectory, private and market-driven finance – fuelled by green-technology cost declines, expanding carbon markets under Article 6, and growing commercial opportunities – is accelerating rapidly in renewables, electric mobility and related sectors, particularly in advanced economies and China. Yet experts emphasize that for many EMDEs the binding constraint is no longer technology availability but the prohibitive "cost of capital", which prevents LDCs and SIDS from benefiting even as global finance expands. On the other trajectory, public and concessional finance for adaptation, L&D and vulnerable countries is under severe strain, squeezed by ODA reductions, sovereign debt distress and the continued predominance of loan-heavy delivery models. Experts are highly sceptical that NCQG headline targets (including trajectories towards USD 1.3 trillion) will translate into additional concessional flows, warning of "creative accounting" and "relabelling" as private mobilization substitutes for donor effort. MDB reform offers some counterweight but leaves MDBs functioning as an overstretched fulcrum, constrained by limited shareholder appetite for new capital or grants, while internal incentive systems still reward protection of institutional pipelines over the joint programming needed to reduce fragmentation. Article 6 is widely seen as one of the few scalable medium-term opportunities to align profit incentives with climate goals, but experts are divided: some warn that market mechanisms (as per articles 6.2 and 6.4) risk becoming profit-driven and misaligned with national priorities, whereas others emphasize non-market approaches (as in Article 6.8) as a more credible route for financing adaptation, provided integrity and transparency are maintained.

For EMDE policymakers, this context requires a strategic shift: moving from reliance on external concessional "push" finance towards creating domestic conditions that can "pull" in private investment where feasible, while defending the fiscal and political space needed for grants where they remain essential. This implies strengthening domestic resource mobilization, improving regulatory clarity, addressing the sovereign–bank nexus, and building institutional capacity to engage effectively in Article 6 markets and country-platform arrangements. Experts also stress that "unfunded costs of access" and duplicative procedures across funds drain administrative capacity and suppress pipelines in vulnerable contexts, making streamlined access and mutual reliance as important as new commitments. For G20 donors, the central message is that leverage cannot substitute for real increases in public finance: reversing ODA cuts, replenishing concessional windows and providing grant-based support are prerequisites for durable scaling, particularly to avoid a "quality shock" in which shrinking grants push vulnerable countries towards loans they cannot absorb. Experts further warn that FCAS remain effectively locked out of standard finance due to fiduciary and security constraints, making the ability of a small subset of institutions to operate in high-risk environments a critical, non-redundant function.

For MDB leadership, the reform mandate must serve two roles simultaneously: to press peers towards harmonization, mutual reliance and streamlined access; and to defend the need for additional capital and grant resources rather than accepting unsustainable expectations of ever-greater leverage. Experts caution that blended finance remains a "cottage industry" of bespoke deals that has failed to scale, and they warn against chasing leverage ratios in low-income contexts where mobilization is structurally weak, arguing instead for replicable platforms and standardized instruments. Finally, for private investors and financial institutions, the most consequential risks shaping climate finance are increasingly political, legal and regulatory rather than purely physical: abrupt donor policy reversals, conflict-driven ODA diversion, and the prospect of cascading sovereign defaults or a global recession could rapidly curtail mobilization and destabilize pipelines. Experts also note that escalating disasters do not reliably translate into sustained international finance, and views on the FRLD remain divided, seen by some as an equity necessity but by others as political signalling or a vehicle designed to bypass existing institutions.

II. THE ROLE OF THE GCF

This section examines how far the GCF's distinctive mandate, governance, access modalities and financial toolkit give it a comparative advantage vis-à-vis other multilateral funds and development finance actors – and where structural weaknesses and bottlenecks limit its effectiveness. It focuses on the present climate finance architecture and on the Fund's strengths and weaknesses relative to other institutions, leaving broader trends in global climate finance flows to the following section. The findings in this section are based on external peer-reviewed and grey literature, complemented by expert views. The TPR will further explore the comparative advantage of the GCF at global and country levels through data-collection and analysis methods (e.g. country visits, interviews, surveys), to develop robust and triangulated findings on this area for the final TPR evaluation report.

2.1. DISTINCTIVE MANDATE AND POLITICAL LEGITIMACY

The GCF's comparative advantage is its allocation mandate and parity-based legitimacy under the UNFCCC. The GCF – established as one of the two official operating entities of the UNFCCC Financial Mechanism, alongside the Global Environment Facility (GEF) – is now the world's largest dedicated climate fund, mandated to deliver a paradigm shift towards low-emission, climate-resilient development and to counter an architecture historically skewed towards mitigation and creditor interests (Schalatek, 2024a, 2025a; Watson, Schalatek, & Evéquoz, 2024). Its most distinctive feature is the allocation requirement: a 50:50 balance between mitigation and adaptation, with at least half of adaptation finance directed to LDCs, SIDS and African States, positioning it as the only major fund with a quantified obligation to prioritize the most climate-vulnerable groups (Watson, Schalatek, & Evéquoz, 2024). This responds to persistent system inequities: adaptation accounted for only USD 65 billion of USD 1.9 trillion in 2023 climate finance flows (Naran et al., 2025). The Fund's parity-based governance (equal developed/developing representation and consensus decision-making) is widely described as an institutional innovation relative to creditor-weighted MDB boards, and its legitimacy is often contrasted with donor-led approaches such as JETPs, which are criticized for weak country ownership and asymmetric influence (Schalatek, 2025a; Lee, N. et al., 2023; Kalinowski, 2024). The country-driven model, centred on national designated authorities (NDAs) and no-objection procedures aligned with national strategies, national adaptation plans and NDCs, operationalizes Paris principles of country ownership and can introduce coherence where fragmented donor processes overwhelm national institutions (Kalinowski, 2024; Thwaites et al., 2021; Watson, Schalatek & Evéquoz, 2024). Readiness and preparatory support is embedded as a structural component of the GCF operating model, rather than an ad hoc technical assistance window, supporting NDAs, country programming, and accreditation-related capacities (Watson, Schalatek, & Evéquoz, 2024; Thwaites et al., 2021).

Expert view

Experts largely agree that the GCF's mandate is anchored in its legitimacy as the UNFCCC's primary operating entity and functions as a "political counterweight" to donor-dominated MDBs. The dominant view holds that parity-based governance fosters "national ownership" and trust, positioning the GCF as a "neutral conduit" for finance; a notable dissenting view argues this structure is a "fundamental design flaw", embedding "governance dysfunction" that can deter donors and delay operations. Experts emphasize that the Fund's distinctive legitimacy also creates expectations that it should remain visibly equity-oriented, particularly on adaptation and vulnerable contexts, even when system pressures push towards more commercially attractive portfolios.

2.2. Position in a fragmented climate finance architecture

In a crowded system, the GCF's added value depends on clear role differentiation and avoiding duplication, especially vis-à-vis other funds and MDB-centric channels. The climate finance architecture is repeatedly characterized as complex, fragmented and proliferating, with overlapping multilateral funds, bilateral facilities, MDB windows and thematic trust funds that generate duplicative procedures and high transaction costs for capacity-constrained governments (Watson, Schalatek, & Evéquoz, 2024; Schalatek, 2025a; G20, 2024b; Lee, N. et al., 2023; SNAPFI, 2024). Several institutions hold neighbouring mandates: the GEF and GCF share operating entity roles, the Adaptation Fund often pilots locally led adaptation that the GCF can scale, and the FRLD introduces additional questions around resilience and vulnerability support (Watson, Schalatek, & Evéquoz, 2024; Lee, N. et al., 2023; GCF, 2024b). The continued operation and recapitalization of the Climate Investment Funds (CIF) have increased overlap, including where both pursue transformational investments through the same MDB implementers (Watson, Schalatek, & Evéquoz, 2024; Schalatek, 2025a; Lee, N. et al., 2023). MDBs remain dominant in scale and influence, mainstreaming climate across sovereign lending, guarantees and technical assistance, yet their incentive structures systematically favour mitigation over adaptation, reinforcing the case that the GCF's comparative advantage lies less in volume than in mandate differentiation and risk-tolerant concessionality (Lee, N. et al., 2023; Abraham et al., 2025). The Private Sector Facility expands the GCF toolkit (equity, guarantees, high-risk capital), but headline evidence suggests mobilization/leverage is modest relative to peers (Lee, N. et al., 2023) and the private portfolio remains mitigation-skewed (Kalinowski, 2024). This sharpens the strategic question of whether the GCF should compete with MDB-style blended finance or concentrate on catalytic innovation and contexts where private capital is structurally absent (Kalinowski, 2024; OECD, 2024a, 2024b).

Expert view

Experts see the GCF as occupying a distinct "scaling" and "political" niche: a vehicle for replication and mainstreaming where other funds pilot innovations, and a "neutral conduit" whose parity-based governance can be more trusted for equitable allocation of finance. Experts emphasize that while MDBs provide volume through capital markets, they are constrained by a focus on their credit ratings; the GCF's comparative advantage is its ability to deploy programmatic-scale concessionality, including large grants and first-loss/high-risk capital, particularly in contexts and sectors where markets fail. For private actors, GCF involvement can function as a high-value "signal of credibility", validating complex risks through rigorous diligence. At the same time, experts warn that weak coordination and pipeline competition can pull the GCF into duplicative MDB-designed structures, and critics argue it can become a bureaucratic "pass-through" that subsidizes MDB lending rather than driving independent transformation, prompting a dissenting view that questions the Fund's necessity given overlap and "governance dysfunction". Several experts nonetheless argue the Fund retains a unique strategic role as an "honest broker" capable of bridging standards and practices across an increasingly fragmented geopolitical landscape.

2.3. Access modalities, country ownership and local reach

Direct access and country ownership are central to the GCF's model, but access frictions and an "accredited-but-stuck" problem continue to limit decentralized delivery and local reach. Access modalities determine whether the GCF's governance and country-driven model translate into genuine ownership. The direct access modality was designed to shift implementation power from international intermediaries to accredited domestic and regional

entities (i.e. direct access entities [DAEs]), within a broader system requiring NDA no-objection letters and alignment with national strategies and NDCs (Kalinowski, 2024; Caldwell & Larsen, 2021). GCF's Readiness and Preparatory Support Progamme was intended to strengthen NDAs, support country programming and help candidate DAEs meet accreditation requirements (Watson, Schalatek, & Evéquoz, 2024; Caldwell & Larsen, 2021). In practice, the literature highlights a persistent design–delivery gap: accreditation and approval are complex and lengthy, prioritizing fiduciary/safeguards robustness over delivery capacity and contributing to a large cohort of accredited entities (AEs) that do not progress to approvals (Omukuti et al., 2022). DAEs accounts for a stable but small proportion of commitments, and international intermediaries continue to dominate the portfolio (Cichocka & Mitchell, 2022). Readiness and Project Preparation Facility support have historically helped with accreditation but often have not bridged the "missing middle" of technically demanding project design stages (feasibility, safeguards assessments, financial modelling), which require sustained support (Caldwell & Larsen, 2021; Omukuti et al., 2022). These constraints also interact with local reach: NDA capacity varies widely, subnational actors are inconsistently integrated, and limited visibility into beneficiary-level flows (often justified as commercially confidential) undermines accountability (Omukuti et al., 2022). Overall, the access system remains conceptually transformative but has not yet delivered consistent, large-scale shifts towards nationally embedded and locally responsive delivery.

Expert view

Experts view direct access and the "country-driven" ethos as constitutional strengths but describe a consistent reality of "capacity asymmetries": accreditation and approval are "administratively burdensome" and "opaque", favouring large international entities and higher-capacity states while disadvantaging LDCs and SIDS. A strongly held grievance is the high, untracked and often unfunded cost of access, which generates "pipeline fatigue" among AEs (including well-capitalized local banks) and weakens incentives to develop pipelines. Experts also argue the Fund remains structurally centralized relative to the decentralized and distributed scale required for transitions in adaptation, with weak channels to finance municipal governments and local communities. Specific proposals include a small-grants facility and national guarantee funds to bridge the gap between programmatic-scale capital and local implementation.

2.4. Performance constraints, bottlenecks and strategic risks

The GCF's binding constraint is process intensity and speed, which also affects catalytic performance, mandate credibility and legitimacy through transparency. The literature highlights persistent operational inefficiencies: lengthy and complex proposal cycles, high administrative burdens, and slow progression from approval to disbursement, with process intensity linked to multilayered reviews and polycentric governance (Cichocka & Mitchell, 2022; Kalinowski, 2024; Lee, N. et al., 2023). Headline comparative evidence suggests the GCF's administrative costs per project are higher than some peers and perceptions of comparatively slow disbursement have been recurrent (Lee, N. et al., 2023). Catalytic effectiveness is also debated: one comparative estimate places GCF co-finance mobilization at roughly USD 2.80 per USD 1 committed, below reported leverage for the GEF and CIF (Lee, N. et al., 2023). A further strategic risk concerns mandate credibility: if portfolio incentives and review dynamics systematically favour lower-risk, mitigation-heavy structures, the GCF risks diluting its distinctive equity role (Kalinowski, 2024). Finally, transparency and accountability challenges, especially around private sector operations and subnational flows, create legitimacy risks, with observers noting that detailed budget and downstream allocation information is often withheld as commercially confidential, reinforcing civil society concerns about a "black box" and weakening claims of locally led action (Omukuti et al., 2022).

Expert view

Experts characterize the Fund's operating model as "slow", "resource-intensive", and misaligned with crisis urgency, warning that persistent bureaucracy can erode credibility and competitiveness in a crowded landscape. Strategically, experts highlight an "identity crisis" and the risk of mission drift, including pressure to behave like a "mini-MDB" (including through bond-issuance logic to chase volume), which could bias portfolios towards commercial mitigation and displace grant-based adaptation. Experts also warn of fragmentation and potential irrelevance if donor scepticism about "governance dysfunction" increases and contributors bypass the GCF in favour of bespoke funds such as FRLD-type channels and initiatives including the Tropical Forests Forever Facility. Finally, several experts argue that if the GCF does not adapt its delivery model to increasingly decentralized climate action, it risks structural obsolescence even if overall climate finance expands.

2.5. SUMMARY

The GCF sits at the centre of an increasingly fragmented climate finance system as one of the two UNFCCC operating entities, alongside the GEF, and as the largest dedicated climate fund. Its comparative advantage lies in a binding equity mandate and legitimacy architecture designed to rebalance a system historically skewed towards mitigation and creditor interests: a 50:50 mitigation–adaptation split and a quantified requirement to prioritize adaptation for LDCs, SIDS and African States. Parity-based governance and a country-driven model, anchored in NDAs, no-objection procedures and a structurally embedded readiness programme, aim to institutionalize country ownership and build national capacity. Experts largely reinforce this legitimacy-based role, describing the GCF as a political counterweight and trusted "neutral conduit", though a dissenting view sees its governance as a design flaw that can produce dysfunction and delays.

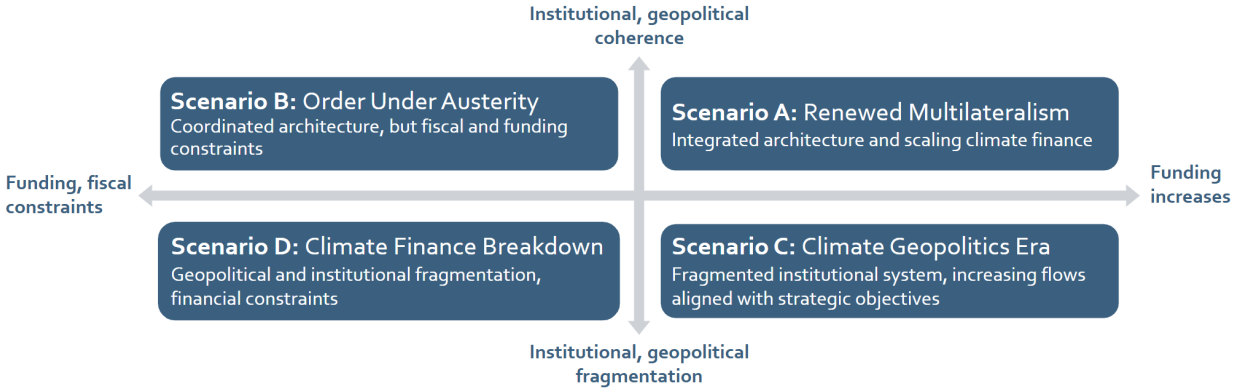
In a crowded architecture, the GCF's added value depends on clear differentiation and avoiding duplication across proliferating funds and MDB channels. Overlaps are rising across neighbouring funds (including the Adaptation Fund, CIF and the emerging FRLD), while MDBs remain dominant in scale and structurally biased towards mitigation. The Private Sector Facility expands the toolkit but remains mitigation-skewed, raising questions about whether the GCF should compete in MDB-style blended finance or focus where private capital is structurally absent. Experts generally position it as a scaling vehicle for programmatic concessionality (large grants and first-loss/high-risk capital) and as a credibility signal for private actors, while warning that weak coordination can reduce it to a bureaucratic pass-through. Some nonetheless argue it retains unique value as an "honest broker" across an increasingly geopolitically fragmented landscape.

The main constraint is delivery performance. Direct access is intended to shift implementation power to domestic entities, but burdensome and opaque processes create an "accredited-but-stuck" cohort and leave DAEs a minority share of commitments; readiness support often fails to bridge the "missing middle" of project preparation. Local reach is weakened where NDA capacity is limited, subnational actors are inconsistently integrated, and downstream transparency is constrained. These issues have been reinforced by slow, resource-intensive operations; relatively weak co-finance mobilization; risks of mandate drift towards lower-risk mitigation; and legitimacy concerns linked to opacity. Experts emphasize high, unfunded access costs and pipeline fatigue; weak channels for municipal and community finance; and an identity crisis that risks mission drift, donor bypass into newer vehicles, and obsolescence if the Fund does not adapt to increasingly decentralized climate action.

III. FUTURE SCENARIOS FOR CLIMATE FINANCE

By 2035, the trajectory of climate finance remains deeply uncertain, shaped above all by the scale and quality of concessional support delivered through the NCQG and by whether governance and delivery systems evolve towards integrated, country-led models or fragment into competing blocs and ad hoc arrangements. To explore this uncertainty, the following section presents four scenarios defined along two axes: (i) high versus low scale of concessional and overall finance, and (ii) integrated versus fragmented governance and delivery structures (Figure 1).

Figure 1. Climate finance scenarios



These scenarios are not predictions and are not mutually exclusive; elements of each may coexist across regions, institutions or instruments. Instead, they offer a structured way to connect current trends and political choices to their implications for 1.5°C, climate mitigation and adaptation, L&D, debt sustainability and equity. The accompanying table and narrative illustrate how differing combinations of NCQG implementation, MDB reform, debt and liquidity conditions, geopolitics and access reforms could steer the system. Four scenarios are presented – Renewed Multilateralism, Order Under Austerity, Climate Geopolitics Era, and Climate Finance Breakdown – with each described in detail below.

3.1. SCENARIO A: RENEWED MULTILATERALISM

System type	Integrated, coordinated global architecture
Scale of finance	High concessional and overall finance
Dynamics	Strong political will, reduced risk premiums, ambitious MDB evolution, effective NCQG implementation
Implications for vulnerable countries	Higher access, stronger adaptation flows, predictable support

Renewed Multilateralism depicts a 2035 landscape where the reform and cooperation agenda lands convincingly. Strong political backing for the NCQG, effective implementation of the Baku to Belém Roadmap, ambitious MDB evolution, and progress on debt restructuring and special drawing right (SDR) recycling collectively lower sovereign risk premiums across many EMDEs (UNFCCC, 2024d; G20, 2024a; COP29 & COP30 Presidencies, 2025; Bhattacharya et al., 2024). MDB capital-adequacy reforms, hybrid capital, greater use of callable capital and large-scale deployment of guarantees all begin to operate systemically (World Bank, 2024a, 2024f; Abraham et

al., 2025). The cost of capital falls, enabling expansion of concessional windows and improving the quality of finance across mitigation, adaptation and L&D.

Public flows approach or exceed USD 300 billion per year, mobilization moves towards the USD 1.3 trillion NCQG ambition, and the share of grants and highly concessional finance rises, especially for adaptation and L&D (Bhattacharya et al., 2024; Alayza & Larsen, 2025; CPI, 2025). The global architecture becomes more coherent, with clearer division of labour across institutions, stronger mutual reliance frameworks, and institutionalized FRLD and adaptation windows (World Bank, 2024f, 2024g, 2025b; Abraham et al., 2025; UNFCCC, 2024d). Country platforms are genuinely government-led, supported by harmonized standards and predictable programming cycles (OECD, 2025a), whereas DAEs and NDBs are more systematically capitalized, enabling integrated technical assistance that strengthens domestic absorptive capacity (Abraham et al., 2025; OECD, 2025e; UNDP, 2022).

The public–private mobilization model performs strongly: guarantees, foreign exchange (FX) facilities and blended structures work reliably, mobilization ratios improve and private co-finance expands, particularly across stable EMDEs (Abraham et al., 2025; Barbarà & Hadap, 2024). Allocation balances vulnerability and efficiency, increasing the share of high-quality finance for LDCs, SIDS and FCAS (UNCTAD, 2024; Bhandari et al., 2025; Global Center on Adaptation [GCA], 2024). Adaptation and L&D scale significantly through predictable windows and pre-arranged mechanisms, while lower risk premiums and falling technology costs accelerate deployment of clean energy, storage and grids across a wider set of countries (Bhattacharya et al., 2024; Flowers & Martin, 2024). Overall, the Renewed Multilateralism scenario is the most plausible pathway for Paris Alignment. While still imperfect and politically fragile, it offers a scenario systemically larger, more coherent and more transformational than today.

3.2. Scenario B: Order Under Austerity

System type	Integrated, coordinated architecture
Scale of finance	Low to moderate finance; constrained concessionality
Dynamics	Donor fiscal tightening, slow growth, persistent debt stress, limited expansion of concessional windows
Implications for vulnerable countries	Rationed access, constrained adaptation support, heavier competition for scarce grants

The Order Under Austerity scenario envisions a future where governance reforms largely succeed but fiscal scarcity and debt stress dominate. Safeguards and standards are increasingly harmonized, mutual reliance expands, and MDBs, vertical funds and bilaterals streamline their interfaces through country platforms, reducing duplication and clarifying mandates (G20, 2024a; World Bank, 2024c, 2025c; Abraham et al., 2025). However, domestic political pressures keep donor budgets tight, debt treatments remain incomplete, and MDB reforms focus on governance rather than capital scale, leaving the system coordinated but financially constrained (Dasgupta, 2025; Schalatek, 2025d; United Nations, 2025).

Climate finance grows above today's levels but remains well below NCQG ambitions. Grants and highly concessional windows remain scarce, loan dominance persists and a structural quality gap endures (Christian Aid, 2024; Abraham et al., 2025). Elevated interest rates and high debt service costs limit fiscal space, forcing concessional resources to be tightly rationed, even as access reforms lower transaction costs (Dasgupta, 2025; United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States [UN-OHRLLS], 2022; Browne, 2024). Capacity constraints (especially in LICs and SIDS) continue to impede pipeline development, slowing the uptake of country platforms and programmatic approaches (Rodriguez Osuna, 2022; UN-OHRLLS, 2022).

Public–private mobilization underperforms: blended finance and guarantees expand in principle but remain limited in high-risk contexts; private mobilization targets are quietly downgraded, deepening reliance on public loans (Christian Aid, 2024; Abraham et al., 2025). Allocation becomes more explicitly prioritized, with scarce concessional finance directed towards LDCs and SIDS for adaptation and L&D, while MICs rely largely on loans and modest blends (UNCTAD, 2024; Christian Aid, 2024). Adaptation finance rises but remains insufficient, L&D is channelled through small, pooled instruments, and the adaptation gap narrows only marginally (UNEP, 2023; United Nations, 2024a). Overall, Scenario B represents a world of "managed scarcity" in that governance is coordinated and fairer than today, but capital remains too limited for a credible 1.5°C pathway or comprehensive adaptation coverage.

3.3. Scenario C: Climate Geopolitics Era

System type	Fragmented, multi-bloc global architecture
Scale of finance	High overall finance, unevenly distributed
Dynamics	Strategic competition, divergent standards, bloc-aligned finance, politicization of climate flows
Implications for vulnerable countries	Higher exclusion risk, rising access costs, widening inequality in who receives finance

Scenario C portrays a 2035 landscape where climate finance is large in volume but fractured by geopolitical rivalry. Intensifying great-power competition produces parallel climate finance blocs (e.g. United States / European Union, China, BRICS and others), each with distinct standards; taxonomies; MRV systems; and access rules (UNCTAD, 2024; Schalatek, 2024c; Flowers & Martin, 2024; Melkie, 2022). Climate finance becomes an instrument of industrial policy, supply chain security and foreign policy (Dansk Industri, 2025). Regional development banks (RDBs) and NDBs expand rapidly within their spheres, further entrenching fragmentation.

High climate finance volumes flow, but unevenly: strategically important MICs in energy, manufacturing, hydrogen, critical minerals and logistics corridors attract substantial investment, whereas LICs, SIDS and FCAS receive little unless framed through security or migration lenses (UNCTAD, 2024; Schalatek, 2024c; Abraham et al., 2025; OECD, 2025b). Governance becomes multilayered and incoherent, with competing country platforms proliferating and forcing governments (especially small administrations) to navigate incompatible processes, standards and reporting systems (Abraham et al., 2025; OECD, 2025a).

Public–private models become tightly bound to industrial-policy priorities, with blended finance flowing along strategic value chains while vulnerable countries continue facing prohibitive capital costs and political exclusion (Barbarà & Hadap, 2024; Melkie, 2022). Concessionality diverges sharply between blocs; adaptation and L&D receive funding mainly when securitized, linked to migration control, infrastructure protection or geopolitical stability (Abraham et al., 2025; Bhandari et al., 2025). Innovation accelerates within blocs but diffuses poorly to non-aligned, high-risk countries due to financing costs and access hurdles (Flowers & Martin, 2024; Melkie, 2022). For 1.5°C, the Climate Geopolitics Era scenario delivers strong mitigation in strategic regions, potentially pushing global emissions closer to a 1.5–2°C trajectory, but it deepens inequities, widens resilience gaps and leaves many vulnerable countries exposed.

3.4. Scenario D: Climate Finance Breakdown

System type	Fragmented, crisis-driven architecture
Scale of finance	Low and declining finance; severe contraction in concessional flows
Dynamics	Systemic shocks, donor withdrawal, widening debt crises, rising climate disasters, collapse of mobilization
Implications for vulnerable countries	Severe exclusion, collapsing access, heightened climate–humanitarian overlap, institutional fragility

The Climate Finance Breakdown scenario captures a 2035 climate finance system shaped by converging structural failures. Prolonged macroeconomic shocks, escalating sovereign debt crises, rising global interest rates and sustained donor retrenchment cause climate finance ambition to collapse (Schalatek, 2025d; Gabbatiss, 2025a; UNCTAD, 2024). MDB reforms stall, major contributors withdraw, and vertical fund replenishments become erratic and frequently under-subscribed, leaving the system politically volatile and financially unreliable.

Governance deteriorates into extreme fragmentation: safeguards remain unaligned, mutual reliance frameworks fail to materialize, and new facilities proliferate without consolidation, generating duplication and institutional competition for shrinking resources (UNCTAD, 2024; UN-OHRLLS, 2022). Access remains slow and burdensome, with heavy negotiation requirements, high transaction costs and rising pipeline attrition. Governments (especially LDCs and FCAS) lose confidence in the value of engaging with international climate financiers (Abraham et al., 2025; Rodriguez Osuna, 2022).

The public–private model breaks down entirely. Private mobilization in high-risk markets collapses as FX volatility, revenue uncertainty and policy instability make projects unbankable even where technology costs have fallen (UNEP, 2023; World Bank, 2024d). Total climate flows stagnate or decline; grant and concessional windows contract sharply; and many countries face net negative fiscal effects as climate-related borrowing compounds debt distress (United Nations, 2024a). Adaptation and L&D support nearly collapse, becoming reactive and humanitarian rather than structural (UNEP, 2023; United Nations, 2024a). Widespread sovereign debt crises and escalating climate shocks deepen climate–debt–vulnerability spirals (World Bank, 2024e; UNDP, 2022; Browne, 2024), while high financing costs erase the benefits of cheap mitigation technologies, locking LDCs and fragile states into high-carbon, high-vulnerability trajectories. For 1.5°C, the Climate Finance Breakdown scenario represents systemic failure: neither mitigation nor adaptation is funded at scale, warming overshoots 1.5°C decisively, and the climate finance architecture becomes an amplifier of global volatility, inequity and climate-driven instability.

The different elements of each scenario are set out in Table 1.

Table 1. Scenarios analysis

Parameter	Scenario A: Renewed Multilateralism (Integrated governance, finance scaling + lower risk premiums)	Scenario B: Order Under Austerity (Integrated governance, limited scaling + high debt stress)	Scenario C: Climate Geopolitics Era (Fragmented multi-pole governance + mixed liquidity)	Scenario D: Climate Finance Breakdown (Fragmented governance, limited scaling + high debt stress)
Underlying drivers	Strong political backing for NCQG; implementation of Baku to Belém Roadmap; ambitious MDB evolution; progress on debt restructuring and SDR recycling	Persistent global fiscal tightness; incomplete debt reforms; donors constrained by domestic politics; MDB reforms limited to governance/process rather than capital scale	Rising geopolitical competition; climate finance used as industrial and foreign policy tool; regional and bloc-based strategies dominate	Prolonged macro shocks; widening sovereign debt crises; donor retrenchment; geopolitical mistrust; erosion of multilateral norms
Scale and quality of finance	Public flows near/above USD 300 billion; total mobilization approaches USD 1.3 trillion; higher share of grants and highly concessional finance for adaptation and L&D	Flows higher than today but well below NCQG; grants and concessional windows remain scarce; loans still dominant; quality gap persists	High total volume but uneven; large flows to strategic MICs; limited concessionality for vulnerable countries; quality varies sharply by bloc	Stagnant or declining total climate flows; grant and concessional finance contract; many countries face net negative fiscal impact of climate-related borrowing
Global architecture and governance	Strengthened multilateral coordination; clear division of labour between MDBs, vertical funds, bilaterals, NDBs; effective country platforms; FRLD and adaptation windows institutionalized	Coordinated and rules-based; joint programming and rationing arrangements; mandates clarified but constrained by limited resources	Parallel climate finance blocs (US/EU/China/BRICS); regional banks gain prominence; standards, MRV and safeguards diverge; limited cross-bloc coordination	Governance fractures; overlapping and competing facilities; replenishments volatile; decision-making increasingly ad hoc and politicized
Fiscal and liquidity conditions	Debt treatments and SDR recycling reduce risk premiums; cost of capital falls for many EMDEs; concessional windows expand	High debt service and interest rates persist; limited restructuring; concessional finance tightly rationed; fiscal space constrained	Liquidity and capital costs vary by bloc/alignment; strategic partners access better terms; others face persistent tightening	Severe and widespread debt stress; elevated global rates; climate finance often adds to debt overhang; humanitarian spending crowds out resilience
National ownership and access pathways	Country platforms genuinely country-led; access procedures simplified; DAEs/NDBs systematically supported; absorptive capacity expanded through integrated technical assistance	Ownership emphasized but constrained by limited preparation budgets and staff; access improves but unevenly and slowly, especially in LDCs/SIDS	Platforms multiply but remain donor/bloc-anchored; countries juggle parallel access rules; administrative load increases,	Access complexity becomes the binding constraint; governments face heavy application loads for low payoff; capacity erodes; some countries disengage

Parameter	Scenario A: Renewed Multilateralism (Integrated governance, finance scaling + lower risk premiums)	Scenario B: Order Under Austerity (Integrated governance, limited scaling + high debt stress)	Scenario C: Climate Geopolitics Era (Fragmented multi-pole governance + mixed liquidity)	Scenario D: Climate Finance Breakdown (Fragmented governance, limited scaling + high debt stress)
			especially for small administrations	
Public versus private finance model	Guarantees, FX facilities and blended structures work more reliably; mobilization ratios improve; private co-finance expands, especially in stable EMDEs	Guarantees and blended tools expand but remain insufficient in high-risk contexts; private mobilization targets are quietly lowered; reliance on public loans persists	Blended finance tied closely to industrial policy and supply chains; private flows chase strategic sectors; vulnerability plays a secondary role	Private mobilization collapses in LICs/FCAS states; de-risking narrative loses credibility; limited private flows only to a handful of low-risk markets
Allocation logic and geographic equity	Balance between vulnerability and efficiency; transparent prioritization criteria; meaningful increase in share of high-quality finance for LDCs/SIDS/FCAS	Explicit rationing prioritizes LDCs and SIDS for grants; MICs rely on loans; MICs still dominate in absolute volume; equity improves modestly	Funds flow primarily to geostrategic partners in key value chains; peripheral LDCs/FCAS receive little, unless framed in security/migration terms	Allocation follows disbursement capability rather than need; vulnerable states see declining proactive investment; inequity deepens sharply
Adaptation and L&D	Significant scaling of adaptation finance; L&D mechanisms pre-arranged and institutionalized; adaptation increasingly mainstreamed in investment logic	Adaptation finance rises but remains below needs; L&D addressed through small, pooled instruments; gaps continue but are partially managed	Adaptation funded mainly where linked to migration/security or strategic infrastructure; L&D often securitized; many vulnerable regions remain under-protected	System largely fails adaptation; L&D support mostly post-disaster humanitarian aid; resilience investment is marginal
Technology versus cost of capital	Tech cost declines combine with lower risk premiums to enable rapid deployment of clean energy, storage and grids across more countries	Tech gains are offset by high financing costs; progress is slow but not stalled; many EMDEs cannot fully exploit cheap technologies	Innovation and manufacturing accelerate inside blocs; diffusion to non-aligned, high-risk countries is limited by capital costs and political barriers	Financing costs overwhelm technology gains; many LICs and FCAS cannot transition despite cheap technologies; lock-in of high-carbon and vulnerable systems
Implications for 1.5°C pathway	Best shot at a 1.5°C-aligned trajectory: high, coordinated finance, lower capital costs, and stronger equity significantly accelerate mitigation and resilience, though some gaps remain	Below what is needed for 1.5°C; mitigation and adaptation progress, but ambition and pace are insufficient; pathway closer to 2°C+ with widening adaptation gap	Substantial mitigation in strategic blocs could reduce global emissions, but uneven coverage and weak adaptation in vulnerable regions leave the world off-track for 1.5°C and justice	Systemic failure: neither mitigation nor adaptation is financed at required scale; 1.5°C effectively lost; rapidly escalating climate impacts and injustice

Parameter	Scenario A: Renewed Multilateralism (Integrated governance, finance scaling + lower risk premiums)	Scenario B: Order Under Austerity (Integrated governance, limited scaling + high debt stress)	Scenario C: Climate Geopolitics Era (Fragmented multi-pole governance + mixed liquidity)	Scenario D: Climate Finance Breakdown (Fragmented governance, limited scaling + high debt stress)
Overall system character	Larger, more coherent, still imperfect but transformationally better than today; managed fragmentation with strong multilateral spine	Organized and rules-based but permanently underpowered; a system of managed scarcity	Dynamic, high-volume, but politicized and unequal, with strong blocs and weak global public-good provision	Crisis-driven, unreliable, inequitable; climate finance becomes part of the problem rather than the solution

IV. PERSPECTIVES ON 2035 OUTCOMES

This section discusses perspectives on the most likely outcomes in 2035 across seven dimensions: scale, structure and governance, geographic focus, sectoral and technological composition, financial modalities and instruments, access and delivery mechanisms, and equity. The analysis is forward-looking, synthesizing existing literature and expert perspectives to map plausible futures based on current trajectories.

4.1. MOST-LIKELY SCENARIOS

Section III framed uncertainty about the 2035 climate finance system through four scenarios defined by two core axes: (i) the scale and quality of concessional finance, and (ii) the degree of system integration versus fragmentation in governance and delivery. Those scenarios are not predictions, and elements can coexist across regions and instruments; however, they provide a disciplined way to translate today's trends into plausible 2035 "worlds". Within the literature, the baseline expectation is a system that is **bigger and more complex** but still structurally misaligned with needs: the NCQG codifies a new quantum of ambition (a USD 300 billion public finance floor and a USD 1.3 trillion system-wide mobilization goal), supported by needs assessments and political commitments, while parallel reform agendas seek to operationalize scale through MDB evolution, the Baku to Belém Roadmap, and expanded use of blended and risk-sharing tools (Carbon Brief, 2024; UNFCCC, 2024d; Bhattacharya et al., 2024; LSE Grantham Institute, 2024; Barbarà & Hadap, 2024; G20, 2024a; Convergence Blended Finance, 2024; World Bank, 2024a, 2024f, 2025d; Hill, 2024; Abraham et al., 2025; Falduto & Jachnik, 2025). At the same time, multiple strands of analysis caution that fiscal constraints, slow-moving reforms, institutional inertia and geopolitical fragmentation will constrain both pace and direction, leaving the system larger in headline volume terms but still short on additionality, concessionality and responsiveness, particularly for adaptation and L&D (Schalatek, 2024c; Christian Aid, 2024; United Nations, 2024b; UNEP, 2023; Carbon Brief, 2025b).

A consistent implication in the literature is that the 2035 outlook is rarely a clean match to any single scenario; a more likely trajectory is a hybrid. In shorthand, the system pulls towards "high scale" futures in the **mobilization** parts of the architecture (higher volumes, more sophisticated instruments), but towards "low/fragmented" futures in the **public-goods** parts of the architecture (constrained concessional finance, contested burden-sharing and uneven access). This underpins the notion of a bifurcated or "two-stream" system: a mobilization stream (centred on MDBs, NDBs and private capital) that can expand for bankable mitigation in stronger markets, and a public-goods stream (anchored in public budgets, vertical funds and concessional windows) that remains undercapitalized and slow to scale for adaptation, resilience and L&D, particularly in vulnerable contexts (Alayza, Larsen, & Waskow, 2024; Bhattacharya et al., 2024; Barbarà & Hadap, 2024; Carbon Brief, 2024; UNFCCC, 2024d; Abraham et al., 2025; GCA & CPI, 2024; Christian Aid, 2024). This is why "scale" alone becomes a misleading success metric (Falduto & Jachnik, 2025): the defining questions become quality, distribution and delivery, whether private mobilization is counted credibly (OECD, 2025d), whether concessionality is protected for structurally non-commercial needs (OECD, 2025a, 2025e), and whether delivery systems can absorb increased finance without reinforcing high transaction costs and "paper access" for low-capacity countries (Christian Aid, 2024; UNEP, 2023; OECD, 2025a).

The literature further highlights debt dynamics and risk premium as the hidden drivers shaping which scenario elements dominate in practice. Where risk-sharing tools and debt-relief mechanisms reduce the cost of capital and create fiscal space, they can unlock investment across both mitigation and adaptation and make scaled finance **usable** rather than merely **available** (World Bank, 2024a, 2024e; Doemeland et al., 2022; GCA & CPI, 2024; Darouich et al., 2023). Where they do not, the system's loan-heavy tendencies can exacerbate debt stress and entrench a climate–debt trap, particularly in LDCs, SIDS and other high-vulnerability settings, with adverse knock-on effects for resilience and long-term development (Cichocka & Mitchell, 2022; World Bank, 2024e; UNDP, 2022; Browne, 2024; Dafermos, 2025). On this reading, the hinges that separate a merely "bigger" 2035

system from a meaningfully more effective one mirror the scenario axes and their operational corollaries: predictability of public finance, the degree of concessionality and grant availability, the extent of coordination versus duplication (including transaction costs), and the depth of delivery capacity/absorptive ceilings, particularly through domestic intermediaries and subnational channels (Falduto & Jachnik, 2025; OECD, 2025a, 2025b; UNFCCC, 2024a; World Bank, 2024a, 2024c, 2024f; G20, 2024b).

More detailed analysis of how this scenario-informed baseline plays out across the seven dimensions are set out below.

Expert view

Expert consultations broadly reinforce this hybrid diagnosis but weight the planning baseline towards austerity and fragmentation dynamics, especially for public and concessional finance. Most experts did not treat the four scenarios as equally likely, and many viewed Scenario D (Climate Finance Breakdown) as the most useful stress test for the TPR, while emphasizing that "breakdown" should be understood as a structural condition rather than an absolute collapse of all climate finance. Several, however, stressed that the mobilization stream can continue to grow in parts of the system (e.g. Scenario C where clean-technology investment self-scales in higher-income markets), even as the public-goods stream remains persistently weak, unpredictable and inequitable, leaving LDCs, SIDS and FCAS systematically underserved under debt constraints and a high risk premium. Experts highlighted a small set of practical "hinges" that determine whether the 2035 system becomes merely bigger or meaningfully more effective: predictability of public finance, the degree of concessionality and grant availability, the extent of coordination versus duplication (and associated transaction costs), and delivery capacity/absorptive ceilings, particularly the ability to channel finance through domestic intermediaries and subnational systems at scale.

4.2. THE SCALE OF CLIMATE FINANCE IN 2035

By 2035, the literature anticipates significant absolute growth in climate finance but a persistent undersupply relative to needs. Top-down assessments estimate that EMDEs (excluding China) will require around USD 1 trillion per year in external climate finance by 2030, rising to USD 1.2–1.3 trillion by 2035, within total investment needs of roughly USD 7.5 trillion annually by 2030 (Ahluwalia, 2025; Naran et al., 2025; LSE Grantham Institute, 2024). The NCQG translates this into a political commitment that developed countries should take the lead in mobilizing at least USD 300 billion per year in public finance by 2035, embedded within a broader ambition to mobilize USD 1.3 trillion per year from all sources (Carbon Brief, 2024; UNFCCC, 2024d; UNCTAD, 2024; Alayza & Larsen, 2025; European Commission, 2025). Yet even full delivery of NCQG targets would still leave global flows below estimated needs, particularly for adaptation and resilience (UNFCCC, 2024d; UNEP, 2023). The central challenge in 2035 is not only the growth of climate finance, but whether growth can keep pace with rapidly escalating requirements.

Existing trends suggest that headline volumes will rise materially. CPI reports global climate finance of USD 1.9 trillion in 2023 and over USD 2 trillion in 2024, with private finance surpassing half of total flows for the first time (Naran et al., 2025). Bilateral public climate finance has grown at 6–7 per cent per year and MDB climate finance at 8–10 per cent per year (Alayza & Larsen, 2025; World Bank, 2024b). If these rates continue, and if MDB balance-sheet reforms scale as planned, the USD 300 billion public finance floor could be achievable by 2035, even if the full USD 1.3 trillion system-wide mobilization goal remains only partially met (Abraham et al., 2025; G20, 2024a; World Bank, 2024a). Under such a pathway, climate finance in 2035 would be roughly an order of magnitude larger than when the USD 100 billion goal was originally conceived (United Nations, 2024a; Alayza & Larsen, 2025).

However, an alternative strand of analysis warns that fiscal constraints and geopolitical tensions could hold scale well below NCQG ambitions. Under weaker scenarios, MDB reforms stall, capital increases remain modest and the Baku to Belém Roadmap, although politically endorsed, faces weak implementation (Hill, 2024; Hartzell, 2025; Gabbatiss, 2025b; Schalatek, 2025d). In this case, the USD 300 billion goal risks repeating the experience of the original USD 100 billion commitment: met late, partially, or via accounting strategies that inflate reported volumes by counting non-concessional loans and re-labelled flows (Christian Aid, 2024; Falduto & Jachnik, 2025). With high interest rates and tight fiscal space, flows to developing countries could stagnate around USD 150 billion in official climate flows, even as global private investment continues to rise in advanced economies and larger EMDEs (Dasgupta, 2025; Abraham et al., 2025). The most plausible 2035 outcome lies between these extremes: significantly larger total flows, public finance perhaps approaching USD 300 billion and global flows well above USD 2 trillion, but still short of the external finance envelope identified (Bhattacharya et al., 2024; LSE Grantham Institute, 2024; UNFCCC, 2024c). The gap between needs and available finance remains a structural feature of the system.

Expert view

Drawing on experience from previous climate finance scale-up cycles, experts broadly affirm that headline climate finance volumes are likely to rise substantially, with scenario analyses pointing to a "realistic" trajectory of around USD 4 trillion annually by 2035, and up to USD 6 trillion under highly optimistic policy conditions. However, there is strong expert consensus that these aggregate figures will mask persistent structural shortfalls, particularly in donor-provided concessional capital. Experts emphasize that MDB climate commitments are projected to reach only c. USD 165 billion by 2030–2035 (roughly half of the targeted public finance floor) leaving a gap that cannot plausibly be closed through proportional expansion elsewhere. The dominant expert concern is that, as public budgets tighten while global targets escalate, political pressure will increasingly incentivize "creative accounting", with progress claimed through relabelling and reclassification rather than through genuinely additional climate finance.

4.3. Institutional architecture and governance in 2035

By 2035, the institutional landscape is expected to remain plural, fragmented and politically resistant to consolidation, but to be increasingly networked and functionally differentiated. The literature is clear that formal consolidation of climate finance institutions is politically unlikely, given entrenched mandates, governance structures and Board seats (Cichocka & Mitchell, 2022; Schalatek, L.,2025); Amerasinghe et al., 2017). The most plausible outlook for 2035 is therefore one of managed fragmentation: a landscape in which multiple institutions continue operating but with clearer division of labour and greater interoperability.

Within this architecture, the role of MDBs at the system core is expected to solidify as they evolve from isolated development banks into a more coordinated network of climate-relevant public development banks. The G20 MDB Evolution Roadmap and joint MDB commitments to become better, bigger and more effective signal stronger coordination in country diagnostics, safeguards, co-financing and data systems (G20, 2024a; World Bank, 2024). Expanding mutual reliance agreements, harmonizing procurement, and aligning corporate scorecards with climate and global-challenges objectives suggest that by 2035 the MDB system will share a more coherent strategic vision (epitomized by the World Bank's goal of a world free of poverty on a liveable planet) and will play an explicit role as systemic risk managers and market-makers for public climate finance among a broader range of institutions (UNFCCC, 2024d; World Bank, 2024c, 2024f; Alayza, Larsen, & Waskow, 2024). Vertical funds, meanwhile, are expected to retain distinct upstream functions: by 2035, the GCF, CIF and FRLD are likely to act as grant and risk-taking anchors, setting norms on access modalities, adaptation balance and L&D responses (Abraham et al., 2025; Alayza et al., 2024; UNFCCC, 2024a). The GCF's relevance will hinge on scaling programmatic approaches and enabling a diverse network of DAEs (GCF, 2024e; Schalatek, 2025d), while the

FRLD's influence depends on whether it grows from a sub-billion-dollar pilot to a predictable, multibillion-dollar flow aligned with MDB operations (Schalatek, 2024b, 2025a; Bhandari et al., 2025; UNFCCC, 2024b).

Below the global level, NDBs and RDBs are expected to play a far more prominent implementation role. Literature on country platforms and blended finance underscores NDBs as critical for local-currency lending, pipeline development and scaling programmatic investment, with many expected to obtain GCF accreditation or co-finance MDB-led platforms by 2035 (Mariotti et al., 2025; Abraham et al., 2025). Their role is especially important in middle-income regions where domestic capital markets are deeper (Abraham et al., 2025; G20, 2024b). At the same time, geopolitical shifts may push the system towards greater regionalization, with African, Asian and Latin American financial institutions assuming stronger coordinating roles under scenarios of weakened global multilateralism (UNCTAD, 2024; Schalatek, 2024c; Carbon Brief, 2025a). Together, these dynamics point to a 2035 landscape that remains institutionally dense but more interconnected, role-differentiated and multilayered than today.

Expert view

Experts consistently emphasize that the climate finance architecture is likely to remain characterized by "managed fragmentation", noting from past reform efforts that formal consolidation is politically implausible because it is easier to establish new funding mechanisms than to close existing ones. Rather than pursuing unrealistic mergers, experts argue that system performance will hinge on pragmatic "mutual reliance" and coordination frameworks designed to limit duplication and transaction costs. While most expect MDBs to remain central channels for large-scale public finance, several experts anticipate a gradual decline in their relative influence as sovereign wealth funds and state-led capital expand more rapidly outside traditional governance structures. Experts also foresee an accelerating regionalization of climate finance, driven by non-traditional donors such as China and the Gulf states. In this context, several experts identify a potential comparative advantage for the GCF as a geopolitical "honest broker", capable of bridging standards and practices across an increasingly polarized financing landscape.

4.4. Financial modalities and instruments in 2035

By 2035, the climate finance toolkit is expected to be broader, more sophisticated and more blended, but still structurally dominated by loans. Both NCQG negotiations and MDB reform debates converge on the need not only to scale volumes but also to improve the quality of finance through more concessional instruments and better risk calibration (UNFCCC, 2024d; Falduto & Jachnik, 2025).

By 2035, significant expansion of blended finance, guarantees and risk-sharing facilities is widely anticipated. CPI and G20 analyses highlight that guarantees, first-loss tranches and insurance mechanisms can mobilize 6–25 times more private capital per public dollar than direct loans when well structured, and that co-financed blended projects tend to be substantially larger, averaging USD 100 million compared with USD 7 million for stand-alone interventions (Abraham et al., 2025; OECD, 2025e). The Baku to Belém Roadmap identifies rechannelling private capital through blended instruments as one of its five central pillars (COP29 & COP30 Presidencies, 2025; UNFCCC, 2025; CGIAR, 2025). By 2035, guarantees, subordinated tranches, insurance and structured funds are therefore expected to be mainstream tools, enabling MDBs and NDBs to offer more targeted risk mitigation, especially for energy, infrastructure and industrial-decarbonization sectors (Alayza et al., 2024; Barbarà & Hadap, 2024). Parallel evolution is also expected in non-debt and debt-relief tools: debt-for-climate and debt-for-nature swaps, piloted in Belize and Ecuador, are likely to become larger scale and more standardized, especially if MDBs and the IMF embed swap instruments within debt-sustainability frameworks (Sharma, 2025; NAP Global Network, 2026; Darouich et al., 2023; World Bank, 2025e; Doemeland et al., 2022; Whiting, 2024). The IMF's Resilience and Sustainability Trust is also expected to be more fully integrated into debt sustainability analyses,

linking macroeconomic reforms to climate investment incentives (GCA & CPI, 2024; UNDP, 2022). Public equity and quasi-equity instruments will likely expand for early-stage technology and high-impact infrastructure (Abraham et al., 2025; Flowers & Martin, 2024). By 2035, more climate finance is therefore projected to flow through complex blended structures combining debt, guarantees, equity and grants at a platform level.

Despite these innovations, the literature consistently cautions that loan dominance will not disappear by 2035. Even under ambitious NCQG outcomes, developing-country submissions focus on constraining rather than replacing loans – for example, by capping their share of the goal or differentiating counting rules between grants and debt (UNFCCC, 2024c; Christian Aid, 2024; Browne, 2024). Adaptation and L&D finance are widely expected to remain the main domains requiring grants and highly concessional instruments, while mitigation and revenue-generating investments continue to be served primarily by loans and blended finance (UNCTAD, 2024; Dasgupta, 2025; Center for Climate and Energy Solutions [C2ES] & United Nations Foundation, 2024). As a result, the 2035 system is likely to feature more diverse instruments, wider use of risk-sharing and better-calibrated concessionality, but still to operate within a macrofinancial context where debt remains a central modality and debt-sustainability concerns remain a defining constraint.

Expert view

Experts strongly affirm that by 2035 the climate finance system will be decisively "loan-dominated", reflecting shrinking donor grant budgets and making the expansion of blended finance, guarantees and risk-sharing instruments a fiscal necessity rather than a discretionary innovation. They stress that financial toolkits must move beyond "vanilla" lending towards first-loss capital, FX risk mitigation and other de-risking instruments if private capital is to be mobilized in hard-to-abate and high-risk sectors. At the same time, experts consistently warn that this shift poses acute dangers for LDCs and SIDS already facing debt distress: substituting grants with increasingly complex financial engineering risks deepening a "debt–climate spiral" unless concessionality is deliberately protected. While some experts point to emerging mechanisms such as Article 6.8-linked approaches or national guarantee funds to monetize resilience, the dominant view is deeply sceptical that such tools can substitute for grants. Instead, experts advocate a clear and deliberate bifurcation between commercial instruments for mitigation in stable contexts and grant-like concessionality for adaptation, resilience and high-vulnerability settings.

4.5. Thematic and sectoral profile in 2035

By 2035, mitigation is still expected to dominate climate finance, with only a modest shift towards adaptation and L&D. Investor incentives and the bankability of energy-transition investments mean portfolios in 2035 will likely remain concentrated in renewables, storage, grids, clean transport and industrial decarbonization, particularly in MICs with favourable market conditions (Bhattacharya et al., 2024; Flowers & Martin, 2024).

Political commitments and the NCQG process provide scope for a significant scale-up of adaptation and L&D by 2035. Calls to double adaptation finance and move towards balance remain central in UNFCCC negotiations, while developing-country needs of USD 187–387 billion per year far exceed current flows (UNCTAD, 2024; UNEP, 2023; United Nations, 2024a). The operationalization of the FRLD (though initially undercapitalized) acts as a precedent for larger L&D allocations if the NCQG embeds explicit objectives (Schalatek, 2024c; Bhandari et al., 2025; UNFCCC, 2024d). Under ambitious scenarios, this could expand investment in climate-resilient infrastructure, agriculture, water, health, social protection and early warning systems, elevating adaptation within the climate finance portfolio (Abraham et al., 2025; C2ES & United Nations Foundation, 2024). Yet resilience progress will remain uneven: while renewables, grids, storage and emerging technologies such as green hydrogen continue scaling, gains in nature-based solutions, land use and urban resilience depend on integration into programmatic approaches aligned with NDCs and national adaptation plans (OECD, 2025a; Abraham et al.,

2025; CGIAR, 2025; United Nations, 2024b). In many vulnerable countries, core sectors (climate-smart agriculture, coastal protection and health systems) risk ongoing underfunding due to weak revenue streams and limited private sector appetite (Abraham et al., 2025; Beynon, 2024; United Nations, 2024a).

The interaction between technology costs and the cost of capital will further shape the 2035 thematic profile. Falling prices for solar, wind, batteries and, potentially, electrolysers make mitigation investments more attractive in countries with adequate regulation and grid capacity (Flowers & Martin, 2024; Bhattacharya et al., 2024). However, in settings with high sovereign risk premiums or currency volatility, these technology-cost gains can be outweighed by elevated financing costs, slowing both mitigation and adaptation investment (World Bank, 2024d, 2024e; Browne, 2024). Cheap technologies cannot compensate for expensive capital: mitigation opportunities remain constrained where financing is unaffordable, and adaptation sectors, which lack clear revenue streams, face even greater barriers. Consequently, the thematic composition of climate finance in 2035 will reflect not only political priorities and needs but also structural forces shaped by capital-market conditions, risk perceptions and sectoral bankability.

Expert view

Experts unanimously affirm that climate finance in 2035 will remain heavily skewed towards mitigation, but stress that the primary constraints will increasingly lie beyond technology costs. While renewables are widely viewed as commercially mature, experts emphasize that future bottlenecks will centre on grid stability, storage integration, system flexibility and investment in hard-to-abate sectors such as green steel, hydrogen and state-owned enterprise restructuring, where both political and execution risks remain high. They also highlight a persistent structural mismatch between large, centralized financing vehicles and the increasingly decentralized reality of the energy transition, including household solar, mini-grids and distributed storage. On adaptation, experts reiterate its structurally non-commercial nature, while cautiously acknowledging emerging proposals such as Article 6.8-based "Certified Adaptation Benefits". Across both mitigation and adaptation, experts stress that declining technology costs cannot offset prohibitively high costs of capital or weak delivery systems, further deepening a "two-speed" dynamic where high-capacity markets and intermediaries prosper, and vulnerable communities and sectors are left behind (see section 4.6).

4.6. Geographic allocation and equity outcomes in 2035

By 2035, the geographic distribution of climate finance is expected to remain heavily skewed towards middle-income and systemically important economies unless strong corrective measures are embedded in NCQG implementation. The NCQG equity debate centres on reversing this pattern. The principle of common but differentiated responsibilities and respective capabilities underpins developing-country demands for vulnerability-based sub-targets and prioritization of SIDS, LDCs and FCAS (United Nations, 2024a; Alayza, Larsen, & Waskow, 2024; OECD, 2025a). Proposals include earmarked minimum shares of public climate finance and stronger governance roles for vulnerable-country blocs (UNCTAD, 2024; C2ES & United Nations Foundation, 2024). Analyses also stress the need to avoid the "climate-ODA dilemma", where climate finance displaces health, education and poverty-reduction spending in LICs (Kenny, 2025; OECD, 2024b; Beynon, 2024). If implemented, such measures could significantly increase the volume and quality of finance reaching vulnerable groups, even if overall global flows remain constrained.

However, many studies anticipate only partial equity gains by 2035. Under conservative scenarios, most scaled-up finance (especially private and blended flows) continues to concentrate in large MICs with strong institutional capacity and central roles in supply chains and energy systems (Abraham et al., 2025; Melkie, 2022; Flowers & Martin, 2024). Vulnerability-focused windows and ring-fenced grant envelopes may expand but remain insufficient relative to adaptation and L&D needs in SIDS and LDCs (UNFCCC, 2024d; Bhandari et al., 2025; Lee, M. et al., 2025). In a more geopolitically charged "climate geopolitics era", flows could align more closely with

strategic alliances and industrial policy, widening disparities between geostrategic "winners" and peripheral "losers" (Schalatek, 2024c; UNCTAD, 2024). Geography will also hinge on the instrument mix: loan-heavy finance (especially non-concessional) risks worsening debt distress and shrinking fiscal space for adaptation and social spending (World Bank, 2024d, 2024e; UNDP, 2022; Browne, 2024), whereas sizeable grants and highly concessional windows for adaptation and L&D could help break the climate–debt–poverty spiral by lowering risk premiums and enabling further investment (Christian Aid, 2024; UNFCCC, 2024b; CGIAR, 2024).

Expert view

Experts widely affirm that by 2035 climate finance will continue to be geographically skewed towards stable MICs, reflecting a deeply entrenched "two-speed" system in which commercial capital flows to creditworthy markets while LDCs, SIDS and FCAS remain effectively locked out by debt distress, weak revenue bases and thin pipelines of bankable projects. Several experts highlight fragility as a persistent blind spot, noting that conflict-affected states are routinely bypassed by MDBs due to fiduciary and security constraints, leaving institutions such as the GCF among the few able to operate in such contexts. Experts further caution that intensifying geopolitical competition is likely to amplify these distortions, as donors increasingly privilege strategic alliances over climate vulnerability. The prevailing conclusion is that without explicit ring-fencing of grants for vulnerable countries and fragility-sensitive allocation approaches, climate finance will reinforce rather than correct global inequities, and make administrative capacity and strategic relevance, rather than climate need, the principal determinants of access.

4.7. Access and delivery systems in 2035

By 2035, the effectiveness of climate finance will hinge on whether the system has moved beyond today's complex and fragmented access arrangements towards simpler, genuinely country-led delivery models (UN-OHRLLS, 2022). Current fragmentation (reflected in overlapping application, accreditation and safeguard procedures and recognized in the Sevilla Commitment's reference to "tedious and complex application procedures") illustrates the scale of reform required (Cichocka & Mitchell, 2022; Caldwell & Larsen, 2021; United Nations, 2025). The central question for 2035 is whether harmonized standards, programmatic approaches and expanded direct access have reduced these frictions or simply shifted them into new mechanisms.

A major pillar of 2035 delivery models is expected to be country platforms that align multiple financiers behind national investment frameworks. The G20 Sustainable Finance Working Group, MDB evolution agendas and the Baku to Belém Roadmap all position platforms as alternatives to fragmented project-by-project approvals (G20, 2025; Hartzell, 2025; COP29 & COP30 Presidencies, 2025; Abraham et al., 2025). In the optimistic case, platforms are country led, embedded in planning and public finance management systems, and allow coordinated programming by MDBs, vertical funds, bilaterals and private actors around NDCs, national adaptation plans and long-term strategies (OECD, 2025a, 2025e; UNFCCC, 2025; UNDP, 2022). This could streamline approvals, reduce duplication and integrate capacity-building with finance. Yet early versions, such as JETPs, show that platforms can remain donor-driven and technocratic, with limited domestic ownership. If such designs persist, 2035 may feature multiple "country-located" but not country-led platforms, adding new administrative layers and perpetuating "paper access" for smaller, capacity-constrained countries (Abraham et al., 2025; Rodriguez Osuna, 2022; UN-OHRLLS, 2022).

By 2035, the degree to which direct access and devolved, locally led models have scaled will also be decisive. The GCF's DAEs and Enhancing Direct Access pilot and examples such as Kenya's County Climate Change Funds demonstrate how devolved finance can empower subnational institutions, build trust and improve relevance (GCF, 2024c, 2024e; GCF IEU, 2023; CIF, 2024; Newell, 2025; Omukuti et al., 2022). NCQG outcomes and fund guidance increasingly call for simplified accreditation, harmonized policies and prioritization of direct access, especially for SIDS and LDCs (Schalatek, 2025a; UNFCCC, 2024d; UN-OHRLLS, 2022). If implemented, the 2035

system could feature a multi-tiered architecture where national and subnational intermediaries manage significant envelopes with greater autonomy, supported by national climate funds and integrated technical assistance. If not, direct access will remain a stated priority but a marginal delivery channel.

Expert view

Unless access arrangements are deliberately redesigned, experts anticipate that complex and fragmented arrangements will persist as a defining structural constraint of the climate finance system through to 2035, continuing to generate a de facto bias toward high-capacity states while systematically disadvantaging LDCs and SIDS. They project that the unfunded costs of access will increasingly produce pipeline fatigue among accredited and subnational entities, eroding the practical value of direct access and narrowing the diversity of delivery partners. While country platforms are expected to be the dominant coordination model by 2035, experts warn that, without incentive realignment, many may continue to replicate the limitations of early platforms such as JETPs, remaining donor-driven, MDB-centred and weakly coordinated, shaped more by institutional pipeline incentives than by national prioritization. Experts also expect the risk of "paper access" to intensify, as formally expanded access channels remain misaligned with the decentralized reality of climate action, particularly for adaptation and subnational delivery. The prevailing expert view is that system effectiveness by 2035 will depend far less on top-down harmonization and far more on the depth of national financial architectures (including green banks, guarantee funds and subnational finance facilities) capable of closing the local delivery gap; without treating institutional strengthening as a core investment rather than an add-on, even substantially scaled-up climate finance flows are expected to encounter a hard ceiling of national absorptive capacity.

4.8. Summary

By 2035, global climate finance is expected to grow in absolute terms and become more instrumentally sophisticated, but still fall short of what is needed, especially for adaptation, resilience and L&D. The system is likely to look bigger and more networked, with wider use of blended structures and risk-sharing tools, yet remain constrained by fiscal pressures, geopolitical fragmentation, slow reform and uneven delivery capacity. As a result, "scale" alone becomes a misleading success metric: the more decisive questions are whether finance is genuinely additional, whether private mobilization is measured credibly, whether concessionality is protected for needs that markets will not fund, and whether delivery systems can absorb larger volumes without reinforcing inequity or incentivizing creative accounting.

Politically, the system is likely to crystallize into two streams. A mobilization stream (centred on MDBs, NDBs and private capital) will focus on bankable mitigation investments and scale most rapidly where risk premiums are lower and pipelines are strong, particularly in MICs. In parallel, a public-goods stream (anchored in public budgets and vertical funds) will carry the burden of adaptation and vulnerability-focused finance but is at high risk of chronic undercapitalization and weak predictability. Whether this becomes a functional division of labour or a deep structural imbalance will hinge on delivery models and incentives: whether country platforms are genuinely country-led rather than donor- or MDB-centred, whether coordination reduces duplication rather than adding layers, and whether direct access and devolved finance become scaled channels rather than "paper access".

Debt dynamics and risk premiums are likely to be the hidden determinants of who benefits in 2035. Where risk-sharing and debt-relief mechanisms lower the cost of capital and create fiscal space, they can unlock investment across mitigation and adaptation; where they do not, loan-heavy finance can intensify debt distress and trap vulnerable countries in a climate–debt spiral. Expert consultations tend to treat low-finance, high-friction futures as the central planning case: not a total collapse of all climate finance, but a structural condition in which commercially oriented mobilization may continue to grow while concessional public finance remains scarce, contested, and insufficient for the places and purposes that need it most.

V. POTENTIAL RESPONSE

5.1. OVERALL CLIMATE FINANCE

Experts diverged on how climate finance system architects should respond to these scenarios. One group emphasized pragmatic, near-term reforms as the most realistic levers in a constrained political context: better coordination among funds and MDBs, stronger use of country platforms, simpler access and approval processes, and systematic support for institutional capacity in recipient countries (OECD, 2025a). These steps were seen as delivering meaningful gains in effectiveness, credibility and equity, even if public climate finance remains flat or declines. They form the basis of no-regrets options, ensuring that climate finance institutions remain as effective as possible across scenarios. Building on this, the no-regrets agenda can be sharpened into a set of operational priorities that directly target the binding constraints identified across the literature and interviews: (i) reducing the unfunded "costs of access" through predictable project preparation and programmatic pipeline support; (ii) shifting from bespoke, project-by-project models to replicable programmatic structures and interoperable standards; (iii) hard-wiring mutual reliance and platform coordination through incentives and measurable performance targets; and (iv) treating national delivery architecture (green banks, guarantee facilities, municipal windows and subnational intermediaries) as a core investment objective rather than an add-on (G20, 2024b; World Bank, 2024c, 2024f, 2024h, 2025b; OECD, 2025e; UNFCCC, 2024b, UNEP, 2023).

Others argued that incrementalism will not suffice in the low-finance futures that appear most probable and that more transformational and catalytic approaches are required. They questioned whether project-by-project mobilization and complex due diligence models (as currently operated by the GCF and other vertical climate funds) can ever approach the scale and speed implied by global goals, especially for adaptation, L&D and support to the most vulnerable. From this perspective, transformational change is needed across a range of domains, less about "more money" in aggregate and more about re-wiring incentives, institutions and revenue sources so that scarce concessional flows are structurally effective, particularly under austerity and fragmentation conditions (Christian Aid, 2024; UNEP, 2023; World Bank, 2024a, 2024c). The most policy-relevant way to express this argument is as a set of "structural pivots" that directly respond to the likely central scenario:

- **Global revenue and burden-sharing:** recognizing climate as a global public good, exploring more decentralized non-market approaches under Article 6.8, and considering levies on high emitters or international transport to generate predictable, rules-based funding streams beyond voluntary ODA (Falduto & Jachnik, 2025; UNFCCC, 2024d; OECD, 2025a; United Nations, 2024b).
- **Architecture and delivery models:** moving away from fragmented, projectized access towards programmatic, multi-year country platforms, and redesigning incentives so that joint programming, policy reform and institution-building are treated as core outcomes (G20, 2024a; World Bank, 2024c, 2024h; Healy, Scull, & Landy, 2024).
- **Domestic and meso-level financial systems:** building out NDBs, green banks, municipal facilities and guarantee funds for small loans so that citizens, communities, and micro-, small- and medium-sized enterprises can drive decentralized transitions (distributed renewable energy, local adaptation) even when sovereign envelopes are constrained, consistent with the direction being explored under the current GCF strategic plan and the Private Sector Strategy (Abraham et al., 2025; OECD, 2025e; UNFCCC, 2024d).
- **Macrofinancial restructuring:** progress on sovereign debt work-outs, credible debt-for-climate and debt-for-nature mechanisms, and safeguards so that new climate lending does not worsen debt distress; without this, higher climate finance targets may not translate into fiscal space in austerity and breakdown futures (World Bank, 2023, 2024e, 2025e; Doemeland et al., 2022; Dafermos, 2025; Browne, 2024).
- **Leveraging corporates, consumers and supply chains:** recognizing that corporate decarbonization strategies, consumer pressure and supply chain standards can drive substantial mitigation and some adaptation investment independently of multilateral public flows (OECD, 2025a), especially in more fragmented futures; public finance should therefore focus on shaping these structural dynamics and

ensuring they do not deepen inequity through exclusionary standards or compliance burdens (Flowers & Martin, 2024; OECD, 2025a; United Nations, 2024b).

Taken together, these views imply a two-level response strategy: (i) no-regrets reforms to maximize effectiveness and equity in a managed-fragmentation world, and (ii) transformational pivots to create predictable revenue, reduce risk premiums and debt constraints, and build domestic delivery architectures that can function even when international public finance is volatile (UNEP, 2023; Falduto & Jachnik, 2025; World Bank, 2024a, 2025e; UNFCCC, 2025b).

5.2. GCF STRATEGIC NICHE

Given the range of possible futures for the climate finance system, the GCF must sharpen its strategic niche while building an operating model that is robust across divergent scenarios. The Fund's 50×30 ambition and 2024–2027 Strategic Plan (GCF, 2023b) can only be delivered if it differentiates itself from MDBs and other funds, addresses its core operational bottlenecks, and evolves its financial offer in ways that align with its mandate to address the adaptation needs of particularly vulnerable countries. The subsections below set out how it might seek a strategic niche, what role it might adopt under different scenarios and what types of evolution it should pursue as no-regrets options under all scenarios.

A growing body of literature argues that the GCF's long-term relevance will depend on adopting a clearer strategic identity by 2035: one that is both differentiated within the wider climate finance architecture and aligned with the Fund's core mandate. Three distinct pathways emerge from this evidence: an Equity and Access Path focused on serving the particularly vulnerable; a Market-Shaping Path centred on blended finance and leverage; and an Innovation Path that uses the GCF's risk appetite to pioneer frontier instruments. Each offers a different vision of how the Fund can remain effective in a more complex and uncertain system, and each carries distinct implications for mandate alignment, resource allocation and impact.

- **Pathway 1: The Equity and Access Path (Core Mandate Pathway):** By 2035, one strategic pathway positions the GCF as the global system's primary equity and access mechanism, correcting structural failures in adaptation and support to vulnerable countries. The literature highlights that adaptation remains deeply underfunded (only USD 65 billion out of USD 1.9 trillion in 2023) and continues to be viewed as "un-investable" by private markets (Abraham et al., 2025, Naran et al., 2025). The GCF's legal design (50:50 mitigation–adaptation mandate and allocation floors for LDCs, SIDS and African States (GCF, 2023b, 2024c)) makes it uniquely positioned to target these systemic gaps. Under this pathway, by 2035 the GCF could evolve into a funder of last resort, deploying grants and highly concessional instruments to reach countries and sectors that the broader finance ecosystem structurally overlooks.
- **Pathway 2: The Market-Shaping/Scale Path:** A second future pathway argues that the GCF should become a major market shaper, focusing on blended finance, guarantees and partnerships with MDBs to drive systemic change in MICs. Yet evidence shows this route carries a high risk of mandate drift. Globally, around 90 per cent of mobilized private climate finance flows to mitigation in MICs (OECD, 2024a, 2024b). The GCF reflects this pattern: its Private Sector Facility has a strong mitigation bias and limited reach to LDCs and SIDS (Kalinowski, 2024; GCF IEU, 2021; GCF, 2024d). Blended finance engagements are likewise 71 per cent mitigation (Convergence Blended Finance, 2024). These are not incidental weaknesses but the predictable outcome of prioritizing leverage ratios and mobilization metrics that reward commercially viable mitigation projects. By 2035, following this path would risk making the GCF more duplicative of MDBs and less aligned with its equity mandate.
- **Pathway 3: The Innovation Path (Innovation for Equity):** A third, increasingly supported pathway reframes the GCF as the global market laboratory for frontier climate finance instruments, especially those required for adaptation and direct access. Rather than competing on scale, the GCF would use its higher risk appetite to pilot FX risk mitigation, first-loss structures, local-currency hedging, and revenue-stability mechanisms (Bodnar et al., 2018). Crucially, this is not innovation for its own sake or to unlock bankable mitigation markets, but innovation for equity: instruments designed to make vulnerable geographies

investable and to support DAEs and NDBs, along with governments in countries particularly vulnerable to the effects of climate change – namely, African States, LDCs and SIDS. By 2035, the GCF would be the institution experimenting with tools MDBs are too risk-averse to test, directly addressing the structural constraints that block adaptation and direct access.

These pathways are not mutually exclusive and the GCF could choose to combine approaches to achieve different outcomes in different areas of the portfolio without blurring its mandate. For example, this might involve using the Equity and Access Pathway as the default for adaptation, resilience and high-vulnerability contexts (LDCs, SIDS and African States), where grants and high concessionality remain the binding requirement. In parallel, it could deploy a disciplined Market-Shaping/Scale Pathway in selected mitigation-heavy middle-income segments (where additionality is clear) using guarantees and blended structures primarily to shift risk allocation and standards rather than to chase leverage ratios, explicitly managing the mandate-drift risk. Finally, the Innovation for Equity Pathway can act as connective tissue across both streams by piloting FX risk mitigation, first-loss structures, local-currency solutions and revenue-stability mechanisms specifically to make vulnerable geographies and DAE/NDB-led pipelines investable, with innovation as an enabler of equity and access rather than an end in itself.

Expert view

Experts strongly validate the rejection of any "mini-MDB" strategy, forming a universal consensus that competing on volume is both futile, given the GCF's subscale resources, and dangerous, as it risks "mission drift" towards commercially oriented mitigation. Instead, they overwhelmingly endorse the "Equity and Access" pathway as the Fund's core identity, arguing that the GCF must "double down" on the LDCs, SIDS and adaptation needs that markets and MDBs structurally underserve. Yet experts stress that rejecting volume does not mean abandoning private sector engagement. Rather than "chasing scale", they urge the GCF to position itself as the "partner of choice" for complex, high-risk structures, using its neutrality, concessionality and credibility to validate investments that MDBs are too conservative to anchor. This is framed as "differentiated market-shaping", focused on co-creating instruments such as first-loss tranches, guarantees and FX or local-currency solutions, not subsidizing standard loans. Experts emphasize that innovation is not a separate pathway but the necessary mechanism to deliver equity enabling investment in fragile contexts and decentralized energy systems and supporting novel tools like national guarantee funds or adaptation benefit mechanisms. To manage the tension between innovation and equity, many propose a dual-window or ring-fenced structure to ensure leveraged mitigation finance grows alongside rather than instead of protected grant windows for vulnerable countries.

5.3. GCF STRATEGIC POSITIONING ACROSS DIFFERENT FUTURE SCENARIOS

It is inevitable that the approach of the GCF will be influenced by the evolution of climate finance architecture (scale, fragmentation) as set out in the previous section. This in turn will impact the availability and prioritization of capital and programming. The four scenarios outlined describe external conditions that the GCF cannot control but within which it must pursue its mandate. The strategic task is therefore not to define a single universal trajectory but to adopt an adaptive posture that preserves the Fund's core strengths (its political legitimacy, ability to direct concessional finance where markets will not, and its mandate to support equitable access and country ownership) across divergent futures. The 50×30 ambition (GCF, 2024c) should be interpreted differently depending on the wider financial and geopolitical environment, with emphasis shifting between scaling, prioritization, system-shaping and enhancing the resilience of the most vulnerable.

The following points set out potential differentiated roles expected based on different scenarios:

- **Scenario A – Renewed Multilateralism: System Architect and Access Champion.** In this scenario, the GCF may choose to evolve into a System Architect and Access Champion, shaping global norms on safeguards, MRV, fiduciary standards and access while ensuring simplified, harmonized pathways for LDCs, SIDS, African States and other particularly vulnerable countries (e.g. FCAS). It could advance this role by institutionalizing mutual reliance across MDBs, vertical funds and DAEs to eliminate duplicative reviews, scaling strong country-led platforms to drive coherence, and pioneering next-generation financial tools that others can replicate at scale. At the same time, the GCF could strengthen direct access through embedded advisory support that bridges the gap between accreditation and project development and implementation, ensuring DAEs can deliver more effectively. Throughout, it may continue to safeguard adaptation and climate-vulnerable country allocations, and ensure that rapid growth in global mitigation finance (and opportunities to broaden its capital base) does not distract from its mandate for vulnerable countries. In a high-finance scenario, the GCF can lean further into mobilization, partnering on higher-risk platforms that steer growing private capital towards adaptation and resilience via DAEs, NDBs and other local intermediaries. In this future, the GCF could thrive by shaping the rules of a high-functioning climate finance system, acting as the standard-setter and access champion that drives coherence within a rapidly expanding architecture. Under this scenario, there is the risk of being crowded out by bigger MDB balance sheets if it chases volume; of drifting into mainstream mitigation at the expense of adaptation/vulnerability; and of mandate creep that blurs its strategic niche.
- **Scenario B – Order Under Austerity: Steward of Scarce Concessional Capital.** In this scenario, the GCF may choose to become the Steward of Scarce Concessional Capital, allocating limited grants where they are most irreplaceable and ensuring that climate vulnerability remains central in an increasingly resource-constrained system. It could do so by maximizing the impact of each concessional dollar through more disciplined allocation criteria, sharpening its focus on LDCs, SIDS, African States and other particularly vulnerable countries (e.g. FCAS), and strengthening adaptation financing to counterbalance systemic market failures. The GCF could concentrate readiness and project preparation resources in fewer but deeper partnerships, improving throughput and accelerating delivery where it can make the greatest difference, while simplifying approval processes and reducing transaction burdens to improve speed, a critical dimension of fairness when capital is scarce. Under austerity, the GCF's private sector role pivots to protecting equity, using guarantees, first-loss and FX tools with local and regional financial institutions to support mitigation and unlock adaptation and resilience in LDCs, SIDS and FCAS. Through these actions, the GCF could maintain its legitimacy and relevance, acting as the primary defender of access in a climate finance landscape where needs far exceed available resources. Under this scenario, the GCF risks being seen as too slow/complex when money is tight; political tension over rationing; and pressure to behave like an MDB co-financing window, thereby weakening its vulnerability focus.
- **Scenario C – Climate Geopolitics Era: Neutral Interoperability Hub and Normative Anchor.** In this scenario, the GCF may choose to become a Neutral Interoperability Hub and Normative Anchor, providing a trusted, politically independent platform that bridges divergent systems and protects minimum global standards. It could fulfil this role by maintaining coherence across incompatible taxonomies, safeguards and MRV systems, offering technical guidance that helps countries navigate parallel access pathways, and supporting regional institutions that operate across blocs. The GCF could use its concessional and risk-tolerant finance to reach countries sidelined by geopolitical alignments, countering exclusion by de-risking investments in vulnerable and non-aligned states. With bloc-shaped flows, the GCF approaches private finance mobilization as a geopolitical balancer, backing cross-bloc platforms and RDB/NDB coalitions so commercial investment and industrial policy do not bypass vulnerable and non-aligned countries. By demonstrating neutrality, enabling interoperability and protecting baseline norms of transparency, equity and access, the GCF remains a stabilizing institution in an increasingly fragmented climate finance landscape, ensuring that vulnerable countries are not left behind as geopolitical competition reshapes global flows. Under this scenario, the GCF risks being pulled into bloc politics, losing credibility; donor capture by one bloc; and marginalization if major powers route most climate finance through bloc-specific funds.

- **Scenario D – Climate Finance Breakdown: Lifeline Institution for Vulnerable Countries.** In this scenario, the GCF may choose to become a Lifeline and Stabilization Mechanism, providing survival-critical support to countries left without functioning climate finance channels. It could do so by prioritizing essential adaptation and resilience investments such as those related to food security, water access, early warning, social protection linkages and basic infrastructure. At the same time, it could deploy faster, more shock-responsive instruments for climate disasters and systemic emergencies. The GCF could sustain minimum institutional capacity by funding climate ministries, DAEs, and national planning systems at risk of collapse, and channelling community-based finance to maintain locally led adaptation where national systems are overwhelmed. In breakdown, the GCF largely pivots away from traditional mobilization and instead keeps basic private intermediation alive, de-risking microfinance, micro-, small- and medium-sized enterprise and community-level lenders so limited domestic capital can still reach front-line adaptation. By acting as the last-resort provider of concessional support and safeguarding vulnerable-country financing during systemic breakdown, the GCF would help prevent irreversible setbacks in resilience and institutional capability, anchoring the climate response amid widespread instability. The GCF risks contributor withdrawals/non-payment threatening viability; pressure to drop standards too far, leading to failures and reputational damage; and being overwhelmed by unmet demand.

Across scenarios, the GCF can treat potential tensions such as country-led programming versus strategic prioritization or open access versus targeted intermediation as dials it turns rather than binary choices. In Scenario A (Renewed Multilateralism), it can stay strongly country led and broadly open to AEs, using light guardrails such as country-platform compacts to keep country priorities within a coherent strategic frame while letting partners compete on delivery quality. In Scenario B (Order Under Austerity), scarce concessionality makes prioritization unavoidable, so the Fund should lean harder into explicit vulnerability/adaptation focus and move from open access towards more targeted intermediation, with fewer, higher-performing partners and programmatic envelopes that reduce transaction costs and prevent grants being diluted across opportunistic pipelines. In Scenario C (Climate Geopolitics Era), the Fund can preserve country-led principles but apply stronger strategic allocation to counter bloc-driven distortions (e.g. equity floors and consistent safeguards), while shifting from open access to selected regional and national anchor intermediaries that can operate across diverging standards under an interoperability framework. In Scenario D (Climate Finance Breakdown), choice narrows into triage, so strategic allocation dominates and open access becomes least workable. The GCF must rely on highly targeted intermediation through pre-identified rapid channels and shock facilities, because speed and reliability matter more than broad participation.

The potential roles and approaches outlined above are summarized in Table 2. In addition, there are "no-regrets opportunities" that might be pursued under multiple scenarios as set out in section 5.4 below.

Table 2. Potential GCF role and approach under different scenarios

Parameter	Scenario A – Renewed Multilateralism (high cooperation, high finance)	Scenario B – Order Under Austerity (high cooperation, low finance)	Scenario C – Climate Geopolitics Era (low cooperation, high but fragmented finance)	Scenario D – Climate Finance Breakdown (low cooperation, low finance)
1. Core role / institutional identity	**System Architect and Access Champion** • Shapes global climate finance operating norms • Leads mutual reliance on safeguards/fiduciary standards • Drives simplification and coherence across climate funds and MDBs • Demonstrates new models (platforms, FX tools) that others replicate	**Steward of Scarce Concessional Capital** • Protects limited concessional resources and allocates transparently • Ensures scarce funds reach LDCs, SIDS, FCAS • Defends equity mandate against pressure for scale/leverage • Focuses on resilience outcomes rather than large pipelines	**Neutral Interoperability Hub and Normative Anchor** • Maintains shared standards (MRV, safeguards, access rules) across rival blocs • Positions itself as the "non-aligned" convener trusted by all sides • Prevents normative fragmentation in measurement and reporting • Harmonizes regional climate finance architectures	**Lifeline Institution for Vulnerable Countries** • Last-resort provider ensuring continuous climate finance access • Rapid-response, shock-triggered, simplified operations • Maintains minimal institutional capacity in collapsing systems • Primary focus on preventing irreversible resilience failures
2. Strategic priorities	**Build the global architecture** • Institutionalize mutual reliance; end duplicative reviews • Scale country platforms (e.g. Brazil Climate and Ecological Transformation Investment Platform, County Climate Change Funds (Kenya)) • Expand post-accreditation support and embedded advisers • Pilot FX risk pools, revenue floors and concessional guarantee facilities	**Maximize impact per constrained dollar** • Prioritize adaptation and resilience investment • Allocate with transparent, vulnerability-based criteria • Drop leverage ratios as core key performance indicators • Strengthen readiness in a smaller set of partner countries for deeper support	**Neutral technical cooperation** • Provide safe space for shared MRV, safeguards, taxonomy alignment • Support regional planning platforms and NDB coalitions • Protect access for states excluded from competing geopolitical blocs • Ensure common data/reporting formats despite political divergence	**Protect the basics** • Radically simplify approval and disbursement • Pre-arranged financing for shocks and L&D • Preserve minimum climate-institution functionality (DAEs/NDBs/ministries) • Ensure uninterrupted funding for water, health, early warning, food security

Parameter	Scenario A – Renewed Multilateralism (high cooperation, high finance)	Scenario B – Order Under Austerity (high cooperation, low finance)	Scenario C – Climate Geopolitics Era (low cooperation, high but fragmented finance)	Scenario D – Climate Finance Breakdown (low cooperation, low finance)
3. Portfolio focus (themes and regions)	**Balanced but innovation-heavy portfolio** • Adaptation as core priority, plus frontier mitigation pilots • Scaling of platform-based national programmes across LICs, MICs and SIDS • Strong alignment with NDCs / long-term strategies; support for national planning systems	**Adaptation-dominant, vulnerability-focused portfolio** • Particularly vulnerable countries receive priority shares • Minimal mitigation unless strongly transformational or equity-aligned • Multi-year envelopes for fewer but higher-need countries	**Politically aware regional diversification** • Regional resilience programmes (e.g. Pacific, Sahel, Andes) • Balanced distribution to avoid perceptions of bloc alignment • Extra support for countries locked out of geopolitically aligned finance	**Emergency adaptation and resilience financing** • Focus on essential systems: disaster risk reduction, early warning, water, nature-based resilience • Concentration on countries experiencing repeated climate or debt shocks • Support targeted at basic service continuity
4. Instruments and delivery model	**Advanced instruments + platforms** • FX guarantees, pooled hedging facilities, contracts for difference, price floors • Subordinated tranches in climate-transition platforms • Multi-year programmatic funding; high use of results-based financing (RBF) • Platforms as primary modality	**Lean, high-efficiency concessional toolkit** • Grants, highly concessional loans, limited guarantees • RBF and contracts for difference used to stretch scarce subsidies • Programmatic approaches used to prioritize high-impact systems	**"Neutral" regionalized toolkit** • Standardized RBF templates, neutral safeguards frameworks • Regional FX risk sharing with NDBs/RDBs • Regional or bloc-agnostic platform structures	**Crisis instruments and simplified delivery** • Small rapid grants, crisis windows, parametric instruments • Simplified approval process first, minimal documentation • Pre-agreed pipeline templates for automatic disbursement
5. Access, partners and institutional model	**High-integration partnerships** • Mutual reliance with MDBs / United Nations agencies • Deep partnerships with NDBs; embedded advisers in DAEs • Regional operational model of the Secretariat is fully realized	**Prioritized and selective partnerships** • Focus on DAEs/NDBs in the most vulnerable states • Simplified access becomes standard for the particularly vulnerable	**Geopolitically neutral alliances** • Focus on regional MDBs/NDBs, South–South coalitions • Regional help desks to navigate political divides	**Crisis-focused coalitions** • Partnerships with humanitarian agencies, civil society organizations (CSOs), local authorities • Minimal but essential support to maintain core DAE/NDB functions

Parameter	Scenario A – Renewed Multilateralism (high cooperation, high finance)	Scenario B – Order Under Austerity (high cooperation, low finance)	Scenario C – Climate Geopolitics Era (low cooperation, high but fragmented finance)	Scenario D – Climate Finance Breakdown (low cooperation, low finance)
	• Platforms enable coordinated national climate finance ecosystems	• Regularized multi-year readiness for a smaller, high-need partner set	• Maintain single transparent GCF access rulebook	• Heavy reliance on local actors during institutional breakdown
6. Interpretation of 50×30	**50×30 = system leverage** • Scaling through efficiency, reduced transaction costs and system-wide norms	**50×30 = impact per dollar** • Resilience and equity outcomes outweigh expansion	**50×30 = regionalized growth** • Success measured by maintained interoperability and spread of common standards	**50×30 = avoided loss** • Success in preventing collapse of resilience systems, not increasing finance volumes

5.4. Evolving the GCF offer and delivery model

By 2035, the literature increasingly envisions a GCF that has evolved from a transaction-heavy, project-by-project funder into a system enabler that closes the "missing middle" between accreditation and delivery and unlocks investment in sectors and geographies that markets underserve (Caldwell & Larsen, 2021; Schumer et al., 2025; Lee, N. et al., 2023). This evolution is a no-regrets direction across scenarios because it improves performance under both high- and low-finance futures: in optimistic pathways it increases throughput and impact per dollar; in austerity and fragmentation pathways it protects scarce concessional capital from being dissipated through opportunistic, projectized deal capture and high transaction costs, and reduces the risk of a "race to the bottom" in standards as institutions compete for limited resources.

No-regrets evolution rests on three linked shifts:

- A significantly expanded project preparation ecosystem for DAEs, so that preparation support becomes a repeatable pipeline function rather than ad hoc assistance, widening the pool of delivery partners even when finance is tight (Caldwell & Larsen, 2021; Lee, N. et al., 2023)
- A pivot to predictable, multi-year programmatic envelopes that strengthen strategic planning, reduce short-termism, and enable sequenced investment rather than isolated projects, which is critical in volatile contexts where stop–start financing undermines national ownership and absorptive capacity (Thwaites et al., 2021)
- Deployment of innovative instruments such as auctioned price floors, contracts for difference and revenue-stability mechanisms to mobilize private capital where traditional grants or loans are insufficient, enabling the Fund to stretch scarce public resources while keeping focus on equity-relevant markets (Bodnar et al., 2018)

In this framing, a 2035 GCF acts less as a transaction processor and more as a capability builder and market shaper, delivering on its equity mandate by reducing structural barriers to access and investment (Thwaites et al., 2021; Lee, N. et al., 2023; Bodnar et al., 2018). The case is reinforced by current performance constraints: the literature links persistent cycle bottlenecks and high administrative overheads (around USD 3.3 million per project) to an approach overly focused on individual transactions (Lee, N. et al., 2023; Caldwell & Larsen, 2021). Reducing transaction intensity is therefore not simply an efficiency gain; it is a resilience strategy that ensures the GCF remains credible and usable when country needs rise but political support and staff bandwidth do not.

A core delivery pillar of this 2035 model is a reoriented partnership strategy that treats NDBs as primary implementing anchors, also a no-regrets choice because it builds durable domestic channels that continue delivering even if external flows stagnate. NDBs are locally embedded, aligned with national priorities and collectively far larger than the MDB system, holding an estimated USD 20 trillion in assets compared with roughly USD 3 trillion for MDBs, yet only 14 per cent of NDB portfolios are currently "green" (Mariotti et al., 2025). By 2035, the GCF is positioned to unlock this latent capacity through concessional co-financing, strengthened accreditation, and targeted institutional support that improves reporting and risk management. This shift is reinforced by the Secretariat's move towards an integrated regional operational model designed to be closer to countries (GCF, 2024d).

Country platforms are the organizational expression of this ecosystem model and are no-regrets because they reduce fragmentation costs regardless of the geopolitical climate: they align multiple actors behind country-led strategies rather than proliferating disconnected projects that overburden NDAs and line ministries. The Brazil Climate and Ecological Transformation Investment Platform, targeting USD 10.8 billion and established with "instrumental" GCF readiness support, illustrates how platform-based finance can mobilize large-scale co-investment around country-led strategies (GCF, 2024e), consistent with the GCF's strategic positioning of platforms (GCF, 2024b, 2024d). Reframing internal roles and incentives around platforms yields three practical benefits that matter in all scenarios: shifting staff effort from project micromanagement to programme support; integrating "stuck" DAEs into coherent national pipelines (Caldwell & Larsen, 2021; GCF IEU, 2023); and aligning readiness and Project Preparation Facility resources towards building absorptive capacity by treating institutional

strengthening as a primary climate outcome (Mariotti et al., 2025; GCF, 2024e). The GCF announced the establishment of 14 country platforms at COP30. By reducing duplication and strengthening national steering, this approach lowers the risk that scarce finance is allocated to the most "proposal-ready" actors rather than to the highest-need priorities.

The pathway towards this 2035 delivery model is visible in early reforms that collectively strengthen the no-regrets case by reducing the risk that direct access becomes "paper access". The Project Preparation Facility positions itself as "key in supporting project development, particularly for direct access entities", directing around 60 per cent of committed resources to 36 DAEs (GCF, 2024c). The GCF's *Readiness Strategy 2024–2027* introduces four-year programming cycles and placement schemes embedding GCF experts within national institutions to build sustained project-development capacity (GCF, 2023a, 2024e). If scaled, these reforms can form a coherent pipeline development architecture combining predictable readiness envelopes, integrated technical assistance and institutional strengthening so DAEs can generate programmatic proposals aligned with long-term national strategies rather than navigating fragmented, ad hoc preparation processes. Evidence on devolved and programmatic delivery reinforces this: Kenya's County Climate Change Funds show how predictable multi-year finance builds trust and enables iterative, local-level planning (CIF, 2024), while Brazil's platform demonstrates how country-led coordination can mobilize larger-scale co-investment (GCF, 2024e). The alignment of MDB strategies with the G20 Roadmap signals a transition towards a more integrated global architecture focused on impact and scale rather than just volume (IDB, 2024b). Together, these precedents point to a 2035 system in which programmatic approaches and platforms reduce transaction costs and strengthen absorptive capacity, an advantage whether total flows rise sharply or remain constrained.

Finally, the 2035 model requires that next-generation risk tools be embedded as institutional capabilities rather than bespoke, one-off structuring, again a no-regrets step because it prevents avoidable failures (and reputational damage) in both high- and low-finance environments. Current GCF policy on currency risk protects the Fund, not end-beneficiaries (GCF, 2022), as illustrated by the restructuring of a Development Bank of Southern Africa-implemented loan in South Africa due to unmanageable FX exposure. By institutionalizing FX risk mitigation solutions and revenue-stability mechanisms now under Board consideration (GCF, 2024a; Bodnar et al., 2018; CIF, 2025; Government of Canada, 2023), the GCF can enable investment in higher-risk markets and sectors central to its equity mandate while avoiding a return to transaction-heavy bottlenecks as the portfolio scales. This capability also protects against scenario volatility: when macrofinancial conditions tighten, the ability to manage FX and revenue risks becomes a prerequisite for sustaining investment in precisely the contexts where the GCF's mandate is most consequential.

Expert view

Experts converge on the view that by 2035 the GCF must function as a "system enabler", because its current transaction-heavy model leaves a persistent "missing middle" between accreditation and delivery and imposes high, largely unfunded access costs that AEs must self-finance over multi-year cycles (feasibility studies, safeguards, repeated revisions), generating widespread pipeline fatigue. They therefore strongly endorse replacing fragmented project-by-project engagement with programmatic, multi-year envelopes and country platforms that enable system-wide planning and predictable execution, while warning that early platform models (e.g. JETPs) have been donor-driven, underfunded, and undermined by MDB incentives to prioritize their own pipelines over coordination; in this context, experts argue platforms will remain rhetorical unless both GCF and MDB incentive systems are redesigned to reward joint programming and long-term institution-building as core investments. Operationally, experts stress the GCF should not build a large field bureaucracy but should orchestrate delivery through strengthened national institutions and partners, especially NDBs and wider national financing architectures (green banks, guarantee facilities and related instruments) that bridge the gap between centralized global capital and the increasingly decentralized reality of the climate transition; this also implies shifting engagement from environment ministries towards ministries of finance to embed climate priorities into fiscal frameworks and national development strategies. Finally, experts express near-universal consensus that an "evolved offer" requires institutionalized next-generation risk tools (guarantee facilities, first-loss capital, and FX-risk layers) to address currency volatility, sovereign risk and missing revenue streams that block private finance in LDCs, SIDS and fragile contexts; some highlight national guarantee funds to scale decentralized energy systems, while others propose piloting Article 6.8-linked adaptation benefit mechanisms to monetize resilience, collectively positioning the GCF as a market shaper able to unlock investment where commercial actors and MDBs are structurally unwilling to go.

5.5. Legitimacy and process enhancement

By 2035, the effectiveness and political legitimacy of the GCF will hinge not only on its balanced governance and strong CSO participation (key comparative advantages) but on whether it has evolved from today's highly fragmented and burdensome access model into a streamlined, predictable and genuinely empowering system for DAEs, SIDS and other low-capacity states. The literature warns that trust in the wider climate finance system is eroding (Kosma, Guilanpour, & Pourarkin, 2024), and that the GCF's slow-moving, opaque delivery architecture threatens its mandate and equity promise (Cichocka & Mitchell, 2022; Caldwell & Larsen, 2021; Lee, N. et al., 2023; Omukuti et al., 2022; Kalinowski, 2024). In this framing, process improvement is not a technical add-on: it is a core legitimacy pathway, because legitimacy must increasingly be earned through speed, fairness and visible results (Fouad et al., 2021; Thwaites et al., 2021).

Delivering this legitimacy-by-delivery model requires reforms already set in motion by the 2024–2027 Strategic Plan, including commitments to "significantly improving access for developing countries" and reducing appraisal times to nine months (GCF, 2023b, 2024c). To realize a transformed system, these measures must mature into a programmatic access architecture in which AEs (especially DAEs) operate through multi-year, pre-agreed envelopes linked to country strategies rather than navigating fragmented, one-off project cycles. The GCF would reinforce this end-state through integrated technical assistance, pipeline development support and predictable annual programming windows, enabling countries to plan and execute climate investment at scale. Internally, this implies harmonized templates, clearer delegation of decision-making and a fully functional simplified approval process that accelerates small and medium-sized investments without sacrificing rigour (GCF, 2023c, 2024e). The literature is explicit that a 2035 GCF must offer a clear end-to-end pathway for DAEs to move from accreditation to scaled programming, with transparent milestones and decision points and processing times measured in months rather than years (Fouad et al., 2021; Caldwell & Larsen, 2021).

The decisive enabler of this shift is the adoption of mutual reliance and standardization as core operating principles. Rather than duplicating safeguards and fiduciary reviews for every proposal, the GCF would, by 2035, systematically apply full mutual reliance frameworks, accepting assessments conducted by qualified MDBs, development finance institutions and United Nations agencies, consistent with the direction demonstrated by the 2025 World Bank–Asian Development Bank mutual reliance agreement (World Bank, 2025b). Complemented by risk-based, differentiated pathways that apply lighter scrutiny to smaller, lower-risk proposals, this approach would reduce duplicative procedures, improve portfolio throughput, and allow the Secretariat to focus scarce capacity where it adds greatest value: supporting DAEs, lower-capacity contexts and high-risk adaptations of global standards to local conditions (Fouad et al., 2021; Caldwell & Larsen, 2021).

Even within current rules, examples show acceleration is feasible when processes and engagement are tightly aligned. Cases such as Burundi and Somalia, where agreement signing and first disbursement occurred within a day, demonstrate that meaningful speed is possible (GCF, 2024d). By 2035, such speed must become the norm rather than the exception, but acceleration alone is insufficient. The literature highlights an "evaluation gap" (Lee, N. et al., 2023; GCF IEU, 2020) and a local-level "transparency paradox" in which Board discussions are public while on-the-ground spending and beneficiaries remain largely invisible (Omukuti et al., 2022). Without addressing these gaps, faster finance risks expanding a larger black box, undermining legitimacy rather than strengthening it.

A robust legitimacy pathway for 2035 therefore couples process acceleration with radical improvements in traceability and evidence of impact: defining and tracking local actors and beneficiaries; publishing standardized, accessible data showing how funds move from the GCF through AEs to communities; and strengthening the results management framework with clear ex-ante targets for climate and non-climate co-benefits (GCF IEU, 2020, 2025). Parallel efforts should leverage the Fund's high-visibility Board transparency (live-streams and CSO observers) to communicate grounded, project-level impact stories and clarify the rationale behind funding decisions (Kalinowski, 2024; Omukuti et al., 2022). By 2035, legitimacy will depend less on aggregate flows and more on whether contributors and communities can see and verify the link between GCF decisions, financial pathways and tangible outcomes.

Expert view

Experts strongly validate the argument that by 2035 the GCF's legitimacy will hinge less on representative governance alone and more on whether it can deliver equitable access and demonstrable performance at speed and scale. While the Board's parity structure remains a critical source of political capital, functioning as a rare "counterweight" to MDB dominance, experts warn that the Fund's reputation for being "slow-moving", "opaque" and procedurally heavy is eroding confidence, with some arguing that elements of "governance dysfunction" have effectively been "baked in", discouraging donors from deeper engagement. In this framing, process enhancement is not a technical fix but a legitimacy pathway: experts describe the current model as "duplicative policing", citing examples where a single intervention requires "five separate applications" across different funds, and argue the 2035 vision must pivot from a compliance-heavy "policeman" model to "radical de-complexification". To shift processing timelines from years to months, they emphasize "mutual reliance" as the decisive mechanism to break gridlock (accepting the due diligence of already-accredited partners) alongside "delegated authority" and "risk-based, differentiated pathways" that apply lighter scrutiny to smaller, low-risk projects. Across interviews, there is broad consensus that legitimacy must therefore shift from "democratic access" in principle to delivery credibility in practice, with faster approval cycles and higher disbursement emerging as central indicators of trust. Yet experts stress that legitimacy is equally tied to "radical improvements in traceability": Board deliberations are among the most open in the climate system, but real-world impacts remain largely invisible in public communication. To secure future replenishments, they urge the Fund to pair procedural transparency with clearer reporting on beneficiary-level finance flows and "stronger storytelling" that documents community-level results, not just headline volumes. Finally, several experts argue that long-term legitimacy may require evolution beyond the current donor base, positioning the GCF as an "honest broker" between geopolitical blocs and expanding contributions from emerging economies and philanthropic actors to reduce dependence on fiscally constrained traditional donors.

EXPERT PANEL

The following experts generously contributed their time and insights to inform the development of this report. Although the report benefited from their contributions, it does not represent the individual views of these experts, nor should it be interpreted as an endorsement by any person or organization listed.

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