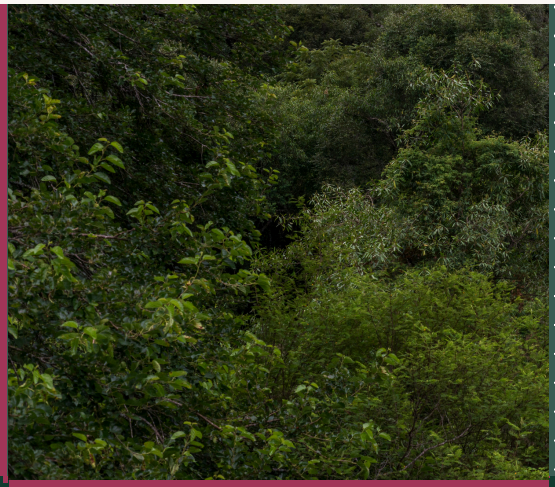
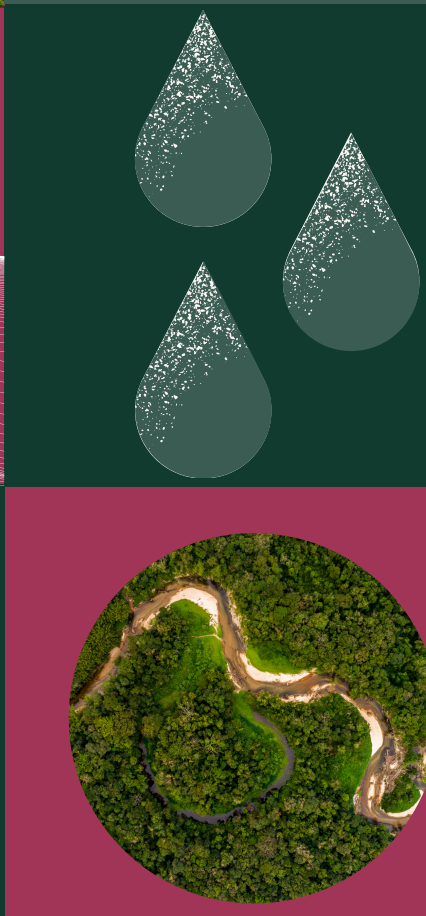
Final Report

LAC2024

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





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GREEN CLIMATE FUND
INDEPENDENT EVALUATION UNIT

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

FINAL REPORT

10/2024

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First Edition

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FOREWORD

We have entered the age of urgency. Last year, the world broke through the annual average of 1.5 degree C temperature rise. Even as I am writing this foreword, both the Summit for the Future and the Climate Week are taking place in New York where some of the most powerful institutions, world leading politicians, and civil society representatives meet to discuss the global outlook on economy, society and nature. The hope is that world leaders adopt a Pact for the Future which would cover the existential aspects of our lives, peace and security, sustainable development and climate change, human rights, gender and youth, and transformation of global governance.

I am reminded of the statement of Prime Minister of Barbados Mia Mottley who has put it so eloquently, *"If, my friends, we do not create the space and the new voices are not heard, we will not secure the transformation needed to save people and to save the planet. What the world needs now is a reset. This will only be talk unless there's a fundamental change in what we do and how we do it, and who is seen and heard in the corridors of decision making."* She calls for a change of the structure and focus of the international financial world and make them fit for purpose for the majority of the people, not just a few. She asks for a common approach together as true partners. So, she ends her speech by saying, *"It doesn't require new technologies. It requires action and humanity, accepting that we are human together, that we are because of each other, and that we can, in this generation, secure the future of human progress."*

I am proud of my team's work on the independent evaluation of the Green Climate Fund's investments in the Latin American and Caribbean region. Our report addresses, among others, four key questions. Have the GCF approaches and investments promoted a much-needed paradigm shift towards low-emission and climate-resilient development pathways in the Latin America and Caribbean region? How effective and efficient is the GCF in addressing vulnerability of the beneficiaries, local communities and local livelihoods to the effects of climate change, and are those impacts likely to be sustained? What do we know about relevance and value added of the GCF operations in the Latin America and Caribbean region? And finally, how are we able to identify critical success factors in our work, and to generate lessons for the future?

The IEU's evaluation concludes with three key aspects to be considered: the quality of access, coherence and complementarity, and an enabling environment to implement and manage projects in the context and realities of the countries. Countries are certain that access to the GCF and the nature of this access are central to our value proposition. The region presents an intent-ready, and impact-potential rich environment. However, access constraints are still prevalent on account of the structural barriers at the GCF, timeliness of GCF processes and a metaphorical divide between the region and the GCF on mutual expectations. The quality of access to the GCF has not been able to support the programming ambitions of the region. The national designated authorities and implementing entities play a crucial role in creating coherence and complementarity across at local, national and regional level. However, a combination of intermittent capacity at NDAs and lack of updated information about GCF's policies and procedures hinder them from taking up such a role. On the other hand, entities may have incentives which are at odds with ensuring coherence and complementarity between GCF and other sources of climate finance. The GCF has invested significant resources through its support programme into creating an enabling environment and policy frameworks for mobilizing climate finance locally. However, such a groundwork is not uniform in all countries in the region and what exists has been achieved without a particular link to

the GCF's value proposition. While naturally projects may face operational and project management challenges with differential levels of impact on actual implementation, the GCF support tends to be somewhat time incentive and process driven, counter to the nature of adaptive management. The GCF's role as a true partner who stands with the projects to support and drive the much-needed transformational change, is often times missed.

In summary, the evaluation provides five areas for critical recommendations.

First, the GCF has inherent flexibility and offers a possible breadth of programming that makes it a valuable partner for countries in the region. Moving forward, the GCF should clarify its approach to investments and programming in as diverse a region and its ability to meet the value proposition that countries see for it.

Secondly, the GCF should adapt its processes and offerings to become fit for purpose for the region. Overall, GCF should take a less compliance-oriented approach and calibrate access to the region in a manner that recognizes and leverages capacity that already exists.

Third, the GCF support for policy and enabling environment and institutional capacity should be country focused.

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

Lastly, the GCF's Latin America and Caribbean division at the Secretariat and any potential future regional presence should fulfill specific responsibilities to realize the value proposition of the GCF in the region, considering aspects such as origination, interface with stakeholders and project implementation support.

I hope you enjoy reading this report – and are galvanized into action as a consequence.

ACKNOWLEDGEMENTS

The Independent evaluation of the relevance and effectiveness of GCF investments in the Latin American and Caribbean States has been completed thanks to the contributions of many individuals, both internal and external to the Green Climate Fund. We are grateful to the interviewees and respondents who have contributed to the evaluation, including members of the GCF Board, representatives from the GCF Secretariat, delivery partners, national designated authorities, government officials, accredited entities, pipeline direct access entities, delivery partners, civil society organizations, private sector organizations, academics, experts and others.

We thank members of IEU DataLab for their support through data-collection and analyses – namely, Mr. Peter Mwandri (former IEU staff), Mr. Alejandro Gonzalez-Caro and Ms. On-Ki Wong. Ms. Tatiana Kan and Mr. Issahaku Npoagne Tawanbu were instrumental in the data extraction for this evaluation. We are also grateful to members of the IEU's communications workstream for their support in communications, presentations and formatting – namely Ms. Josephine Wambui Ngala, Therese Gonzaga, Yeonji Kim, Charles Pearce and Giang Pham. We could not have produced this report without your expertise.

This evaluation was launched by Mr. Prashanth Kotturi, Principal Evaluation Officer a.i, with the assistance of Ms. Jeehyun Yoon, Evaluation Specialist. The evaluation has been jointly written and is co-owned by a team of external experts, including Mr. Martin Dellavedova, Mr. Eric Muller, Ms. Paola Vaccotti, Mr. Santiago Soler, Ms. Soledad Barone and Ms. Evelyn Botasso.

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GUIDE FOR BUSY READERS

The IEU recognizes that its evaluation reports are distributed to a wide range of stakeholders with different objectives and time frames for reading them.

The IEU makes the following suggestions on how you might approach reading its Independent Evaluation of the Relevance and Effectiveness of GCF Investments in the Latin American and Caribbean States:

- If you want to read on **access to GCF,** please refer to Chapter 2, Chapter 4 and Chapter 5.
- If want to read on **efficiency of GCF's processes,** please refer to Chapter 5.
- If you want to read on **relevance and value proposition of GCF,** please refer to Chapter 2.
- If you want to read on **multi-country projects and country ownership,** in the region, please refer to Chapter 7.
- If you want to read on **GCF's approach to Indigenous Peoples and gender,** please refer to Chapter 8.
- If you want to read the **conclusions and recommendations,** please refer to Chapter 9.
- If you have **two hours**, please read the full report.

ABBREVIATIONS

AE	Accredited entity
AF	Adaptation Fund
AFD	Agence Française de Développement
AMA	Accreditation master agreement
APR	Annual performance report
B.13	Thirteenth meeting of the Board
BDE	Banco de Desarrollo del Ecuador
BNDES	Banco Nacional de Desenvolvimento Econômico e Social
CABEI	Central American Bank for Economic Integration
CAF	Development Bank of Latin America and the Caribbean
CCCCC	Caribbean Community Climate Change Centre
CDB	Caribbean Development Bank
CI	Conservation International
CIF	Climate Investment Funds
CN	Concept note
COP	Conference of Parties
CSO	Civil society organization
DAE	Direct access entity
DBJ	Development Bank of Jamaica
DP	Delivery partner
EE	Executing entity
ESS	Environmental and social safeguards
FAA	Funded activity agreement
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Programme
FONAFIFO	Fondo Nacional de Financiamiento Forestal
FP	Funding proposal
FPIC	Free, prior, and informed consent
GCF	Green Climate Fund
GEF	Global Environment Facility
GGGI	Global Green Growth Institute
GIZ	Gesellschaft fuer Internationale Zusammenarbeit
IADB	Inter-American Development Bank

IAE	International accredited entity
IEU	Independent Evaluation Unit
IICA	Inter-American Institute for Cooperation in Agriculture
IPs	Indigenous Peoples
IRM	Independent Redress Mechanism
LAC	Latin America and the Caribbean
M&E	Monitoring and evaluation
MADES	Ministry of Environment and Sustainable Development, Paraguay
MCP	Multi-country project
MDB	Multilateral development bank
MEGJC	Ministry of Economic Growth and Job Creation
MEPS	Minimum energy performance standards
MINAE	Ministry of Environment and Energy
MME	Ministry of Mines and Energy
MSME	Micro-, small- and medium-sized enterprise
MVE	Monitoring, verification and enforcement
MW	megawatt
NAP	National adaptation plan
NDA	National designated authority
NDC	Nationally determined contributions
NOL	No-objection letter
PAFT	Plan Ambiental, Forestal y Territorial
PAHO	Pan American Health Organization, World Health Organization
PES	Payment for Environmental Services
PWG	Policy Working Group
R2RP	Roof to Reef Programme
RBP	Results-based payment
REDD	Reducing emissions from deforestation and forest degradation
RPSP	Readiness and Preparatory Support Programme
SCP	Single-country project
SIDS	Small island developing States
SINAC	National System of Conservation Areas, Costa Rica
TNC	The Nature Conservancy
ToC	Theory of change
UCAR	Unidad para el Cambio Rural

UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WWF	World Wildlife Fund

EXECUTIVE SUMMARY

A. Introduction

1. Background

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

2. Objectives and scope

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

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

B. Methodology and methods

1. Evaluation criteria

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

2. Methods

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

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

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

3. THEMES OF INTEREST

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

- **Relevance of programming.** The evaluation assessed the relevance of GCF programming to country needs, based on NDCs and interviews with NDAs. It assessed whether the GCF focuses on desired themes and sectors, and if it can engage with countries in a manner suited to their vulnerability and needs.
- **Quality of access.** The evaluation assessed quality of access to GCF resources and climate finance by LAC countries, covering the GCF support programmes, including the RPSP and considering the specificities of single and multi-country programmes, timeliness, predictability, and flexibility of access to resources.
- **Implementation of GCF investments.** As of the thirty-ninth session of the Board, the GCF has financed 70 projects in the region, with only one project completed as of the time of writing this report. The evaluation aimed to understand implementation challenges in the LAC portfolio, identifying risks and challenges at design and implementation stages. Understanding project implementation challenges is a precursor to understanding the likelihood of achieving results in a theory-based evaluation.
- **Institutional capacity and enabling environment.** The evaluation aimed to assess if GCF leverages the relatively strong capacity of the region's public institutions, CSOs, governments, and private sector, and if it fosters an enabling environment for broader impact creation beyond projects/programmes.

C. Findings

1. Relevance and value proposition

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

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

2. Effectiveness

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

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

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

3. Coherence and complementarity

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

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

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

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

4. Efficiency

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

5. Country ownership

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

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

6. Sustainability, replication and scaling up

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

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

7. Gender and Indigenous Peoples

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

D. Conclusions and Recommendations

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

1. Conclusions

a. GCF's value proposition in the LAC region

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

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

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

b. Access

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

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

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

c. Country ownership

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

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

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

d. Coherence and complementarity

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

e. Enabling environment and climate finance

GCF has invested significant resources into creating an enabling environment, especially in terms of institutional and policy framework, for mobilizing climate finance in the region via its RPSP. In addition, resources have also been invested in strengthening institutional capacities, especially national-level capacities. This has laid the groundwork for building on an existing baseline for higher-level impacts such as access to a higher volume and better quality of climate finance. However, such a baseline is not uniform in all countries in the region and what exists has been achieved without a particular approach or link to GCF's value proposition. The ongoing country-level pivot of GCF's readiness and institutional capacity-building efforts and its increasing focus on promoting access to GCF financing is a positive step in building on the efforts so far.

f. Implementation, results and adaptive management

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

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

g. National-level partnerships and private-sector engagement

Public-private collaboration in GCF programming. Private-sector programming remains a key element of GCF engagement in the region. The region presents an interesting case of an intricate

interaction between the public and private sectors in GCF programming wherein private-sector actors remain deeply embedded into the programming that is tagged as public sector. Such embedding also points to a relatively well-developed private sector in certain countries of the region, and collaboration between public and private sectors wherein both can share risks. The depth of such private-sector engagement of GCF is not fully captured in its systems and documents.

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

h. REDD+ results-based payment projects

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

i. Indigenous Peoples and gender

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

2. Recommendations

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

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

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

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

- In looking at accreditation for the region, GCF should consider differentiated indicators of capacities and track record which recognize existing programming ability and experience of institutions in the region. Such indicators may include experience in development, environment and conservation programming which are organically related to experience in climate programming. Overall, a more tailored accreditation requirement for entities that caters to their existing capacity and experience is required.
- GCF should actively consider countries in the region for providing modalities of direct access beyond institutional accreditation.
- In the funding proposal approval process, especially for single-country projects, GCF should take steps to bring down the transaction costs for entities, especially for GCF's direct access partners. This should involve GCF relying more on national systems and capacities that exist while also taking a more proactive role alongside the entities in the project design process to bridge the gap between GCF's expectations, institutional capacities as they exist in the region and contextual realities in countries.
- In multi-country projects, GCF should devise channels of communication or encourage AEs to do so, during design and implementation to ensure a certain degree of predictability and visibility for NDAs in countries where such projects are expected to be operational.

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

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

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

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

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

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

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

- **Origination with the countries.** The LAC division should actively source entities for partnerships in the region and ensure expeditious access to GCF. This may include a proactive

role and support in the accreditation process and the funding proposal approval process. In doing so the LAC division may have to serve the function of reconciling GCF's own requirements with the contextual realities of the region.

- **Interface with stakeholders.** The LAC division should promote active awareness-raising and relevant information-sharing with stakeholders in the region. In fulfilling such a function, the division should serve as an interlocutor for NDAs, AEs, CSOs and private sector in the region and provide an interface with GCF in the *lingua franca* of the region.
- **Support during implementation.** The LAC division should provide country and project-specific and responsive adaptive management services and implementation support for resolving barriers to effective implementation and achievement of results.

Regional presence. Any future regional presence in LAC should be attuned to and resourced for fulfilling the above-outlined responsibilities, viz. origination with country partners, interface with stakeholders, and support during implementation, in a responsive manner.

MAIN REPORT

Chapter 1. INTRODUCTION AND OBJECTIVES

A. BACKGROUND OF THE EVALUATION

1. The 2024 workplan of the Independent Evaluation Unit (IEU) was approved during the thirty-seventh meeting of the Board (B.37). The workplan lays out the different independent evaluations to be conducted in 2024 (GCF/B.37/21).[1] One of the evaluations to be conducted is the Independent Evaluation of the Relevance and Effectiveness of GCF Investments in the Latin American and Caribbean States. This evaluation serves the functions of accountability, learning and dialogue.

2. The evaluation will be submitted to the Board at the last Board meeting of 2024 and will provide key lessons for Green Climate Fund (GCF) investments in the Latin America and the Caribbean (LAC) region. This evaluation builds on the work of the previous IEU evaluations on small island developing States (SIDS), least developed countries, and the African States. This is the second evaluation focusing on a region of GCF investments after a similar evaluation in Africa (Independent Evaluation Unit, 2023a).

B. OBJECTIVES AND SCOPE OF THE EVALUATION

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

4. Scope of the evaluation: The evaluation assesses the approach and investments of GCF in LAC starting from the inception of GCF, given that this is the first evaluation of GCF investments focusing on the region. To respond to its objectives, this evaluation, inter alia, focuses on GCF Secretariat policies, approaches, tools and capacities deployed in LAC, as well as the contributions of international/regional/national stakeholders and other climate funds/development partners. The evaluation also includes past, current, and upcoming GCF investments in the region and results.

C. METHODOLOGY OF THE EVALUATION

5. **Methodology and evaluation criteria.** The objectives of the evaluation were achieved by using an analytical framework as dictated by GCF evaluation criteria laid out in its evaluation policy (Green Climate Fund, 2021a) as regards the relevance, effectiveness, and efficiency of projects and programmes; coherence in climate finance delivery with other multilateral entities; gender equity; country ownership of projects and programmes (Decision B.04/04) (Green Climate Fund, 2013); paradigm shift towards low-emission and climate-resilient development pathways; replication and scalability; and unexpected and unintended results, both positive and negative. The specific evaluation questions mentioned are also contained in an evaluation matrix contained in Appendix 2 of the approach paper of the evaluation (Independent Evaluation Unit, 2024d).

[1] In addition to this evaluation, IEU will conduct throughout 2024 an Independent Evaluation of the GCF's Approach to Indigenous Peoples, an Independent Evaluation of the Result Area Health, Food and Water Security, and an Independent Evaluation of GCF's Approach to Whistleblowers and Witnesses.

6. **Themes of interest for the evaluation.** In addition to the evaluation questions, the evaluation focused on four areas of analysis which will be answered through the evaluation questions outlined above and in the evaluation matrix in Appendix 2 of the approach paper. These four areas of focus were identified after stakeholder consultations in the inception phase and through discussions within the evaluation team considering the contextual factors.
    - **Relevance of programming**: The evaluation assessed the relevance of GCF programming to country needs, focusing on nationally determined contributions (NDCs) and interviews with national designated authorities (NDAs). It assessed whether GCF focuses on desired themes and sectors, and if it can engage with countries suited to their vulnerability.
    - **Quality of access**: The evaluation assessed GCF's quality of access to climate finance for LAC countries, focusing on its optimized way to facilitate climate programming including the Readiness and Preparatory Support Programme (RPSP) and considering the specificities of single and multi-country programmes, timeliness, predictability, and flexibility of access to resources.
    - **Implementation of GCF investments**: As of B.39, GCF has financed 70 regional projects, with only one project completed at the time of writing this report. The evaluation aims to understand implementation challenges in the LAC portfolio, identifying risks and challenges at design and implementation stages. Understanding project implementation challenges is a precursor to understanding the likelihood of achieving results in a theory-based evaluation.
    - **Institutional capacity and enabling environment**: The evaluation aimed to assess if GCF leverages the region's relatively strong capacity of public institutions, civil society organizations (CSOs), governments, and private sector, and if it fosters an enabling environment for broader impact creation beyond projects/programmes.
7. **Methods.** The methods adopted included theory of change (ToC) analysis, key documents review, portfolio analysis, and key informant interviews/focus groups. Existing evaluative evidence was also drawn from country case studies in the LAC region from past evaluations which were synthesized, and detailed country case studies in five countries (Costa Rica, Dominican Republic, Jamaica, Ecuador, and Argentina) were conducted.
    - ToC analysis in Annex 1 was prepared through the data-collection stage of the evaluation. The evaluation reviewed the key documents from the Board of the GCF, the GCF Secretariat and the United Nations Framework Convention on Climate Change (UNFCCC), NDCs and country programmes, and evaluations and strategies of other climate finance institutions and other development partners. The evaluation also gathered stakeholders' inputs on the GCF approach in the region, including the NDAs, GCF Board members, direct access entities (DAEs), delivery partners, CSOs and Indigenous Peoples (IPs).
    - Portfolio analysis was undertaken on self-reported results data and financial data from GCF monitoring and reporting systems including the RPSP, as well as the data management systems of the Secretariat. The IEU also took a closer look at the risk assessment in funding proposals (FPs) and the implementation issues as identified in annual performance reports (APRs), to understand the risks and challenges of GCF investments in LAC.
    - The IEU had published 16 evaluations as of the time of writing the approach paper of this evaluation in March 2024 (Independent Evaluation Unit, n.d.) and some of these evaluations undertook country case studies in LAC. The evaluation extracted common issues in such case studies pertaining to LAC states and prepared a separate analytical piece for the evaluation, published as a lab report (Independent Evaluation Unit, 2024b). As part of this evaluation,

country case studies were conducted in Argentina, Costa Rica, Dominican Republic, Jamaica, and Ecuador, engaging with NDAs, delivery partners (DPs), accredited entities (AEs), and pipeline AEs. Lastly, the IEU undertook a special study on REDD+2 Results-based payment (RBP) projects in the LAC region. The region has seven out of eight REDD+ RBP projects approved under the GCF REDD+ RBP pilot programme.

8. **Limitations.** In the course of this evaluation, the IEU faced significant challenges in eliciting the cooperation of some stakeholders, especially international accredited entities (IAEs). In addition, another limitation facing the team was that the evaluation had to draw conclusions about GCF investments at the regional level, consisting of 33 countries, by looking at GCF operations in specific countries. This is a common limitation that all regional evaluations face.
9. The IEU dealt with issues of lack of cooperation by collecting complementary information and evidence from associated stakeholders such as executing entities (EEs) working with the AEs. Such input from stakeholders provided a first-hand view of AEs' operations. The IEU dealt with the challenge on generalizing findings across countries by employing multiple sources of data, especially depending on existing data and evidence from other countries. For example, the IEU started the evaluation process by preparing a summary of previous evaluation case studies in the region to create a common baseline of evidence from the region. In addition, the IEU undertook a deliberate strategy of sampling countries for country case studies under this evaluation by including absence of previous case studies in a country as one of the selection criteria. This helped the team maximize the geographic scope of evidence to a wide variety of countries beyond just those being visited by the team. The evaluation also undertook remote interviews with stakeholders in selected countries where the IEU had not planned visits. Through a combination of these methods, the IEU was able to cover 21 out of 33 countries in the region for collecting evidence.

[2] REDD stands for reducing emissions from deforestation and forest degradation.

Chapter 2. RELEVANCE AND VALUE PROPOSITION OF THE GCF

10. This section focuses on analysing the relevance and responsiveness of the GCF to the specific needs and urgency of climate action in the region. It considers the GCF approach for addressing the critical climate change challenges faced by LAC countries and aligning interventions with regional and national priorities and needs. Additionally, it evaluates whether the instruments, modalities, and mechanisms offered by the GCF are in line with the needs and capacities of the region. Finally, it examines whether the GCF effectively provides access to climate finance through relevant channels, according to each country's needs.

A. APPROACH AND VALUE PROPOSITION OF THE GCF

11. **Countries in the region see a clear value proposition of the GCF.** Countries in the region seem to have a clear idea of how they wish to use GCF financing and the value proposition of the institution in the region notwithstanding shortcomings in the operationalization of the same. A significant number of countries in LAC have middle or upper-middle incomes. In principle, this makes them less attractive for international development cooperation; however, these countries exhibit high internal inequalities and high susceptibility to extreme climate events and thus demand access to climate finance just as vigorously as other regions where the GCF operates. The GCF does not come with the limitations that most other multilateral players do when it comes to concessionality or flexibility of instruments that could be deployed. In addition, as compared to other institutions, the GCF has the potential for operationalizing direct access with a wide range of institutions. This is happening in a region where there are a wide range of institutions with potential for collaborating with the GCF. Notwithstanding differences between countries, the region also offers some clear advantages due to the existence of relatively strong institutions, capital markets, and a robust private sector. The GCF therefore represents a unique source of climate finance for the region.
12. **There is no specific approach to GCF investments in the region to build on its value proposition. GCF remains reactive and opportunistic.** Although the LAC region ranks third in the number of projects (70) and in terms of financing volume (USD 3,682 million), the analysis conducted in this evaluation shows that there is no specific GCF investment approach for the region.

Table 2–1. GCF portfolio by region

GCF region	Total number of projects	Total committed GCF funding *USD million (%)*
Africa	108	5,574 (37%)
Asia-Pacific	114	5,216 (35%)
Eastern Europe	15	518 (3%)
Latin America and the Caribbean	70	3,682 (25%)

Source: GCF Tableau server, API data, as of B.39 (19 July 2024). Analysis by the IEU DataLab.
Note: There are some projects which span multiple regions. Hence the total number of projects do not add up to the 270 projects approved by GCF as of B.39.

13. Of the total GCF funding to the Latin America and Caribbean region, about USD 3.682 billion, equivalent to 70 per cent of the total funding, has been allocated to 10 of the 33 countries in the LAC states.[3] However, such concentration is borne out of countries' and the entities' abilities to manoeuvre GCF's processes and reconcile GCF's requirements with national priorities. On a relative basis, in the region, these countries are found to be able to articulate their needs, mobilize relevant information, capacity, entity interest and, resultantly financing from GCF for national climate priorities. However, most countries in the region are capable of clear articulation of their needs and mobilizing relevant capacities.
14. The concentration of funding in certain countries in the region, points to a mix of lack of a more systematic approach to programming which recognizes the existing institutional capacities, vulnerabilities, country needs and ownership and some element of opportunistic programming in countries which are able to programme with GCF. Even though the region has countries with relatively good capacities, there are variations in their understanding of GCF and its requirements and the capacity to fulfil such requirements. This, in turn, leads to some level of concentration of financing in certain countries within the region. To that extent, the concentration signifies a largely reactive approach of GCF in the region with countries able to access and engage GCF depending on their contextual realities. These elements will be explored throughout this report in various chapters.
15. The concentration articulated above is also seen in the programming of REDD+ RBP projects wherein seven out of the eight countries that received the funding were from the region. As detailed in the Special Study on REDD+ Results-Based Payment Projects in the Latin America and Caribbean Region (Independent Evaluation Unit, 2024c), a total of eight FPs have been approved under the REDD+ RBP pilot, one in Asia and the Pacific (Indonesia) and seven in LAC (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, and Paraguay). This has resulted in a total financial disbursement of USD 496.7 million in RBP, of which USD 393 million (79.1 per cent) have been allocated to the LAC region.
16. The concentration of REDD+ RBP programming is because the countries in the region have been able to demonstrate institutional, political, and financial capacity to undertake such programming. This was built over more than a decade of experience with REDD+ projects supported by various entities. This has been covered in much detail in the Special Study on REDD+ Results-Based Payment Projects in the Latin America and Caribbean Region (Independent Evaluation Unit, 2024c).
17. At the intersection of the clarities among countries and within GCF respectively lies the engagement story between GCF and the LAC region. GCF has a structural value proposition in the region in ways that set it apart from most other multilateral sources of financing. However, this value proposition is still not well leveraged by GCF through any systematic approach. That being said, the GCF Secretariat has recently started engaging much earlier in the programming phase and has been keeping track of all GCF investments on a country-by-country basis. As a result, a list of underserved countries has been prepared for use in interactions with external partners and to guide future investments.

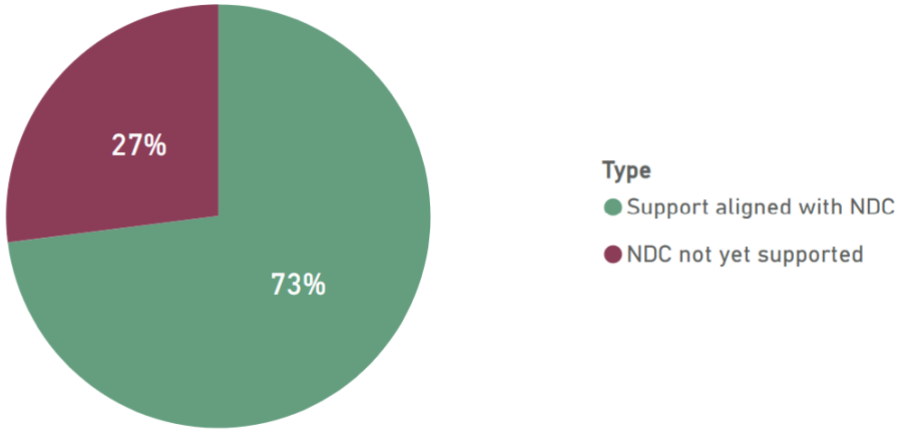
[3] Notwithstanding the fact that about 45 per cent of the funding in the region is channelled through MCPs.

B. GCF's ABILITY TO MEET COUNTRY NEEDS

1. ALIGNMENT WITH NDCs

18. **GCF responds to priorities set out in the NDCs of countries in the region, but the region's financing needs exceed GCF's current financing.** IEU analysis overlaying the GCF result areas financed by each project and the NDC priorities revealed that 73 per cent of all the support areas outlined in NDCs in all countries in the LAC region have been supported so far through GCF financing. Prima facie, this indicates a good degree of GCF support to national climate goals, suggesting that a significant portion of the funding is directed towards areas that countries have identified as priorities for meeting their international emission reduction and climate adaptation commitments. Nearly, 27 per cent of the needs and priorities identified in the NDCs have yet to receive any financial support from the GCF. This finding highlights a gap in the GCF's response to the specific demands of the region's countries. This also highlights that the region's climate finance needs exceed the financing that GCF currently provides to the region.

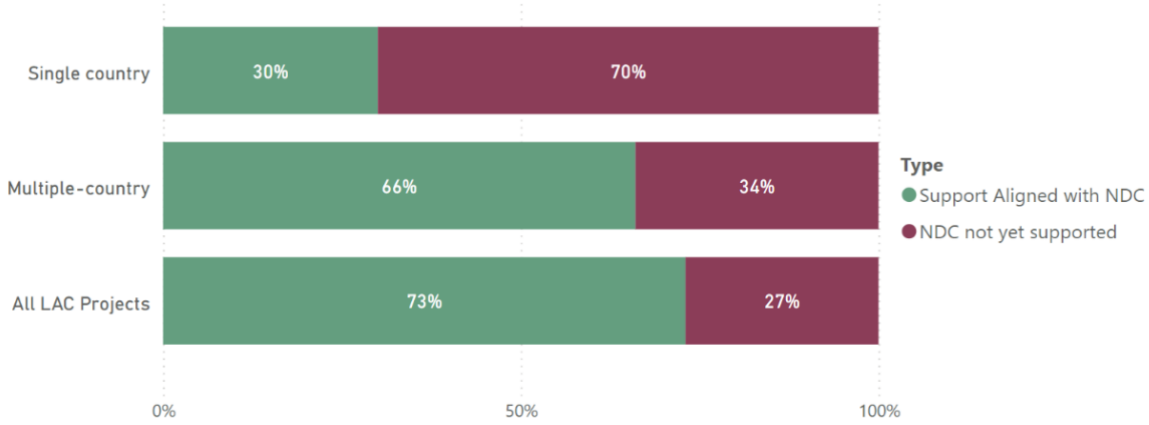
Figure 2–1. Alignment of GCF portfolio with needs identified in the LAC's NDCs



Source: GCF iPMS data, as of B.39 (19 July 2024); WRI Climate Watch 2020 NDC Tracker (updated September 2024). Analysis by the IEU DataLab.

19. **Multi-country projects (MCPs) remain the main vehicle for financing NDC priorities, but they pose challenges for quality of financing for NDCs.** Even where the GCF financing to NDC priority areas has been provided, such assessment prima facie does not account for the quantity and quality of funding which has gone towards such result areas in countries. The above analysis does not consider the modalities, and whether result areas are financed through single-country projects (SCPs) or MCPs, either. MCPs carry their own intricacies with regard to predictability, timeliness and involvement of NDAs, which are covered in detail under Chapter 7. Interestingly, a much higher share of the aggregate priorities of the region, as outlined in the NDCs, are covered through MCPs (66 per cent) as compared to SCPs (30 per cent). Hence, while the aggregate number of priorities financed by GCF are quite high, MCPs remain the principal means of covering them. This has implications for quality of access to finance.

Figure 2–2. Alignment of GCF portfolio with needs identified in the LAC's NDCs



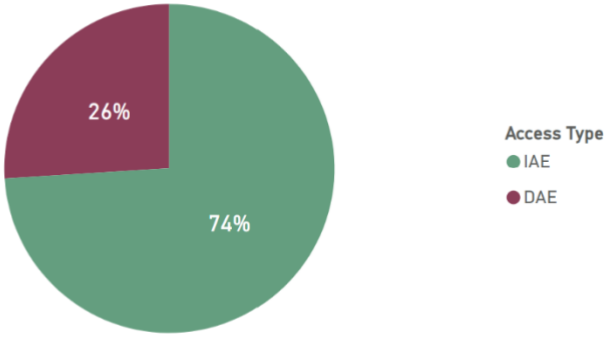
Source: GCF iPMS data, as of B.39 (19 July 2024); WRI Climate Watch 2020 NDC Tracker (updated September 2024). Analysis by the IEU DataLab.

20. NDAs have expressed significant concerns regarding the relevance of MCPs in relation to national priorities. According to them, these projects often demonstrate a lower capacity to align with the specific needs identified in the NDCs of individual countries above. SCPs are overwhelmingly preferred by NDAs in the region, who state that these projects tend to have greater relevance.

2. Direct Access

21. **Direct access is heavily requested as a mode channelling climate finance, but GCF has not yet calibrated itself to fulfil this demand.** The LAC region, in general, presents a capacity and institution-rich environment. The analysis of GCF financing distribution in LAC reveals a reliance on IAEs, which account for 74 per cent of the funds channelled in the region. About 26 per cent of the financing is channelled through DAEs. This skew in favour of IAEs has important implications for the relevance of the GCF's investments in the region.
22. Reliance on IAEs is perceived to lead to a disconnect from specific local needs and limit the ability of projects to adapt to national conditions and priorities, as also highlighted in the Summary of Previous Evaluation Case Studies in LAC (Independent Evaluation Unit, 2024d). Additionally, bureaucratic barriers and cultural differences are said to impact the effectiveness of implementation. The limited involvement of DAEs in programming in the region poses a challenge in terms of local ownership and the development of national capacities. DAEs, especially national entities, are perceived to have a better understanding of local contexts and are expected to ensure that projects are more closely aligned with the specific priorities and needs of the countries. The challenges that DAEs elsewhere face are also faced by DAEs in LAC and most of the reasons are covered in detail under Chapter 4.

Figure 2–3. GCF financing in LAC by entity type



Source: GCF iPMS API data, as of B.39 (19 July 2024). Analysis by the IEU DataLab.

3. PRIVATE SECTOR

23. **GCF programming with the private sector is underdeveloped in engaging with micro-, small- and medium-sized enterprises (MSMEs) despite a robust and progressive local financial sector.** The region has the lowest share of private sector programming among all the GCF regions with only 24 per cent of the total programming pertaining to the private sector as classified by GCF. While ready figures are not available, the share of MSMEs in this programming is even less. This is the case in spite of the fact that the region has a robust and progressive financial sector, with highly advanced banking systems in countries such as Brazil, Mexico, Chile and Colombia, addressing climate change and sustainability with highly skilled asset managers. In addition, MSMEs account for more than 80 per cent of the total employment of most LAC countries. Numerous local financial intermediaries are capable of working with these enterprises. However, a considerable challenge is that banks frequently lack detailed information required by GCF, such as exhaustive emissions reduction calculations or systems to track downstream utilization of proceeds. This lack of detailed data delays and limits MSMEs' access to GCF funds, thus impacting the relevance of GCF financing to this important segment of the private sector. Institutional accreditation remains yet another barrier to engaging financial intermediaries across the region. The GCF financing process is inefficient for small projects that could group MSMEs, and it tends to be too slow and bureaucratic for the private sector's timelines which add to the cost of programming with GCF. This is one important reason why private sector projects focus on large investments with major players.
24. In any case, often the contribution of the private sector is not adequately reflected in projects supporting the public sector. Institutions, such as multilateral development banks (MDBs) and cooperation agencies, operate in the private sector through their specific divisions but also finance small businesses through their public sector divisions using national development banks and local financial intermediaries. Such is the case of the regional electric mobility programme and FP097 and FP174 implemented by the Central American Bank for Economic Integration (CABEI) in Central America, which aim to encourage private sector participation and create a favourable investment environment. Both projects are classified as public sector projects.

C. Access to GCF

1. Country climate vulnerability and instruments

25. **GCF's financing or its terms may not necessarily be attuned towards responding to climate vulnerability and instead depends on the nature of projects themselves.** GCF's financing is expected to respond to the prevailing vulnerabilities in the LAC region. As mentioned earlier, GCF's value proposition is that it does not provide financing by the same metrics as MDBs and other financiers do, but instead has to respond to the existing climate vulnerabilities and climate finance needs in the countries. However, GCF is generally found to be slow in providing access to finance and responding to the region's needs, as will be covered extensively in the chapter on efficiency. This comes out strongly in the qualitative interviews as well as GCF's own databases.
26. Some stakeholders have also mentioned that while GCF is meant to provide concessional financing they have often experienced implicit reluctance on the part of GCF to provide such terms citing the middle-income status of most countries in the region. In addition, as the Summary of Previous Evaluation Case Studies in LAC (Independent Evaluation Unit, 2024d) notes, countries have often felt pushed by GCF to use non-grant instruments. In some cases, this perception was long-standing among entities and pipeline entities. However, it is important to note that the numbers themselves do not bear out any correlation between concessionality, nature of instruments and vulnerability, as defined in the ND-Gain index, at portfolio level.
27. **GCF offers a suite of financing instruments to meet the evolving needs of the countries in the region. However, there is a skew in favour of loans and grants.** Senior loans are the most used instrument in LAC, representing 39 per cent of the approved amount in the region. This suggests a significant inclination towards debt financing, which may reflect a financing strategy aimed at maximizing resource use through relatively accessible and larger-scale debt instruments. Interviewees identify financing volumes, low interest rates, and long terms as the main attributes that differentiate and add value to the GCF compared to other donors. For example, in Costa Rica, GCF financed FP166 "Light Rail Transit for Greater Metropolitan Area" at extremely concessional rates with highly favourable repayment conditions as well. Grants represent 33 per cent of the approved funds in the LAC region, highlighting a significant dependence on non-repayable financial support. This type of financing is crucial for alleviating the economic burden of sustainable climate initiatives, ensuring the implementation of projects that might otherwise face serious financial difficulties.
28. The utilization of RBPs is notably higher in LAC than in other regions, representing 11 per cent of the portfolio in LAC and 1 per cent in other regions, and this is down to LAC's access to REDD+ RBP. The relevance of this financing instrument to the region can be gauged from the overwhelming interest for REDD+ RBP financing from the region. At the time of introduction of the REDD+ RBP pilot programme it was the first such RBP to operationalize jurisdictional REDD+ financing which was in high demand, in many countries in LAC region.

Table 2–2. Degree of utilization of financial instruments in the LAC countries versus other regions

Financial instrument	LAC countries *(USD million)*	Share of total approved financing in LAC *(%)*	Other region *(USD millions)*	Share of total approved financing in other regions *(%)*
Equity	411	11%	1,340	12%
Grants	1,231	33%	4,574	40%
Guarantees	57	2%	330	3%
Reimbursable grants	77	2%	413	4%
RBPs	393	11%	104	1%
Senior loans	1,431	39%	4,092	36%
Subordinated loans	82	2%	457	4%

Source: GCF Tableau server iPMS data, as of B.39 (19 July 2024). Analysis by the IEU DataLab.

29. LAC countries in general and SIDS in the region in particular show reluctance to use debt to finance climate change initiatives. This resistance is partly due to the absolute focus on climate change of GCF-funded projects and, as a matter of principle, countries do not want to take loans for climate-related programming, especially, adaptation programming. In addition, many countries have issues around debt sustainability at the macroeconomic level and taking on more debt for addressing climate change is not aligned to their national priorities.

2. Country readiness needs and RPSP

30. **GCF's readiness financing is generally well appreciated and highly relevant in providing useful financing to countries with much-needed capacity-building for NDAs, and pipeline DAEs.** The RPSP is found to be relevant in the region for the flexibility of objectives towards which it can be deployed. As will be covered in Chapter 4, readiness has been used for purposes ranging from simple NDA capacity-building to strengthening direct access and the greening of financial systems, all of which are or have been priorities for countries in the region at different points in time. In the LAC region, such flexibility holds significance as the region, with its heterogeneity and its clarity around engagement with GCF uses RPSP in line with their diverse range of climate finance needs. In LAC, RPSP is also considered relevant in filling specific gaps in the institutional and policy matrix in the countries. While the region generally has good capacities, policy and regulatory barriers remain one of the main constraints encountered by GCF (as covered in Chapter 4), and the RPSP has a key role to play therein.
31. Stakeholders in the region have expressed uncertainty about the upcoming changes in the readiness modality while also expressing interest in modalities such as "global placement" and the continuous support for direct access foreseen in the new RPSP strategy. In addition, as has been noted in the Independent Evaluation of GCF's Readiness and Preparatory Support Programme, GCF has a delivery partner-centric view of the RPSP, and NDAs in LAC have mentioned instances of many RPSP grant proposals being brought about by DPs themselves with very little involvement of NDAs. Hence, while the RPSP remains a highly relevant financing instrument to help countries with country readiness needs, there are some nuances around new developments and roles that DPs play in interpreting country needs to bring RPSP grant proposals to GCF.

3. EASE OF ACCESS

32. **The physical and institutional set up of GCF makes it difficult to ensure access for the region**. During the evaluation, interviewees highlighted the lengthy accreditation processes for entities and project approvals by the GCF as major issues limiting access to climate financing. The reported causes of hindrances to access included limited information about the Fund's investments, language barriers, insufficient country contextual understanding, and the significant time zone difference between the GCF headquarters in Korea and the Latin American and Caribbean region. While recognizing the valuable role played by the Latin America desk and Caribbean desk of the Division of Country Programming, there is a common refrain among stakeholders that time difference and distance create an inefficiency in terms of collaboration between GCF and its regional stakeholders. Regional presence has been a strong demand of stakeholders in the region. These challenges are discussed in further detail in Chapter 4.

Chapter 3. COHERENCE AND COMPLIMENTARITY

33. This chapter aims to analyse the coherence and complementarity generated by GCF financing in its support to the countries in the region. It evaluates how GCF investments complement public and private investments from other development institutions. Specifically, it evaluates how access to financing and support provided by the GCF compares with other donors targeting climate change mitigation and adaptation. The GCF's Operational Framework for Coherence and Complementarity has the following four pillars:
    - Pillar I: Board-level discussions on fund-to-fund arrangements
    - Pillar II: Enhanced complementarity at the activity level
    - Pillar III: Promotion of coherence at the national programming level
    - Pillar IV: Complementarity at the level of delivery of climate finance through an established dialogue
34. In 2021, Global Environment Facility (GEF) and GCF signed a long-term vision on complementarity (Green Climate Fund and Global Environment Facility, 2021). The vision lays out the existing collaboration between GCF and GEF and the contours of planned areas of collaboration. This includes complementarity through national investment planning; the development of a list of programmes each fund will finance; supporting collaborating financing platforms; information-sharing; the exchange of lessons learned from the portfolio; collaboration on the development of methodologies and guidance at project design to maximize climate impacts; communication and inclusion of long-term vision on complementarity in the respective fund's programming; and collaboration on communications, outreach, and sharing of lessons learned.
35. Given the regional nature of this evaluation, this section will cover coherence and complementarity under pillars II, III and IV in the evaluative part of its content. In addition, wherever required, this chapter will take an expansive view of coherence and complementarity to include any source of climate finance rather than simply looking at the international climate funds such as GEF, Adaptation Fund (AF) and Climate Investment Funds (CIF). In its 2023 guidance to the Board of the GCF, the Conference of Parties (COP) (United Nations Framework Convention on Climate Change, 2023) asked the Board to "continue to enhance coherence and complementarity of the Green Climate Fund with other relevant bilateral, regional and global funding mechanisms and institutions, wherever feasible and to the extent possible, inter alia through joint programmes, outreach, and information-sharing, thereby improving access to climate finance and lowering transaction costs for developing countries". Similar guidance was given during COP 27 through decision 16/CP.27 (United Nations Framework Convention on Climate Change, 2024).

A. ENHANCED COMPLEMENTARITY AT THE ACTIVITY LEVEL

36. **Coherence and complementarity at the activity level is affected by many GCF as well as country-level barriers.** Ensuring coherence and complementarity at the project level is the most operational manner of ensuring the implementation of coherence and complementarity frameworks at the corporate and country levels. However, there are often practical challenges in ensuring coherence and complementarity at the operational levels. In LAC, as in most other regions, coherence and complementarity at project level is dependent on AEs, and to some extent on NDAs.

Among AEs in the region, coherence and complementarity is often framed in terms of sustainability, replication and scaling up. What this implies is that AEs often tend to consider GCF financing to be used sequentially with other sources of climate finance such as GEF and AF to maximize the perceived impacts of programming and avoid duplications between climate finance sources while ensuring replication and scaling up.

37. However, there are a few stated barriers to this manner of coherence and complementarity. Many entities find the processes of climate funds, including GCF, long-winded and unpredictable, and this affects the coherence and complementarity of deploying such financing. Also, as highlighted in the Summary of Previous Evaluation Case Studies in LAC (Independent Evaluation Unit, 2024d), often times, instead of coherence and complementarity, there is competition between different climate funds for the limited number of technical personnel and the limited absorption capacity that a country has. This is also observed in the course of some country case study visits of this evaluation. This is often the result of a lack of existence of coordination mechanisms at national levels to coordinate such efforts. In addition, often the national authorities which coordinate the investment financing decisions of different climate finance institutions sit in different ministries.
38. **In REDD+ RBP projects, excellent coherence and complementarity has been driven through a mix of coordination efforts of NDAs and AEs.** The IEU has examined in-depth in the Special Study on REDD+ Results-Based Payments in Latin America and Caribbean Region (Independent Evaluation Unit, 2024c) for the element of coherence and complementarity. In the REDD+ RBP portfolio, coherence and complementarity has been undertaken in two ways. The first is through the financing of complementary upstream and downstream interventions. Countries have been able to link the funds received through RBP with other financial resources provided by other international and national organizations. For example, in Paraguay, the World Bank's Forest Carbon Partnership Facility (FCPF) provided support between 2017 and 2021 to complete the preparation phase for REDD+ and meet the four pillars of the Warsaw Framework. The project was implemented by United Nations Environment Programme (UNEP) and promoted landscape integrity and sustainable value chains for meat and soy in two key biomes in Paraguay: the Chaco and the Atlantic Forest of Alto Paraná areas, where the REDD+ RBP project operates.
39. A second manner of ensuring such coherence and complementarity is through amplification of resources through co-financing of resources. In Colombia, the funds provided by the GCF are complemented with resources from bilateral support that the country has obtained from Germany, Norway, and the United Kingdom, through the Ministry of Environment and Sustainable Development under the REDD+ Early Movers (REM) – Vision Amazon Programme. In Costa Rica, the synergies and co-financing achieved with the FCPF have allowed the benefits similar to the existing national Payment for Environmental Services (PES) to be delivered to a larger number of people through Contracts for Forest Emission Reductions.
40. **Examples of coherence and complementarity such as those in REDD+ RBP are not captured suitably in GCF's systems.** Countries in the region have mobilized co-financing and parallel financing from climate funds such as GEF and CIF. This has been covered in more detail in the Special Study on REDD+ Results-Based Payments in Latin America and Caribbean Region (Independent Evaluation Unit, 2024c). The REDD+ RBP envelope is an example of where governments have demonstrated the capacity to strategically mobilize co-financing and catalyse action beyond just GCF financing. However, GCF data systems do not capture the co-financing and parallel financing in this case and thus do not reveal the coherence and complementarity reflected in such investments. REDD+ RBP projects also demonstrate an exemplary instance of countries using

financing from sources such as FCPF and GEF in a complementary manner to GCF financing to undertake upstream and downstream activities that enhance their REDD+ programming.

B. Promotion of coherence at the national programming level

1. Role of NDAs in ensuring coherence and complementarity at the national level

41. **NDAs in the Latin America and Caribbean region face limitations in ensuring that projects funded by the GCF effectively align with national climate priorities.** Although projects must align with the needs of the countries since this is a necessary condition for GCF approval, and NDAs must agree with the objectives of the projects, the ability of these projects to address priority needs largely depends on the willingness and capacity of the AEs, who are responsible for formulating them. Some NDAs report that they lack the capacity to ensure that projects address strategic priorities or select the appropriate instruments to tackle specific climate issues. This limitation is largely due to the GCF access mechanism, where AEs submit projects directly to the Fund, requiring only a no-objection letter from the NDAs without a more meaningful involvement of NDAs. As the Summary of Previous Evaluation Case Studies in LAC (Independent Evaluation Unit, 2024d) mentions, NDAs are reduced to a box ticking role.
42. The lack of oversight over the projects implemented in countries limits the NDAs' role in ensuring that GCF-funded initiatives align with national climate and sustainable development strategies. This does not mean that NDAs do not have the means to develop national coordination mechanisms. However, NDAs typically have multiple responsibilities besides managing relationships with GCF. Without active participation in project planning and execution, NDAs have limited opportunities to ensure that GCF investments effectively respond to local priorities and contexts, potentially resulting in less coherence between projects and national policies.
43. **The lack of knowledge about the GCF is also a challenge for NDAs in the region.** Despite the generally good technical and operational capacity of the NDAs, there is a clear gap in understanding the opportunities that the GCF offers to countries and how to deploy the necessary instruments to channel GCF resources effectively. This lack of information distances NDAs from the Fund. Often, this is due to staff turnover in the NDAs and GCF staff, constant changes in GCF processes and procedures, as well as difficulties with GCF terminology, English as the only official language, and time zone differences.
44. **Lack of oversight over MCPs affects NDAs' abilities in ensuring coherence and complementarity.** In MCPs, NDAs have very limited involvement in the project design phase. These projects are largely formulated and designed by IAEs and large regional DAEs with little to no direct contribution from NDAs, and the same extends to the implementation stage as well. This limited role means that NDAs have no significant opportunity to influence the objectives, approaches, and strategies of MCPs from the outset and/or to ensure complementarity with other ongoing initiatives in the country. Hence, even when the intent to undertake any kind of mapping of complementarity exists in NDAs, the opportunities to do so in most MCPs are non-existent.

2. Role of AEs in coherence and complementarity at national level

45. **The region has some interesting examples of AEs attempting to promote coherence and complementarity at national and regional levels**. AEs play a key role in coordinating financing efforts and ensuring that projects align with both national and international strategies and priorities.

46. An important factor in promoting this coherence and complementarity is that many AEs are accredited not only by the GCF but also by other climate funds, such as GEF and AF. This accreditation to multiple funds enables AEs to integrate and coordinate resources from different sources, optimizing fund utilization and ensuring more effective alignment of projects with ongoing policies and strategies. The region has select examples of AEs promoting coherence and complementarity between different sources of climate finance. One such example is elaborated below.

Box 3–1. Amazonia Forever – Inter-American Development Bank

Amazonia Forever serves as an umbrella programme that unites various efforts focused on forest conservation, sustainable resource management, and improving the quality of life for local communities. This holistic approach aims to ensure that all activities and objectives are aligned, promoting a consistent and coordinated vision among the Amazonian countries and the donors financing operations in this region.

The programme integrates resources and support from multiple climate donors, such as the GCF, and other international and regional financial institutions, including the governments of Germany, the Netherlands, Switzerland, United Kingdom, Spain, Israel, Italy, and the Walloon Government. This collaboration among donors allows for the combination of strengths and resources from different entities, maximizing regional impact and avoiding duplication of efforts.

The programme establishes a common platform for the implementation of projects with complementary objectives. For example, while some donors may focus on ecosystem restoration and forest conservation, others may concentrate on developing economic alternatives for local communities. The coordination of these activities ensures that multiple aspects of sustainability are addressed in an integrated manner. GCF's FP173 – Amazon Bioeconomy Fund project – falls under the Amazon Forever umbrella.

Source: Inter-American Development Bank, 2023

47. **AEs have different incentives and motivations which ensure or prevent coherence and complementarity.** Entities in the region initially had extensive experience with GEF, which facilitates coherence and complementarity with other climate funds. However, beyond REDD+ RBP projects, this integration has not always been fully realized. AEs often view the GCF as a tool to scale projects funded by the GEF or the AF. However, the processes of the GCF can sometimes hinder this scaling. In addition, often entities also have their own ideas of how to utilize funding from different climate finance sources and they may not necessarily converge with the idea of coherence and complementarity.

C. Complementarity at the level of delivery of climate finance through an established dialogue

48. **Regional dialogues are highly valued for their potential in ensuring coherence and complementarity.** GCF's regional dialogues play a crucial role by providing a unique platform where AEs, NDAs, and other relevant stakeholders can share information and coordinate efforts. In

a diverse region like LAC, where national priorities and contexts vary significantly, these meetings have the potential to enhance the alignment of investments with both national and regional policies and strategies. GCF's regional dialogues have evolved from the earlier structured dialogues and serve as a platform for stakeholders to facilitate peer-to-peer learning, share experiences and best practices, and identify and develop climate change mitigation and adaptation initiatives. GCF regional desks expressed their desire to organize such dialogues, in person, biennially but the same was interrupted for a significant time due to the COVID-19 pandemic.

49. Participants of the regional dialogue in LAC highlight the importance of these dialogues, noting that they represent one of few opportunities for direct interaction with GCF representatives, in the absence of current regional presence. These meetings allow for the resolution of doubts, clarifications and acceleration of procedures, contributing to more efficient project management. GCF's DAE, IAE partners, DPs, NDAs in the region and civil society partners share a common platform to exchange ideas and promote peer-to-peer learning and exchange, as described by participants.

50. Regional dialogues also offer a valuable space for the exchange of experiences and best practices among LAC countries. By sharing lessons learned and successful approaches, countries have the opportunity to apply this knowledge to their own contexts, improving project effectiveness, avoiding common mistakes and improving complementarity.

51. **The record of establishing newer fora for dialogue and resultant coherence and complementarity remains mixed**. Fora and platforms for dialogue may exist as stand-alone mechanisms or as part of investment under the rubric of funded activities. GCF has numerous regional and global investments (to MCPs) as well as thematic thrusts at the regional level (as in the case of REDD+ RBP) which have potential for regional-level coherence and complementarity and coordination through the establishment of knowledge exchange and learning networks for cross-country complementarity and coherence. However, this has not been exploited to its potential in MCPs. MCPs largely function as a collection of subprojects. This is also true of REDD+ RBP projects which have the potential to establish coherence and complementarity within the portfolio, but they have not leveraged such an opportunity in spite of the region boasting a concentration of such investments.

52. That being said, there are stand-alone examples of entity-level and portfolio-level complementarity driven by AEs through the establishment of regional programmatic umbrellas. The Development Bank of Latin America and the Caribbean (CAF) and the Agence Française de Développement (AFD) together with the Gesellschaft fuer Internationale Zusammenarbeit (GIZ) and the Kreditanstalt für Wiederaufbau have put forward an e-mobility programme to GCF for financing, and Inter-American Development Bank (IADB) has signed a memorandum of understanding to coordinate their Programming and strengthen synergies on respective e-mobility interventions. To that extent, CAF and AFD have recently presented FP195 and FP237, both titled "E-Motion: E-Mobility and Low Carbon Transportation". FP195 by CAF is expected to be operational in Paraguay, Uruguay and Panama while FP237 by AFD is expected to be operational in Argentina, Brazil, Colombia, Costa Rica, Dominican Republic, Mexico and Peru, thus avoiding duplication in countries. Under the e-mobility framework, both entities are expected to collaborate with GIZ (another accredited entity of GCF) for technical assistance. An E-Motion Steering Committee will be constituted for the whole E-motion programme. It will meet at least on a quarterly basis and be responsible for making the strategic decisions required for the execution of the programme (Green Climate Fund, 2022b).

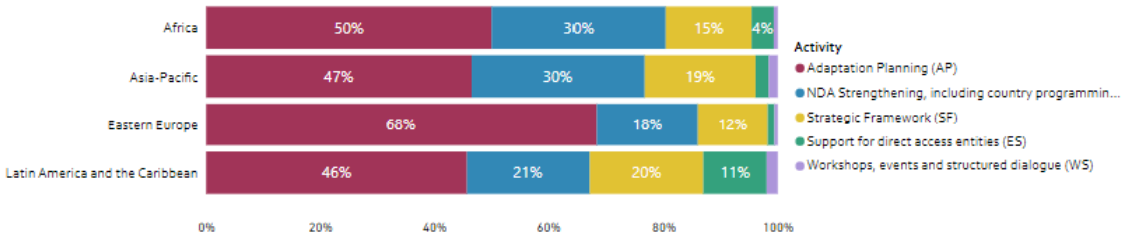
Chapter 4. EFFECTIVENESS AND RESULTS

53. Effectiveness as an evaluation criterion usually looks at outcome level in the results chain. However, outcomes take the entire lifecycle of projects and programmes to manifest and IEU's observation of the results of this portfolio are no different. In addition, only one project has been completed as of the time of writing this report (Green Climate Fund, 2024a). Given the early stage of implementation at which the GCF portfolio is currently situated the IEU has looked at the effectiveness of GCF in the region through a theory-based lens. In such a theory, the IEU has first looked institutional capacity and enabling environment brought about through GCF funding which in turn is expected to lead to catalysing of interest and financing from public and private sector. The climate finance mobilized in turn has to finance climate programming. However, given the early stages of implementation of the portfolio it will be hard to identify substantial results. Hence, the IEU will only elaborate on some initial higher-level results observed in the portfolio in the region. At the same important the IEU will identify the implementation challenges experienced in the process of achieving outcomes and results. Thus, it follows the chain of creating an enabling environment for mobilizing climate finance, actual mobilization of climate finance through GCF and other institutions, achievement of some higher-level results and the implementation challenges in the process of implementation of climate programming using such climate finance, all of which are a precursor to the achievement of outcomes and results. All of this is also reflected in the ToC of the evaluation included in Annex 1.

A. ENABLING ENVIRONMENT AND INSTITUTIONAL CAPACITY FOR MOBILIZING CLIMATE FINANCE

54. GCF is supposed to have a catalytic role in the system and play a critical role in building institutional capacity and an enabling environment. An enabling environment may be created through the RPSP or even funded activities. GCF's RPSP has been deployed heavily in the region to various ends.

Figure 4–1. Financing by objectives of the RPSP



Source: GCF Tableau server iPMS data, as of B.39 (19 July 2024). Analysis by the IEU DataLab.

55. **GCF has invested heavily in the preparation and creation of institutional capacity and an enabling environment for mobilizing climate finance in the LAC states.** GCF has invested nearly 46 per cent of the resources under the RPSP (since inception) on the preparation of national

adaptation plans in the region. This has come through 27 national adaptation plan (NAP) grants provided to 25 countries. NAPs are instrumental and foundational documents which lay out a country-level vision, priorities and pathways for financing adaptation interventions. In some cases (such as Belize and Chile), NAP preparation has been financed more than once since GCF's inception. In terms of supporting the development of strategic frameworks, the RPSP has supported six country programmes as of the time of writing this report, with eight other country programmes in various stages of preparation.[4] While the development of a country programme does not directly lead to mobilization of more financing from GCF, some NDAs expect that preparing a country programme will provide assured access to financing from GCF. Some countries also find that the preparation of country programmes serves as a way to reconcile GCF's strategies and policies and country priorities. This, in turn, supposedly, will have a positive impact on the ability of the country to mobilize climate finance.

56. In the preparation of an enabling environment there are examples of countries having used the RPSP for the preparation of national-level programmes as an umbrella for climate projects, as elaborated in Box 4–1 below. Examples similar to Barbados are also being developed in countries such Saint Lucia and Ecuador through initiatives to support the mobilization of green financing through financial markets and other climate finance actors and to bring about a systemic approach to do so.[5]

Box 4–1. Roof to Reef Programme in Barbados

The Government of Barbados launched the Roof to Reef Programme (R2RP). The R2RP provides the overarching framework that allows the integrated approach to addressing the negative impacts of climate change. The R2RP is the Government's sustainable development model for the next decade and represents the country programme for Barbados. The R2RP serves as an umbrella programme for Barbados' sustainable development projects in which the two GCF projects, Water Sector Resilience Nexus for Sustainability in Barbados (WSRN S-Barbados) and the R's (Reduce, Reuse and Recycle) for Climate Resilience Wastewater Systems in Barbados (3R-CReWS), are nested. The programme will direct all investments in the country primarily towards infrastructure to enhance the country's ability to recover from climatic events.

Source: Comisión Económica para América Latina y el Caribe, 2022

57. GCF has also supported the greening of national-level policies to enable leveraging and crowding in of financing in specific sectors and themes as mentioned in Box 4–2.

Box 4–2. National frameworks for energy-efficient cooling in Brazil

In Brazil, GCF has supported the national framework for leapfrogging to energy-efficient and climate friendly commercial refrigerating appliances. The grant intends to develop minimum energy performance standards (MEPS) in commercial refrigeration. A national implementation framework for MEPS and labels will be developed, also promoting energy efficiency and other low emission aspects in sustainable public procurement. The current monitoring, verification and enforcement activities will be reinforced with trainings, capacity-building and support to implement a product registration system to effectively oversee

[4] Antigua and Barbuda, Belize, Dominica, Jamaica, Saint Kitts and Nevis, and Saint Lucia.
[5] RPSP grant "Mobilizing International Climate Finance and Private Investments for Climate Resilient and Low-Carbon Development" in Ecuador, and RPSP grant "Catalyzing Low-carbon Investment and Mobilizing Finance for Saint Lucia CLIMB-SLU" in Saint Lucia, both grants with GGGI as delivery partner.

products sold in the market. A Policy Working Group will be established along with capacity-building to enable successful planning and implementation by pertinent stakeholders. The primary beneficiary of the readiness support would be the national government staff, namely the Ministry of Mines and Energy, which is responsible for the development and implementation of the national energy policies.

Source: Green Climate Fund, 2020b

58. **The quest for capacity-building for mobilizing climate finance is helped by the existing institutional capacity in the region and countries have taken a systematic approach**. Readiness funding has also been used in the region for the strengthening of NDAs and for financing strategic frameworks (including national policies and strategies). The region is generally characterized by governments which have relatively good capacities. This is reflected in the average governance scores under the ND-GAIN index where in 2021, LAC states had an average score of 0.47 while the rest of the regions had an average score of 0.42 (University of Notre Dame, 2024). The high level of capacity is also reflected in the relatively low share, as compared to other regions, of total share of RPSP financing in the region allocated to objective 1 of capacity-building.[6] As stated in the Summary of Previous Evaluation Case Studies in LAC States (Independent Evaluation Unit, 2024d), even in SIDS the capacity gaps are less about the nature of capacity-building support and more about the limited number of staff available.
59. The first generation of GCF grants in the region were mobilized towards building the capacities of NDAs to engage with the GCF. These grants helped the NDAs understand the procedures and requirements of GCF and developed a basic understanding of structures for mobilizing climate financing in countries. Subsequently, RPSP grants have been invested in building up NAPs, strategies, programmes and enabling direct access.
60. The creation of an enabling environment and institutional capacity for mobilizing climate finance remains an ongoing process. However, the logic of such interventions, including the examples stated above, points to a systematic approach by countries to using the instruments offered by GCF to create an enabling environment. As mentioned in Chapter 2, the countries in the region seem to have clear ideas of how they want to use GCF financing even though GCF itself reciprocally lacks an implicit or explicit approach to such support. Countries such as Ecuador also present cases of an ability to strategically mobilize the RPSP to prepare for future climate finance needs through its RPSP grants. The RPSP grant titled “Creating the enabling conditions for the implementation of the Loss and Damage mechanism in Ecuador” (Green Climate Fund, 2023a), aims to foster the enabling conditions for the Government of Ecuador to set the bases for the implementation of the UNFCCC loss and damage mechanism and benefit from its future implementation.
61. **However, the RPSP has not been uniformly deployed in line with the opportunities that exist in the region and does not always build on the region’s existing capacities.** The orientation to promoting such as enabling environment remains uneven. In many countries, RPSP grants do not take a country-specific view of existing institutional and policy environment. In many countries, grant designs are said to have been copy-pasted and replicated without due regard for baseline conditions or national priorities. There have also been inordinate delays in the implementation of crucial RPSP grants related to NAPs in many countries. NAP grants have been found to be in the implementation phase even 5 years after their approval. Reasons for such delays range from procurement challenges related to DPs, changes in NDA and project personnel, changes in

[6] In Africa 31 per cent of total RPSP financing is directed to objective 1, in Asia 29 per cent.

government priorities and unrealistic implementation schedules which did not consider the time frame required based on the scope of work to be undertaken in such grants.

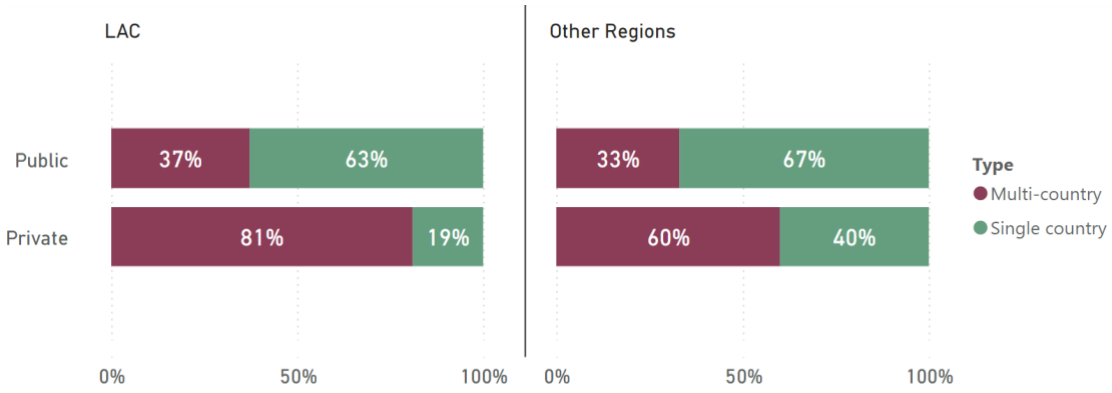
B. ABILITY TO CATALYSE FINANCING FOR CLIMATE PROGRAMMING

62. The ability of GCF to support countries in catalysing climate financing may be through channelling GCF's own financing and or using GCF's own resources to mobilize other sources of financing.

63. **GCF financing for the region flows through a mix of SCPs and MCPs but a large majority of private sector financing flows through MCPs**. As of B.39, of the 70 approved FPs for LAC countries, the public sector dominates with 76 per cent of the FPs.[7] Through these 70 projects GCF has approved USD 3.7 billion worth of financing to LAC countries. A similar share of financing under public projects is made available to LAC countries through SCPs as in other regions. As is covered under Chapter 7, MCPs come with their own sets of challenges and nuances.

64. As mentioned in Chapter 2, there is an overwhelming demand for SCPs from the region. Some 19 out of 33 countries in the region have access to GCF financing through SCPs.[8] SCPs are heavily requested and desired as the main mode of access to the GCF. As can be seen from Figure 4–2, 63 per cent of the financing for public sector projects is directed through SCPs. This share is similar to comparable figures in rest of the world. However, this figure is starkly different for private sector engagement wherein nearly 81 per cent of the financing for private sector projects is directed to the region through MCPs.

Figure 4–2. Share of financing to public and private sector in LAC and other regions



Source: GCF iPMS data, as of B.39 (19 July 2024). Analysis by the IEU DataLab.

65. There are numerous impediments that affect the formulation of SCPs. In private sector projects, MCPs are designed as such to diversify the policy and investment concentration risks of the entities. In both public and private sector projects another major factor leading to MCPs is the transaction costs of preparing a GCF project, as covered under Chapter 7.

66. **RPSP support for programming and access to GCF has not borne results**. The RPSP serves as a crucial source of funding in the region for preparing concept notes (CNs). These CNs are developed by DPs, supposedly in collaboration with NDAs, AEs and/or other stakeholders in the region. In the LAC portfolio, over the duration of RPSP 1.0 and RPSP 2.0, GCF had planned to generate

[7] Of these 70 projects, 14 projects are multi-regional MCPs, meaning they have planned operations over more than one region; 12 projects are MCPs focused exclusively on LAC region; and 44 projects are SCPs.
[8] As of B.39.

numerous CNs. There is general interest in the region for programming with GCF, but its lack of materialization can be seen through the number of CNs planned to be developed through the RPSP and the actual numbers that have materialized. The table below clearly shows that the CNs have failed to materialize at the planned rate. As noted in the Independent Evaluation of GCF's Readiness and Preparatory Support Programme (Independent Evaluation Unit, 2018), CNs do not necessarily signify a realistic chance of programming for a variety of reasons, and these reasons apply to the LAC region as well.[9] The evaluation team has not found any examples of CNs turning into full FPs in the LAC region.

Table 4–1. Readiness and Preparatory Support Programme

Region	RPSP 1.0		RPSP 2.0	
	Number of CNs planned	Number of CNs delivered	Number of CNs planned	Number of CNs delivered
Africa	25	12	42	0
Asia-Pacific	15	3	42	0
Eastern Europe	9	5	13	0
Latin America and the Caribbean	34	4	16	3

Source: GCF Tableau server Readiness Result Management Framework database, 1 April 2024. Analysis by the IEU DataLab.

67. **Direct access has not fructified in a materially different manner in LAC in spite of strong interest and investment from countries in the region and strong institutional capacities that exist therein.** Direct access remains another crucial and much-demanded channel for accessing financing in the region. The evaluation team, in its interviews, noted very strong interest from countries in ensuring flow of financing to the region through direct access. This is reflected in the region using nearly 11 per cent of its approved RPSP financing in total to support DAEs in the accreditation process and programming by DAEs.

68. Despite such interest, the region has only 25 out of the 87 DAEs that GCF has accredited as of B.39. More importantly, only seven out of the 25 entities had a project with GCF as of B.38. The notable feature is the predominance of regional DAEs (CABEI, CAF, Caribbean Community Climate Change Centre [CCCCC] and Fundación Avina) in the portfolio which have 12 out of the 17 DAE projects in the region as of B.38. The region is unique in its presence of numerous such regional entities which have the capacity and history of working in the region and mobilizing development and climate financing. Other examples of such institutions in the region are the Caribbean Development Bank (CDB), and the Inter-American Institute for Cooperation in Agriculture (IICA).

69. **The intent and capacity in the region are still not reflected in the ease of access to GCF**. With variations across countries, overall, the region is characterized by a strong set of institutions both in

[9] RPSP grant closure has often preceded the submission of CNs where they have indeed materialized, so tracking this indicator is particularly challenging. The extent of handoff from RPSP-supported CNs to Project Preparation Facility supported FPs cannot be ascertained with any measure of certainty. Significant barriers persist in tracking the achievement of such outcomes across the portfolio. NDAs/focal points and steering committees have had relatively little oversight in the development of CNs by DPs or DAEs, which has seen heavy reliance on the use of consultants. Challenges in the development of CNs, particularly in meeting quality standards are also noted. The length of RPSP support is perceived as inadequate to span from ideation to approval. Larger GCF processes are also observed to impede the extent to which CNs are approved in a timely manner and moved through the subsequent phase until they reach approval as a funded project. These include an adjudication approach centred on climate rationale, a finite institutional capacity at GCF to process projects for Board approval, and the presence within GCF of drivers that favour the deployment of international AEs, impact investment funds and the packaging of multi-country financing initiatives.

the public and private sectors. The institutions have a long history of implementing climate programming with GEF funding.[10] The region's experience and legacy in climate programming is also reflected in the ability of countries to access REDD+ RBP funding and build the necessary institutional and policy environment to manage such programming at the national and subnational levels. The examples of strategic use of RPSP grants, as covered earlier in this chapter point towards a good level of capacity within the governments and NDAs in the region. Lastly, the IEU's analysis of GCF's FPs and APRs reveals that the capacity challenges at AE level, EE level or with implementing entities is not as prevalent as GCF expects at the FP design stage. This is covered in detail later in this chapter.

70. **Access to GCF finance is not commensurate to the capacity and intent of NDAs, governments and AEs in the region nor is it commensurate to the perceived value proposition and potential of GCF in the region.** In spite of the high institutional capacity, access to GCF remains problematic due to a variety of factors with some major factors outlined below.

- **Language barrier.** Most countries in the region use one of Spanish, English, Portuguese and French as their *lingua franca*, with Spanish being the working language in the greatest number of countries. The institutions in the region, while possessing the capacity to undertake climate programming, are still not fully accustomed to working in English as the only language of communication. This hinders institutions at the accreditation stage where entities have uniformly quoted requiring upward of USD 70,000 just to translate numerous documents for the accreditation process. The language barrier also manifests itself at the project design stage when project design requires intensive engagement between the AE and the GCF Secretariat, while all the downstream work has to be carried out in the *lingua franca* of the country. This increases the transaction costs of programming with GCF and negates the otherwise high capacity in climate programming. DAEs and IAEs alike have quoted between USD 300,000 and USD 500,000 as preparation costs for project preparation.
- **Distance and inaccessibility.** A commonly encountered challenge in the region as elaborated by the stakeholders is the physical distance between the region and the GCF. The distance manifests in the time difference between Korea and countries in the region, which leads to suboptimal communication which in turn, according to stakeholders, affects accreditation as well as potential programming in the region. The physical distance also manifests in a metaphorical sense where the countries, AEs and DPs alike find it hard to locate the right source of information for a given purpose in the Secretariat. Much more importantly, combined with the language challenges outlined, the metaphorical distance manifests in lack of understanding in countries on GCF's requirements for accreditation as well as programming. GCF communicates its expectations and requirements through manuals, guides and checklists, most of which are often in English. As one stakeholder told GCF "*La jerga que habla el GCF y el lenguaje que entienden los países son muy diferentes,*" which, in English means that the jargon the GCF speaks and the language that countries understand are very different. This combined with the inaccessibility of GCF in the region poses a challenge for enabling access to climate finance.
- **Lack of contextual information and incorporation.** Stakeholders have reported that the physical absence of GCF from the region, combined with a perceived lack of a sufficient number of Secretariat staff with experience and knowledge of the region makes programming with GCF challenging, manifesting in the need for multiple iterations of project design and

[10] While GEF has only 18 AEs to date they have implemented projects in the region with many national entities as partners.

constant negotiations in the project approval process combined with inflexibility to consider partners' contextual knowledge. As one stakeholder mentioned "GCF does not trust its partners' knowledge. It considers the relationship as that of patron and client instead of a relationship of equals."

- **Repetition and inconsistency of the GCF review process.** As has been noted in many past IEU evaluations, the constant turnover in the GCF Secretariat leads to a multiplicity of task managers, and to inconsistency in the nature of comments provided by task managers. Many times, the comments are the opposite of those provided by previous task managers and thus lead to either changes in FPs or repeated justifications from the AE in response to the task manager's comments.

71. **The disparity between the region's capacity and lack of commensurate programming also has to do with the gap between the way institutional capacity is understood by GCF, the proxy indicators used by GCF for institutional capacity, and the capacity in the form that it exists in the region and is understood by stakeholders therein**. As the Independent Synthesis of Direct Access in the Green Climate Fund states (Independent Evaluation Unit, 2023a), only those entities which are able to absorb the transaction costs of engaging with GCF are able to access it. This remains equally true of the LAC region as well. Access to GCF follows a checklist and compliance-oriented approach. Sometimes, the contours of such compliance are a bit more clearly defined as in the case of accreditation, although, this information may not be understood by stakeholders in the region in the intended manner. At other times, the contours of such compliance are more specific to the situation and Secretariat staff involved, as in the case of the FP review process, where the nature of comments that the AEs are expected to "comply with" depend on, inter alia, the consistency of Secretariat comments, the task manager's understanding of the context, and the AE's own preparedness and ability to be flexible in light of GCF processes and requirements. On the other hand, institutions in many countries in the region possess experience in operationally channelling and implementing project activities, without prejudice to the fact that specific institutional capacity challenges may still exist. Thus, there is a gap between capacities that entities in the region possess and the parameters that GCF generally uses to assess the capacity of institutions, which are more compliance-oriented and fiduciary in nature.

C. Role in catalysing stakeholder interest and climate finance beyond own financing

72. GCF's potential role in mobilizing and crowding in climate finance in the region is well recognized and appreciated. GCF has numerous ways of mobilizing financing through which it could fulfil such a role. It could do so by mobilizing co-financing through its own projects, catalysing parallel financing by incentivizing other actors to crowd in.

1. Involvement of the private sector in programming

73. **Private sector engagement is embedded heavily in the public sector programming of the region, but such engagement is not well recognized in GCF systems and documentation**. LAC is characterized by a strong private sector, with most of it being in the form of MSMEs in addition to generally well-established financial institutions, sometimes with presence in more than one country, and the presence of numerous regional and subregional multilateral financial institutions such as IADB, CAF, CABEI, and CDB. This provides an environment ripe for private sector

programming in the region. GCF's programming tagged as "private sector" has largely taken place through MCPs. As of B.39, only seven of the 27 projects tagged as private sector on the GCF website were SCPs (Green Climate Fund, 2024b), with all of such financing channelled through IAEs.

74. However, the evaluation team finds that understanding GCF's potential role in involving the private sector in the region only through projects tagged as "private sector" would be an underestimation of private sector involvement in the programming. Large parts of the public sector portfolio involve significant interface with the private sector. Such interface is again a testimony to the existence of a vibrant private sector in the region at large.

Box 4–3. E-mobility Program for Sustainable Cities in LAC

FP189 titled "E-mobility Program for Sustainable Cities in Latin America and the Caribbean" is a major MCP which intends to work in the field of e-mobility in Barbados, Chile, Colombia, Costa Rica, Dominican Republic, Jamaica, Panama, Paraguay and Uruguay. Component 3 of the project "Electrified integrated urban mobility" is the largest component and works on electrifying the bus fleets of public transportation systems in select cities across listed countries. Urban public transportation in LAC is heavily dependent on private concessionaires who are awarded routes for operating and are regulated in accordance with public regulation (examples are San Jose, Costa Rica and Santo Domingo, Dominican Republic). In addition, there is a heavy prevalence of informal operators who operate outside the purview of regulation. Thus, this project is expected to work with private concessionaires to help them upgrade their fleets.

Source: Green Climate Fund, 2022b

75. Examples similar to the case laid out in Box 4–3 above with an indirect yet substantive involvement of the private sector can also be seen in many other projects in the region, such as FP195 "E-Mobility and Low Carbon Transportation", FP166 "Light Rail Transit for Greater Metropolitan Area" (Costa Rica), and FP64 "Promoting risk mitigation instruments and finance for renewable energy and energy efficiency investments" (Argentina). However, the recognition of such downstream engagement of the private sector in the region and the vibrancy of the local private sector ecosystem still does not fully exist, in GCF. To that extent, the division between public and private sector programming in GCF is not apt in describing the actual involvement of private sector.
76. Such programming points to a positive aspect of mobilization and engagement of private sector interest and financing through projects where it may not be obvious or captured in GCF's data systems. This is because in most of the projects where the private sector is engaged through public projects, the private players bring in substantial capital of their own, thus catalysing private sector finance. It also points to a modality of engagement where, while the public sector might assume many of the risks, the projects also strive to mobilize private sector financing, many times further downstream.
77. **GCF's engagement with MSMEs remains inadequate due to an inability to sufficiently engage national financial intermediaries**. GCF has also not found a systematic manner to engage with MSMEs in the region. The region has an abundance of MSMEs, and they drive the economies of most countries in the region. However, not many of the public or private sector projects have been able to explicitly engage the MSMEs. Given GCF's second-level due diligence role, national financial intermediaries remain the main conduit for engaging the local private sector and MSMEs (Independent Evaluation Unit, 2021b). However, in the current programming, engagement with such national financial intermediaries is not undertaken in a systematic manner. In cases where such

engagement takes place, it happens through MCPs and through IAE projects which, to some extent, bring in a different set of challenges. For example, MCPs are found to impose a uniform set of requirements without tailoring initiatives to national and contextual realities, as outlined in the Summary of Previous Evaluation Case Studies in LAC (Independent Evaluation Unit, 2024d) and under Chapter 3.

78. GCF's own list of AEs in the region contains numerous financial intermediaries and financial institutions such as Banco Nacional de Desenvolvimento Econômico e Social (BNDES) in Brazil, Development Bank of Jamaica (DBJ), Banco de Comercio Exterior de Colombia S.A, as some of the institutions being accredited more recently. While these entities may be well suited, the structural barriers to programming with GCF, the cost of programming and the lack of presence of such institutions in GCF's AE pool in most countries in the region also preclude such programming. This leads to IAE-heavy programming and MCPs which also lead to suboptimal engagement with national financial intermediaries and, consequently, with MSMEs.

79. **There is little awareness of GCF in the private sector in the region**. The awareness of GCF as an entity in the region is low in the local private sector. Local private sector entities and financial sectors which do have the awareness are also hampered by the lack of a ready source of information on GCF when seeking clarity about modalities of engaging with GCF. Even while this is a role to be fulfilled by NDAs, they themselves do not possess the requisite information or capacity to play such a role. This has been found to be equally true of private sector entities which are in the pipeline. Such entities lack awareness of the range of engagement that they can undertake with GCF and often complain about a lack of a specific focal point to speak to on an ongoing basis.

80. **GCF's processes deter existing AEs capable of engaging with the private sector from engaging with GCF**. Existing national and regional AEs which can undertake new private sector programming are found to be hesitant to do so given their past experience with GCF's slow processes or the prevailing reputation of GCF as a slow institution. Stakeholders have expressed that they find GCF to be slow and not suited to the dynamic nature of private markets in the region. A big, established development bank DAE in the region mentioned they do not intend to undertake any programming with GCF given its reputation as a slow institution. All of the above mean that GCF has still not reached the full potential to catalyse private sector financing at national level in many countries in the region.

2. CATALYSING PARTNERSHIPS

81. **Given the generally well-developed institutions in the region, there is scope for catalysing partnerships and financing at the regional level.** The region has a heavy presence of MCPs which have their nuances in engaging with countries, as laid out in Chapter 7. However, the MCPs do not always look at their downstream activities in a programmatic manner. Instead, downstream activities tend to look at projects more on a country-by-country or subproject by subproject basis. This is also true of the REDD+ RBP programme where seven out of eight projects under the pilot programme were financed in the LAC region. However, there was no regional level partnership promoted between the different projects for mobilization and exchange of lessons and knowledge. That being said, the IEU has also found some cases where a GCF project represents the first opportunity in the country where different stakeholders have been brought together to collaborate and hold the potential to mobilize financing at a national level. Examples include GCF adaptation projects like FP056 Scaling up climate resilient water management practices for vulnerable communities in La Mojana, which open doors to unlocking finance from other sources of funds. This creates an enabling environment for deforestation free models and other projects, such as the private sector

coming into the game as real partners (BANECUADOR, Lavazza) and other partners (like CAF or International Fund for Agriculture Development).

D. DEMONSTRATING POTENTIAL FOR HIGHER LEVEL RESULTS

82. **GCF's scale lends positively to achieving higher level results.** The GCF is the climate fund that finances the largest-scale projects in the region. On average, MCPs receive funding of USD 62.6 million, while SCPs receive an average of USD 44.1 million. The scale of the projects financed by the GCF significantly amplifies their potential to achieve the expected higher-level results in several ways.

83. Projects implemented at a national or regional scale have the potential to impact a larger number of people and communities. This expanded impact means that the benefits of the project, such as the reduction of greenhouse gas emissions or the enhancement of climate resilience, extend to a greater number of beneficiaries. Additionally, implementing projects on a large scale can create a positive network effect, where the changes made in one area or sector spread to other sectors and regions, generating a multiplier effect that enhances the project's overall results beyond the immediate remit of the project. There are a few examples of such higher-level results seen emerging in the LAC portfolio.

Box 4–4. FP017 – Atacama Solar Project

In the case of the Atacama Solar Project, approved in 2016, the project's role was significant in demonstrating that the private sector could access long-term resources, which could in turn facilitate the financial viability of solar and photovoltaic projects. Total financing of USD 181 million consisting of USD 39 million in financing from GCF, was channelled through CAF to lend to private solar project developers.

CAF and GCF intervened with a 20-year financing term to demonstrate lending for private sector solar projects, with foreseen co-financing from local private banks. Based on the experience of this project, local commercial banks have replicated these conditions and have begun offering similar terms and rates. This 143-megawatt (MW) project triggered a change in market conditions and financing practices. Thanks to this initial boost, installed capacity in Chile has significantly increased, now reaching 3,000 MW. Thus, the project played a role of sending a signal for a systemic change in an otherwise highly developed Chilean banking system.

Source: Green Climate Fund, 2024a

Box 4–5. Costa Rica REDD+ Results-Based Payments for 2014 and 2015

A clear example with impact is the project FP144 "Costa Rica REDD+ Results-Based Payments for 2014 and 2015". In this project, GCF has provided USD 54.1 million under the REDD+ RBP pilot to support the implementation of part of Costa Rica's National REDD+ Strategy. This amount is nearly double the annual operating budget of the National Forestry Financing Fund (abbreviated as FONAFIFO in Spanish), highlighting the magnitude and significant scope of this initiative, which will be carried out over four years.

The project strengthens the existing PES scheme by incorporating significant improvements and expansions. Among the measures adopted are the inclusion of more rural women, youth, and small-scale farmers in the PES programme. Additionally, a culturally adapted special modality of Payments for Environmental Services, known as the Environmental and Territorial Forest Plan (or by its Spanish

abbreviation PAFT), has been developed for indigenous territories. This project works with the 24 indigenous territories of the country to create plans that reflect their specific interests and needs, ensuring national coverage and completing a process that began in 2009 with the National REDD+ Strategy. PAFTs are expected to be used by the Ministry of National Planning and Economic Policy (known by its Spanish acronym MIDEPLAN). The project is also being used strategically by the country to strengthen national systems and leverage sources of financing such as the LEAF Coalition in the future.

Source: Green Climate Fund, 2020a

84. **The ability of GCF to finance at scale is also what drives the ability to finance interventions at national or regional scale, which in turn bodes positively for achieving higher-level results**. GCF also possesses the ability to finance projects at scale and on highly concessional terms in countries irrespective of their income levels. This makes it particularly suitable for bringing about higher-level results in the region which is full of middle-income countries with little scope to leverage many other sources of multilateral financing. GCF's financing of FP166 "Light Rail Transit for Greater Metropolitan Area", which finances a fundamental overhaul in the public transport system of the capital of Costa Rica, an upper middle-income country in the region, on highly concessional terms, is an example of such potential. Stakeholders in the country have spoken of this project in similar ways of possibly providing signal for other actors to also invest in the electrification of the transport sector in Costa Rica at large.
85. Similarly, GCF is also investing heavily to bring about the electrification of the transportation sector at the regional level. The e-mobility programme covered in the chapter on coherence and complementarity wherein GCF financed multiple prongs of a regional, umbrella programme on e-mobility is a prime example of the potential that GCF holds in bringing about impact and higher-level results at the regional level. However, regardless of all this financing at scale, to bring about impact requires a full set of assumptions relating to, inter alia, alignment with national policies, country ownership, timeliness of access for countries and timeliness of project progress. This cannot be considered as a given in many countries in the region.
86. **The RPSP portfolio in the region has some promising results but has not been able to leverage its full potential**. As will be covered in the next section of this chapter, one of the region's main challenges pertains to policy and regulatory barriers, ahead of institutional capacity, and hence, a country-centric view of the RPSP would seek to address these barriers more effectively. Addressing policy and regulatory barriers is also an opportunity, as addressing such challenges can also potentially have systemic impacts. Thus, building higher-level results and addressing policy and regulatory barriers merits an intensely country-centric view of country needs to ensure fulfilment of such gaps in a timely manner. However, readiness, until the RPSP 2.0 period, had a highly DP-centric view. That being said, there are certain examples of the RPSP moving towards achieving higher level results in countries, with one example being the Dominican Republic. Similar examples of preparatory work for mobilizing climate finance, especially the development and/or updating of national-level taxonomies, have also been undertaken by Saint Lucia, Costa Rica and Panama, and are at various stages of implementation.

Box 4–6. Global Green Growth Institute sustainable finance activities in Dominican Republic

Global Green Growth Institute (GGGI) sustainable finance activities include implementing a GCF-funded programme titled "Mobilizing International Climate Finance and Private Sector Investments for Low

Carbon Development in the Dominican Republic", launched in 2022. This programme plays a crucial role in the Government's climate change strategy and is designed to shape the country's climate finance landscape for the coming decades through the following actions:

- Development of the Dominican Republic's National Climate Finance Strategy.
- Support for the accreditation of two candidate DAEs to the GCF and the establishment, operationalization, and capitalization of a national financing vehicle.
- Greening the Dominican Republic's capital market and banking sector by promoting the expansion of green bond issuances and green credit programmes.
- Strengthening the resilience of critical infrastructure through climate-smart public-private partnerships.
- Development and implementation of the country's first Green Vocational Education and Training Strategy and programme with the goal of creating 436,065 new green jobs by 2026.

As of the time of writing this report, the Dominican Republic had issued its first green bonds in financial markets with the support of the RPSP grant.

Source: Global Green Growth Institute (2024)

E. CHALLENGES IN THE DESIGN AND IMPLEMENTATION PHASE PORTFOLIO IN LAC

87. This analysis was undertaken by analysing the FPs and APRs of projects in LAC. This includes 32 SCPs and MCPs in LAC.[11] For APRs, all such reports available for projects reporting for the period 2018–2022 are used for the analysis while with regard to FPs, all the projects whose APRs have been analysed have been considered for the analysis, to facilitate a direct comparison. The IEU classified the risks identified in FPs and the implementation challenges identified in the APRs under numerous categories. The categorization was created by the IEU based on an iterative process of review of FPs and APRs and thus, the classification is different from the default classification of implementation challenges that are stated in section 2.6 of the APRs. The IEU has also reclassified the challenges contained in the APRs so that the challenges can be reported by the root causes, to the extent that they can be deduced from the narrative in the APRs, instead of categories which signify consequences of the root causes. The same categorization has been applied to risks identified in FPs as well. An example of such reclassification is an implementation challenge in section 2.6 of an APR of a project from 2021 which reads as follows, "Delays on the part of the electricity distributors to follow up on the request for connection to the grid requested by the generation companies." This is classified as an operational challenge but has been reclassified as an institutional capacity challenge given the root cause is the inefficient procedures and capacities of electricity distributors. The categorization of risks identified at FP stage and the challenges as they occur at implementation are explained in the metadata in Annex 2. The reclassification of risks at design stage and challenges at implementation stage was also undertaken to bring some level of harmonization between the risks and implementation challenges, as no common framework of classification currently exists between these two documents (FPs and APRs).
88. The categorization of risks and challenges are operational, and include COVID-19, policy and regulatory barriers, institutional capacity (AE, EE or implementing entity), safeguard and gender, political, financial (project level), technical, financial (macro), external environmental factors and

[11] Only MCPs operational in countries in the LAC region are considered for this exercise.

GCF. The analysis in this chapter also captures the degree of impact that the challenge has on the implementation of the project and whether the challenge was resolved in a given year or carried over to the following year.

89. There are some limitations to this analysis. First, the IEU is only able to capture implementation challenges which are laid out in APRs and has no way of capturing those challenges which may exist but are not reported by AEs. Second, in the database created by the IEU there is inevitable variability in the number of challenges reported under different projects in APRs. Some projects have reported many more challenges than others. This may not just mean that a project is necessarily more problematic but also that the project team is much more detail-oriented and forthcoming. Another explanation is also that given the limited progress of the portfolio the older projects have a greater number of APRs included in the cohort for this analysis and thus represent a higher share of aggregate number of challenges at the regional level. The primary manner in which these limitations have been addressed is by triangulating the insights derived from this analysis. The main challenges identified in the APRs are also those that have been mentioned by stakeholders in qualitative interviews. These have also been validated through the expert knowledge of the consultants from the region hired by the IEU for this evaluation.

Table 4–2. Challenges reported in APRs of LAC projects over the period 2018–2022

Challenge cause	Number of reported challenges 2018–2022
Operational	75
COVID-19	68
Policy and regulatory barriers	41
Capacity (of AE, EE, or implementing partners in country)	35
Safeguards and gender	31
Political	22
Financial (project level)	12
Technical	8
Financial (macro)	8
External environmental factors	3
GCF	3
Total	**306**

Source: GCF APR data, as of 28 June 2024. Analysis by the IEU DataLab.

1. Operational challenges

90. **Operational challenges might be routine challenges faced by projects on a day-to-day basis but by virtue of their wide prevalence they do have a significant impact on project implementation.** As can be seen in the table above, in the projects, operational challenges are the most prevalent in LAC for the period 2018–2022. Operational challenges refer to challenges such as procurement delays and contracting challenges, supply chain disruptions (local and global), operational inefficiencies and poorly defined processes, internal staff changes and recruitment difficulties. These are challenges that projects face in the normal course of project implementation. Some examples of such challenges reported by projects are:

- Few local financial institutions are interested in rediscounting the EEs' credit line with small and medium-sized enterprises.
- The market of service providers that meet the requirements requested by the project is limited. This implies orienting the awarded companies to incorporate a comprehensive approach, focusing on socio-environmental aspects, in accordance with the innovation proposed by the project.

91. However, just because these challenges are routine, day-to-day challenges, does not mean they have less impact on project implementation. About 25 per cent of the operational challenges are reported to have a high impact on project implementation while 47 per cent of the operational challenges reported in APRs are reported to have medium impact. Interestingly, two-thirds of the challenges reported under operational challenges are not resolved in the year when they are reported and require a longer duration to resolve.[12] The high prevalence of operational challenges points to the need for a responsive adaptive management system which can address issues, howsoever significant or otherwise, as they emerge.

2. COVID-19 RELATED CHALLENGES

92. **Implementation challenges as a consequence of COVID-19 continued to show effects as late as the end of 2022.** As can be seen in Table 4–2 above, COVID-19 related challenges were the second most frequently encountered. COVID-19 related challenges manifest in different forms. Two examples of the challenges noted under COVID-19 related challenges are:
    - Throughout the Caribbean, shipping delays and commodity prices have increased significantly since the onset of the COVID-19 pandemic. These have already negatively affected the implementation activities in outputs 2, 3 and 4 in the country and will eventually affect project implementation activities in all participating countries.
    - The hotel sector was especially affected by the COVID-19 pandemic. As a result of the lockdown, all hotels experienced a financial crisis, which complicates monetary participation. The running costs of hotels and guest houses, including staff salaries, are competing with hotel budgets for infrastructure maintenance and refurbishment of water supply systems and water efficiency.
93. **The challenges related to supply chain disruptions, inflation and logistical hindrances have a substantial impact on the implementation of projects.** Predictably, nearly 30 per cent of the challenges mentioned in the APRs pertaining to COVID-19 were reported to have a high impact on implementation, while 47 per cent of the COVID-19 related challenges are reported to have medium impact on implementation. A little over half of the challenges reported under COVID-19 were not resolved in the year they were reported and required a longer duration to resolve.[13] This points to the possibility that as COVID-19 progressed institutions learned to deal with the consequences on an ongoing basis. For example, FP097 "Productive Investment Initiative for Adaptation to Climate Change" (CAMBIO II) was approved in October 2018 and became effective in September 2019. However, in the course of data-collection for this evaluation it was found that as of June 2024 full-fledged operationalization in individual countries was just about to begin with first disbursements being channelized to El Salvador, among the seven planned countries of operations and local stakeholder workshops being undertaking in others. Local stakeholder consultations and baseline

[12] 60 out of 75 challenges reported mentioned whether the challenge had been resolved as of the time of reporting for the particular year.
[13] 48 out of 68 challenges reported had stated whether the challenge had been resolved as of the time of reporting for the particular year.

studies were delayed on account of COVID. Once COVID restrictions were lifted it took more than a year to start up the activities and set the implementation in motion.

3. Policy and regulatory barriers

94. **Policy and regulatory challenges rank as the third most prevalent implementation challenge in the portfolio and these challenges have a high level of impact on project implementation.** About 13 per cent of all the challenges pertain to policy and regulatory barriers. Such challenges have to do with policies and procedures at the national and subnational level (including in relevant ministries) hindering the implementation of projects. A little over half of the challenges reported under policy and regulatory barriers are expected to have a high impact on the implementation of projects while 27 per cent of the challenges are expected to have a medium impact on implementation. Given the gravity of policy and regulatory challenges for any project in general, nearly three-quarters of the challenges under this category remained unresolved in the year they were reported.[14] Some of the examples of the nature of challenges under policy and regulatory barriers are:

- The new government plans to reform the regulation system for public utilities. This delays the creation of the project management unit.
- Competition with subsidized agricultural credit in the target countries.

95. Resolving policy and regulatory barriers also requires the flexible, opportunistic and timely deployment of different instruments and resources to address them in a timely manner. Typically, instruments such as the RPSP have a role to play in undertaking policy and regulatory strengthening initiatives. However, the process-driven nature of GCF's adaptive management processes result in long timelines for resolution and pose challenges for addressing such issues.

4. Capacity (of AE, EE or implementing partners in country)

96. **Capacity challenges exist to a lower degree than expected in the portfolio of projects under implementation**. Surprisingly, the capacity challenges of institutions rank as only the fourth most common in the portfolio under implementation in the region. As will be discussed later in this chapter, the Secretariat's expectations at the appraisal stage of the prevalence of capacity challenges is much higher compared to the actual manifestation of the challenge at the implementation stage. However, this finding also further validates the point made earlier in this chapter on the presence of relatively strong institutions in the region which can implement projects and have a history of implementing climate programming. Half of the challenges reported under this category are expected to have a high impact on implementation, while another 23 per cent of the challenges are expected to have medium impact on implementation. Expectedly, given the structural nature of institutional capacity challenges in general, over three-quarters of the challenges are not resolved in the year when they are reported, just as in the case of policy and regulatory barriers. Institutional capacity challenges require sustained engagement and close-ended support to resolve them. In the LAC region, usually, institutional capacity challenges manifest in the form of gaps in specific parts of relevant institutions rather than absence of institutions altogether. Some of the examples of the nature of challenges under capacity are:

- The lack of knowledge of the REDD+ RBP concept has caused misunderstandings about the objectives of the project and the use of GCF proceeds.

[14] 28 out of 41 challenges reported had stated whether the challenge had been resolved as of the time of reporting for the particular year.

- Maintaining alignment between the political, technical and financial timings/cycles has been a continuous challenge during the execution of the project. Additionally, the frequent changes in the Ministry of Environment and Ministry of Agriculture generated delays in some processes.

5. OTHER CHALLENGES

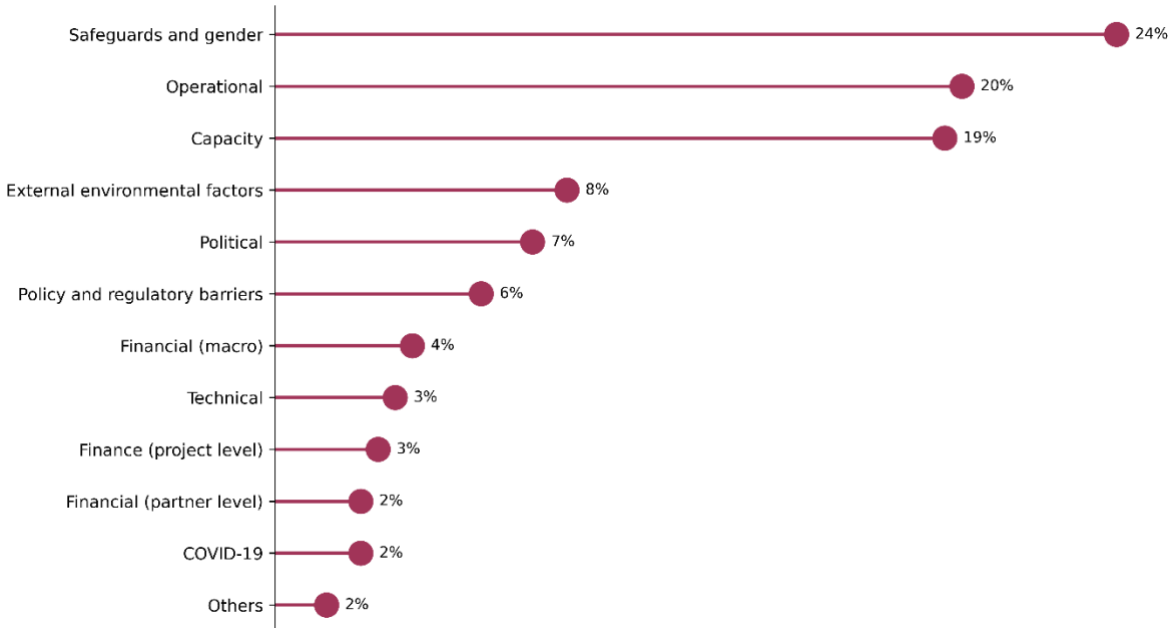
97. **Environmental and social safeguards (ESS) and political changes are not widely prevalent but affect project implementation to some extent.** Numerous entities that GCF has spoken to report that GCF places huge emphasis on ESS at the accreditation and funding proposal stage. Responding to GCF's requirements at the accreditation and project design stage remains one of the bottlenecks for AEs. However, the prevalence of the ESS challenges at the implementation stage are not as prominent and neither is their effect on project implementation as significant, with less than a third of challenges reported under ESS being classified as having a high level of impact on implementation and about 22 per cent of the challenges reported expected to have medium impact on implementation. Of course, it is possible that the emphasis on ESS at accreditation and project implementation ensures that the institutions have built the capacity to comply with GCF's ESS requirements and implement safeguards in a robust manner. Challenges emerging from political changes and civil unrest also tend to affect project implementation to some extent. The effect of political changes on the projects was also seen in the case of REDD+ projects where political changes in Brazil and Argentina led to renewed efforts towards building ownership of the countries which, in turn, led to delays in project implementation.

98. **GCF's own approval and project management processes have an impact on the implementation of projects.** In addition, a challenge not mentioned in APRs but captured consistently in the qualitative data-collection exercise was the effect of GCF's long processes on project implementation. AEs have reported that the contexts and markets that they work in are highly dynamic and change over a period time. Projects are typically designed by AEs keeping in mind the context at a given point in time, which changes subsequently as time progresses. GCF's long process of approval means that contexts change by the time projects are approved and hence projects require further adjustments. Another challenge mentioned by certain stakeholders pertains to GCF's ex-post facto imposition of new requirements which leads to substantial bottlenecks in the project implementation process.

F. GCF'S RISK IDENTIFICATION SYSTEM AND ITS LINK TO CONTEXTUAL REALITIES

99. **A consistent input that the evaluation team has heard from the stakeholder is GCF's lack of knowledge of contextual and country realities in the process of accreditation and, more importantly, the FP review and approval phase.** This is further fuelled by the perception among stakeholders of a lack of a sufficient number of Secretariat staff with experience in the LAC region and with understanding of the contextual realities. A constant justification provided by GCF for a lengthy approval process is the need to mitigate risks at the implementation stage. To further understand the extent of overlap between GCF's understanding of contextual risks and realities in the region and the actual challenges that are encountered in the process of implementation of projects, the IEU has mapped the risks identified in the FPs to the challenges encountered.

Figure 4–3. Risks identified in the design stage (FP)



Source: GCF FPs data, as of 28 June 2024. Analysis by the IEU DataLab.

100. **GCF identifies safeguards and gender risks more frequently in the approved projects portfolio in LAC than its prevalence in implementation.** The IEU deployed the same classification system as APRs to classify risks identified at the FP stage as well. As can be seen from Figure 4–3 above, GCF identifies safeguards and gender risks more frequently in the approved projects portfolio in LAC. Safeguards and gender being identified as a risk also triangulates qualitative inputs from stakeholders of GCF placing an emphasis on this topic at all stages of access. Operational risk day-to-day project management challenges and the capacities of AEs, EEs and implementing entities are identified as the second most highlighted risk in the portfolio. External environmental challenges (climate shocks, etc.) and political risks are the next most widely identified risks at the FP stage.

101. The risks identified at the design stage tend to be somewhat different from those that actually materialize at the implementation stage, especially in relation to the degree to which they were overestimated or underestimated at the FP design stage. Table 4–3 highlights the top risk and challenge categories in FPs and APRs respectively.

Table 4–3. Comparison of risk (design stage) and challenges (implementation stage)

Risk/ challenge type	Number of risks in FPs	Percentage of total risks	Number of challenges in APRs	Percentage of total challenges
Safeguards and gender	49	24%	31	10%
Operational	40	20%	75	24%
Capacity (of AE, EE or implementing partners in country)	39	19%	35	11%
External environmental factors	17	8%	3	1%
Political	15	7%	22	7%
Policy and regulatory	12	6%	41	13%

Risk/ challenge type	Number of risks in FPs	Percentage of total risks	Number of challenges in APRs	Percentage of total challenges
barriers				
Financial (macro)	8	4%	8	3%
Technical	7	3%	8	3%
Finance (project level)	6	3%	12	4%
COVID-19	5	2%	68	22%
Financial (partner level)	5	2%	0	-
GCF	0	-	3	1%
Others	3	2%	0	-
N/A	0	-	7	2%

Source: GCF FPs and APRs data, as of 28 June 2024. Analysis by the IEU DataLab.

102. Table 4–3 reveals that the safeguard issues are emphasized much more at the design stage as compared to their occurrence at the implementation stage. As mentioned earlier in this chapter, the emphasis on ESS at accreditation and project implementation may ensure that the institutions have built the capacity to comply with GCF's ESS requirements and robustly implement safeguards. However, the IEU also gathered during its country case studies that entities in the country generally tend to be well-versed with local, context-specific ESS dimensions. At the same time, GCF's demands pertaining to ESS both at proposal approval stage and implementation are said to be challenging for AEs to comply with. The overwhelming composition of ESS-related risks identified at the design stage in the table above bears out this overarching emphasis and somewhat confirms the challenges that AEs have outlined.

103. GCF and its partners tend also to emphasize partner capacities as a challenge at the design stage while its occurrence at implementation is not as widespread as expected at FP stage. This also confirms the finding of generally good capacity in institutions of the LAC region. Another challenge that is often not foreseen as much but prevails much more frequently than anticipated at the design stage is that pertaining to policy and regulatory barriers. Also, while at FP approval stage the prevalence of operational challenges/risks and capacity of AEs, EEs and implementing entities at similar levels, during actual implementation, operational challenges occur twice as frequently as capacity issues, demonstrating the need for robust, timely and proactive adaptive management.

104. Overall, this analysis points towards certain gaps in the Secretariat's understanding of risks in the region and highlights certain risks that exist even though they are not envisaged at design. A larger challenge might pertain to the fact that the risk categories as outlined in the FP template are rather harmonized and compliance-oriented rather than providing an evidence-based identification of risks (Green Climate Fund, 2022a).

G. GCF'S RESULTS JOURNEY IN LAC – A THEORY BASED VIEW

105. **GCF has invested in creating an enabling environment for mobilizing climate finance but actual mobilization of such finance has GCF-centric challenges**. Overall, GCF's investments have laid a solid foundation in creating an enabling environment for mobilizing climate finance in many countries in the region. Many countries have a clear idea of the results they wish to see and have been able to channel the resources towards the attainment of such results. However, this

process has not been uniform across the countries as GCF has still not been able to fully calibrate its investments to the different baselines as they exist in different countries.

106. In the ToC, as laid out in Annex 1, this enabling environment is expected to lead to the mobilization of climate finance for the region, whether directly through GCF or through other players. However, access to climate finance is hindered by a lack of recognition in GCF of the different enablers that exist in the region. In other words, GCF's institutional set-up and processes prevent countries from access commensurate to intent and institutions in the region. Thus, lack of materialization of critical assumptions around good quality of access and recognition of existing enablers in the region and lack of their internalization into GCF's processes remain significant challenges for effectiveness. At the same time, the region has interesting examples of engagement with private sector which present potential for catalysing and mobilizing of finance from sources other than GCF. **The road from climate finance to climate programming and subsequently to results is not without challenges and will need a more proactive role of GCF**. Beyond "potential incremental finance" that the countries in the region can mobilize it is also critical to understand the critical success factors that influence the results of the GCF investments already under implementation. GCF's investments face a wide variety of challenges that the fund does not sufficiently incorporate into its risk identification processes. The addressal of such implementation challenges and risks are crucial for attaining project results. This insufficient view of implementation challenges and its feedback into risk appraisal processes leads to a somewhat maladapted adaptive management process. There are initial signals of some higher-level results in the region. However, to continue such momentum in its existing investments the implementation challenges will have to be addressed promptly and in an appropriate manner.

Chapter 5. EFFICIENCY

107. This chapter examines the efficiency of the GCF in collaborating with countries in the region to reduce vulnerability to the effects of climate change. Specifically, the efficiency of the GCF in providing access to climate financing through its RPSP, its accreditation process, and the programming of funds is assessed. Additionally, the chapter analyzes the efficiency of the GCF in disbursing climate financing, highlighting the importance of maximizing the impact of resources allocated for mitigating and adapting to climate change.

A. EFFICIENCY OF THE GCF IN PROVIDING ACCESS TO CLIMATE FINANCING

108. The GCF's efficiency in providing access to climate finance in the LAC region will be analysed through the efficiency of access to the RPSP, the accreditation process of the involved entities and the project approval process.

1. READINESS AND PREPARATORY SUPPORT PROGRAMME

109. **On a relative basis, LAC has leveraged a high amount of RPSP financing and has accessed the RPSP faster on average than other regions, although in absolute terms, the time periods are still considered large for the envelope of funding made available.** Several challenges affect the approval and implementation of readiness grants. Disbursements are slow, which negatively impacts implementation timelines. The excessive reliance on consultants for technical assistance presents challenges, with DPs reporting difficulties in finding suitable consultants, both national and international. Interviewed stakeholders describe a lack of flexibility in implementation by the GCF, which does not align with adaptive management principles.

110. During consultations with NDAs, DPs and other GCF stakeholders, improvements have been observed in various stages of the RPSP grant cycle. The average number of days from proposal submission to approval has decreased, although it still remains long in absolute terms. Some perceive that the application process requires a level of detail and the provision of types of information that seem irrelevant, time-consuming, costly, and disproportionate to the size of the support provided by such grants.

111. Regarding efficiency in fund disbursement, Table 5–1 demonstrates that the LAC region not only receives a high amount of readiness funds but also obtains readiness more quickly than other regions. This may reflect the priority for strategic use of the RPSP that countries in the region have shown and the general capacity of institutions in the region.

Table 5–1. Approval and disbursement in RPSP

Regions list	Average days for approval	Disbursed (*USD million*)	Approved (*USD million*)	Disbursed/ approved ratio
Africa	355	127.3	186.8	68%
Asia-Pacific	245	114.4	165.6	69%
Eastern Europe	307	26.5	30.7	86%

Regions list	Average days for approval	Disbursed (*USD million*)	Approved (*USD million*)	Disbursed/ approved ratio
Latin America and the Caribbean	187	134.6	171.6	78%
Western Europe and others	18	1.2	2.7	44%
Total	253	404	557.4	72%

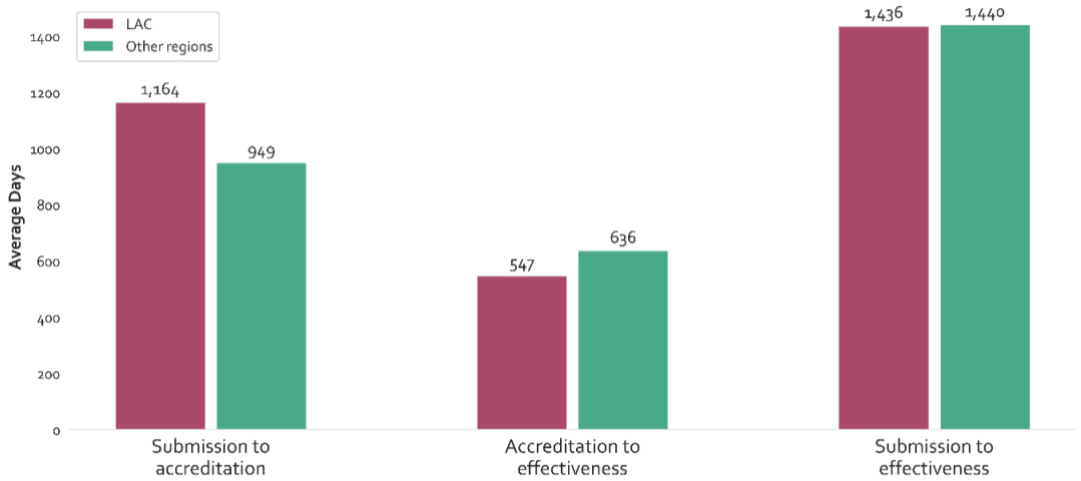
Source: GCF iPMS data, as of B.39 (19 July 2024). Analysis by the IEU DataLab.

112. In comparison to the time required for the approval of projects currently in the GCF's LAC portfolio, RPSP grants have a shorter duration from application to approval. To that extent, some countries do find value in using the RPSP to meet some of their immediate climate finance needs given the long approval times that FPs entail.

2. ACCREDITATION

113. **DAEs in LAC take similar time to get accredited as DAEs elsewhere**. Ensuring access to climate financing for developing countries is central to the GCF's mandate. Accreditation is an essential part of the Fund's business model, and it relies on AEs to fulfil its mandate and execute its investments in countries. DAEs serving LAC experience similar timelines in the accreditation process as DAEs from other regions. On average, a DAE operating in LAC must invest an average of 1,436 days[15] in the GCF from submission of accreditation application to effectiveness of accreditation agreement, as compared to 1,440 days[16] in other regions.[17] From submission to accreditation, LAC DAEs average 1,164 days, compared to 949 days for DAEs in other regions. However, the final stage, from accreditation to the effectiveness of the accreditation master agreement, is slightly more efficient in LAC, with an average of 547 days, compared to 636 days in other regions.

Figure 5–1. Average time for the accreditation process



Source: GCF iPMS data, as of B.39, 19 July 2024. Analysis by the IEU DataLab.
Note: Two entities are excluded from this analysis because of data limitations. Similarly, complete data of certain non-LAC entities is missing from iPMS.

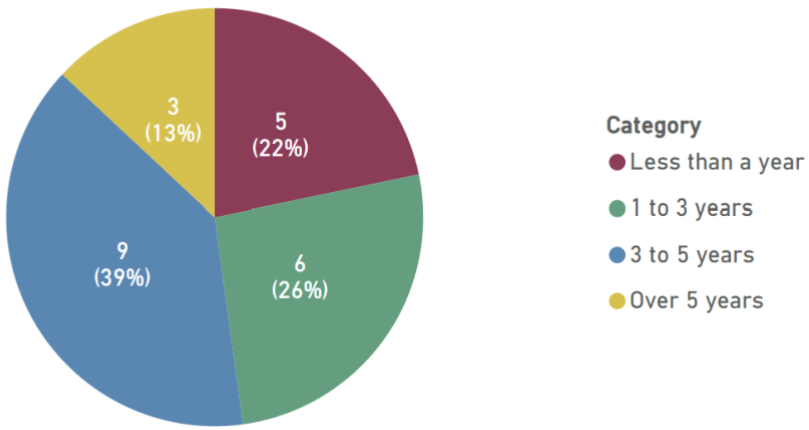
[15] Median figure being 1,168 days.
[16] Median figure being 1,377 days.
[17] For entities which have undergone reaccreditation as well, this analysis has only considered the time taken for first accreditation.

114. The lengthy timelines required for accreditation create problems for both the entities and the Fund:

- **Increased costs:** Entities seeking accreditation must face a process that entails high costs in terms of time and resources. This not only affects the entities themselves but can also significantly increase administrative costs for the GCF. During interviews, some entities in the process mentioned that the expenses associated with translating documents required by the GCF reached USD 70,000. Additionally, to meet all the requirements, these entities had to hire a full-time technician for over a year.
- **Disincentive to accreditation:** The slow and bureaucratic process discourages new entities interested in accessing climate financing through the GCF, thus limiting the diversity of actors involved and reducing the innovation and large-scale implementation of climate solutions. This situation is exacerbated by the high uncertainty faced by institutions interested in obtaining accreditation from the GCF. Generally, these institutions are unaware of the actual time and effort required for this procedure, which often discourages them from continuing once they have started the process.
- **Inequity in access:** An inefficient process can perpetuate inequities in access to climate financing. Entities with fewer resources struggle to meet the complex and costly accreditation requirements, which can exclude important actors in vulnerable or low-income regions. Often, obtaining accreditation does not depend so much on merit or the ability to implement the changes required by the GCF, but rather on the perseverance and resilience of the entities and their ability to comply with fiduciary requirements, as has been highlighted in Chapter 4. This process can be economically and emotionally exhausting for the entities and is usually completed only by those that deeply value the long-term benefits of accreditation (which is often uncertain for many, as they do not fully understand the Fund or the potential it presents). Additionally, urgent needs and other priorities can divert the attention of local actors, such as DAEs, which are forced to prioritize more immediate needs over the accreditation process.

115. As shown in Figure 5–2 below, a little over half of the accredited DAEs in LAC required more than three years to become accredited, and 13 per cent took more than five years.

Figure 5–2. Time elapsed since DAE candidate submitted the accreditation application to operate in LAC



Source: GCF iPMS data, as of B.39 (19 July 2024). Analysis by the IEU DataLab.
Note: Sample comprises 23 of 25 entities; excludes two entities due to data limitations.

3. PROPOSAL APPROVAL PROCESS

116. **Projects in LAC take a slightly longer time for approval as compared to most other regions. MCPs take a lesser amount of time compared to SCPs.** The process of designing and approving projects by the GCF in LAC faces a series of significant challenges that affect the efficiency of climate investments in the region. In LAC, project approval is somewhat slower than in other regions, requiring an average of 647 days (22 months).

Table 5–2. Average time in approval process excluding multi-regional projects[18]

Regions list	Average time to approval
Africa	610
Asia-Pacific	570
Eastern Europe	691
Latin America and the Caribbean	647
Total	**606**

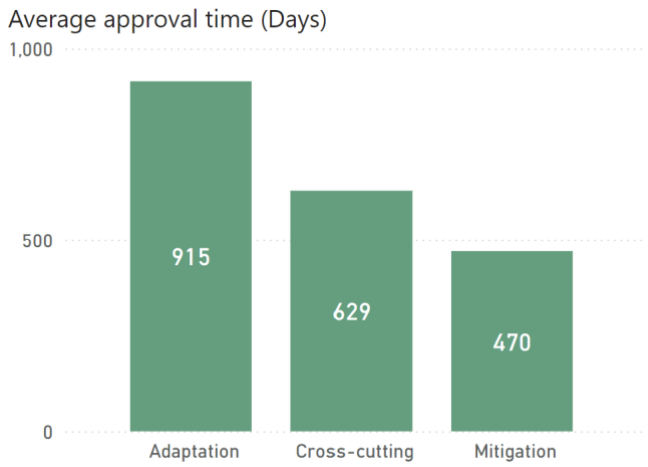
Source: GCF Tableau server, iPMS data, as of B.39 (7 March 2024). Analysis by the IEU DataLab.

117. The evidence shows that there are differences between the time required for the approval of SCPs and MCPs in LAC, with a total of MCPs requiring 635 days and while SCPs require 704 days, on an average.[19] Considering that MCPs are generally larger than SCPs in terms of GCF financing approved, it can be concluded that there is greater relative efficiency in the approval of the former for the AEs applying.

118. **The theme of project, and AE type, appear to be determining factors for the approval time frame, as well.** Projects focused on mitigation require 470 days for approval, while the time frame increases to 629 days for cross-cutting projects and 915 days for adaptation projects.[20] This seems to further validate the challenges that numerous entities have described about GCF requiring a lot of data for its adaptation projects, especially as pertains to climate rationale. It should also be noted that adaptation projects are often the more strongly requested projects by countries. GCF has recently taken certain decisions to make it easier to incorporate climate rationale into projects and the same may not be reflected in these figures yet (Green Climate Fund, 2022e).

[18] Median figures are as follows: Africa – 467 days; Asia-Pacific – 498 days; Eastern Europe – 539 days; Latin America and Caribbean – 504 days.
[19] The median figures are as follows: SCPs – 496 days; MCPs – 546 days.
[20] Median figures are as follows: mitigation projects – 335 days; cross-cutting – 520 days; adaptation - 715 days.

Figure 5–3. Project approval time by theme (days)



Source: GCF T iPMS data, as of B.39 (19 July 2024). Analysis by the IEU DataLab.

119. IAEs manage to get their projects approved the most efficiently, with an average time of 542 days. In contrast, national DAEs require an average of 625 days for project approval, while regional DAEs face a more prolonged process, with an average of 988 days. Private sector projects are approved in an average of 438 days, which is 257 days less than the average time needed to approve public sector projects, which have an average approval duration of 695 days.

120. The REDD+ RBP window stands out as a success case in terms of efficiency in the approval process. As shown in Table 5–3, these projects were approved in an average of 313 days, which represents 40 per cent of the average time required for project approval in LAC.

Table 5–3. Days in REDD+ projects for LAC

FP REDD + LAC	Time to approval (days)
FP100	212
FP110	384
FP120	243
FP121	156
FP130	462
FP134	380
FP142	340
FP144	330
Average	*313*

Source: GCF Tableau server, iPMS data, as of B.38 (7 March 2024). Analysis by the IEU DataLab.

121. **The proposal preparation process is generally perceived as challenging.** Respondents report feeling overwhelmed by the demands of the process. The level of detail required in the documents demanded by the GCF necessitates hiring multidisciplinary teams to conduct the initial studies. This poses a significant barrier for many organizations operating in the region, especially DAEs, as they lack the resources needed to manage these investments. There is also a perceived lack of internal coordination and inconsistency in the review process, leading to significant delays in proposal

approval and affecting the GCF's ability to respond promptly to urgent climate financing needs in the region. Interviewees report that the GCF's proposal review process lacks effective coordination and clear communication among the different teams and reviewers involved and the AEs. This lack of internal cohesion leads to scattered and sometimes contradictory comments and questions from multiple reviewers within the GCF Secretariat.

122. The high demand for information in practice discourages the submission of proposals, with a greater impact on smaller or less capacitated actors, especially some DAEs, thus limiting the diversity and scope of projects that receive GCF funding in the region. Of the 25 accredited DAEs in the region, only seven have accessed GCF funding with 17 FPs. The remaining 18 DAEs have yet to access funding through FPs.

123. The GCF's project design and approval process in LAC is significantly affected by the disconnect and lack of understanding of regional specificities among GCF staff. This disconnect manifests in several critical aspects that influence the efficiency with which the Fund supports climate initiatives in the region. The cultural, geographical, and significant time zone differences between the GCF, based in South Korea, and the countries of LAC create a considerable barrier in communication and mutual understanding. Stakeholders perceive that all of these lead to decisions that are often not aligned with the region's actual priorities and needs while being time-consuming and a drag on efficiency.

124. **An often-quoted factor affecting efficiency in dealings between GCF and countries is the lack of clarity and information on GCF's expectations and processes, with a strong preference for in-person socialization between GCF and entities (and countries)**. It is for this reason that regional dialogues, such as the one conducted in Uruguay in 2023, are highly valued by stakeholders and are quoted as being invaluable for face-to-face engagement. A lack of more systematic presence in the region and region-specific guidance, including such guidance in Spanish, throughout GCF processes are seen as a hindrance to the process.

125. The combination of these factors contributes to prolonged approval timelines and low operational efficiency in the GCF's project design and approval process. Moreover, significant delays in the project approval phase can increase exposure to political risks and changes in the context that could negatively affect the implementation and effectiveness of approved projects. Some actors point out that during the project preparation and approval process, environmental conditions, government policies, and in some cases, national priorities may change, compromising the relevance, effectiveness, sustainability, and expected impact of the projects.

B. Efficiency in delivering climate financing

1. Disbursement speed

126. **Disbursement timelines of funds to projects in LAC are not materially different to those in other regions**. Disbursement speed refers to the time elapsed from the approval of funds to their effective allocation to projects. Rapid disbursement is indicative of efficient management. The LAC region stands out for having the second shortest average time between project approval and the first disbursement, at 495 days, although this is only 8.7 per cent less than the GCF global average of 542 days on average. MCPs in the LAC region have the shortest duration among all regions, while SCPs have the second shortest duration among all regions, falling below the overall average for this type of project.

Table 5–4. Average number of days from approval to first disbursement

Region	Average days from approval to first disbursement		
	SCPs	MCPs	Overall
Africa	539	817	581
Asia-Pacific	524	925	544
Eastern Europe	411	-	411
Latin America and the Caribbean	457	693	495
Total	**511**	**796**	**542**

Source: GCF Tableau server, iPMS data, as of B.39 (19 July 2024). Analysis by the IEU DataLab.

127. The longer average time for MCPs suggests that projects spanning more countries usually face greater administrative and logistical complexities, which extend the time between approval and disbursement. Projects that cover multiple countries tend to have longer disbursement times, which may be due to the complexities of coordinating and managing projects in different geographical and political contexts.

2. Efficiency in attracting co-financing

128. **The LAC region attracts the second highest amount of co-financing in absolute terms but the least co-financing per dollar invested by GCF.** This highlights the importance of additional financial support from sources other than the GCF. However, in relative terms, the region receives the least co-financing per USD 1 invested by the GCF.
    - In LAC, every USD 1 invested by the GCF attracts USD 2.2 in co-financing.
    - Africa: USD 1 in GCF investment attracts USD 2.64 in co-financing.
    - Asia-Pacific: USD 1 in GCF investment attracts USD 3.73 in co-financing.
    - Eastern Europe: USD 1 in GCF investment attracts USD 2.91 in co-financing.
129. It should be noted that this co-financing is planned co-financing and it may change during implementation.

Chapter 6. SUSTAINABILITY, REPLICATION AND SCALING UP, AND PARADIGM SHIFT

130. In a ToC, GCF's investments have to show their results are sustainable before they move to being replicated and scaled up. Only when they reach a stage where they are ripe for replication and scaling up can we speak about bringing about paradigm shift given that paradigm shift is a long-term process. This chapter will look at sustainability, replication and scaling up, and paradigm shift in a sequential manner.

A. SUSTAINABILITY

1. BUILDING IN MEASURES FOR SUSTAINABILITY

131. The new Strategic Plan for the Green Climate Fund 2024–2027 contains the Fund's programming priorities (Green Climate Fund, 2023a). An addendum to the Fund's report to COP28 where reports about the "Policy and strategic planning matters from the thirty-seventh meeting of the Board" mentioning the decision of revising the strategy for the RPSP to align with the updated Strategic Plan for the GCF 2024–2027 and adopting the revised operational modalities of Project Preparation Facility to increase its efficiency, effectiveness and impact.[21] It also gave information on the approval of the update to the investment framework, revising the allocation parameters and portfolio targets for the second replenishment period, and considered a report on the feasibility study to examine options for establishing a GCF regional presence.

132. As mentioned in the Chapter 4, only one project funded by GCF in LAC has been completed to date. There are therefore not many outcomes from ongoing projects that can be analysed in terms of their effectiveness, impact and sustainability. Just as in the case of impact and paradigm shift, sustainability will be looked at from the point of view of potential for sustainability and replication.

a. Readiness and Preparatory Support Programme

133. **At the portfolio level, the Readiness programme has not built on its successes to ensure sustainability, but this may change with the approval of the revised Readiness and Preparatory Support Programme 2024–2027.** Readiness as a programme is expected to build institutional capacities and prepare countries for accessing GCF and climate finance at large. As has been covered in Chapter 4, the initial generation of RPSP grants focused on institutional capacity-building for climate finance coordination and accreditation. A natural result/consequence of such action in the region should be an increase in the programming pipeline, especially in direct access programming. However, as highlighted in Chapter 4, such results are yet to be developed fully in the portfolio. The sustainability of the benefits of the programme at the regional level thus remains unclear at best. In the meantime, factors such as turnover in NDAs and institutions in country may negatively affect the sustainability of capacity-building efforts.

134. The Readiness Strategy 2024–2027 points out the need to reconsider the focus of readiness support, increasing the allocation of readiness resources to pipeline development from under 10 per cent to 60 per cent, to help build a solid programming base for Updated Strategic Plan-2 (USP-2) targeted

[21] FCCC/CP/2023/8/Add.1.

results (Green Climate Fund, 2023b). This bodes well for the consolidation of RPSP efforts so far in the LAC region. The countries in the region have clearly shown, albeit intermittently, the intent and ability to use the RPSP towards strategic ends, including facilitating access to finance and programming. The RPSP strategy's emphasis on enabling direct access and a higher level of programming is expected to consolidate the previous efforts and build on them to continue the initial results of the RPSP in the region, notwithstanding the variable nature of such results in the first place.

135. The increased thrust on direct access and programming will mean that the RPSP going forward will cater to a high level of demand for GCF programming in the region and demand for direct access, thus also contributing to increased country ownership and positively affecting sustainability. In addition, the new RPSP strategy is also expected to enable financing of a global placement programme that will finance a GCF-dedicated focal point in NDAs. This will, in turn, build on the existing institutional capacities in the region and further the incipient results visible in this area.

b. Results-based payments

136. **In REDD+ RBP projects, there are some built-in measures for potential sustainability.** As a funding model negotiated under the UNFCCC to reduce greenhouse gas emissions from deforestation and forest degradation in developing countries, it is divided into three phases: preparation, implementation and payment by results. The GCF supports to date seven RBP projects in LAC, with a total amount of USD 496.7 million (including support to previous REDD+ phases).

137. The LAC countries participating in the REDD+ RBP pilot, agree that the impact is substantial and the continuity in the provision of RBPs combined with the reinvestment of RBP proceeds for generating further conservation efforts and a virtuous cycle of results in the future will ensure the sustainability of results. A second phase of the REDD+ RBP programme or further mobilization of financing for REDD+ as a follow-up to the first set of REDD+ RBP projects has the potential to consolidate the factors that lead to continuation of conservation and restoration of forest resources. Most REDD+ RBP projects in the region have built-in mechanisms that indicate some thinking around sustainability of results, already at the design stage. Further and detailed information can be found in the Special Study on REDD+ Results-Based Payments in Latin America and Caribbean Region (Independent Evaluation Unit, 2024a).

138. These instruments (RPSP and REDD+ RBP) provide the framework within which the possibilities for the achievement of results with GCF-funded initiatives and the mobilization of climate finance in the region are enhanced, and have the potential for sustainability over time.

2. Contribution of stakeholders to sustainability

a. Role of national designated authorities

139. **The engagement of NDAs has a positive influence on the sustainability of results but their level of engagement remains mixed.** When NDAs are involved in the design processes of various instruments (RPSP, CNs, FPs, etc.), whether generated by DAEs, IAEs, or others, the chances of achieving results and sustainability are enhanced. One of the pipeline entities in Ecuador stated: "The involvement of NDA as the governing body in the project was deep, from reviewing the content guide to ensuring who was invited, and this favours sustainability; it is very active and has allowed them to strengthen themselves for new actions." This involvement ensures that the different instruments presented to the GCF for financing are aligned with current national priorities,

incorporate cultural relevance and local knowledge, as well as a logic of complementarity to avoid overlaps.

140. The GCF finds, in LAC, an ecosystem of experienced governments that have developed normative and technical potential to generate relevant results. As mentioned in Chapter 3 and Chapter 4, LAC countries generally have installed technical capacities and experience in actions that have developed policies and conditions for climate change adaptation and mitigation. This institutional capacity tends to positively affect sustainability in the region. However, at the same time in some countries NDAs often find that they are not meaningfully engaged in the process of programming, both in design and implementation. They have often complained of such exclusion in programming pertaining to IAEs. This negatively affects the sustainability of results of GCF investments.

b. Participation of stakeholders

141. In REDD+ RBP the capacities to engage stakeholders have been generated or enhanced thanks to strategic use of REDD+ RBP projects themselves and its predecessors in the REDD+ mechanism, such as the UN-REDD Programme (since 2008), the World Bank's FCPF, and the World Bank's Forest Investment Programme, as well as other pioneering actions from countries like Costa Rica, Brazil, and Ecuador. REDD+ projects, in particular, have broad ownership that contributes to the sustainability of actions. The phased logic of the REDD mechanism promotes that REDD+ and RBP projects necessarily involve a variety of stakeholders and create the essential political, technical, and technological foundation upon which various climate finance actions are based. The seven countries in the REDD+ RBP Pilot Programme portfolio in LAC have established participation mechanisms led by governments and involving a range of representative actors: various public sector entities (in addition to the NDAs themselves), local communities, IPs, and others. This participation creates a conducive environment for the formation and consolidation of local and national networks that will enhance the sustainability potential of the results.

142. **Private sector involvement in projects creates an environment of opportunities and promotes sustainability.** In several LAC countries, even where NDAs lack the capacity or intent to engage the private sector, public-private partnership modalities are an opportunity, as normative frameworks have been developed to promote investment in public infrastructure and the expansion and improvement of state-managed goods and services. By aligning with governments' climate priorities, this becomes a stimulus and an opportunity for private sector participation in climate financing and creating sustainable models which can be carried forward through private sector financing. It is for this reason that the embedding of the private sector in public sector programming (as discussed in Chapter 2) being common in LAC, bodes well for the sustainability of such projects. The MSME sector has significant potential for ownership, with possibilities for impact and outreach to local areas and communities, thereby generating sustainability opportunities (Comisión Económica para América Latina y el Caribe, 2024).[22] While challenges persist regarding productivity, effective contribution to the gross domestic product, and informality, LAC is characterized by the presence of MSMEs with influence on national and subnational economies.

[22] According to data from the Comisión Económica para América Latina y el Caribe, MSMEs represent approximately 99 per cent of all businesses in LAC and employ about 67 per cent of the total workforce.

Box 6–1. Banco de Desarrollo del Ecuador – a pipeline entity

Ecuador's NDA identified the potential for working with local communities and MSMEs and has therefore nominated the Banco de Desarrollo del Ecuador (BDE) to strengthen the capacities of decentralized autonomous governments, local public enterprises, and local cooperatives once accredited. This will help develop a pipeline that meets safeguards requirements and aligns with local needs for accessing climate finance. These cooperatives represent the most accessible level of banking in terms of requirements, rates, conditions, and terms for MSMEs. CAF has also recognized the importance of enhancing resource mobilization for MSMEs and, among other actions, will support the BDE in incorporating requirements for its accreditation with the GCF.

Strengthening local capacities and developing a portfolio tailored to local needs ensures that financed projects are not only financially viable but also relevant and beneficial to the communities. This approach sets a precedent for such activities to continue in the future. Furthermore, it establishes an important model that promotes sustainability by ensuring that future initiatives align with local priorities and have a lasting impact.

Source: Green Climate Fund (2022d)

3. CHALLENGES IN IMPLEMENTATION

143. **Turnover of NDA staff negatively affects sustainability.** In LAC, the number of climate change specialists is generally limited, with professionals rotating between different organizations, serving as government officials, then being hired for projects by DAEs, IAEs, and others, before returning to the public sector. This rotation creates both highs and lows: while individuals become increasingly specialized and strengthen their technical capacities, it also generates a "competition" among institutions to secure their expertise for various initiatives, often weakening government teams as AE salaries and compensations are more competitive. This discontinuity affects sustainability of results as there is often little scope for consolidating and building on the results of the programmes.

144. **Political changes in LAC frequently lead to modifications in national priorities, affecting sustainability prospects.** Argentina and Brazil are recent examples impacting climate change policy approaches. In Brazil, the change in government in 2019 led to a government which had different policy priorities compared to the previous regime and hence did not sufficiently consider or support the network of institutions that would have supported the implementation of the REDD+ RBP project in the country. This has led to a situation where the momentum of implementation has been affected which also has the potential to adversely affect drivers of sustainability. Similar challenges have been observed in the REDD+ RBP project in Argentina.

145. **Ownership of stakeholders during implementation also remains a key determinant of sustainability**. Some NDAs have expressed concerns about projects implemented without their involvement or input, as this results in minimal or no ownership and relevance, potentially undermining possible achievements and sustainability. On the other hand, high costs and lengthy timelines for designing an FP limit the participation of AEs with less access to other resources (especially small DAEs). Despite their smaller size, they must meet the same requirements as an MDB. Smaller AEs often have more direct relationships based on trust and long-standing connections with CSOs that know the territories, and rural and indigenous communities. The involvement of CSOs is essential to ensuring the ownership and sustainability of actions.

B. REPLICATION AND SCALING

146. **There are examples in LAC which have demonstrated actual replication and scaling up or show potential replicability in the future.** As the first completed project, the FP017 "Climate Action and Solar Energy Development Programme in the Tarapacá Region of Chile", completed in October 2022, stands out for its impact on scaling investments. The project demonstrated that the private sector could access lower cost and longer-term resources for the development of clean photovoltaic energy, which was scarcely developed in the country at that time. The project invested in a 143 MW capacity, paving the way for other investors.[23] The investment has since scaled with private sector financing, reaching an installed capacity of 3,000 MW in Chile, a process that has been supported by the GCF-financed investment implemented through CAF.

147. Some actions with local impact potential for replication and scaling have been identified: in Colombia, FP134 (Green Climate Fund, 2024a) funded by the GCF, supports the application of innovative financial mechanisms, ensuring that financing is deployed directly to three of the 22 deforestation hotspots identified by the Government, including IPs' territories. Likewise, FP110 Ecuador REDD+ RBP for the results period 2014 managed to connect with institutional mechanisms for transferring funds to local communities to generate income through the shift from cattle ranching to cacao and coffee production, creating a positive experience that is replicable and scalable for reaching direct beneficiaries.

148. **GCF's lack of predictability precludes its own stated role as an institution that scales up.** Often, GCF is seen as the main source of financing for scaling up the results of other donors. AEs, especially IAEs, across the board see GCF as the natural vehicle for scaling up the interventions and results achieved through AF or GEF funding previously. Scaling up results requires an organic continuity and timeliness to build on the results of the previous interventions. However, the cost and extensive project design timelines required for GCF financing often pose a risk, frequently discouraging this possibility. In Costa Rica as well as Dominican Republic, the IEU found a prominent IAE which wanted to scale up GEF projects using GCF funding but could not do so due to lack of predictability of whether or not GCF will finance such intervention, and whether it would do it promptly.

149. **A lack of mechanisms for timely measurement of relevant results and sharing of such results for replication and scaling up is missing.** Replication and scaling up is also a function of results being measured and then widely shared, and of a robust knowledge management system that elevates evidence of successes and results for NDAs as well as the GCF Secretariat to then consider for replication and scaling up. However, there is no such systematic mechanism for knowledge exchange and management, nor one for the bottom-up flow of results which then can enable GCF and countries to respond. The common complaint about GCF following a compliance-focused approach to accreditation and funding proposal approval also seems to percolate to the implementation of projects wherein reporting on results in APRs are limited to reporting on predetermined buckets of information, while forums such as regional dialogues do not seem to encompass such sharing of successes and results at the regional level. This creates a roadblock for replication and scaling up.

[23] The amount of energy estimated in Chile could power approximately 1,000 homes per MW, which means around 150,000 homes.

C. PARADIGM SHIFT

1. IMPORTANCE OF PARADIGM SHIFT

150. **Paradigm shift is a term that is "highly complex" for local institutions, AEs, and even GCF technical experts.** Its implementation and evaluation require a deep institutional and technical understanding, as well as the ability to manage and measure the long-term impact of projects and programmes, which presents a significant challenge for all parties involved in the process.

151. Along with the other six investment criteria, paradigm shift is classified by GCF independent Technical Advisory Panel as "high, medium, or low". Key elements of the paradigm shift include the ability to ensure that project activities create a robust market environment and generate opportunities for the private sector, as well as contributing to changes in laws and regulations to advance the country's efforts in combating climate change. The GCF is responsible for ensuring that public funds are used to create significant impact, which is why it requires the paradigm shift to be integrated throughout the project concept.

152. Assessing the paradigm shift achieved by GCF investments in LAC faces a significant limitation. This paradigm shift, which aims to transform development towards low-emission and climate-resilient models, is verified only after the completion of projects. However, in LAC, the lack of experience with completed projects represents a considerable obstacle to effectively evaluating this criterion. To date, only one project in the region has reached its conclusion. This situation limits the ability to analyse the results and effectiveness of the paradigm shift promoted by the GCF, as there is insufficient data from completed projects to comprehensively assess whether and how these projects have achieved sustainable and replicable transformations in the region.

2. CHALLENGES IN MEASURING PARADIGM SHIFT

153. There are a few practical challenges in measuring paradigm shift. They are elaborated below.

- **Paradigm shift takes long to manifest.** It is necessary for paradigm shift to be achieved over a long period of time and it requires a gestation period which far exceeds the lifetime of a project or programmes. It is for this reason that most IEU evaluations have so far dealt with paradigm shift only through the lens of "signals" of paradigm shift.
- **Paradigm shift requires a measurement system that is fit for purpose.** Given that paradigm shift requires a long-term view extending beyond a project's own life, the measuring of paradigm shift also requires a results measurement system which is capable of capturing such changes as and when they occur. The current results measurement systems may not be suitable for measuring such long-term and deep changes.
- **Paradigm shift may not be achieved through stand-alone projects, as GCF undertakes them.** AEs have undertaken project activities and outputs. This can be explained by the requirement of the GCF on AEs to focus their attention on project-level theories of change, and it raises a question on how paradigm shift (and shift potential) sought at a country level is to be equated with the later stage outcomes stated in those theories of change. In addition, AEs themselves also have incentives to present stand-alone projects.

3. CLIMATE RATIONALE AS AN INITIAL SIGNAL FOR BRINGING PARADIGM SHIFT

154. **Climate rationale is the first step towards thinking of climate in a systemic manner, something that is a precursor for paradigm shift.** A climate rationale outlines the climate scenario, detailing

the specific climate problem in a particular country (such as flooding or drought in an adaptation project) and the region where the project will be implemented. Climate rationale represents a significant paradigm shift in the way projects are designed and implemented in LAC. It requires that projects be based on a solid scientific foundation. This means project developers must demonstrate how their activities address specific climate issues identified through rigorous data and analysis. This approach ensures that projects are relevant and effective in the context of real climate challenges.

155. Instead of addressing climate problems in isolation or through fragmented approaches, climate rationale promotes a more integrated and systemic approach. Projects are expected to consider how their activities interact with other elements of the climate and socioeconomic system, promoting solutions that not only address immediate issues but also strengthen long-term resilience. In this way, climate rationale encourages the design of projects that aim for broader and more sustainable impacts, focusing on achieving transformational results.

156. **Achieving a robust climate rationale presents several difficulties for AEs and countries. These challenges encompass technical, institutional, and contextual aspects that can hinder the ability to submit proposals that meet the GCF's requirements.** Firstly, data availability is a significant issue. The lack of accurate and up-to-date climate data can impede a detailed assessment of the situation driving the need for interventions.

157. Even when data is available, there may be a lack of analytical capacity to process it adequately. The absence of advanced analytical tools and personnel skilled in climate modelling and impact assessment limits the ability to conduct rigorous analyses. Additionally, the skills and knowledge needed to develop a robust climate rationale are sometimes lacking in the involved agencies and countries, while in other cases, even with the required capacity, there are difficulties in working in English, the GCF's official language.

158. **The difficulties around incorporating climate rationale into projects and programmes is evident in adaptation projects, which manifests in the much longer time that it takes to approve such projects**. Entities have mentioned this as a bottleneck in bringing projects to GCF. At the same time, entities have also mentioned that in spite of highly cumbersome GCF processes during the FP review and approval process, the process and GCF's inputs helped them reorient their thinking towards the mainstreaming of climate change into the projects with GCF, as well as their wider programming. This bodes well for a more systemic shift of thinking around programming.

Chapter 7. COUNTRY OWNERSHIP

159. Document GCF/B.10/Inf.07 first laid out the concept of country ownership in GCF in 2015 (Green Climate Fund, 2015). The document notes that country ownership and a country-driven approach are core principles of the Fund. In this context, the document quotes the Governing Instrument for the GCF, which states "The Fund will pursue a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders." The document further quotes the Governing Instrument, stating "The Fund will provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects" (Green Climate Fund, 2015). In its guidance to Board in 2021, the COP encouraged the Board "to strengthen country ownership and regional management by proactively engaging NDAs in all aspects of the project and programme cycle".[24]

160. The modalities for operationalizing country ownership are envisaged through giving a role for NDAs, *inter alia*, as focal points at the country level for GCF, nominating entities for accreditation and facilitating communications between GCF and entities for accreditation, the issuance of no-objection letters for CNs, and FP and readiness proposal submissions by AEs. Document GCF/B.10/Inf.07 also speaks of "engagement with regional, national and subnational government, private sector and civil society stakeholders with regard to the priorities of the Fund, taking a gender sensitive approach".

161. In addition, in the summary of the Summary and Recommendations of the Fifth Biennial Assessment and Overview of Climate Finance Flows, which was an annex to decision 14/CP.27, developed countries, climate finance providers and recipients were encouraged

> "to continue to enhance access to climate finance, including by addressing the barriers to access arising from the complex architecture of multilateral climate funds, and to enhance country ownership through supporting modalities such as **direct access** entity and national implementing entity accreditation, readiness and project preparation facilities and subnational- and local-level access programmes".[25]

162. In addition, in the course of consultations with stakeholders at the inception phase of this evaluation, the request to look at MCPs and their implications for country ownership was communicated to the IEU. Considering all of the above points, this chapter will explore country ownership through the following three dimensions:

- Engagement of a variety of different stakeholders in GCF programming
- Ease of access to funding, quality of access and direct access
- Multi-country programming

[24] See FCCC/CP/2021/12/Add.1.
[25] See FCCC/CP/2022/10/Add.2.

A. ENGAGEMENT OF STAKEHOLDERS AT THE COUNTRY LEVEL

1. REDD+ RESULTS-BASED PAYMENT

163. **Stakeholder engagement in the process of REDD+ RBP projects has been robust.** The process leading up to GCF financing and GCF programming is expected to foster collaboration between many stakeholders at the country level. REDD+ RBP projects serve as an example of a wide involvement of relevant stakeholders at national level. The participation of stakeholders such as CSOs, local communities, IPs, and academia in REDD+ RBP projects in the region was achieved through a strategy to promote stakeholder participation in consultation processes, working groups, and the establishment of REDD+ steering committees in each country.

164. The overarching force driving the consultations was the national REDD+ strategies. An example is Argentina, which incorporated multiple actors in its dialogue and policy-building processes with native communities, non-governmental organizations, the agricultural sector, academics, and the Government, aiming for a cross-cutting, coordinated, and effective implementation to avoid conflicting policies and regulations. Similarly, Brazil facilitated access to information on the REDD+ process by launching a website where stakeholders can access a guide to information and data used for all REDD+ technical presentations for the Amazon biome (Green Climate Fund, 2019d). In the framework of REDD+ RBP, country ownership was also driven by the strong national capacities that exist at the national level in general and in the forestry sector in particular. Such capacity drove the drafting of national frameworks for REDD+ which in turn drive wide stakeholder participation.

2. CIVIL SOCIETY ORGANIZATIONS

165. **The involvement of CSOs has been mixed in GCF programming.** GCF's Guidelines for Enhanced Country Ownership and Drivenness foresees involvement of the actors such as CSOs at all stages starting from readiness, project development at the country level and during implementation. Notwithstanding the success of REDD+ RBP projects in promoting country ownership, the involvement of civil society remains inconsistent in the design and implementation stage of GCF's investments at large. This variability of involvement stems from the lack of capacity and awareness of CSOs and a lack of a consultative culture in some countries. In many countries, there is higher involvement of CSOs at the national level and less so at the local level. In such cases, projects do not build on existing local CSO networks and sometimes ignore local climate change planning processes.

166. To increase participation in national planning processes and involvement in GCF programming stakeholders have that suggested readiness funds could be used to train and strengthen CSOs, raise their awareness and enhance their participation. Readiness funds are available for this, but the NDAs often have competing priorities for RPSP resources.

3. NATIONAL DESIGNATED AUTHORITIES AND NATIONAL GOVERNMENTS

167. **NDAs are articulate of their needs and want to "own" GCF investments, but manifestation of such ownership remains a work in progress.** As mentioned in Chapter 2, NDAs in the region have clear ideas of how to engage GCF, but GCF does not have a systematic way of engaging such priorities. They articulate clearly and strongly the need for SCPs and direct access and have used RPSP funding to put such priorities into action. However, some of the NDAs interviewed have mentioned the lack of engagement by IAEs and DPs once they have received no-objection from

NDAs. Some of the NDAs have mentioned in specific terms that RPSP proposals and FPs originate from DPs and AEs rather than NDAs or countries themselves. As one NDA mentioned, "In the last five years not a single RPSP grant originated from the NDA's office." Previous country case studies undertaken in the LAC region note that the role of NDAs is sometimes reduced to a "box ticking exercise" to promote country ownership, and NDAs find it difficult to refuse project and readiness proposals that do not align with national priorities due to the size of the funding proposal put forward and the advanced stage of discussions, and the GCF Secretariat's strong support for the proposal (Independent Evaluation Unit, 2024d).

168. As the Summary of Previous Evaluation Case Studies in LAC (Independent Evaluation Unit, 2024d) notes, the RPSP as an instrument for capacity-building and country ownership is well recognized. However, elements of capacity-building included in RPSP grants are not always optimally effective as they often do not target staff with decision-making power. A lack of continuity in governments further challenges the effectiveness of programmes aimed at strengthening institutions and building capacity.

4. Private sector and accredited entities

169. As mentioned in Chapter 4, engagement with the private sector is not systematic and the embedding of the private sector in public projects is not well understood or recognized. However, such embedding in public sector projects also means that these actors are operationally engaged in the project activities, further downstream. The engagement of the local private sector is driven by the nature of the projects/programmes. However, involvement and ownership of the local private sector has not been systematically approached yet and is largely left to individual projects and programmes. NDA capacities as well as orientation for private sector coordination and involvement remains variable and limited.

170. Lastly, AEs and country stakeholders have a good understanding of the importance of the ESS requirements of GCF. The heavy emphasis on ESS also seems to be one of the factors driving consultations at the national and subnational level with a wide range of stakeholders. The responsibility for ensuring the implementation of ESS-driven consultations lies with AEs. Most AEs working in the region, given their history of programming, have the experience of undertaking these consultations, including with networks of CSOs, IPs and local communities. The overlaying of the ESS with AE experience in the region, and an active and vibrant CSO network, mean a generally good participation of stakeholders in the programming process.

B. Ease of access, quality of access and direct access

171. Stakeholders have repeatedly mentioned that ownership of GCF's investments at the national level is also determined by the quality of access. When speaking of quality of access, the evaluation team looked at three different parts of access: predictability and timeliness and direct access.

1. Predictability and timeliness

172. **The cumbersome nature of GCF's processes remains a big factor influencing how national stakeholders perceive GCF's investments in-country.** GCF's long accreditation, proposal development and adaptive management processes negatively affect ownership of GCF's investments. As Chapter 5 notes, the accreditation and funding approval processes take a long time. The lack of predictability of GCF's processes prevents entities and countries from timely and quality

access to climate finance. An NDA interviewed by the evaluation team quoted the example of GCF's lack of predictability in approving RPSP proposals in a timely manner leading to the lapse of the hitherto annual country allocation of the RPSP. The RPSP's hitherto annual allocation of USD 1 million per country combined with lack of capacity created such problems.[26] The country could not access the RPSP in the given year due to GCF's own lack of capacity and predictability in processing RPSP proposals. This lack of predictability also leads to reputational risks for GCF in countries and affects ownership of GCF investments in the country. This lack of predictability also spills over into the FPs wherein the long processes negatively affect the ownership of stakeholders involved in the project as it creates false expectations. In private sector programming, lack of predictability and timeliness lead to reputational risks and affect ownership and may even lead to financial losses for stakeholders involved.

2. Direct access

173. **Direct access remains a crucial, if not sole demand of the countries in the quest for country ownership.** As the past evaluations on country ownership, synthesis on direct access and the more recently concluded synthesis on access mention, direct access alone does not necessarily lead to country ownership (Independent Evaluation Unit 2019; 2023; 2024a). However, DAEs are seen as more sensitive to national needs. The region has numerous DAEs and other institutions which are entrenched into the national systems of the countries and also have long experience of programming in the countries. This combined with the strong demand for direct access from countries in the region leads to an important role for direct access in how country ownership is seen. The strength of such demand for direct access can be judged from the fact that 27 per cent of all RPSP financing in the LAC region to date has been channelled towards enabling direct access. However, as has been covered in Chapter 4, direct access is yet to be enabled to the full extent of its potential in the region. GCF has still not been able to offer direct access in a manner that recognizes the existing institutional capacities in the region.

C. Multi-country projects

174. **Consultations with stakeholders, especially NDAs, reveal doubts about MCPs and their level of country ownership.** Hence this evaluation takes a closer look at MCPs in the context of country ownership. In undertaking such analysis, the evaluation will use some of the same elements covered earlier as regards engagement of different stakeholders in country and the different dimensions of quality of access to funding (predictability, timeliness, etc).

175. However, to better understand the implications of MCPs for country ownership in the region it is also important to understand the origin of the proposals and the interface that the projects may encounter at the country level. During this evaluation, the IEU looked at the 24 MCPs with planned operations in the region. Ten of these projects are MCPs with an exclusive focus on the LAC region, while 14 projects include LAC countries aside from countries from other regions in the cohort to be targeted for investments. Through its review, the IEU was able to identify three broad models/types of MCPs. These models are not definitive, and some projects may contain features which straddle multiple types of projects. The purpose of this categorization is to add nuance to the analysis of MCPs. The projects are categorized below based on how the projects originate, how they are managed and how they interact with national stakeholders.

[26] This has changed with the introduction and approval of the new RPSP Strategy 2024-2027.

1. Models of MCPs

a. Model 1: Top-down, bottom-up projects managed as SCPs

176. These projects are typically submitted by MDBs and they tend to originate from a mixture of regional strategies of the AEs and country programmes that they have agreed upon with governments. These projects are top-down to the extent that they find a place in the AE's own strategies and are presented to GCF for that reason. They are bottom-up to the extent that they finance priorities that are agreed between the country and the AE. It is possible that the AE's own country strategy of programme and the AE's regional approach/strategy iteratively inform one another. Thus, the origination of these projects is partly driven by the AEs own initiative and partly by agreement with countries, generally outlined in an agreed country programme between the AE and the country.

177. A second particularity of these projects is that, while these projects are presented to GCF as an MCP, for the AE, the GCF financing serves as a pot of funding through which it will co-finance its own projects and programmes in individual countries. Thus, for GCF, it might be an MCP but for AEs it appears as a SCP further downstream. Individual requests from countries for financing set into motion the design and financing of a subproject. The co-financing of such projects from the AEs usually emanates from the respective country allocations of the AE in question. The indicative allocation per country is provided in the financing proposals with flexibility provided for AEs in case some investments in the pipeline do not materialize.

178. Lastly, once the country requests financing and the design process of the subproject is set into motion, the AEs' own local consultation mechanisms are set into motion. These include the requesting ministry, usually the ministry of finance, the technical ministry for the project, relevant private sector actors, and CSOs operating in the relevant thematic space. There is very little involvement of the NDA and the CSOs which normally work in the GCF orbit, during the process of implementation. Hence, the idea of country ownership warrants a more nuanced view in the MCP model, because while there is involvement of a wide range of actors in the process of implementation, the consultation processes and implementation leave out NDAs and many other climate finance-related actors from the process. In the absence of GCF setting a clearer definition of what country ownership entails it would be difficult to make a definitive judgment on whether such kinds of projects constitute country ownership or not. However, scant interface with stakeholders directly involved with GCF, including NDAs, during implementation remains an ongoing feature of such subprojects at the country level.

b. Model 2: Top-down projects demanded by countries and managed as a mix of single and multi-country interventions

179. These projects may originate from ministerial declarations or other such multilateral forums, where respective national authorities (not to be confused with NDAs) request the AEs for projects which address regional climate challenges. They may also emerge based on an aggregation of needs assessments carried out at the national level by AEs. To that extent, these projects originate from national stakeholders but may not necessarily be classified as bottom-up.

180. These projects are submitted to GCF as MCPs which include numerous countries in a given region or subregion. Countries are usually allocated the total funding based on indicative parameters. From the AEs' end, these projects are managed as a collection of SCPs in parts, with some components implemented country by country, and as multi-country/programmatic interventions in other parts. The execution is undertaken by a selected set of national actors with whom the AE has worked in

the past or has project-specific agreements with. Thus, the project has a mix of single and multi-country programming elements.

181. At the implementation stage, the projects tend to have consultation with and involvement of stakeholders directly relevant to the programme components at the national level, such as national financial institutions, line ministries, and local governments. The interactions with NDAs and others directly in the GCF orbit tend to be scant after the project approval process. Just as in model 1, there is consultation and involvement with different stakeholders, but it happens beyond the immediate view of GCF and the NDA. In the absence of GCF's clear definition of what country ownership should entail, it is difficult to categorize whether such projects can be considered to have country ownership.

c. Model 3: Top-down, supply-driven projects managed as purely MCPs

182. These programmes are purely supply driven with the ideas for the projects coming from the AE itself and submitted to GCF for review and approval. The AEs approach numerous countries and request no-objection letters (NOLs), which then form the basis for the insertion of countries into the list. As has been mentioned earlier, there are a variety of reasons as to why countries are unable to reject the provision of NOLs. Hence, the projects are largely top-down. These kinds of projects are usually brought about by private sector AEs or as private sector projects.

183. The projects are managed as MCPs by AEs with individual investment proposals sourced from the list of countries envisaged. However, not all countries are expected to have investments through subprojects. In these subprojects the stakeholder consultation is limited only to individual subprojects and stakeholders directly connected to the private investment. NDAs have no visibility of the project selection and implementation, and the projects generally do not appear to consult the NDAs beyond receiving the NOLs.

2. Drivers and implications of MCPs in LAC

184. In proportional terms, the percentage of financing channelled towards the LAC region through MCPs is proportionally the same as that in the rest of the world. As of B.38, 44.8 per cent of the total financing of USD 3.3 billion to LAC was channelled through MCPs, while this was 44.3 per cent of total financing of USD 10.5 billion for rest of the world. However, based on the analysis of qualitative data, a few factors can be identified that drive AEs to present MCPs to GCF in LAC.

- **Cultural and contextual similarities.** Subregions within the LAC region present a huge, geographically contiguous area that, within its diversity, also shares a common language, culture and socioeconomic traits. This scale and contiguity of similarity lends itself to designing MCPs in the region. It should be noted that quite a few MCPs in the region are presented by GCF's regional DAEs or MDBs active in the region. Interviews with stakeholders indicate that these entities view the similarities as an enabling factor for presenting MCPs.
- **Cost of programming with GCF.** The fact that programming with GCF is long drawn and consumes effort is well established. However, these long processes and staff time also result in high financial and opportunity cost for AEs. DAEs have quoted costs of up to USD 300,000 just for the proposal design process, with some of the staff time and opportunity costs not being accounted for. In larger projects, AEs, especially IAEs, have quoted costs of over USD 500,000 for designing projects. Thus, for many of the IAEs and some DAEs, any project below a certain threshold of financing is not considered viable. Entities have quoted a range of USD 80 million to USD 120 million as the threshold for justifying applying for GCF funding. These entities

also express that the lack of absorption capacity of individual countries to absorb such quantum of funding drives them to thus design MCPs.

- **Market diversification.** In the case of many private sector projects, AEs mention that a multi-country focus helps them diversify concentration risks and risks of market disruptions. This makes it imperative for the AEs to have multiple countries so that they can opportunistically select subprojects in countries where markets and policy environment are ready for such investments.

185. While there might be many differences and nuances between different kinds of MCPs there are some implications of MCPs for countries.

- **Timeliness of access.** MCPs, without exception in any of the three models above, involve an initial stage of FP design by the AE and review by GCF. Upon the approval of the project, the AE under the rubric of the MCPs has to source possible subprojects and undertake requisite due diligence to ensure consistency with the FP and the AE's own investment parameters. This leads to a two-step due-diligence process before the financing reaches the country level. This in turn leads to delays in access to crucial climate financing, notwithstanding other concerns outlined earlier and subsequently in this chapter. An example of this is an MCP that GCF approved with an IAE in Dominican Republic in 2022 and, as of July 2024, only initial discussions have started with country stakeholders to design a subproject (but a full SCP for the AE). It is estimated that the project design may not be ready for another year.
- **Predictability of financing.** The predictability of financing flow to countries also remains a challenge in MCPs. MCPs typically tend to contain a set of financing conditions which may need to be met by countries or AE partners in the countries for the financing to flow to the subprojects. This imposes substantial uncertainty of whether the envisaged financing will flow at all to countries. Even here, there are varying levels of uncertainty. For example, under model 1 and model 2 of MCPs elaborated above, there is some element of certainty of financing flow to the country. However, under model 3 of the programming, the flow of financing depends entirely on market conditions and the AE's due diligence and feasibility assessment of the subproject.
- **Relevance to country contexts.** As mentioned in the Summary of Previous Evaluation Case Studies in LAC (Independent Evaluation Unit, 2024d), countries are at different stages of development and have different capacities, which affects the timely implementation of MCPs. Regional and MCPs also typically spread limited amounts of financing across a larger number of countries. This is perceived as resulting in an abundance of studies and little on-the-ground impact, thus hindering access to meaningful climate finance. Also, on the one hand, countries face the challenge of dealing with regional and MCPs that are unable to adapt to their needs, while on the other hand, they lack the institutions that can fulfil the regional projects' requirements to leverage local resources and capacity for greater impact.

Chapter 8. INDIGENOUS PEOPLES AND GENDER

186. This chapter evaluates the extent to which the GCF has been effective in addressing gender-related and social inclusion dimensions (particularly of IPs) in climate interventions. It explores the degree to which gender and IPs' dimensions are considered in the design, implementation, and monitoring stages of GCF interventions (both adaptation and mitigation-oriented), and to what extent the economic, social, and environmental co-benefits produced with GCF support have led to beneficial outcomes in these dimensions. This chapter will also closely examine monitoring and evaluation (M&E) practices, specifically the extent to which current M&E mechanisms allow tracking of gender and IPs' dimensions.

187. The GCF Gender Policy (Green Climate Fund, 2019c) recognizes that climate change has differentiated impacts on women and men and emphasizes the importance of female participation and leadership in climate finance decision-making. This policy is distinguished by its mainstreaming approach, which seeks to integrate gender considerations across all aspects of financing. Despite its innovative nature, the effective implementation of these policies still faces significant challenges in the region, including the need for consistent application and overcoming practical barriers in project implementation.

A. Integration of gender dimensions and Indigenous Peoples' rights in the accreditation and implementation of GCF projects in LAC

188. **Institutions in LAC generally have good experience of incorporating gender and IP dimensions into their programming.** Institutions in LAC seeking accreditation from the GCF generally have a strong track record in integrating gender perspectives and working with indigenous communities, applying best practices and adhering to standards such as those outlined in the Declaration on the Rights of Indigenous Peoples, including free, prior, and informed consent (FPIC) (United Nations, 2024). However, in many cases, this experience is not always formally documented in internal policies but is based on the practices of the individuals within these organizations. The GCF accreditation process aims to formalize and systematize these practices into institutional documents, which, according to several interviewees consulted in this evaluation, not only strengthens the institutions but also ensures compliance with GCF requirements and promotes the sustainability of implemented actions. On the other hand, it also serves as a barrier to timely access to GCF financing.

189. **GCF's processes build up relevant capacity among entities.** Gender dimensions, IPs' rights, and safeguards are considered from the accreditation phase of the entities with which the GCF collaborates in the region. During this process, the GCF evaluates the capabilities and policies of the AEs to ensure they meet the necessary standards to effectively address these dimensions in their projects. This includes reviewing the strategies and mechanisms that entities have in place to integrate gender perspectives and IPs' rights into their operations and programmes. By ensuring that AEs possess the appropriate resources and competencies, the GCF aims to promote a more inclusive and equitable implementation of projects in the region, thereby fostering a positive impact on

affected communities and groups by transcending the humanitarian "do no harm" principle to incorporate the concept of "do good".

190. The process of meeting requirements and incorporating gender policies, IPs' rights, and ESS stimulates an internal process within the institutions and organizations seeking accreditation, which results in the collateral effect of these accredited institutions tending to apply these new policies across all their operations, not just those funded by the GCF. Reverting these practices once established by AEs could be too costly, which incentivizes organizations to consistently maintain and expand their efforts. One repeated comment from interviewees is that the GCF standards in these areas are the most demanding, and incorporating them in some way prepares the institution/organization to face processes from other climate funds.

B. Monitoring and reporting gender indicators in GCF projects

191. **It is unclear how gender-related reporting in APRs is systematized for learning lessons from implementation.** Once the project is under way, implementing entities are required to report periodically on the progress of the indicators established in the Gender Action Plan (Green Climate Fund, 2019b) through APRs. These reports provide a detailed overview of the status of gender equity-related actions and allow for an assessment of whether the expected outcomes are being achieved.

192. This approach to tracking aims to ensure that gender considerations are not only integrated from the outset of problem conceptualization but are also maintained and reinforced throughout the project's development, and it is expected to contribute to more inclusive and equitable outcomes that "do good". During interviews, AEs did not report significant technical or economic difficulties related to the development of gender assessment tools and the gender action plan.

193. However, there is currently lack of clarity regarding how the GCF systematized this information and the lessons learned from APRs beyond just reporting on indicators. In many cases, the process of collecting and analysing gender data in reports may be fragmented or inconsistent, making it difficult to identify patterns and conduct a comprehensive evaluation of the impact of gender actions. In addition, qualitative lessons from APRs also remain untapped. This lack of systematization can limit the ability to draw valuable lessons and effectively adjust strategies. Without a systematic review and analysis of the reports, consolidating results and applying lessons learned to improve future interventions becomes challenging.

C. Identified issues

194. As previously analysed, all proposals submitted to the Board include a gender assessment and action plan. Despite the GCF's guidance on gender analysis and mainstreaming through its template (Green Climate Fund, 2022c) and toolkit (Green Climate Fund and UN Women, 2017), some key issues are evident when reviewing gender assessments and action plans: frequently, the action plans are short and simple documents that do not show a deep consideration of how the proposal's activities may contribute to or hinder gender equality. The action plans seem largely disconnected from the gender assessments (which are supposed to inform them). Although gender assessments are often lengthy, quantity should not be confused with quality. Long descriptions of secondary data sets, covering all available information on gender in the country, will not be helpful if there is no

focus on the proposal's opportunities and challenges, to truly find the entry points that reduce inequity and promote gender justice within the proposal's focus and activities. According to the Women's Environment and Development Organization (Organización de Mujeres para el Medio Ambiente y el Desarrollo, 2020), the following are issues frequently found in gender action plans, which have been verified by this evaluation in the LAC portfolio:

- **"Check-box" approach to indicators and goals:** Gender action plans often establish indicators without clear objectives, focusing solely on data-collection rather than setting meaningful targets. Frequently, the sole aim is to achieve 50 per cent female participation, reflecting a lack of comprehensive planning. These plans tend to overlook the needs, aspirations, and capacities of women, limiting their role to beneficiaries. Instead of merely meeting a quota, consideration should be given to how women can contribute to the design and evolution of the project, leveraging their knowledge to enhance outcomes and encourage active participation.
- **Lack of planning for continuous improvement:** The absence of planning for continuous improvement in gender action programmes is a significant issue. Assuming that a proposal will be executed flawlessly throughout its lifecycle without adjustments is a flawed premise. Projects often lack monitoring and adaptation mechanisms, resulting in programmes that fail to meet their objectives. When a project ends without achieving its set goals (or without clear objectives), it is the affected individuals who suffer the consequences. Additionally, if data is not captured properly or consistently, the opportunity for effective evaluation and genuine commitment to achieving goals is lost.
- **Homogenization of women as a group:** Gender action plans often simplify the issue by treating women as a homogeneous group, neglecting their intersecting identities. These plans usually focus solely on the number of women participants, without considering factors such as age, disability, class, ethnicity, sexual orientation, and geographic location. Instead of addressing this diversity, projects often set broad objectives, such as achieving 50 per cent female beneficiaries, without planning how to capture or encourage this diversity. This outdated and inadequate approach is unsuitable for projects aiming to be genuinely gender sensitive.
- **Inadequate budgeting:** Gender action plans frequently lack a specific budget, rendering them ineffective. The absence of proper funding allocation reflects a lack of real planning and undermines the effective implementation of the plan. Without an adequate budget, it is challenging for the gender action plan to be properly executed, significantly reducing its chances of success and effectiveness.

195. These issues highlight the need for more robust and nuanced approaches in gender action plans to ensure that gender considerations are effectively integrated and sustained throughout the project cycle.

D. GENDER-RELATED BENEFITS

196. Although the GCF funds projects with a clear climate objective (incorporating specific targets oriented towards climate mitigation or adaptation), the push and requirement to incorporate gender policies in both AEs and in each project, fosters the inclusion of concepts and objectives that may have been absent or not explicit before engagement with GCF.

197. **The LAC portfolio is still in the process of moving from a gender-sensitive to a gender proactive approach.** While GCF is transitioning from a gender-sensitive approach, focused on mitigating the negative impacts of policies and programmes on men, women, and children, to a proactive approach that intentionally incorporates gender considerations into the design, implementation, and results of programmes and policies, evidence of this shift in the LAC portfolio is still developing given the overall progress of the projects. One interviewee, with extensive experience as a former NDA member and current focal point of an AE, stated, "We are in a transition process from using safeguards mainly to mitigate environmental and social risks associated with projects, towards an approach that recognizes their much greater potential in the global strategy. It is now understood that safeguards not only serve to prevent negative impacts but also play a crucial role in creating linkages, validating, and ensuring the ownership of initiatives. This shift in perspective allows safeguards to contribute more effectively to the success and sustainability of projects, fostering greater integration and acceptance by the involved communities and stakeholders."

198. **There is a wide spectrum of gender-related benefits that manifest in projects.** Benefits and co-benefits were mentioned by interviewees, and some of them were verified during field visits: employment opportunities, improvements in sector-specific skills, equitable access to information and resources, women-led emerging services and businesses, benefit-sharing mechanisms, and more. Although progress is being made towards certain elements of integration, evidence of a transformative change – where power imbalances between women and men are addressed and visible and invisible structures and norms that perpetuate these relationships are dismantled – cannot yet be seen as a result of the projects implemented or in implementation.

Box 8–1. Botas Violetas in Ecuador – gender focus materialized in a symbol

In the context of FP110, during field visits conducted by project staff, there was an exchange of experiences among participants. One indigenous and rural woman shared her life story, which revealed that despite being a fundamental part of her family's subsistence daily work, her partner (husband) considered her inferior and did not provide her with necessary work tools for the field, prioritizing them for his own use or for their sons. The specific item mentioned by the woman was boots for working in the mud.

This story led to the development of the "*Botas Violetas*" (Purple Boots) initiative, which involves a series of workshops for individuals, organizations, and institutions throughout Ecuador. These workshops aim to understand the importance of incorporating and promoting gender equality in daily life. Both women and men can participate, but women who complete the awareness and training process receive a pair of purple boots for fieldwork as a closing gesture. The purple boots, featuring a women's empowerment logo, become a practical item for indigenous and rural women, turning them into a recognizable material symbol.

The United Nations Development Programme (UNDP), implementing agency, has an agreement with the manufacturer allowing the model to be replicated for other clients, though no longer in that colour. Up to December 2023, 1,747 people participated in this strategy, and 1,258 pairs of purple boots have been distributed to rural and indigenous women from various communities in Ecuador. The initiative has been so successful that the UNDP is already replicating it in other projects and countries.

Source: United Nations Development Programme, Ecuador (2024); Green Climate Fund (2019a)

199. Examples of gender-related co-benefits reported by interviewees include knowledge and resources to address gender-based violence, green jobs created, new leadership opportunities in local governance, applied business skills learned (e.g. seedling management, alternative energy sources) and end user access to low-emission energy sources.

Box 8–2. Tierra para Mujeres (Land for Women) in Costa Rica

Under FP144, UNDP facilitated a process to identify needs with women from rural and indigenous communities, uncovering legal barriers to land ownership for women. This led to supporting the drafting of a legislative bill aimed at ensuring women's access to land ownership in Costa Rica, where only 8.1 per cent of individual landholdings are owned by women. Many women engage in agricultural, agroforestry, or conservation work at home without receiving income for their labour or owning the land they work on. The project funded the design process for this legislative initiative.

In July 2024, the bill was presented to the Costa Rican Legislative Assembly and endorsed by two women legislators from different sectors. The bill promotes land ownership for rural women and supports their productive projects to close gender gaps.

Although the process for study and approval has only just begun, the potential for this structural change offers an opportunity to improve the situation of rural and indigenous women by enabling them to own the land they work on.

Source: Green Climate Fund, 2020a; United Nations Development Programme, Costa Rica, 2024

E. Considerations for dimensions related to Indigenous Peoples and achieving outcomes

200. In the LAC portfolio, the participation of IPs in the design and execution stages of projects is systematically verified. This is in response to the requirement to involve IPs as part of the project cycle, as stipulated in the GCF's 2018 Indigenous Peoples Policy. Similar to its commitment to gender equality, the GCF's recognition of IPs' rights is rooted in international agreements, particularly the United Nations Declaration on the Rights of Indigenous Peoples (United Nations, Department of Economic and Social Affairs, Indigenous Peoples, 2007) and the UNFCCC. The GCF's Indigenous Peoples Policy aims to ensure that IPs benefit from GCF activities and projects in a culturally appropriate manner and do not suffer harm or adverse effects from the design and implementation of GCF-funded activities. The policy includes the principle of FPIC, which ensures that communities can dictate their terms of participation. Furthermore, AEs that identify the presence of IPs in the impact areas of their programmes or projects are expected to develop a plan to minimize or compensate for any negative impacts and enhance positive impacts.

201. **While GCF's Indigenous Peoples Policy is strong, some entities are still in the early stages of operationalizing and applying suitable guidelines and standards.** The GCF's IPs policy and the accompanying operational guidelines and ESS for the inclusion of IPs are advanced and ambitious and are currently among the highest aspired to at the international level. These standards aim to ensure that IPs are not only consulted but actively participate in all phases of the project cycle. In this regard, the goal should be to "do good" by contributing to positive outcomes with and for the communities, and not merely to "do no harm".

202. However, some institutions are still in the early stages of practically applying these standards. Lack of experience in implementation of these specific standards often means challenges and delays are inevitable. Institutions and entities involved often face difficulties in adapting to the complex requirements and procedures necessary to meet these standards. This implies that the lessons learned during the initial implementation are crucial. These early experiences, although sometimes complex, are serving as an important learning curve for the region. The obstacles faced and the solutions developed will likely contribute to a greater capacity to manage the inclusion of IPs more effectively in future projects.

203. As these practices are adjusted and refined, it is expected that institutions will gain greater competence in applying these standards, resulting in more effective inclusion of IPs in climate development projects. This evolution is essential to ensure that projects not only meet GCF requirements but also adequately respect and value the rights and contributions of IPs. An interesting tool has been identified to facilitate access to information and monitoring by IPs, developed by organizations promoting IPs' rights, called The Indigenous Peoples Tracker on GCF Projects (TEBTEBBA and ELATIA, 2024).[27] This tool is a platform dedicated to monitoring GCF-approved projects in IPs' territories.

204. The tracker identifies projects in the GCF portfolio as of December 2021 that "could positively or negatively impact IPs", references project documents accessible through the GCF website, links with GCF Watch (Institute for Climate and Sustainable Cities, 2024) and is funded by the Climate and Land Use Alliance (2024). It systematizes information about each project in one place and provides easy access to essential documents, as well as comments made to the Board on project documents by IPs' organizations and CSO observers. It is unclear whether funds for the continuity of this tool will remain accessible and ensure its update.

205. **The redress function has been appreciated by some stakeholders**. The GCF's Indigenous Peoples Policy (Green Climate Fund, 2018) and its revised environmental and social policy (Green Climate Fund, 2021b) set requirements for an independent redress mechanism (Independent Redress Mechanism, 2024b). The Independent Redress Mechanism (IRM) page provides access in different languages (including Spanish, Portuguese, English, and French), facilitating access for individuals and organizations.

206. To date, there is an accessible record of the use of the mechanism on four occasions by LAC countries: (i) Paraguay for a complaint regarding FP121; (ii) Nicaragua for a complaint regarding FP146; (iii) Peru for a complaint regarding FP001; and (iv) Argentina for a reconsideration related to FP057 (Independent Redress Mechanism, 2024a).

207. In the case of FP146 (Independent Redress Mechanism, 2021), the IRM received a confidential complaint in 2021, alleging that the project had not applied FPIC. The complaint also highlighted the likelihood of increased environmental degradation and attacks by armed non-indigenous settlers, as well as suspected non-compliance or inability of the AE and the EE to adhere to GCF policies, conditions, and procedures. The process was initiated by exploring problem-solving options and compliance review with the complainants and other stakeholders. However, as no agreement between parties was reached, the IRM proceeded with an investigation, presenting its findings to the Board for consideration. The outcome was the termination of the funded activity agreement (FAA) for project FP146 "due to non-compliance with GCF policies and procedures on environmental and social safeguards" (Green Climate Fund, 2024c). To that extent, the CSOs have appreciated the role of the redressal function of the GCF in the project.

F. CONSENT AND INCLUSION

208. **There are contrasting views among stakeholders on the sequencing of consent from IPs.** It is acknowledged that there are early consultation efforts with IPs and local communities; however, these do not necessarily meet the requirements of FPIC. A significant group of interviewees argues that FPIC should be an integral part of the problem conceptualization from the initial project design,

[27] The Indigenous Peoples Tracker on GCF Projects is an initiative of TEBTEBBA and ELATIA (Indigenous Peoples' Global Partnership on Climate Change, Forests and Sustainable Development), to establish a baseline of information on and analysis of GCF approved projects that will potentially impact Indigenous Peoples positively or negatively.

before its approval. This perspective holds that implementing FPIC only after project approval may be inadequate, as it is a necessary condition to ensure effective and genuine participation of the affected communities in the design phase.

209. On the other hand, there is a perspective (provided by some interviewees) that argues FPIC does not necessarily have to be part of the initial project design. According to this view, applying FPIC during the project development process might create expectations among IPs that may not be met due to the unpredictability of the Fund in approving projects and the dynamic nature of determination of exact communities where projects can be implemented. This lack of predictability could, in some cases, have counterproductive effects, creating distrust and difficulties in the relationship with potential beneficiaries. This is exactly the issue quoted by some projects as a problematic aspect of how GCF interprets its ESS guidelines and implements the FPIC requirements, sometimes retroactively.

210. While GCF's Indigenous Peoples' Policy has a clear requirement for undertaking FPIC, the realities of implementing the same leave some gaps and leads to different interpretations on what is possible and required. Increased clarity on how and when FPIC should be applied is found to be increasingly crucial to ensuring the effectiveness of the process, for providing a solid and reliable basis for the participation of affected communities, and for allowing for better management of expectations and facilitating a more transparent and predictable approval process.

211. **Governance and indigenous participation.** Although IPs are sometimes beneficiaries of GCF-funded projects in LAC, the governance models of some projects are not participatory or inclusive. As a result, IPs generally act only as beneficiaries rather than playing an active role in decision-making and project structuring. Of course, there are examples such as FP144 "Costa Rica REDD+ Results-Based Payments for 2014 and 2015", wherein the project implemented, *Plan Ambiental, Forestal y Territorial* (PAFT), a community plan for channelling GCF and government resources, was debated, prepared, finalized and implemented by indigenous communities themselves. Another dimension that is still to be recognized further in the portfolio in LAC is the recognition of differences within indigenous communities. It has often been noticed that even within indigenous communities, there are many layers of inequities. GCF projects and GCF's approaches currently do not appear to recognize these particular inequities.

Chapter 9. CONCLUSIONS AND RECOMMENDATIONS

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

A. CONCLUSIONS

GCF's value proposition in the LAC region

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

214. **Ability to meet country expectations.** Countries in the region have stated that access to GCF and the nature of this access are central to the value proposition of the fund for the region. The region presents an intent-ready, and impact-potential rich environment. These factors combined with the generally good capacity and experience among the institutions in the region in implementing programming relevant to the GCF mandate have the potential to enable and facilitate access. However, access constraints are still prevalent on account of the structural barriers at GCF's end around the difficulty of institutional accreditation, timeliness of GCF processes, language barriers, time zone differences, lack of timely information for countries and entities and a metaphorical divide between the region and GCF on mutual expectations. While countries may sometimes lack capacity in certain respects, GCF also seems to lack the capacity, human resources and efficiency at the Fund level to meet the region's climate ambitions.

Access

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

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

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

Country ownership

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

219. Realizing country ownership through direct access and single-country programming is directly influenced by the high cost of programming with GCF, while engagement of NDAs and other stakeholders is a function of GCF's nature of engagement with countries through AEs and DPs. MCPs create challenges for country ownership and how it is perceived at the national level. The unpredictability and lack of timeliness of flow of finance to countries combined with lack of visibility and involvement of NDAs leads to lower NDA ownership for MCPs.

Coherence and complementarity

220. NDAs and AEs play a crucial role in ensuring coherence and complementarity between GCF and other sources of climate financing. However, a combination of intermittent capacity at NDAs, GCF's access mechanisms of working through AEs and lack of updated information about GCF's policies and procedures hinder them from taking up such a role. AEs, on the other hand, may have

incentives which are at odds with ensuring coherence and complementarity between GCF and other sources of climate finance. The region does present interesting examples of coherence and complementarity driven by AEs. While there is a presence of some regional-level platforms and dialogues for coherence and complementarity, this is not systematic and the same has not yet been supported at the national level.

Enabling environment and climate finance

221. GCF has invested significant resources into creating an enabling environment, especially in terms of institutional and policy framework, for mobilizing climate finance in the region via its RPSP. In addition, resources have also been invested in strengthening institutional capacities, especially national-level capacities. This has laid the groundwork for building on an existing baseline for higher-level impacts such as access to a higher volume and better quality of climate finance. However, such a baseline is not uniform in all countries in the region and what exists has been achieved without a particular approach or link to GCF's value proposition. The ongoing country-level pivot of GCF's readiness and institutional capacity-building efforts and its increasing focus on promoting access to GCF financing is a positive step in building on the efforts so far.

Implementation, results and adaptive management

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

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

National-level partnerships and private-sector engagement

224. **Public-private collaboration in GCF programming.** Private sector programming remains a key element of GCF engagement in the region. The region presents an interesting case of an intricate interaction between the public and private sectors in GCF programming wherein private sector actors remain deeply embedded into the programming that is tagged as public sector. Such embedding also points to a relatively well-developed private sector in certain countries of the region, and collaboration between public and private sectors wherein both can share risks. The depth of such private sector engagement of GCF is not fully captured in its systems and documents.

225. **Private sector engagement and MSMEs.** The Governing Instrument for the GCF encourages the participation of private sector actors in developing countries, in particular, local actors, including small- and medium-sized enterprises and local financial intermediaries. However, engagement with MSMEs remains a crucial element which is missing from the programming in the region. This stems from a general lack of recognition of and engagement with suitable institutions at the national level

that can engage with MSMEs. Often, these institutions tend to be national financial intermediaries. Accreditation, as it currently exists in GCF, remains a significant barrier for such engagement. GCF's long and cumbersome proposal review process is another hindering factor that discourages proposals from existing AEs with the ability to engage MSMEs. To that extent, engagement of the private sector, especially MSMEs, is also intricately and innately linked to direct access in the region.

REDD+ Results-based payment projects

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

Indigenous Peoples and gender

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

B. RECOMMENDATIONS

228. **Recommendation 1. GCF should clarify its own approach to the region and its ability to meet the value proposition that countries see for it.** GCF has inherent flexibility and offers a possible breadth of programming that makes it a valuable partner for countries in the region. Moving forward, GCF should clarify its approach to investments and programming in as diverse a region as LAC. GCF should clarify how it intends to leverage the value proposition that countries in the region see for it and the enabling factors that exist there. While the IEU recognizes that GCF does not provide regional strategies yet, a clear internal articulation of the approach to fulfilling the value proposition will help GCF tailor its offerings for the countries.

229. **Recommendation 2. GCF needs to calibrate access to the region in a manner that recognizes and leverages capacity that already exists while also further enhancing ownership of countries.** GCF should adapt its processes and offerings to become fit for purpose for the region. Overall, GCF should take a less compliance-oriented approach to enable greater access for countries in the region.

- In looking at accreditation for the region, GCF should consider differentiated indicators of capacities and track record which recognize existing programming ability and experience of institutions in the region. Such indicators may include experience in development, environment and conservation programming which are organically related to experience in climate

programming. Overall, a more tailored accreditation requirement for entities that caters to their existing capacity and experience is required.

- GCF should actively consider countries in the region for providing modalities of direct access beyond institutional accreditation.
- In the funding proposal approval process, especially for SCPs, GCF should take steps to bring down the transaction costs for entities, especially for GCF's direct access partners. This should involve GCF relying more on national systems and capacities that exist while also taking a more proactive role alongside the entities in the project design process to bridge the gap between GCF's expectations, institutional capacities as they exist in the region and contextual realities in countries.
- In MCPs, GCF should devise channels of communication or encourage AEs to do so, during design and implementation to ensure a certain degree of predictability and visibility for NDAs in countries where such projects are expected to be operational.

230. **Recommendation 3. GCF support for policy and enabling environment and institutional capacity should be country focused.** GCF needs to take a country-specific view to understand the institutional capacity gaps and need for policy and enabling environment support. Such a country-specific view needs to build on work carried out so far, through the RPSP, in individual countries to fully leverage the impact potential. GCF should consider supporting national and regional platforms consisting of different stakeholders which can support coordination efforts at the national level for the mobilization of climate finance and climate programming, and ensure coherence and complementarity between different sources of climate financing while also ensuring country ownership.

231. **Recommendation 4. GCF should actively source and partner with national financial intermediaries as well as other national and regional partners in the region for private-sector programming.** GCF should proactively seek partnerships with national financial intermediaries and other institutions in the region which could serve as a gateway to engaging with the local private sector, especially MSMEs in the countries. GCF's institutional accreditation as well as project approval process may pose a hindrance to such engagement and, hence, such an endeavour should be undertaken considering recommendation 2 on providing fit-for-purpose access for the region.

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

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

- **Regional presence.** Any future regional presence in LAC should be attuned to and resourced for fulfilling the above-outlined responsibilities, viz. origination with country partners, interface with stakeholders, and support during implementation, in a responsive manner.

ANNEXES

Annex 1. THEORY OF CHANGE

The ToC "explains how activities are understood to produce a series of outcomes that contribute to achieving the intended final impacts. It can be developed for any level of intervention, whether it is an event, a project, a programme, a policy, a strategy, or an organization." (Rogers, 2014). It describes the process through which a particular intervention produces a chain of outcomes through a series of inputs and outputs.

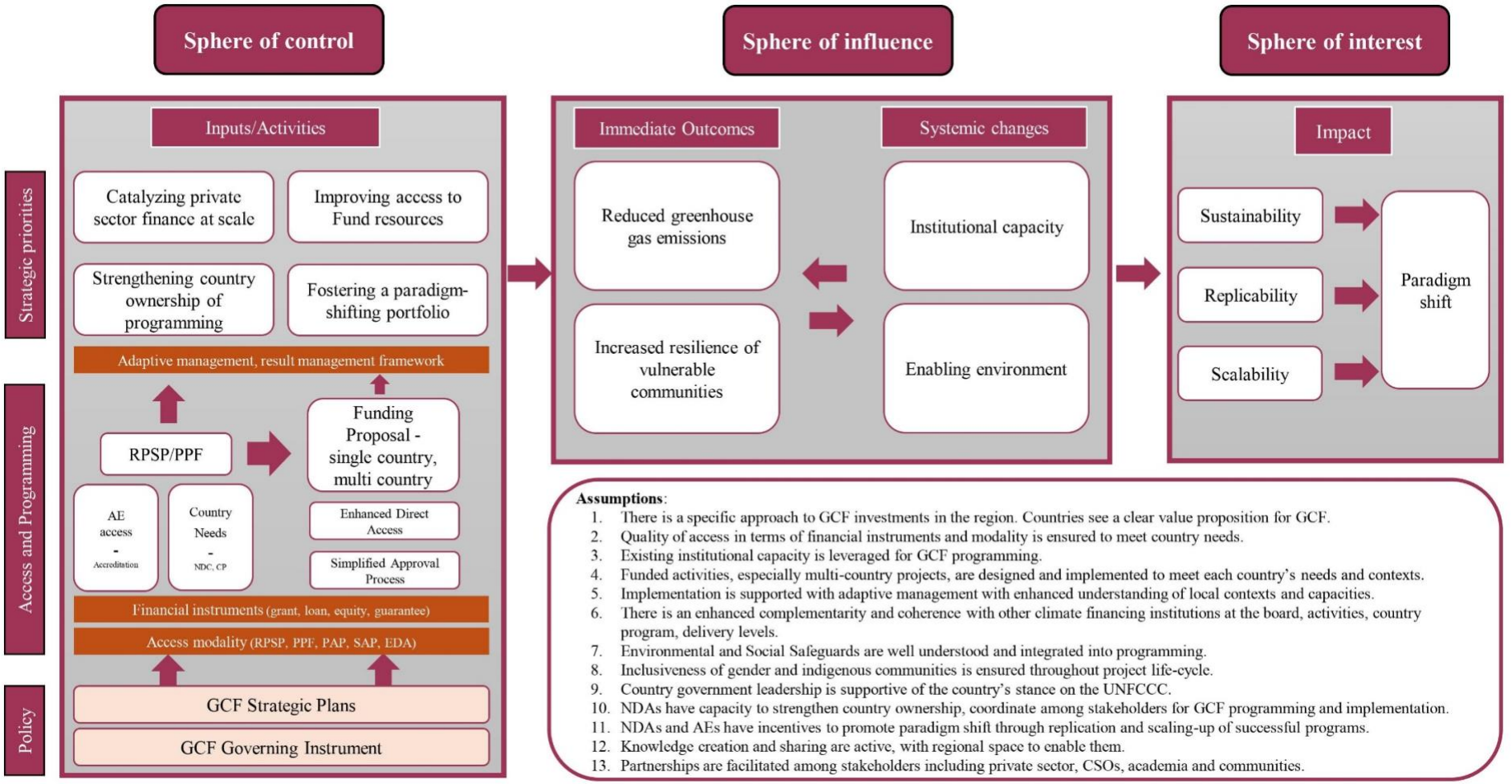
The investments made by GCF in LAC are expected to be generally aligned with the overall corporate strategy of GCF. For this reason, a ToC based on the Updated Strategic Plans for the Green Climate Fund is presented.

Causal relationships set out in the ToC are bound by a set of assumptions – understood to be conditions that are necessary for GCF investments to yield desired results. The ToC sets out plausible causal relationships that connect GCF interventions to paradigm shifts in climate mitigation and adaptation, along with critical assumptions underpinning those relationships across LAC countries. These were be tested over different stages of the evaluation, and the findings were used to validate and elaborate the original draft of the ToC which was in included in the approach paper of this evaluation. The assumptions are related to the evaluation matrix, in which the indicators will provide the evidence to tone up the ToC on an evaluation final stage.

The **ToC of GCF investments in LAC countries** states that the GCF is the main fund that provides different approaches materialized through its **sphere of control,** which provides activities/inputs through SCPs and MCPs.[28] These generate outputs such as instruments in the NDCs, adaptation communications, NAPs, technology needs assessments, technology plans and other national climate strategies and plans.[29] It is possible to increase capacity to deliver products in the **sphere of influence** that strengthen DAEs, IAEs, AEs and DPs. These products make it possible to obtain outcomes linked to prioritized strategic lines such as reduced emissions/increased resilience, and thus increased institutional capacity and achieving systemic change. The two successive stages under sphere of influence of reduced emission/increased resilience and institutional capacity/enabling environment can be iterative in that, sometimes, institutional capacity and enabling environment may lead to increased resilience and reduced emissions and vice versa. Spheres of influence contribute to reaching **spheres of interest** such as impact, that is, the scale, replicability and sustainability that manages to materialize the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.[30] Figure A - 1 elaborates on the assumptions, which include stakeholder capacity and engagement, such as a functional NDA, active DAEs and IAEs, financing mechanisms aligned with country needs, innovation and knowledge dissemination, ensuring safeguards, balancing mitigation and adaptation, and political will for transformational change.

[28] Activities/inputs: processes, tools, events, technology and/or actions that are carried out to achieve the objectives.
[29] Outputs: direct result of the activities of an intervention – goods, infrastructure, services or people reached by services.
[30] Outcomes: changes in specific knowledge, attitudes, behaviours, or conditions that result from intervention activities.

Figure A - 1. Theory of change of GCF investments in LAC countries



Annex 2. METADATA OF VARIABLES ON RISK/ CHALLENGE TYPE

Risk/challenge origin	Risk/challenge type	Interpretation examples, explanation
External factors	Financial (macro)	Economic downturns impacting funding. Increase in input costs (inflation, market fluctuations).
	Political	Security issues (military hostilities, regional conflicts). Leadership turnover and changes in institutional focus. Institutional reforms and structural changes. Geopolitical disruptions (war, international sanctions).
	Policy and regulatory barriers	Sudden policy changes or regulatory shifts. Cumbersome legal and licensing procedures. Government bureaucracy and red tape. Changes in environmental laws and compliance standards.
	External environmental factors	Impact of climate events (droughts, floods, hurricanes). Ecological sensitivity (biodiversity loss, deforestation). Environmental degradation (soil erosion, pollution).
	COVID-19	COVID-19 causing implementation delay. COVID-19 causing co-financing reallocation, or financial challenge. COVID-19 causing changes to implementation arrangements. COVID-19 leading to market changes. COVID-19 related supply-chain issues delaying procurement.
Project related	Safeguards and gender	Gender issues and inclusive participation challenges. Sociocultural resistance to project implementation. Resistance to change or adoption of new practices. Land ownership disputes and local community opposition. Misalignment of stakeholder expectations with project goals. Ineffective stakeholder engagement and communication.
	Procurement (revised) → operational	Procurement delays and contracting challenges. Supply chain disruptions (local and global). Reliance on international suppliers leading to delays. Operational inefficiencies and poorly defined processes. Internal staff changes and recruitment difficulties.
	Technical	Lack of specialized technical skills or training for project-specific tasks.
	Financial (project level)	Financial feasibility of the project.
Partner related	Capacity (of AE, EE, or implementing partners in	Project management and risk management skills. M&E skills. Financial management skills.

Risk/challenge origin	Risk/challenge type	Interpretation examples, explanation
	country)	Inadequate planning and underestimation of project costs. Lack of adaptation to local conditions and needs.
	Financial (project level)	Delayed or insufficient disbursements from funding bodies. Perception that the project is financially risky.
GCF related	GCF	GCF response causing delay. FAA rigidity in the way of adaptive management.
Others	Others	Other challenge that does not fit other categories.

Annex 3. LIST OF INDIVIDUALS CONSULTED

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Note: Due to legal and ethical considerations, we are not permitted to identify or list any agencies who have applied for but not yet received accreditation. These agencies are therefore not listed.

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