



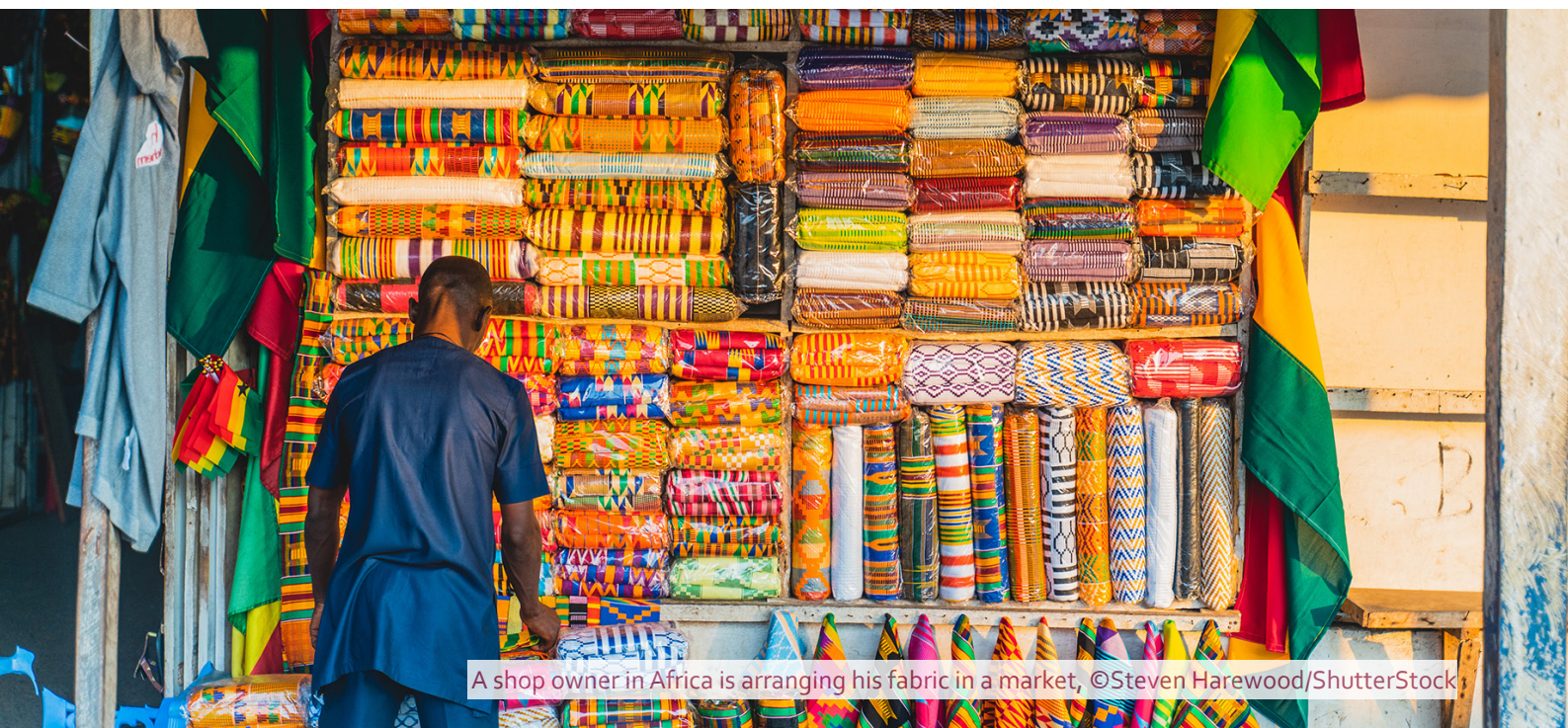
INDEPENDENT EVALUATION OF THE GREEN CLIMATE FUND'S APPROACH TO THE PRIVATE SECTOR

INTRODUCTION

The GCF's Governing Instrument stipulates that the Fund will take a leading role in channeling new and predictable financial resources and will catalyse climate finance, both public and private, and at the international and national levels. The GCF is further mandated to promote the participation of private sector actors in developing countries, in particular, local actors.

KEY CONCLUSIONS BASED ON FINDINGS

1. The GCF Private Sector Facility (PSF) has successfully channeled new finance to developing countries but has focused mainly on maximizing leveraging at the individual project level rather than catalysing private finance more broadly. The catalytic effect of the PSF is likely limited due to its low-risk appetite and lack of funding for the enabling environment. The Updated Strategic Plan of the GCF is not clear whether the GCF intends to be a mobilizing fund, or a catalytic one.
2. PSF project origination is primarily driven by international accredited entities, with limited country ownership. Even with the GCF's clear mandate on country ownership, the PSF has limited engagement with national governments to spending with national climate strategies and plans.
3. The PSF portfolio focuses mostly on mitigation, and it has provided very little direct finance for adaptation activities. Very little has been invested to indirectly finance private sector projects, for instance to support enabling environments.
4. While several private direct access entities have been accredited, almost no funding is flowing through them. As a result, the PSF has not delivered on its mandate to promote the participation of local private sector actors and financial intermediaries.
5. The PSF's support for private projects in SIDS and LDCs has focused on directly financing mitigation projects, with very little funding for adaptation activities. A key challenge to financing adaptation projects is to show that they can be profitable, and the GCF has



had limited results in investing in enabling environments for private sector adaptation or exhibiting sufficient risk appetite to achieve its mandate in the SIDS and LDCs.

KEY RECOMMENDATIONS

1. Clarify that the GCF is a high-risk fund that aims to catalyse investment in transformative adaptation and mitigation projects, rather than only a high-leverage fund that aims to maximize the quantity of co-investment.
2. Enhance the speed and transparency of GCF operations to align with private sector needs for efficiency and predictability. Streamline the accreditation and project approval processes; use an online tracking system, and clarify the objectives of PSAA.
3. Take measures to ensure that private sector projects are country owned. Access to the GCF should be informed by a country-driven approach, directed and prioritized by the NDC gap analysis.
4. Create institutional and organizational structures within the GCF Secretariat that operationalize direct and indirect finance for private sector activities, e.g. by clearly articulating which division is responsible for providing technical support and funding for the enabling environment for private sector adaptation and mitigation activities.
5. Set out as a strategic priority for the GCF to channel finance to MSMEs, exploring access modalities and appropriate instruments, and providing targeted readiness support.
6. Expand the focus on financial instruments and GCF support specifically to enable private sector investment in adaptation, particularly in the SIDS and LDCs.

METHODS

The evaluation used a mixed-methods approach to collect and analyze information from a wide range of sources. Data collection involved extensive literature review, a benchmarking exercise, stakeholder interviews, a synthesis of past IEU evaluation findings, analysis of GCF portfolio and pipeline data, an online perception survey, and six country case studies covering Burkina Faso, Armenia, Bangladesh, Chile, Ghana and the Pacific regional case - Solomon Islands and PNG.

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