



INDEPENDENT EVALUATION OF THE RELEVANCE AND EFFECTIVENESS OF THE GREEN CLIMATE FUND'S INVESTMENTS IN SMALL ISLAND DEVELOPING STATES

BACKGROUND

At its twenty-fourth meeting, the Board of the Green Climate Fund (GCF) asked the Independent Evaluation Unit (IEU) to assess the relevance and effectiveness of the GCF's investments in the Small Island Developing States (SIDS).¹

CONTEXT

This group of countries is exceptionally diverse. But they have one thing in common: they are highly vulnerable to the effects of climate change and face numerous climate threats, such as rising temperatures and sea levels, changing rainfall patterns, flooding, drought and coral reef decline.

In six out of the total 40 GCF-eligible SIDS, more than a quarter of the landmass is between 0 and 5 metres above sea level, illustrating the need for urgent climate action. Also due to the sea level rise, many SIDS expect to face food and freshwater insecurity.

The SIDS suffer inordinately more from climate change than they contribute to it through greenhouse gas emissions. In this context, they have repeatedly called for prioritized international financial support for

adaptation and mitigation activities.

However, when SIDS do receive funding for climate activities, they often face project implementation challenges, such as high transaction cost, limited human capacity and the need for coordinating multiple projects at any given time (see [Figure 1](#)).

"The time for action was yesterday! Climate change is not fiction but fact. And it knows no boundaries. SIDS have hardly contributed to global emissions, and yet they bear among its heaviest consequences."

- Fekitamoeloa Katoa 'Utoikamanu

High Representative for the United Nations Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

KEY FINDINGS AND CONCLUSIONS

1. Factors for effective SIDS climate finance

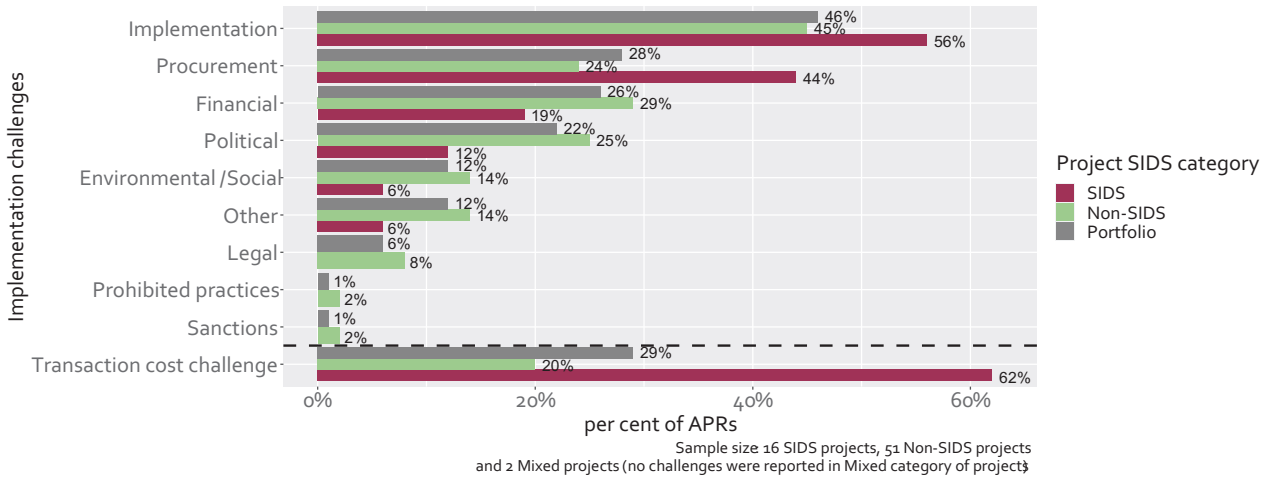
Five factors are critical when considering climate finance for SIDS:

- the urgency of climate action

¹ Chase, Vasantha, David Huang, Nayeon Kim, Jessica Kyle, Howard Marano, Logan Pfeiffer, Archi Rastogi, Andreas Reumann, and Peter Weston (2020). *Independent Evaluation of the Relevance and Effectiveness of the Green Climate Fund's Investments in Small Island Developing States*. Evaluation Report No. 8, October 2020. Independent Evaluation Unit, Green Climate Fund. Songdo, South Korea.



Figure 1. Implementation challenges reported by SIDS and non-SIDS



Source: Annual Performance Reviews, as of 31 July 2020, as analysed by the IEU DataLab

- the importance of adaptation
- capacity constraints
- high transaction or operational costs
- the need for flexibility

2. Relevance of GCF’s guidance, frameworks and policies for SIDS

2a. The GCF policies **lack flexibility** for implementation and application to adequately address the SIDS’ unique needs.

2b. Many policies of critical interest to SIDS are **yet to be approved** by the Board, including policies on incremental costs, concessionality, co-financing and programmatic approaches.

2c. GCF’s response to the UNFCCC COP guidance on SIDS regarding private sector engagement, improved access, readiness and accreditation has been only **partially effective**.

The GCF policy landscape has **potential to be sufficiently flexible** to accommodate the circumstances of SIDS. However, policy and governance issues that are important to SIDS require further Board discussion and decision.

3. Accreditation and access for SIDS

3a. **Only four** of 40 SIDS have a national direct access entity (DAE) (See Figure 2).

3b. Regional DAEs are the most prominent entities among SIDS. But often, they have **insufficient staff** to meet the demand for their services.

3c. Many international accredited entities are **disincentivized** by what they perceive as high

transaction costs when working with the GCF on small SIDS projects.

3d. SIDS **lack the capacity** to prepare GCF funding proposals. The GCF’s Readiness and Preparatory Support Programme (RPSP) needs to better address these capacity needs.

The GCF’s current model for accreditation and access is **disadvantaging SIDS** that have low capacity, experience or confidence in seeking direct access to the GCF. SIDS commonly face a **lack of capacity** to develop concept notes and funding proposals to the GCF standards. The RPSP and PPF are helping to address this, but approaches are not sufficiently tailored to the human resource limitations in SIDS.

4. The GCF’s portfolio in SIDS

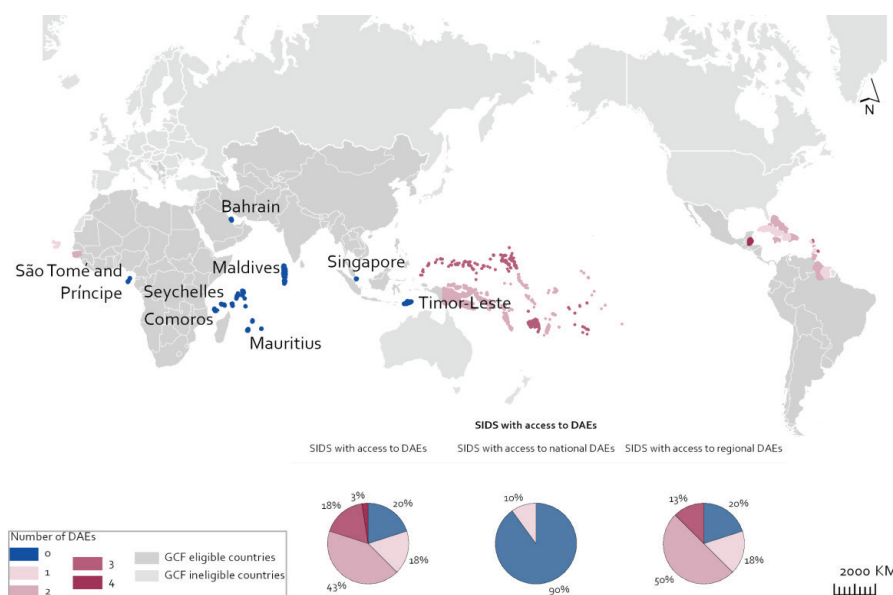
4a. The Board has approved 29 projects that include SIDS, totaling USD 818 million. However, **substantially less co-finance** has been catalysed for SIDS compared to non-SIDS.

4b. More than half of the GCF’s investments in SIDS focus on adaptation. Grants account for 50 per cent of this figure, which is appropriate given SIDS’ vulnerability and debt sustainability issues. However, innovative funding approaches deserve more consideration.

4c. Several GCF approval processes are **too lengthy** to meet the SIDS’ urgent need for climate action (See Figure 3 for a comparison of GCF’s funding approval times for SIDS and non-SIDS).

4d. The GCF’s Simplified Approval Process (SAP) is

Figure 2. Map of SIDS with access to DAEs



Source: For accreditation data: accreditation application data. For country boundaries: the Database of Global Administrative Areas, as of 12 March 2020, analysed by the IEU DataLab

relevant for SIDS but is **not yet sufficiently simplified** to accelerate project development.

4e. The GCF’s Request for Proposals (RFP) modality has been **ineffective** in generating funding proposal pipelines in SIDS.

The GCF **has not met the urgent needs** of SIDS effectively. However, it could potentially accelerate investments in SIDS and deliver results at scale by improving its SAP and RFP modalities and taking a programmatic approach. GCF finance in SIDS has appropriately focused on **grant-funded adaptation**. However, opportunities exist to fund more innovative financial structures and instruments.

5. GCF and the private sector in SIDS

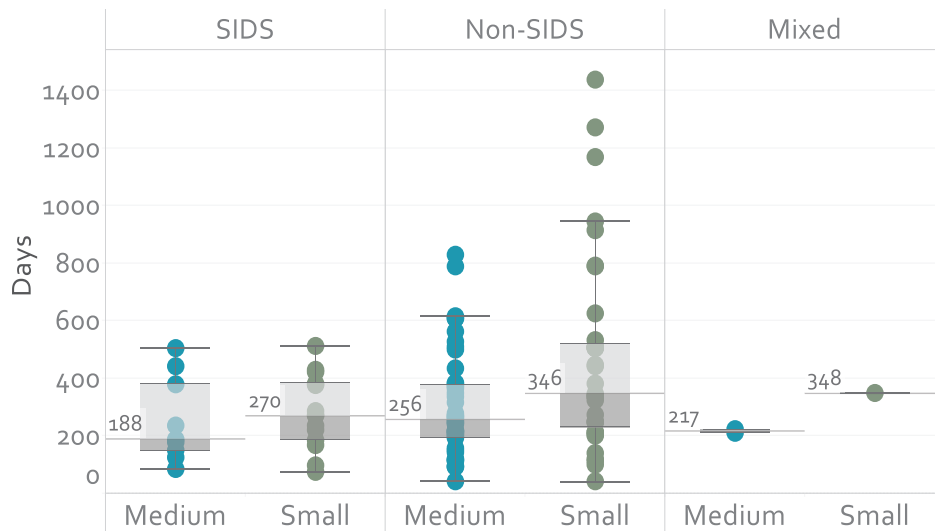
5a. SIDS’ stakeholders noted that the GCF Private Sector Facility (PSF)’s conception of the private sector does not well correspond to the micro-scale, low-capital base and low risk capacity of businesses in SIDS. There is no context-sensitive strategy for the private sector within the GCF.

GCF’s approach to the private sector in SIDS is **not sufficiently defined**. Nevertheless, there has recently been sizeable engagement to improve the resilience of local private sector actors in SIDS through the DMA portfolio.

KEY RECOMMENDATIONS

1. **Improve the RPSP support** to enhance the SIDS’ direct access to the GCF and address their capacity constraints by:
 - including trained personnel working alongside government and DAE staff to build long-term capacity;
 - adjusting the GCF’s technical assistance through the RPSP to better reflect the need for more hands-on support for writing concept notes in SIDS; and
 - promoting multi-year support for embedding advisers in national designated authorities or making such support more easily accessible.
2. **Accelerate and simplify the project cycle**, particularly by:
 - operationalizing the recommendations in the IEU’s assessment of the SAP, an increasingly important modality for SIDS developing project pipelines;
 - developing a strategy for SAP;
 - delegating authority to the Secretariat to approve projects that meet SAP eligibility criteria; and
 - simplifying the funding proposal template to allow SIDS to access data demonstrating their overall national vulnerability to the impacts of climate change.

Figure 3. Time taken from the submission of funding proposals for Board approval across project size for SIDS and non-SIDS



Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab

3. The GCF Board should **consider finalizing the policy on the programmatic approach**, with due consideration for SIDS.
 - Programmatic approaches should include single- and multi-country programmes and include provisions to streamline sub-project approval processes.
 - Once the policy is adopted, the Secretariat should provide guidance on how to prepare climate action programmes.
 - The GCF Board and Secretariat should ensure that the approaches are linked with the participating countries' nationally determined contributions (NDCs), national adaptation plans (NAPs) and other long-term strategies.
4. Consider **adopting a private sector approach** that
 - reflects the characteristics of local private sector entities in SIDS; and
 - clearly defines the aim for private sector engagement, such as leveraging private sector investment to scale-up climate ambitions or improving local private sector resilience.

METHODS

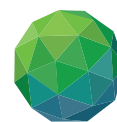
The evaluation used a mixed methods approach, employing qualitative and quantitative data and methods to develop the report's evidence-based findings, conclusions and recommendations. Specific data sources and methods included, among others: a literature review, portfolio-level analysis of data, informant interviews, virtual country missions, analysis of geographic information systems data, an online survey of stakeholders, and a synthesis of country case studies.

Key limitation: Due to the challenges of COVID-19, nearly all evaluation interviews and field missions were conducted virtually. It is important to note that this is a sub-portfolio evaluation and, while its findings are relevant to SIDS, they do not prejudice other vulnerable countries.

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