



GREEN
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IEU's

FORESIGHT STUDY

ON CLIMATE FINANCE

A SUMMARY REPORT

An IEU Deliverable Contributing to the
Third Performance Review

December 2025





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THIRD PERFORMANCE REVIEW

PURPOSE AND APPROACH

The Green Climate Fund (GCF) Independent Evaluation Unit (IEU) is mandated to undertake periodic reviews of the GCF's performance. These reviews inform replenishment decisions and guide strategic planning. As an early product of the Third Performance Review, a foresight study was conducted by the IEU to understand how global climate finance may evolve through to 2035 and to explore implications for the GCF's strategic positioning. The results of this study are summarized in this report. The study recognizes that the context of climate finance is becoming increasingly strained and fragmented, with record private finance flows for some sectors hiding deep structural weaknesses, and political commitment for concessional public capital impacted by wider geopolitical, economic and social considerations. This situation creates both risks and opportunities for delivering on the GCF's mandate.

Unlike traditional retrospective evaluations, foresight approaches systematically examine change, such as emerging signals, structural forces and uncertainties that could shape the GCF's future operating environment. The aim of this report is not to identify new areas of strategic focus or activity, but rather to understand how the mandate of the GCF may respond to and interact with an evolving and uncertain landscape. The purpose is to anticipate the robustness of the GCF's mission, operating model and comparative advantages across a range of plausible future scenarios. It should be underscored that this study is only a part of the broader evaluation efforts under way and will inform the overall performance review of the GCF in this strategic period.

The foresight methodology is based around four mutually reinforcing components.

- *Horizon scanning* involved reviewing over 250 papers from academic and grey literature, as well as quantitative data sources. It identified major drivers of change, such as macrofinancial headwinds, sovereign debt stress, shifting geopolitical alliances, technology disruptions, adaptation gaps, emerging legal risks and the evolving New Collective Quantified Goal (NCQG) architecture.
- *Expert consultation* involved structured interviews with around 20 independent experts, spanning intergovernmental organizations, multilateral development banks (MDBs), and civil society organizations across the Global South and Global North.
- *Scenario construction* synthesized evidence and expert insights into four futures defined along two axes shaping climate finance outcomes: (1) the scale of concessional finance and associated fiscal challenges, and (2) the degree of institutional alignment versus fragmentation.
- *Wind-tunnelling* and stress-testing assessed how each scenario could affect the GCF's role and potential reforms. This process identified "no-regrets" options for the GCF, highlighted scenario-specific vulnerabilities, and outlined early signals that might assist the GCF to understand which future pathway is emerging.



This approach creates an evidence-rich, forward-looking assessment of the global climate finance system to 2035. The IEU will use the results of this study to inform the findings of the Third Performance Review and to ensure the robustness of its recommendations against different future scenarios. For wider audiences, including GCF leadership, the study offers a practical framework to inform strategic planning in highly uncertain conditions.

CURRENT ROLE OF THE GCF IN THE CLIMATE FINANCE LANDSCAPE

The GCF holds a structurally unique position in an increasingly fragmented public climate finance landscape. It is the largest dedicated fund of the United Nations Framework Convention on Climate Change (UNFCCC). Its 50:50 mitigation–adaptation mandate, with half of adaptation financing reserved for least developed countries (LDCs), small island developing States (SIDS) and African States, gives it a level of legitimacy unmatched by other institutions. The GCF plays a multidimensional role, enabling it to be a flexible and adaptive institution within its broader mandate and to respond to key opportunities and challenges. For example, the underfunding of adaptation (with less than 10 per cent of estimated needs being met), elevates the importance of the GCF's support for resilience.¹ Support for particularly vulnerable countries remains chronically underfunded, MDBs have struggled to scale adaptation finance, official development assistance (ODA) is contracting and concessional windows are tightening.² Most private investment flows to commercially viable mitigation technologies in middle-income markets, with these continuing to grow and remaining broadly resilient against political and fiscal headwinds.³

The GCF operates in the context of growing fragmentation across institutions, standards and access pathways. A rapidly expanding international ecosystem of green public and private capital includes other specialist vertical climate funds such as the Global Environmental Facility, Adaptation Fund, Climate Investment Funds, and Fund for Responding to Loss and Damage, as well as MDBs, other development finance institutions, bilateral donors, sovereign wealth funds, large philanthropies and carbon markets (e.g. through Article 6 mechanisms). Recipient countries must navigate this complex and fragmented environment, with each funding channel bringing distinct safeguards, accreditation systems and reporting requirements. This situation disproportionately burdens LDCs, SIDS and African States, whose capacity constraints cannot keep pace with multiple, overlapping processes. Although the GCF's direct access modality and readiness support help relieve this pressure, they have not kept up with rising access costs and have struggled at times to turn concepts into funded projects.

The GCF's comparative strengths lie in three areas, all of which may be valuable across a range of scenarios:



A country-led and vulnerability-centred mandate, which positions it as the leading provider of adaptation finance and enables countries to lead its programming and implementation.



A concessional and risk-tolerant financial offer, which enables grant-based and highly concessional catalytic investment in risky and underserved markets.



Political legitimacy, which enables it to promote coherence, standards and system-wide access reforms.

However, persistent operational bottlenecks within the GCF – such as slow approvals, weak disbursement, challenges bridging from accreditation to project development, uneven performance among partners and high transaction costs – can limit its effectiveness. These weaknesses risk eroding the GCF's influence if not addressed. Overall, the GCF remains central to the climate finance architecture, while vulnerable: uniquely mandated and legitimate, but operating in a tightening and fragmented environment. Its future relevance depends on sharpening its position in a crowded landscape, reforming access and delivery systems, and demonstrating value in areas where other institutions cannot or will not intervene.

¹ Climate Policy Initiative, *Global Landscape of Climate Finance 2025* (2025), <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2025/>.

² United Nations Environment Programme, *Adaptation Gap Report 2025: Running on Empty. The World Is Gearing up for Climate Resilience — without the Money to Get There* (2025), <https://www.unep.org/resources/adaptation-gap-report-2025>.

³ Linda-Eling Lee et al., *Transition Finance Tracker: Third Quarter 2025* (2025), <https://www.msci-institute.com/transition-finance-tracker/>.

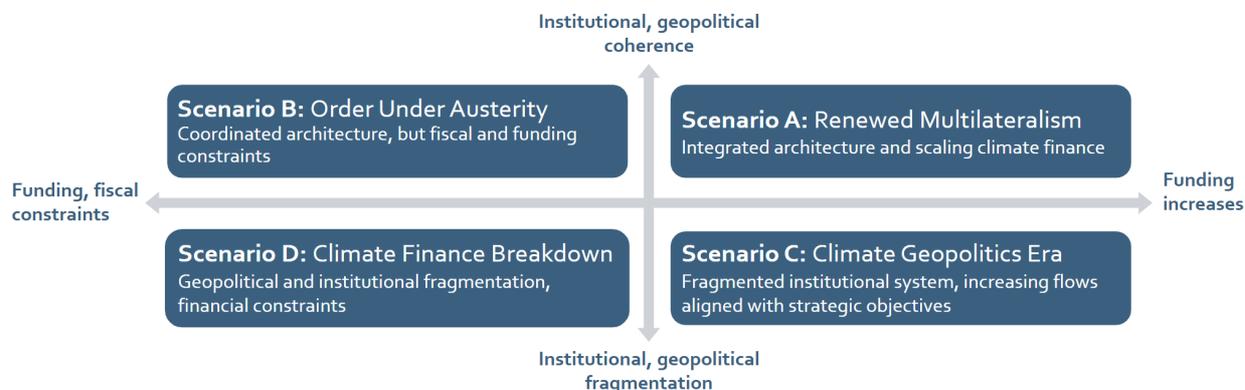
DRIVERS AND TRENDS SHAPING THE FUTURE OF CLIMATE FINANCE

Global climate finance is entering a phase of volatility, fragmentation and rising inequality. Multiple forces are reshaping access to finance for developing countries, creating major uncertainty for the GCF. These macrofinancial, geopolitical, technological and environmental pressures interact in ways that will shape the future landscape. Identified trends include the following:

- *Macrofinancial headwinds* are tightening fiscal space and raising capital costs, as high interest rates, debt distress and currency volatility suppress private investment.
- *Public finance* is contracting as ODA declines and donors focus on domestic pressures, sharply reducing grants and concessional resources for adaptation and for particularly vulnerable countries.
- *Geopolitical competition* is generating competing climate finance structures with divergent standards and higher costs, prioritizing strategic interests over vulnerability.
- *MDB reforms remain uneven*, progress has not yet translated into more concessional capital, and climate finance remains mitigation-focused in larger emerging economies.
- *Technology and market shifts* are creating a two-speed system, with private finance flowing to mitigation, where returns on capital exist, while adaptation remains underfunded.
- *Environmental, social and legal pressures* are intensifying as climate impacts increase and litigation and justice demands grow, straining public budgets and heightening vulnerability.
- *The institutional landscape* continues to expand and fragment, with new funds, platforms and mechanisms multiplying access pathways, overwhelming the capacity of LDCs, SIDS and African States.
- *Systemic shocks and tail risks* such as debt defaults and major climate disasters have the potential to rapidly shift the system towards cooperation, fragmentation or breakdown.

Together, these forces create a non-linear future for climate finance, in which scale and level of cooperation or fragmentation are primary factors. These dynamics underpin the four potential climate finance scenarios that follow – namely, **Renewed Multilateralism**, **Order under Austerity**, **Climate Geopolitics Era**, and **Climate Finance Breakdown**. The scenarios that follow should not be read as four fixed end-states, but rather as potential directions of travel that may evolve over time. Each of these scenarios will have implications for the GCF, which will need to adjust and adapt its strategic role, while pursuing a series of no-regret incremental improvements around process efficiency and effectiveness. These scenarios are set out below in Figure 1.

Figure 1. Climate finance scenarios



SCENARIO A: RENEWED MULTILATERALISM

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

Scenario description: This scenario describes a future in which multilateralism largely delivers and global cooperation drives a high-functioning and expanding climate finance system.

- *Finance landscape:* Public flows exceed USD 300 billion, and mobilization reaches USD 1.3 trillion, supported by early NCOG capitalization and rapid donor alignment, major MDB reforms on capital adequacy and callable capital, and coordinated debt treatments that lower sovereign risk premiums across emerging markets and developing economies (EMDEs).
- *Governance architecture:* Stronger multilateral coordination, clearer institutional roles and expanded country platforms reduce duplication and streamline delivery, supported by moves towards harmonized safeguards; monitoring, reporting and verification (MRV) systems; access rules; and operational templates.
- *Fiscal and liquidity conditions:* Lower interest rates, rising credit ratings, improved fiscal space and falling sovereign spreads enhance investment capacity across EMDEs, driven by successful restructuring efforts and more stable macrofinancial conditions.
- *Public-private model:* Effective guarantees, foreign exchange (FX) risk tools, and de-risking mechanisms operate in a low-risk, highly liquid environment, with improved mobilization ratios enabled by greater coherence between public actors and private capital in markets with better macro fundamentals.
- *Implications for mitigation:* Mitigation finance scales up across many regions, with concessional funds used systematically to de-risk higher-risk, transformational investments in vulnerable, lower-income countries.
- *Implications for adaptation and resilience:* Adaptation finance becomes larger and more predictable, enabling more systemic resilience investments, though fragile and conflict-affected settings still struggle.

GCF role

In this scenario, the GCF may choose to evolve into a **System Architect and Access Champion**, shaping global norms on safeguards, MRV, fiduciary standards and access, while ensuring simplified, harmonized pathways for LDCs, SIDS, African States and other particularly vulnerable countries (e.g. fragile states). It could advance this role by institutionalizing mutual reliance across MDBs, vertical funds and direct access entities (DAEs) to eliminate duplicative reviews, scaling strong country-led platforms to drive coherence, and pioneering next-generation financial tools that others can replicate at scale. At the same time, the GCF could strengthen direct access through embedded advisory support that bridges the gap between accreditation and project development and implementation, ensuring DAEs can deliver more effectively. Throughout, it may continue to safeguard adaptation and climate-vulnerable country allocations and ensure that rapid growth in global mitigation finance (and opportunities to broaden its capital base) does not distract from its mandate for vulnerable countries. In a high-finance scenario, the GCF can lean further into mobilization, partnering on higher-risk platforms that steer growing private capital towards adaptation and resilience via DAEs, national development banks and other local intermediaries. In this future, the GCF could thrive by shaping the rules of a high-functioning climate-finance system, acting as the standard-setter and access champion that drives coherence within a rapidly expanding architecture.

Risks for the GCF: Being crowded out by bigger MDB balance sheets if it chases volume; drifting into mainstream mitigation at the expense of adaptation/vulnerability; mandate creep that blurs niche.

SCENARIO B: ORDER UNDER AUSTERITY

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

Scenario description: This scenario describes a future in which multilateral cooperation holds but fiscal scarcity dominates, producing a well-organized yet underresourced climate finance system.

- *Finance landscape:* Public flows grow only modestly and remain far below NCOG ambitions, as donor budgets contract and ODA stagnates; concessional finance is scarce and increasingly rationed, with weak mobilization and reduced co-financing ratios reflecting persistent debt stress and elevated borrowing costs.
- *Governance architecture:* Multilateral institutions maintain clear coordination and streamlined roles, but limited resources constrain their ability to scale; harmonization efforts progress, yet pipeline attrition grows as countries compete for scarce concessional envelopes.
- *Fiscal and liquidity conditions:* High interest rates, incomplete debt restructuring and tight fiscal space restrict investment capacity across EMDEs, while elevated risk premiums discourage private flows and slow project development.
- *Public-private model:* Guarantees and de-risking tools see limited uptake due to tighter macrofinancial conditions; leverage ratios decline, and markets rely more heavily on public loans rather than blended finance, with private capital continuing to flow primarily into lower-risk middle-income contexts.
- *Implications for mitigation:* Mitigation finance continues to flow into commercially attractive technologies and countries with stronger macro fundamentals, but higher risk premiums make transformational mitigation in vulnerable and lower-income countries difficult to finance.
- *Implications for adaptation and resilience:* Adaptation finance is hit hardest by fiscal austerity. Grant resources for climate-vulnerable countries stagnate or fall in real terms, widening the adaptation gap and increasing reliance on short-term humanitarian responses.

GCF role

In this scenario, the GCF may choose to become the **Steward of Scarce Concessional Capital**, allocating limited grants where they are most irreplaceable and ensuring that climate vulnerability remains central in an increasingly resource-constrained system. It could do so by maximizing the impact of each concessional dollar through more disciplined allocation criteria, sharpening its focus on LDCs, SIDS, African States and other particularly vulnerable countries (e.g. fragile states), and strengthening adaptation financing to counterbalance systemic market failures. The GCF could concentrate readiness and project preparation resources in fewer but deeper partnerships, improving throughput and accelerating delivery where it can make the greatest difference, while simplifying approval processes and reducing transaction burdens to improve speed: a critical dimension of fairness when capital is scarce. Under austerity, the GCF's private-sector role pivots to protecting equity, using guarantees, first-loss and FX tools with local and regional financial institutions to support mitigation and unlock adaptation and resilience in LDCs, SIDS and fragile and conflict-affected states. Through these actions, the GCF could maintain its legitimacy and relevance, acting as the primary defender of access in a climate finance landscape where needs far exceed available resources.

Risks for the GCF: Seen as too slow/complex when money is tight; political tension over rationing; pressure to behave like an MDB co-financing window, weakening vulnerability focus.

SCENARIO C: CLIMATE GEOPOLITICS ERA

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

Scenario description: This scenario describes a future in which climate finance expands but becomes increasingly shaped by geopolitical competition, producing a fragmented system where access, standards and resource flows differ across rival blocs.

- *Finance landscape:* Overall climate finance remains high, but flows are directed towards strategic middle-income partners and value-chain priorities; concessionality becomes uneven, and risk premiums stay elevated for non-geopolitically aligned states, creating sharp disparities in access.
- *Governance architecture:* Institutional coherence breaks down as competing geopolitical blocs establish parallel institutional funding pathways, standards, safeguards, taxonomies and access rules; country platforms evolve unevenly, with some integrated into bloc-specific systems and others excluded altogether, increasing fragmentation and duplicative requirements.
- *Fiscal and liquidity conditions:* Liquidity improves for strategically aligned countries but deteriorates for neutral or peripheral states without a clear supporting bloc; high volatility, currency risk and fluctuating market sentiment make long-term planning difficult for many EMDEs.
- *Public-private model:* Mobilization becomes tightly tied to industrial policy and geopolitical incentives, with guarantees and blended instruments concentrated in strategic sectors; countries outside major blocs face diminished private sector engagement and rising barriers to market entry.
- *Implications for mitigation:* Mitigation finance is strong but uneven, concentrated in powerful blocs and major supply chains, leaving “non-aligned” or politically marginal countries with limited access.
- *Implications for adaptation and resilience:* Adaptation support is increasingly driven by strategic and security interests, so some countries receive sizeable resilience packages while many particularly vulnerable states face stagnant or volatile funding.

GCF role

In this scenario, the GCF may choose to become a Neutral Interoperability Hub and Normative Anchor, providing a trusted, politically independent platform that bridges divergent systems and protects minimum global standards. It could fulfil this role by maintaining coherence across incompatible taxonomies, safeguards and MRV systems, offering technical guidance that helps countries navigate parallel access pathways and supporting regional institutions that operate across blocs. The GCF could use its concessional and risk-tolerant finance to reach countries sidelined by geopolitical alignments, countering exclusion by de-risking investments in vulnerable and non-aligned states. With bloc-shaped flows, the GCF approaches private finance mobilization as a geopolitical balancer, backing cross-bloc platforms and regional/national development bank coalitions so that commercial investment and industrial policy do not bypass vulnerable and non-aligned countries. By demonstrating neutrality, enabling interoperability, and protecting baseline norms of transparency, equity and access, the GCF remains a stabilizing institution in an increasingly fragmented climate finance landscape, ensuring that vulnerable countries are not left behind as geopolitical competition reshapes global flows.

Risks for the GCF: Being pulled into bloc politics, losing credibility; donor capture by one bloc; marginalization if major powers route most climate finance through bloc-specific funds.

SCENARIO D: CLIMATE FINANCE BREAKDOWN

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

Scenario description: This scenario describes a future in which multiple crises converge, such as sovereign debt distress, escalating climate shocks, geopolitical tension and donor retrenchment. This convergence results in a systemic breakdown of climate finance characterized by shrinking resources, heightened volatility and widespread institutional strain.

- *Finance landscape:* Public and concessional flows contract sharply as donors withdraw, replenishments fall short and co-financing collapses; private investment retreats from EMDEs due to extreme risk premiums and repeated climate shocks, leaving vulnerable countries without viable financing channels.
- *Governance architecture:* Multilateral coordination weakens as global mechanisms become politically paralysed; institutions shift towards emergency response; climate, development and humanitarian systems increasingly blur, with national and local capacities overwhelmed by cascading crises.
- *Fiscal and liquidity conditions:* Sovereign defaults proliferate, borrowing costs spike, currencies weaken, and many LDCs and SIDS lose market access entirely; fiscal space deteriorates as governments divert resources towards immediate disaster response rather than long-term resilience investment.
- *Public–private model:* Mobilization largely collapses outside a few resilient middle-income countries; market-based instruments fail under high volatility, insurance becomes unaffordable, and FX and liquidity risks render blended-finance structures unworkable in most vulnerable contexts.
- *Implications for mitigation:* Outside a few large markets, private investment in mitigation slows sharply as macrofinancial risks rise and policy uncertainty grows.
- *Implications for adaptation and resilience:* Adaptation and resilience investment collapses in many vulnerable countries, with public budgets diverted to crisis response and disaster relief rather than long-term capacity and infrastructure.

GCF role

In this scenario, the GCF may choose to become a Lifeline and Stabilization Mechanism, providing survival-critical support to countries left without functioning climate finance channels. It could do so by prioritizing essential adaptation and resilience investments such as those related to food security, water access, early warning, social protection linkages and basic infrastructure. At the same time, it could deploy faster, more shock-responsive instruments for climate disasters and systemic emergencies. The GCF could sustain minimum institutional capacity by funding climate ministries, DAEs, and national planning systems at risk of collapse, and by channeling community-based finance to maintain locally led adaptation where national systems are overwhelmed. In breakdown, the GCF largely pivots away from traditional mobilization and instead keeps basic private intermediation alive, de-risking microfinance, SME and community-level lenders so that limited domestic capital can still reach frontline adaptation. By acting as the last-resort provider of concessional support and safeguarding vulnerable-country financing during systemic breakdown, the GCF would help prevent irreversible setbacks in resilience and institutional capability, anchoring the climate response amid widespread instability.

Risks for the GCF: Contributor withdrawals/non-payment threatening viability; pressure to drop standards too far, leading to failures and reputational damage; overwhelmed by unmet demand.

POTENTIAL RESPONSES

Most likely future scenario

Expert consultations did not consider each of the four scenarios to be equally likely. Given current dynamics, there was broad consensus that future pathways (particularly for public climate finance) are more likely to be shaped by austerity and fragmentation, with some optimism around the self-scaling dynamics of private finance for clean technology in higher-income markets. In terms of a central scenario for planning purposes and stress-testing recommendations for the Third Performance Review, scenario D (Climate Finance Breakdown) was therefore considered most likely. scenario A (Renewed Multilateralism) was therefore seen as an aspirational upper bound rather than a central case.

Incremental reform versus transformational change

Experts diverged on how climate finance system architects should respond to these scenarios. One group emphasized pragmatic, near-term reforms as the most realistic levers in a constrained political context: better coordination among funds and MDBs, stronger use of country platforms, simpler access and approval processes, and systematic support for institutional capacity in recipient countries. These steps were seen as delivering meaningful gains in effectiveness, credibility and equity, even if public climate finance remains flat or declines. They form the basis of no-regrets options, ensuring that climate finance institutions remain as effective as possible across scenarios.

Others argued that incrementalism will not suffice in the low-finance futures that appear most probable and that more transformational and catalytic approaches are required. They questioned whether project-by-project mobilization and complex due diligence models (as currently operated by the GCF and other vertical climate funds) can ever approach the scale and speed implied by global goals, especially for adaptation, loss and damage, and support to the most vulnerable. From this perspective, transformational change is needed across a range of domains:

- *Global revenue and burden sharing*: Recognizing climate as a global public good, exploring more decentralized non-market approaches under Article 6.8, and considering levies on high emitters or international transport to generate predictable, rules-based funding streams beyond voluntary ODA.
- *Architecture and delivery models*: Moving away from fragmented, projectized access towards programmatic, multi-year country platforms, and redesigning incentives so that joint programming, policy reform and institution-building are treated as core outcomes.
- *Domestic and meso-level financial systems*: Building out national development banks, green banks, municipal facilities, and guarantee funds for small loans so that citizens, communities, and micro-, small- and medium-sized enterprises can drive decentralized transitions (e.g. distributed renewable energy, adaptation) even when sovereign envelopes are constrained (this is being explored under the current GCF strategic plan and the private sector strategy).
- *Macrofinancial restructuring*: Progress on sovereign debt work-outs, credible debt-for-climate and debt-for-nature mechanisms, and safeguards so that new climate lending does not worsen debt distress. Without this, higher climate finance targets may not translate into fiscal space in austerity and breakdown futures.
- *Leveraging corporates, consumers and supply chains*: Recognizing that corporate decarbonization strategies, consumer pressure and supply chain standards can drive substantial mitigation and some adaptation investment independently of multilateral public flows, especially in more fragmented futures.

These views suggest that transformational change is less about “more money” and more about re-wiring incentives, institutions and revenue sources so that scarce concessional flows are structurally effective. Public interventions should therefore focus as much on shaping and steering these higher structural dynamics as on supporting projects within suboptimal contexts.

UNDERSTANDING THE GCF'S ROLE

Strategic approach

In the most likely austerity and fragmentation futures, experts broadly argued that the GCF should lean into equity rather than volume, prioritizing adaptation and resilience in LDCs, SIDS and African States, while engaging mitigation in emerging markets more selectively (although still adopting a bifurcated approach where it targets mitigation and private sector mobilization primarily through a frame of additionality and innovation). Scarce grants and the most concessional capital should be primarily targeted at vulnerable contexts, with middle-income countries relying more on loan-based support. More capital-constrained scenarios challenge the GCF's potential evolution into a "mini-MDB": chasing scale, developing a hybrid capital base, pursuing mobilization and supporting large mitigation pipelines in already bankable markets. Private sector engagement and innovative instruments still matter, but mainly where they unlock investment in hard-to-access, vulnerable markets, rather than generic mobilization.

Boundary conditions

More broadly, the scenarios describe system-wide trajectories shaped by macrofinance, geopolitics, domestic policy and private investment that no single institution (including the GCF) can control. Scenarios are therefore best used as a diagnostic tool to locate where the system sits today, stress-test GCF strategic choices and Third Performance Review recommendations under different futures, and track a small set of early warning indicators to understand which trajectory is emerging.

Using scenarios this way also helps clarify what lies outside, around and inside the GCF's sphere of control.

- At the *outer layer* are dynamics it can only anticipate and adapt to: global interest rates and debt distress, the overall scale of public climate finance, geopolitical shifts, and broad corporate and consumer trends.
- In a *middle layer* sit areas where the GCF has limited but meaningful influence: for example, how co-financiers share risk in its operations, donor perceptions of the utility of climate finance, how country platforms are structured, or how norms and standards for vulnerability-focused investment evolve.
- At the *central core* are decisions the GCF fully controls: its strategic focus and allocation logic, risk appetite, access and approval processes, choice and use of instruments, and how it communicates performance and learning.

Systemic influence of the GCF

Experts emphasized that the GCF is not just another financing vehicle; it is also a potent political symbol within the UNFCCC and a tangible expression of collective commitment that underpins confidence in the Paris Agreement. Its mandate and global reach give it real convening and signalling power: strategic shifts in focus or operating model (for example, clearer prioritization of certain themes or geographies, a stronger programmatic or country-platform emphasis, or changes to its capital base and risk parameters) can signal what is politically valued, who or what matters most, how risk should be shared, and which gaps deserve attention. Well-designed and clearly communicated responses can clarify roles across the system and catalyse complementary action by MDBs, vertical climate funds, bilateral providers, regional and national development banks, and private investors, reinforcing rather than destabilizing the wider architecture.

At the same time, signalling that the GCF will target resources more strategically may risk weakening perceptions of collective endeavour and equitable access if handled poorly. Under austerity scenarios, some degree of prioritization is likely to be unavoidable, but it needs to be framed explicitly as an effort to strengthen the overall architecture rather than withdraw from it. This framing underlines the importance of handling limits and trade-offs transparently: recognizing that the GCF cannot, by itself, deliver Paris-consistent finance; that it must prioritize within finite resources; and that its strategic choices are intended to complement and enhance the transformational impact of other funds, MDBs and domestic stakeholders.

NO-REGRETS ACTIONS FOR THE GCF

Across all futures, experts converged on a set of no-regrets actions that could guide the GCF's strategy. These actions would strengthen the Fund's comparative advantage and protect its legitimacy regardless of which scenario materializes. In an environment of uncertainty, austerity and fragmentation, no-regrets actions are essential anchors for institutional effectiveness, ensuring the GCF remains operationally capable and strategically relevant even as external conditions shift beyond its control. Effectiveness matters as much as strategic intent: ambitious visions only deliver if access and delivery systems can absorb, execute and adapt under pressure. These steps provide a coherent core around which the Fund can organize its work and stay relevant across different scenarios and reflect many of the ongoing reforms and strategic priorities identified by the GCF Board and Secretariat.

- **Strengthen core identity and allocation logic:** The GCF could reaffirm its role as the global climate fund focused on vulnerability. It could ensure the protection of adaptation and particularly vulnerable country shares, as well as the transparent prioritization of scarce concessional resources. Doing so would reinforce clarity and legitimacy across all futures.
- **Simplify and accelerate access:** All countries face rising costs in navigating multiple finance channels, with LDCs, SIDS and African States less well resourced to do so. The GCF could embed mutual reliance, streamline accreditation, cut documentation burdens, and institutionalize faster, simpler approvals. Delivery speed is essential in both highly financed and constrained environments.
- **Deepen country-led programming and locally led approaches:** Supporting country-led climate finance platforms and embedding capacity in national designated authorities, DAEs and line ministries could reduce fragmentation and improve the consistency with which projects move successfully from concept to disbursement across scenarios. Strong readiness and programmatic approaches could help maintain continuity during shocks and improve coherence.
- **Deploy critical grants alongside the full financial toolkit:** The GCF could scale flexible, high-impact instruments (e.g. FX solutions, guarantees, adaptation risk pools, results-based finance) alongside the continued critical provision of grant-based finance where it is needed most. These tools stretch concessional capital in austerity, mobilize private finance when conditions improve, and stabilize support during crises.
- **Improve delivery systems and operational speed:** Greater delegation, clearer risk appetite, better disbursement and stronger portfolio management could enhance effectiveness in all futures. They could help sustain neutrality in fragmented settings and ensure essential support reaches vulnerable communities during breakdowns, recognizing that increased speed and efficiency may result in more rapid depletion of available funds under finance-constrained scenarios (B and D).
- **Build regional partnerships and interoperability:** Deeper cooperation with other vertical climate funds, MDBs, national and regional development banks, and United Nations agencies could improve interoperability across a complex architecture (processes, accreditation, monitoring). This deeper cooperation could strengthen the GCF's role as a neutral anchor in fragmented systems and support alignment.
- **Enhance shock-readiness and resilience planning:** All futures involve volatility. The GCF could reinforce contingency and shock-responsive finance, strengthen early warning and risk analysis, and maintain flexibility for rapid reallocations to remain effective under moderate and extreme stress.
- **Institutionalize foresight, learning and adaptive management:** Embedding horizon scanning, continuous learning and adaptive portfolio management could enable the GCF to detect shifts early, adjust proactively and maintain strategic coherence as global conditions evolve.

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A full list of references is available in the *IEU's Foresight Study on Climate Finance: Discussion Paper*, available here: <https://ieu.greenclimate.fund/evaluation/tpr2025>.



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