IEU LabReport No. 2

INDEPENDENT EVALUATION OF THE GREEN CLIMATE FUND's APPROACH TO PRIVATE SECTOR[1]

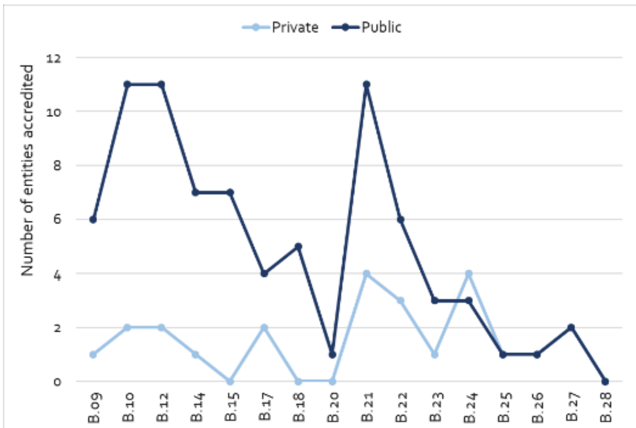
May 2021

This issue of the LabReport describes several dimensions of the GCF portfolio in relation to the private sector. The figures are intended to be descriptive. Therefore, the statements in this report are to be considered illustrative for early information, and not endorsements. Evaluation findings and recommendations are drafted during the final reporting on this evaluation, and take into account diverse sources of data. The data cut-off date here is as of B.28. Therefore, the figures presented here may undergo revisions.

ACCREDITATION

As of B.28, the Board of the Green Climate Fund (GCF) has approved 103 entities for accreditation and 328 entities are in the accreditation pipeline. Of the 103 accredited entities (AEs), 24 (23 per cent) entities are identified as private sector AEs (Figure 1). The proportion of private sector AEs/ candidates is consistently and relatively small across each stage of accreditation.

Figure 1. Number of entities accredited by Board meeting

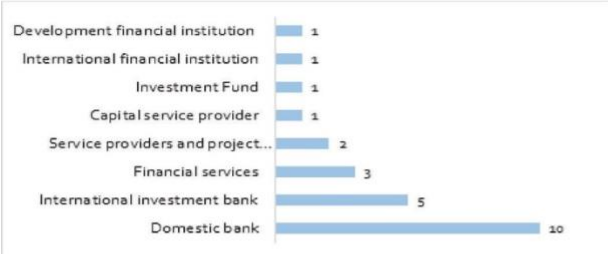


Source: GCF Tableau server, as of B.28

This portfolio of private sector AEs is largely composed of medium and large size entities (79 per cent), while and the small and micro entities are less numerous with (21 per cent).

Based on information publicly available from the AEs websites, the evaluation team explored the nature and typology of the entities. Of the 24 private sector AEs, the majority are domestic commercial or investment banks, followed by international investment banks (Figure 2).

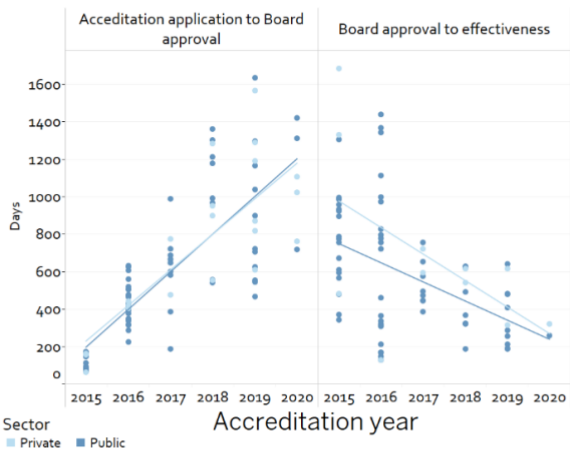
Figure 2. Portfolio of private sector AEs



Source: GCF Tableau server, as of B.28

Time taken from the entity's submission of application to Board approval has increased, while the time taken for AMA effectiveness is getting shorter (Figure 3). The median time from submission of application to Board approval is 768 days for private sector AEs, compared to 473 days for public sector AEs. Private sector AEs also take longer to go from Board approval to accreditation master agreement (AMA) effectiveness than public sector AEs.

Figure 3. Trend of accreditation duration by sector



Source: GCF Tableau server, as of B.28

Although the time taken from Board approval to AMA effectiveness is decreasing overall, private sector AEs still have a higher median than the

[1] This series is designed to socialize early 'pre-findings' from the independent evaluation of the Green Climate Fund's approach to the private sector. The contents of this series are a preliminary reflection and will inform the final report, but do not constitute findings and recommendations.

public sector AEs (593 days vs 493 days). The time taken for accreditation differs across the access modalities varies:

- Considering private sector AEs, direct access entities (DAEs) taken 364 days longer than international access entities (IAEs). Among public sector AEs, DAEs take 98 days longer compared to IAEs.
- While private sector AEs takes longer overall from submission of application to Board approval, DAEs take longer compared to IAEs. National private sector DAEs experiences the most extended duration than any other entity categories in the portfolio, with a median of 946 days from submission of application to Board approval.

On average, private sector DAEs submit their first concept note (CN) or funding proposal (FP) quicker than private sector IAEs. Further data will be explored and illustrated in the final report of the evaluation.

DIVISIONAL OUTLOOK

After accreditation, AEs are able to work through Division of Mitigation and Adaptation (DMA) and Private Sector Facility (PSF). This section considers the GCF portfolio from perspective of these Divisions.

With 34 approved projects, PSF accounts for 1/5 of GCF's project portfolio and 33% of GCF's committed finance volume to date. The PSF project portfolio has leveraged 47% of overall co-finance, with co-finance ratio of 3.

Table 1. Project sizes by divisions

Project Size	DMA	PSF
Large	11	12
Medium	55	13
Small	56	8
Micro	17	1

Source: GCF Tableau server, as of B.28

There is a significant difference in project count (DMA - 131, PSF - 34), and 74% of projects in PSF portfolio are large and medium size (Table 2). Over 80% of DMA portfolio is constituted by projects of medium and small sizes (Table 1). Large and medium size projects in the DMA portfolio are, on average, implemented over longer period of time in comparison to the PSF portfolio (large projects: 120 months for DMA and 84 for PSF, medium: 72 months for DMA and 50 for PSF). Medium- sized projects have similar implementation time across divisions (Figure 10). There is an upward trend in time taken from submission of FP proposal to Board approval across all GCF portfolio. On average, PSF projects tend to spend 2 months less in FP submission to Board approval (7 months for PSF, 9 months for DMA projects).

As of B.28, PSF projects have utilized a wider range of financial instruments (Table 2). When looking at the financial instruments' usage within each project, 80% of DMA projects and 10% of PSF projects are financed purely through grant instruments. And the vast majority of PSF projects use >80% of non-grant instrument within project budget.

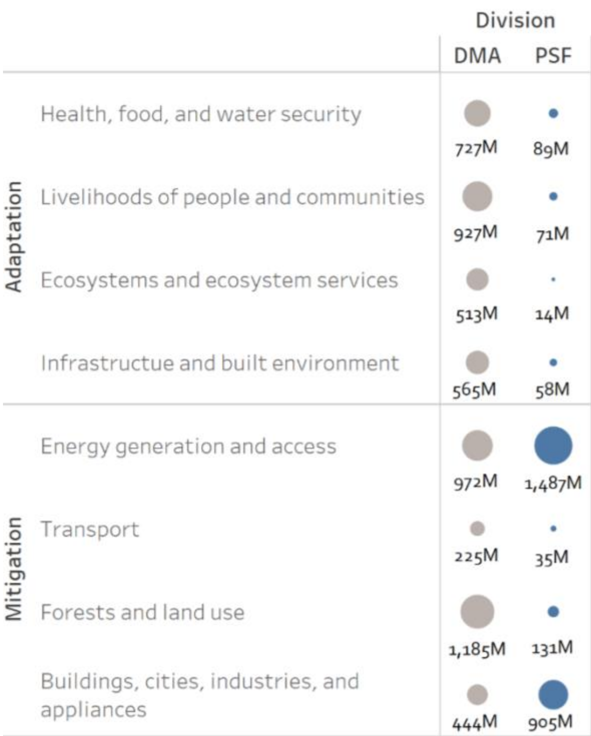
Table 2. Use of financial instruments

Instrument detail	DMA	PSF
Equity		535M
Grants	3,250M	169M
Guarantees	98M	2M
Reimbursable Grants	136M	100M
Senior Loans	1,578M	1,731M
Subordinated Loans		254M

Source: GCF Tableau server, as of B.28

In terms of result area allocation, 85% of PSF finance is channeled to two result areas: energy generation and access, as well as buildings, cities, industries and appliances (Figure 4). As stated above, the evaluation statements will be delivered in the final evaluation report.

Figure 4. Result area financing



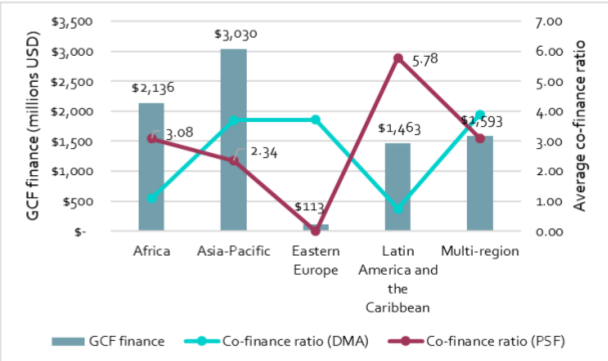
Source: GCF Tableau server, as of B.28

PSF PROJECTS ACROSS REGIONS

There are many ways to describe the private sector portfolio of the GCF. This section looks at the PSF portfolio across GCF regions.

In terms of the regional distribution of overall GCF finance, the Asia Pacific region received the largest share (36 %) of GCF financing, of which only USD 673 million is directed through PSF compared to USD 2,356 million channeled through DMA, consistent with division of the overall GCF portfolio. Latin America and the Caribbean region have only six approved PSF projects, yet it marked the highest co-finance ratio of 5.7. In other words, for every dollar the GCF committed, these PSF FPs accrued co-finance of USD 5.7 in this region. The second region in terms of success with attracting co-finance is Africa, with a co-finance ratio of 3.08 from 12 approved PSF projects. So far, Eastern European countries do not have approved PSF projects. A further examination of co-finance and relevant evaluative judgment is expected in the final evaluation report.

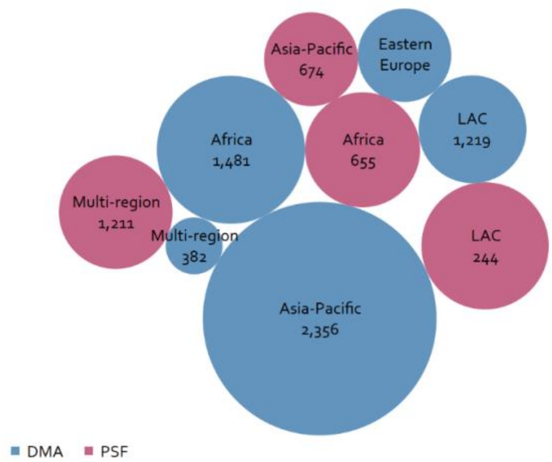
Figure 5. Volume of GCF finance approved by region including co-financing ratio for DMA and PSF



Source: GCF Tableau server, as of B.28

The Asia-Pacific and Africa region have USD 673.7 million and USD 654.8 million approved GCF finance under PSF respectively. A large proportion (58%) of the PSF projects are of Environmental and Social Safeguard category B/Intermediation 2, and 9 of these projects are for the Africa region.

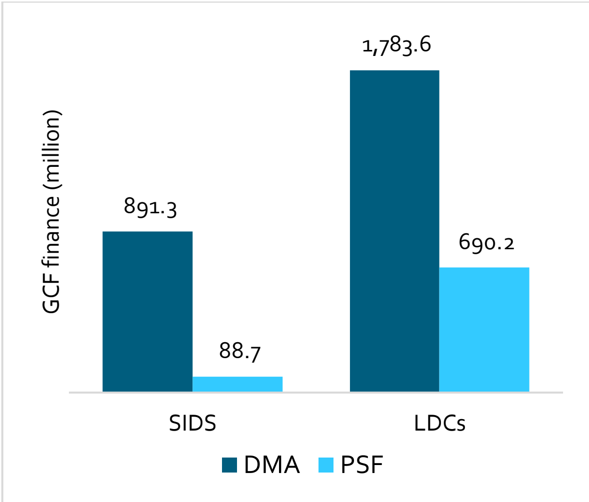
Figure 6. Volume of GCF finance by DMA and PSF



Source: GCF Tableau server, as of B.28

The GCF has approved USD 980 million and USD 2,473 million in SIDS and LDCs, respectively. Of the finance approved for SIDS, **only 9% is through the PSF** and for LDCs, 28 % is through the PSF. It should be noted these categories are not mutually exclusive, and some countries can exist in more than one category. This analysis will be further developed in the context of the final evaluation report.

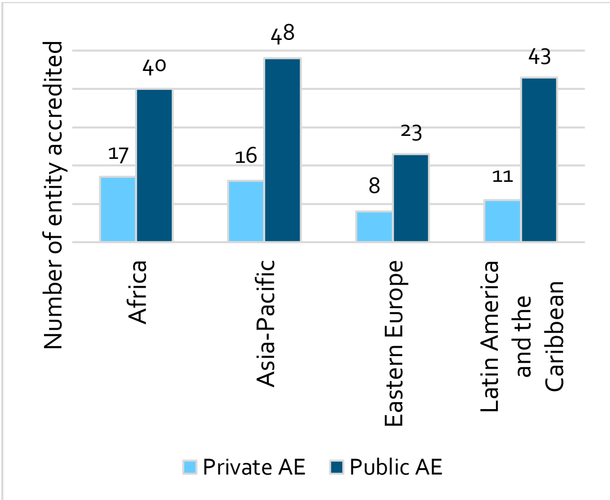
Figure 7. GCF investment in SIDS and LDCs by division



Source: GCF Tableau server, as of B.28

International and regional AEs can self-declare the intention to operate in more than one GCF region during accreditation. Relative to other regions, Africa and Asia-Pacific have access to a slightly larger number of private sector AEs.

Figure 8. Access of regions to private and public sector AEs (including DAEs and IAEs)



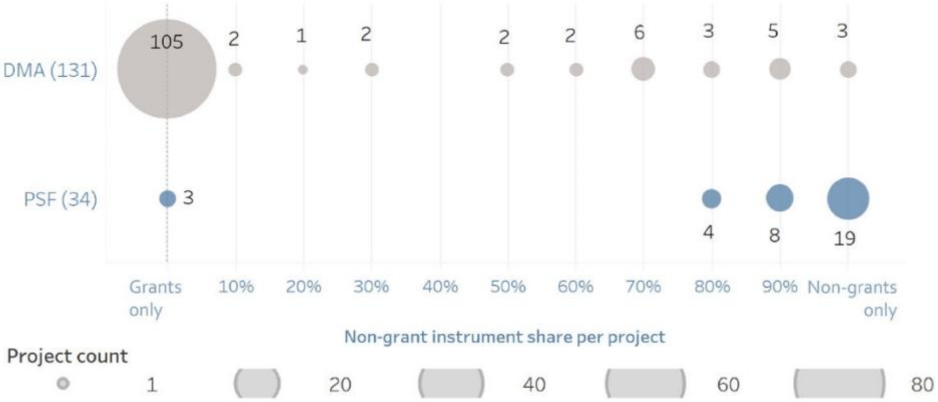
Source: GCF Tableau server, as of B.28

PRIVATE SECTOR IN ADAPTATION

The Updated Strategic Plan of the GCF 2020-2023 emphasizes balance between adaptation and mitigation. The private sector is underrepresented in adaptation, both in terms of private sector AEs and PSF projects. There are two PSF projects that focus solely on adaptation result areas (FP078 and FP097), one of them with a private sector AE (Acumen). **Since 2018, no adaptation projects were approved for private sector AEs or PSF.**

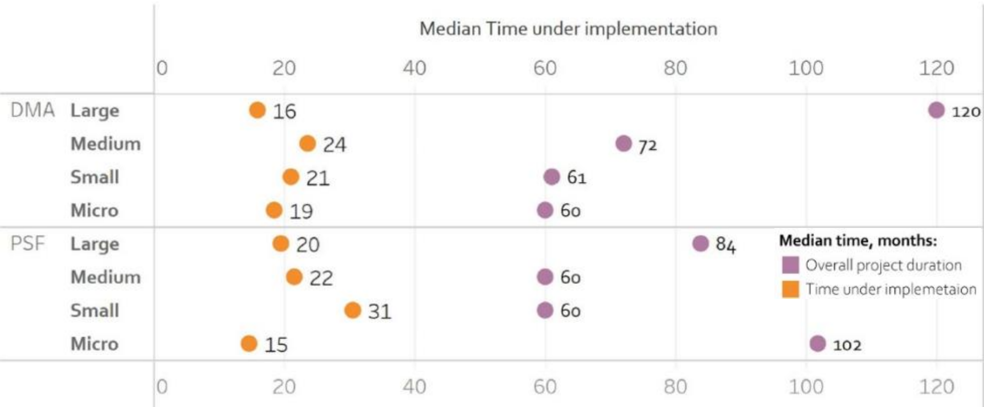
Adaptation result area financing for cross-cutting PSF and private sector AE projects (Figure 12) may be a minor addition to mitigation-focused finance. Ecosystems and ecosystem services result area attracted smallest amount of finance from PSF projects (USD 14 million). The evaluation findings and recommendations will take this information into account, along with other sources of data.

Figure 9. Share of non-grant finance in projects (project count)



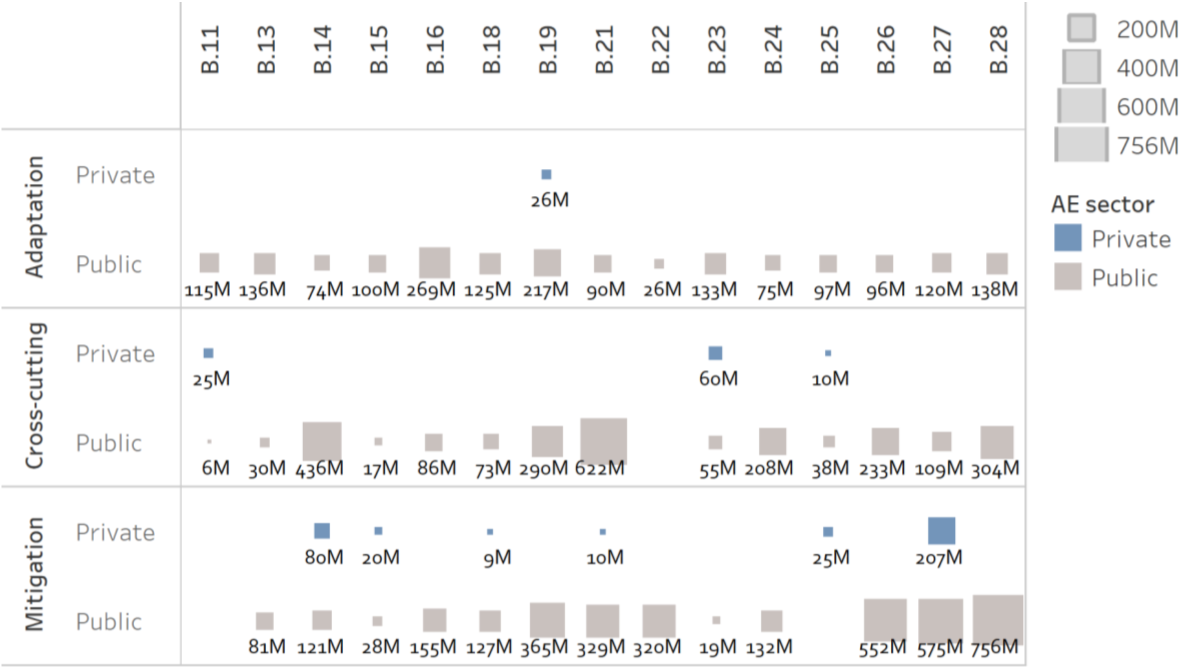
Source: GCF Tableau server, as of B.28

Figure 10. Implementation progress: median project duration versus to median time under implementation per projects size



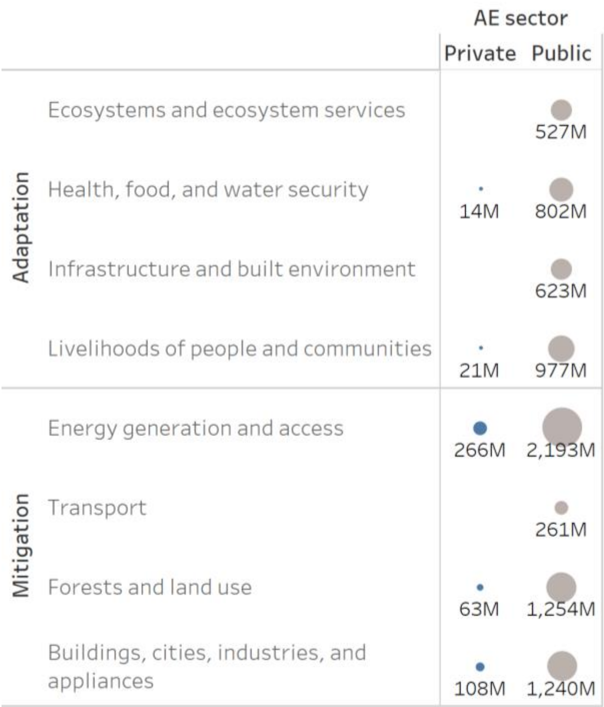
Source: GCF Tableau server, as of B.28

Figure 11. Theme financing by AE type



Source: GCF Tableau server, as of B.28

Figure 12. Result area financing by AE type



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