Independent evaluation of the Green Climate Fund's approach to the private sector

Country Brief

GREEN CLIMATE FUND | Independent Evaluation Unit

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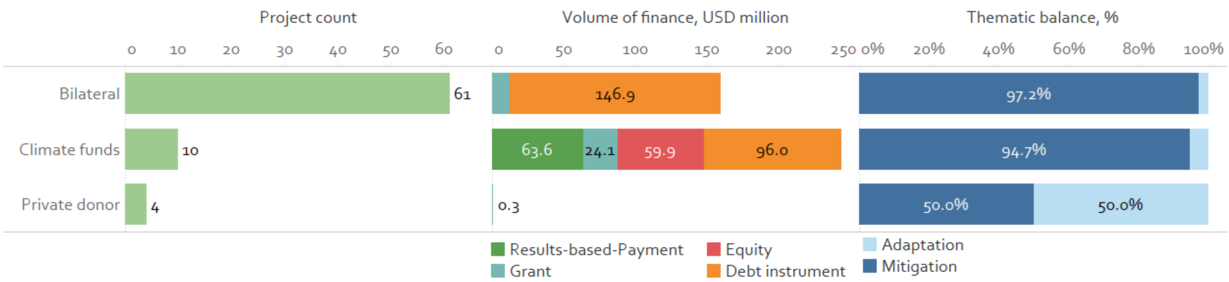
CHILE

To analyse the climate finance landscape in Chile, the evaluation team looked at the climate related development finance data from the Organisation for Economic Co-operation and Development (OECD). The team considered activities with principal and significant contributions to climate objectives (calculated using the OECD's DAC Rio markers for climate) from 2015-2019.[1,2]

Against this backdrop, there are three types of climate finance development partners in Chile's climate finance landscape: climate funds, bilateral partners and private donors. Regarding climate finance volume and number of projects, the main actors in climate financing are the bilateral development partners, who support 61 out of 75 projects. They are followed by the climate funds with 10 projects and private donors with four projects (Figure 1).[3] In Chile, the average project size is USD 18.6million for climate fund projects, USD 2.02 million for projects supported bilaterally and USD 0.04 million for projects supported by private donors.[4]

From the financial instrument use perspective in Chile, climate funds use more diverse instruments than bilateral partners, who strongly prefer debt instruments. Looking at the balance in finance allocation between adaptation and mitigation, climate funds do not preserve a 50:50 ratio at the country level; only 4.7 per cent of overall climate finance is channelled towards adaptation activities. Country-level thematic balance in the GCF portfolio is also skewed; of the total USD 194 million in Chile (as of 1 July 2021), the Fund is channelling 99.6 per cent to mitigation and 0.43 per cent to adaptation. Even though a thematic balance is observed among private donors, it represents a limited volume of finance (USD 0.3 million).

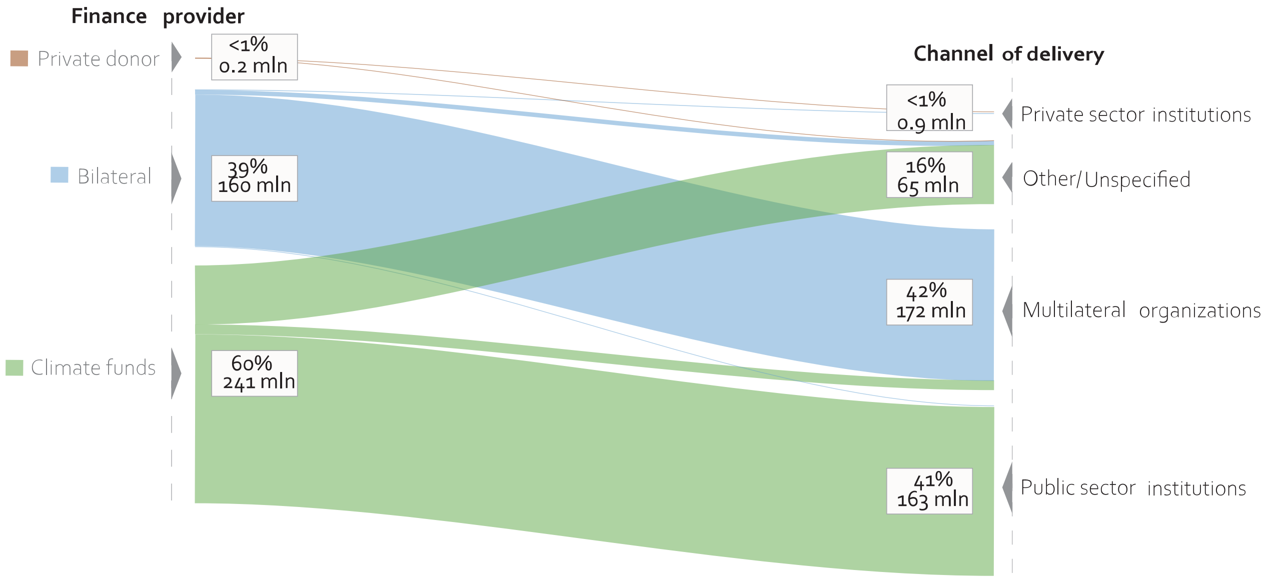
Figure 1. *Portfolio of climate finance in Chile*



Source: OECD climate-related development finance (2015-2019), GCF Tableau server data (2019).
Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. Due to such availability, data cut-off date in the external finance section of the brief is 2019. The further analysis of GCF finance has cut-off date of July 1st, 2021.

From the programmatic perspective, the channel of climate finance delivery plays a crucial role in catalysing and mobilizing the private sector in countries. According to the newest available data on climate-related development finance (as reported to OECD in 2019), the private sector is currently underused as a channel of climate finance delivery in Chile; less than 1 per cent of climate finance is channelled through private sector institutions. This is a very small amount, and the channel is used mainly by bilateral partners (Figure 2). More than half of overall climate finance in Chile is sourced from climate funds and delivered through multilateral organizations (46 per cent), followed by bilateral organizations channelling finance to Chile through public sector institutions (36 per cent).

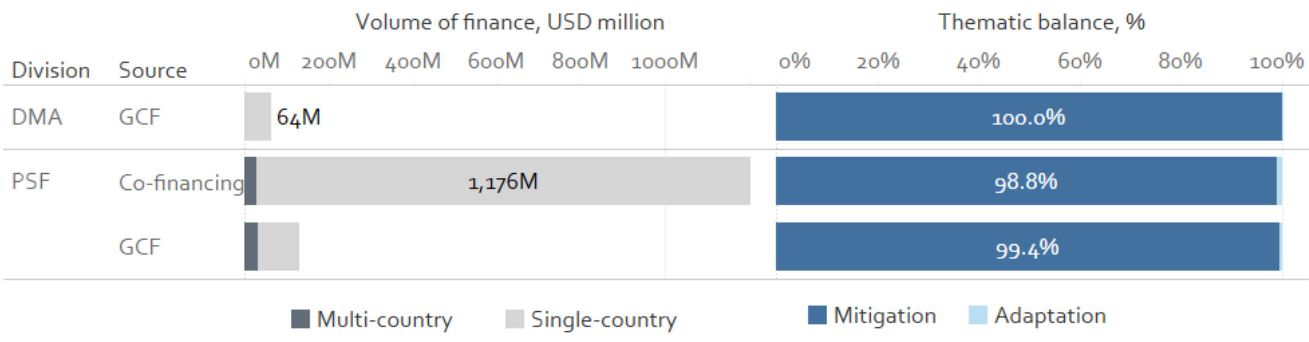
Figure 2. *Delivery channels of climate finance to Chile*



Source: OECD climate-related development finance (2015-2019), GCF Tableau server data (2019).
Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. Due to such availability, data cut-off date in the external finance section of the brief is 2019. The further analysis of GCF finance has cut-off date of July 1st, 2021.

Chile is one of the 33 countries eligible to receive GCF financing in the Latin America and Caribbean region. By May 2021, Chile had submitted a first version of its country programme, noting it could be further improved with additional readiness support. Nonetheless, as of July 2021, Chile has received a total of USD 194 million of GCF financing and USD 1,204 million in co-financing. The co-finance ratio in Chile is therefore 6.2. However, the entire volume of co-financing is leveraged by the Private Sector Facility (PSF). The GCF channels climate finance through six projects: FP152, FP151, FP149, FP120, FP115 and FP017. Of these, three are multi-country projects and three are single-country projects. The latter group take the most significant share of the GCF finance (83 per cent; USD 162 million). As previously observed at the macro level across other climate funds' investments in Chile, there is an imbalance between mitigation and adaptation, in this case characterized by all finance for Division of Mitigation and Adaptation (DMA) projects being directed towards mitigation efforts (Figure 3).

Figure 3. *Volume of finance and thematic balance across GCF divisions, Chile*



Source: GCF Tableau server data (2021).
Note: Left – volume of finance across divisions, right – thematic balance across divisions. For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

Beyond the uneven finance allocation across mitigation and adaptation in Chile, there is also a strong focus on the mitigation result area of energy generation and access. Out of the USD 194 million committed to GCF activities in Chile, 56 per cent is committed to activities focused on energy generation and access (USD 108 million) under PSF projects. DMA projects receive only 33 per cent of the finance, fully geared towards the forests and land use result area (Figure 4). In its efforts to enhance the country's capacity, the GCF has supported six grants through its Readiness and Preparatory Support Programme (RPSP) . The GCF pipeline contains one funding proposal and two RPSP proposals.

Figure 4. *Finance by result area in USD million, Chile*

Mitigation	DMA	PSF	Adaptation	DMA	PSF
Buildings, cities, industries, and appliances	0.0	12.0	Ecosystems and ecosytems services	0.0	0.0
Energy generation and access	0.0	108.3	Health, food and water security	0.0	0.5
Forests and land use	63.6	9.2	Infrastructure and built environment	0.0	0.0
Transport	0.0	0.0	Livelihoods of people and communities	0.0	0.3

Source: GCF Tableau server data (2021).
Note: For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

Endnotes

1 For details, see *https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf*

2 GCF's project approval began in 2015.

3 Terms such as "private donor" and "private sector institution" are used to maintain consistency with the standardized classifications provided by the OECD and used in its climate-related development finance data. The data is available at *https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm*

4 These are the Bloomberg Family Foundation and Children's Investment Fund Foundation.

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