

GCF: FINANCING CLIMATE ACTION



GREEN
CLIMATE
FUND

Around the world, floods, droughts, heatwaves, extreme storms, and wildfires are breaking records with alarming frequency. The window to address the climate crisis is rapidly shrinking. Failure to limit global warming to the targets set by the Paris Agreement will result in even more devastating consequences for people and planet, with vulnerable populations suffering the most. Ambitious action is urgently needed to mitigate emissions and adapt to the changing climate.

The Green Climate Fund (GCF) – a key element of the historic Paris Agreement – is the world's largest climate fund. Established as a fund of the UN Framework Convention on Climate Change (UNFCCC), GCF supports developing countries to counter and respond to the effects of climate change. Mandated to equally allocate our resources in adaptation and mitigation actions, GCF addresses the full scope of climate concerns of developing countries.

OUR TRANSFORMATIVE APPROACH

GCF provides climate financing to developing countries, helping them raise and realise their climate ambitions and actions. Major innovation and transformation are needed in society, government, and business to transition from the status quo to a low-emission, climate-resilient path. GCF's unique financing model, based on four complementary pathways, is designed to unlock climate innovation and investment for a more sustainable, liveable, and prosperous future.

ENABLING ENVIRONMENT FOR CLIMATE ACTION

By helping countries integrate climate strategies, planning and policymaking to establish a more conducive environment for investments in climate solutions.

In response to the COVID-19 economic shock, GCF, through its Readiness Programme, has been helping developing countries design green, climate-resilient economic stimulus measures and exploring innovative financing instruments to finance them without increasing their debt burden. In 2021, GCF approved over USD 6.7 million in Readiness grants for developing countries to design climate-resilient COVID-19 measures. Overall, GCF is supporting 141 countries through Readiness grants totaling over USD 400 million.

DE-RISKING INVESTMENT TO MOBILISE FINANCE AT SCALE

By providing concessional financing or co-financing, GCF leverages its resources, and de-risks and crowds-in finance from risk-averse public and private institutional investors for market-creating projects.

The Global Subnational Climate Fund, implemented by Pegasus Capital Advisors, makes blended finance work for Least Developed Countries (LDC) and Small Island Developing States (SIDS) by leveraging private investment at scale. A USD 150 million first-loss equity investment by GCF to the fund will leverage investments of up to 25:1 for smaller, local climate projects that are chronically underfunded and unable to access commercial finance. Almost half of the 42 participating countries are LDCs and SIDS.

ACCELERATING CLIMATE INNOVATION

By investing in new technologies, business models, and practices to facilitate the emergence of new climate solutions in the market.

In East Africa, GCF is ensuring local start-ups in off-grid renewable energy get the early growth-stage finance they need through Acumen's USD 110 million KawiSafi Ventures Fund; GCF is providing USD 20 million in equity and USD 5 million in grants to the fund. In Latin America, GCF is supporting bio-businesses to reduce emissions and enhance climate resilience with a USD 279 million investment in the Amazon Bioeconomy Fund implemented by the Inter-American Development Bank.

ALIGNING FINANCE WITH SUSTAINABLE DEVELOPMENT

By building the capacity of domestic financial institutions to mainstream climate risks and opportunities in investment decision-making and to access capital markets to finance adoption of new climate solutions.

GCF has been supporting the Government of Jamaica to establish the first Caribbean exchange for green bonds, enabling it to float green bonds through a dedicated facility to finance climate-resilient infrastructure in the Caribbean region. This initiative could be a game-changer for national development banks and in international efforts to scale up climate change.

MAKING CLIMATE FINANCE WORK FOR DEVELOPING COUNTRIES

Ensuring access to climate finance for developing countries is central to GCF's mandate. Recognising that developing countries face multiple challenges in getting the financing they need, GCF works at several levels to increase access.



COUNTRY OWNERSHIP

GCF aims to increase direct access of developing countries to climate financing. This is in line with our core principle of developing countries leading programming and implementation of climate projects, ensuring their alignment with climate priorities set by the countries themselves. GCF's **Readiness Programme**, the largest capacity-building programme of its kind in the world, helps developing countries turn their climate ambitions into impactful projects and builds climate-finance readiness of developing country institutions. Through integrated support of our Readiness Programme and Project Preparation Facility, we have been increasing the number of developing country organisations accredited to GCF.



SPEED

GCF prioritises resources for climate projects, which means funds are earmarked for projects as soon as they are received from our funders. GCF has been making efforts to speed up our funding processes to make sure projects can get off the ground promptly and efficiently. Over the past few years, we have made huge strides in operational efficiency by codifying, streamlining, automating, and digitising processes and procedures. Among the climate funds, GCF is one of the fastest sources of financing for large-scale climate projects.



SIMPLIFICATION

As developing countries face lengthy, cumbersome procedures to get climate financing, GCF has been simplifying funding modalities to accelerate financing. We recently adopted the **Project-Specific Assessment Approach (PSAA)**, a new streamlined process for organisations seeking finance for one-off climate projects and updated our **Simplified Approval Process (SAP)** to increase and simplify processes even more for small-scale projects in Least Developed Countries (LDCs), Small Island Developing States (SIDS) and African States. GCF has also developed several programming guidance, project design and assessment tools to ease the application process and to facilitate the delivery of high-quality project proposals.



HARMONISATION

Developing countries are faced with multiple climate finance sources, each with their own set of criteria, processes, and procedures, creating a landscape that is complex and difficult to navigate. As an emerging hub of the climate finance architecture, GCF can capitalise our position to harmonise processes among the climate funds. For example, GCF has a **Long-Term Vision on Complementarity and Coherence with Global Environment Facility (GEF)**. We are working with GEF to coordinate programming approaches with the aim to simplify and harmonise application processes and to share successful practices among the climate funds.



VOLUME OF FINANCE

The climate finance gap remains wide. While GCF is the world's largest climate fund, we account for less than three per cent of climate financing under the UNFCCC. Ambitious, innovative approaches are needed to mobilise and channel more finance. GCF leverages scarce public resources to mobilise larger financial flows from the public and private sectors and supports developing countries to access capital without increasing unsustainable debt. We can do this through our use of blended finance, risk-taking patient capital, and open partnership network. With over 200 Accredited Entities and delivery partners from the private and public sectors, GCF can foster unprecedented partnerships to catalyse much-needed financing.

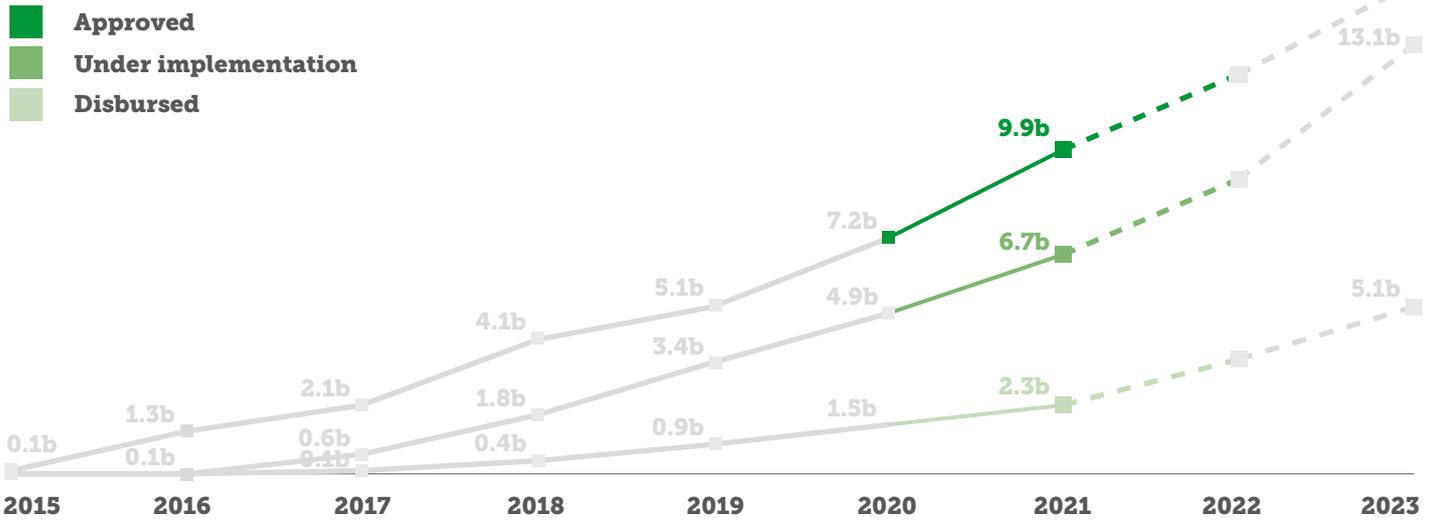
DELIVERING RESULTS

GCF is delivering results. In recent years, GCF has **doubled** our portfolio size and tripled the number of projects under implementation. During the pandemic, we accelerated support to developing countries to enable them to make a climate-resilient recovery while raising their climate ambitions.

An increasing portfolio. GCF's portfolio has grown to USD 42.4 billion of assets under management, including

nearly USD 11.3 billion in GCF resources. According to the Heinrich Boll Foundation, GCF was the leader in approving climate finance projects in 2020 (USD 2.2 billion out of USD 3.4 billion total). In 2021, GCF approved nearly USD 3 billion in new climate projects. And we are growing fast: by 2023 we expect our portfolio to reach USD 13 billion.

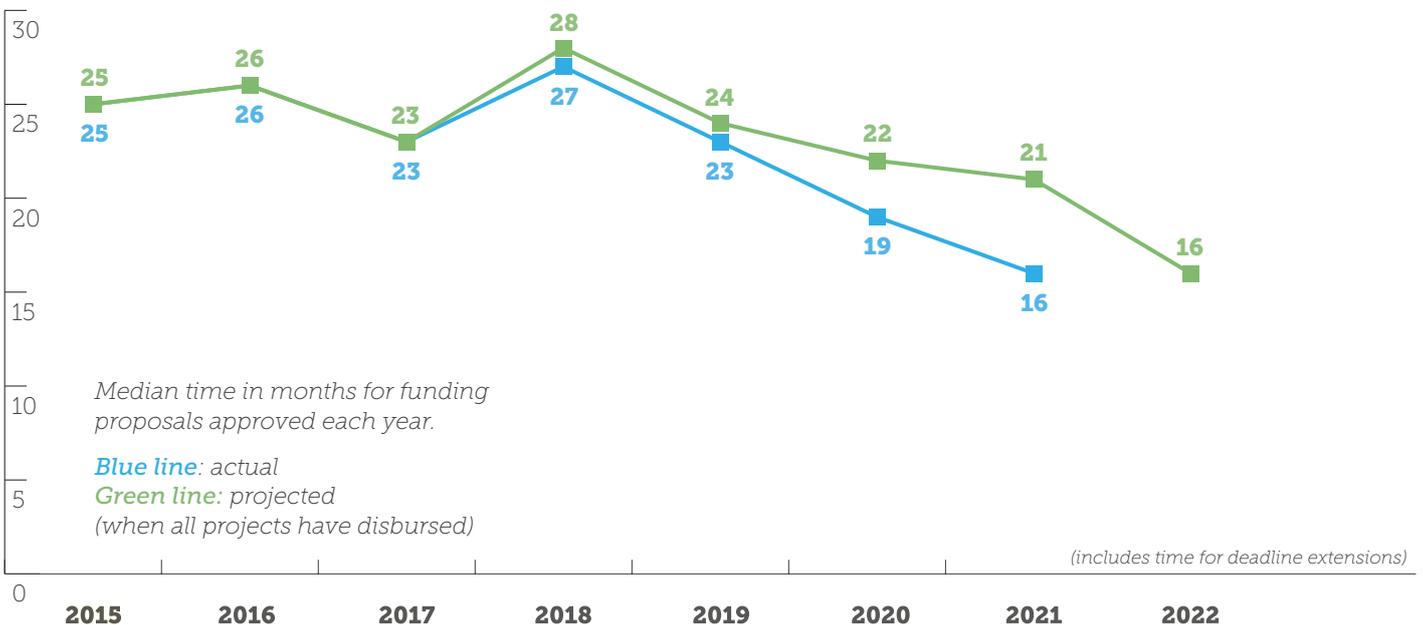
Projected portfolio growth



GCF is delivering finance more rapidly. A total of USD 6.7 billion worth of projects was under implementation at the end of 2021 – almost 80 per cent of our portfolio by the number of approved projects. GCF disbursed USD 2.3 billion to projects in 2021, exceeding targets for the year, and plans

to reach over USD 3 billion in disbursements by the end of 2022. Our delivery times are getting shorter too: the average time from the start of review of funding proposals to first disbursement for approved projects has fallen from 27-28 months in 2018 to 16-21 months in 2021.

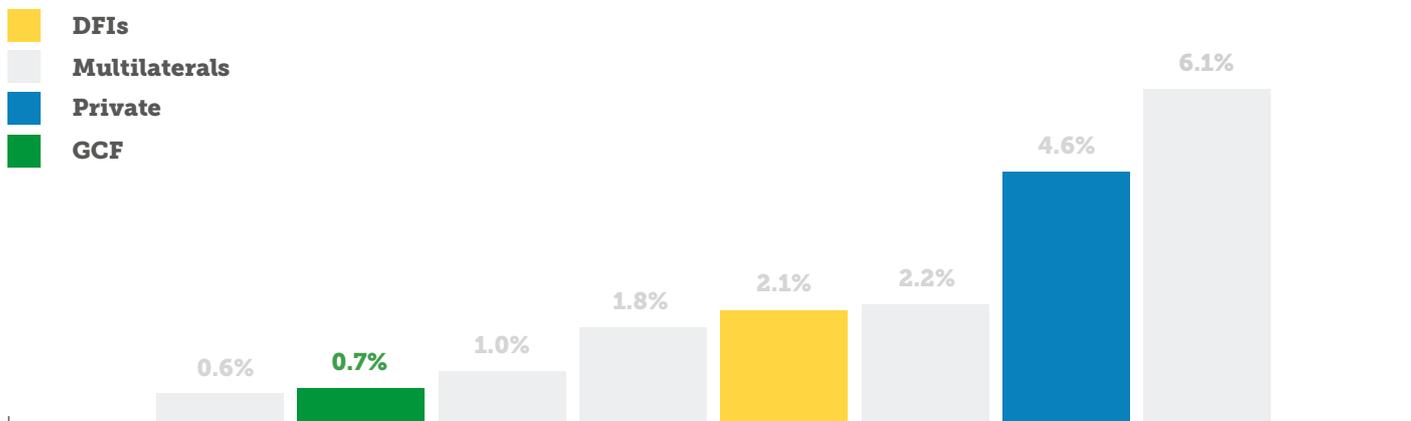
Time taken from proposal review to first disbursement of funds



More cost-effective. An independent assessment on the 'operating expense-to-total approved investments' ratio among climate funders show that GCF is on the lower end of

the spectrum relative to 'near-peers'. This ratio has now fallen even further to 0.7 per cent.¹

Cost effectiveness compared to peers



Maturing organisation. GCF has made tremendous progress with enhancements in our strategy, programming, portfolio implementation, and risk and result management. With an expanding portfolio, we have been strengthening our portfolio management capabilities to ensure more rigorous results tracking and to prevent and manage integrity breaches in projects. To ensure positive impacts for the environment and society, GCF has developed environmental and social standards that include a gender policy and Indigenous Peoples Policy. We continue to improve operational efficiency to facilitate access to our resources and to increase transparency.

Delivering climate impact on the ground. Whilst most projects are at an early stage of their lifecycle, we are already seeing significant results. Highlights include the delivery of [Mongolia's first ever private bank-financed solar farm](#), built in little over half a year with XacBank; support for the sustainable development of [Morocco's argan forest](#) to strengthen the resilience of rural communities and preserve the forest; and the integration of gender action plans in all GCF projects that is [strengthening the role of women on the climate change frontline](#).

MEETING THE GROWING DEMAND FOR ACCESS AND IMPACT

With USD 10 billion pledged to date towards GCF's first replenishment from our contributors, GCF is programming about USD 1 billion for projects per Board cycle. GCF is facing increasing demand from developing countries to support a low emission climate resilient recovery from COVID-19 over the coming years. We are channeling funds as quickly as they are received: with USD 13 billion received from contributors to date, we have programmed USD 12.9 billion for climate action (projects/programmes, Readiness Programme/Project Preparation Facility, and other expenses).

We have an established portfolio and proven track record of mobilising and channeling finance for developing countries.

As GCF nears the end of our first programming period (GCF-1) and enters replenishment for our second programming period (GCF-2), we can achieve even more to meet the urgent needs of developing countries. For GCF-2, we are raising our vision and ambitions and rapidly increasing our organisational capacity to close the climate finance gap and increase access to finance for developing countries.

¹ Review undertaken by Dahlberg Global Development Advisors, annexed to GCF Board document GCF/B.29/05 (<https://www.greenclimate.fund/document/gcf-b29-05>).

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