



**GREEN
CLIMATE
FUND**

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Review of the initial private sector facility modalities and the private sector strategy

Summary

This policy package has been prepared for agenda item 8(b) on policy consultations, in line with the B.31 decision by which the Board agreed and confirmed the dates and venue of B.32, noting that the first two days will be sessions for policy consultations.

This document presents the GCF private sector strategy, which has been developed in line with the updated Strategic Plan. The document provides the rationale for a strategy by reviewing the climate financing gap and the imperative of mobilizing private finance to meet urgent mitigation and adaptation needs in developing countries. It highlights the barriers to scaling up private climate finance and sets out the GCF approach to removing these barriers and catalysing climate-friendly investment. An overview of the implementation status of the GCF private sector portfolio is provided as well as a review of the initial funding modalities deployed by the GCF Private Sector Facility. On the basis of lessons learned from the implementation of the private sector portfolio and global experience, the document proposes a way forward to strengthen the engagement of GCF with the private sector and meet the objectives and programming targets in its updated Strategic Plan. A private sector outreach plan is contained in annex II.

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Executive Summary

Developing countries need USD 2–4 trillion annually to avert catastrophic climate change. GCF, as the world’s largest multilateral climate fund and a hub of the climate finance architecture with over 200 accredited entities and delivery partners, is well positioned to make a substantial contribution to this effort. More specifically, GCF is uniquely placed to shift the global climate finance trend from a focus largely in mitigation funded by grants and loans to a balanced approach between adaptation and mitigation, with greater attention given to ecosystem-based approaches by using its capacity to use a wide range of grant and non-grant instruments to mobilize private finance at scale and catalyse a paradigm shift to low emissions and climate-resilient development.

Research shows that combining climate action with development reforms has a net positive benefit on the economy. Further, developing countries, with high economic growth trajectories and growing demand for new climate-smart infrastructure, products and services, provide a tremendous investment opportunity for the private sector. GCF’s private sector strategy focuses on mobilizing institutional finance and private capital at scale to invest in developing country financial institutions, local capital markets, projects and enterprises in climate adaptation and mitigation.

Consistent with the updated Strategic Plan (para. 22), GCF’s efforts to catalyse private climate investment in low-emission, climate-resilient development strategy follows a four-pronged approach:

- (a) Promotes a conducive investment environment for combined climate and economic growth activities;
- (b) Accelerates innovations in business models, financial instruments, and climate technologies;
- (c) De-risks market-creating investments to crowd in private climate finance; and
- (d) Strengthens domestic and regional financial institutions to scale up private climate finance.

This paper reviews the implementation of GCF’s private sector approach to catalyse private climate finance to date and proposes to deepen several existing modalities and instruments with a greater engagement of domestic private sector entities. As a way forward towards executing the private sector strategy GCF will:

- (e) Leverage its convening power to promote innovative partnerships between developing countries entities and international sources of private capital;
- (f) Diversify and expand partnership with regional and domestic non-accredited private financial entities by building on the updated accreditation framework and project-specific assessment approach;
- (g) Explore new approaches to scale up the use of guarantees and equity to close the insurance protection gap and reduce foreign exchange risks for direct access entities;
- (h) Develop innovative financial instruments that catalyse developing countries’ access to private climate finance without increasing their debt burden; and
- (i) Develop and implement a private outreach plan to advance the implementation of the private sector strategy.

I. Introduction

2. In accordance with the Governing Instrument for the GCF, one of the objectives and guiding principles of GCF is to catalyse climate finance, both public and private, at the international and national levels (para. 3). The Governing Instrument called for the establishment of a Private Sector Facility (PSF) that enables GCF to finance private sector mitigation and adaptation activities directly and indirectly at the national, regional and international levels, and that operates consistently with a country-driven approach (paras. 41 and 42). In particular, the Governing Instrument highlights that PSF will promote the participation of local small and medium-sized enterprises and intermediaries and support private sector involvement in small island developing States (SIDS) and the least developed countries (LDCs) (para. 43). The business model framework as well as the initial modalities, operations and financial terms and conditions of PSF have been established through several Board decisions, including B.04/08, B.05/05, B.07/08, B.08/12, B.09/04, B.09/09 and B.23/11. While GCF categorizes its funding proposals as public or private sector, managed by PSF or its Division of Mitigation and Adaptation, respectively, many funding proposals contain a mix of public sector and private sector oriented activities, and both mobilize co-financing from the private sector.

3. Through decision B.27/06, the Board endorsed the updated Strategic Plan for the GCF 2020–2023 (USP), which presents the GCF vision to promote a paradigm shift towards low-emission and climate-resilient development pathways over the GCF first replenishment (GCF-1) programming period. One of the strategic objectives of the USP is to significantly increase portfolio-level mobilization from the private sector, with a target of allocations to the PSF to exceed 20 per cent in grant equivalent terms in relation to the 2019 level of 16.5 per cent. To achieve this strategic objective and programming target, the USP sets out several priority areas, including strengthening country ownership of programming, fostering a paradigm shifting portfolio and catalysing private finance at scale.¹

4. Complementing the overall programming approach, the USP (para. 22) notes that a GCF private sector strategy is to be developed that:

- (a) Strengthens the capacity of national designated authorities (NDAs), focal points, accredited entities (AEs) and local private sector partners to support private investments in climate activities;
- (b) Enables climate transformation in key sectors; and de-risks and addresses financing barriers to mobilize private sector resources at scale for climate investments; and
- (c) Ensures a strong focus on local private sector actors.

5. The USP requests the Secretariat to develop a private sector outreach plan to implement the private sector strategy (para. 23(f)) and notes that GCF is to undertake a review of PSF modalities and further evaluate options for additional PSF modalities (para. 23(g)) in line with decision B.07/08.

6. The GCF private sector strategy articulated in this document presents a holistic view of the GCF's approach to translate its USP strategic priority related to catalysing private finance at scale into action. The document presents the rationale for a private sector strategy by highlighting the climate financing gap as well as the barriers that limit the flow of private finance towards low-carbon, climate-resilient investments. It then sets out the ways to address these barriers and reviews the lessons learned from GCF experience to date. Finally, the

¹ The other strategic objectives of the USP are to enhance mitigation and adaptation impact; maintain balanced, scaled-up funding for mitigation and adaptation; significantly increase funding channelled through direct access entities; and improve access to GCF resources.

document proposes future action, including a private sector outreach plan to address programming gaps and meet the objectives and programming targets in the USP.

7. The document has been informed by an analysis of the GCF portfolio and the review report of the financial terms and conditions of the GCF financial instruments in line with the terms of reference adopted by the Board in decision B.15/05.² The document also uses findings and lessons learned from the GCF Independent Evaluation Unit's evaluation of the GCF approach to the private sector.³ It has benefited from several consultations with private and public stakeholders held in 2019 and 2021, including with NDAs, financial institutions, fund managers, academia and development financial institutions. A summary of needs expressed by countries and private sector actors is contained in annex VI.

8. The Secretariat recommends that the Board consider for adoption the draft decision text contained in annex I.

II. Rationale for the private sector strategy

2.1. The climate financing gap

9. The world is not on track to achieve the Paris Agreement goals. The Sixth Assessment Report of the Intergovernmental Panel on Climate Change found that average global temperatures in 2011–2020 were 1.1 °C higher than in 1850–1900 and that crossing the 2° C global warming level in the midterm period (2041–2060) is more likely than not to occur in the intermediate greenhouse gas emissions scenario. Not only is climate change accelerating but its impacts are also materializing faster than expected. Twenty years ago, for example, threats to the survival of unique ecosystems were not expected to materialize before a mean global temperature increase of 4 to 6 °C above pre-industrial levels. Today, it is believed that a 2° C increase could devastate coral reefs and endanger the security and economic livelihoods of hundreds of millions of people.

10. However, the past decade has also seen some positive developments thanks to innovations in climate technologies, business models, financing structures and policies. In the area of climate technology, for example, the global utility-scale solar photovoltaic cost for newly commissioned projects fell by 85 per cent between 2010 and 2020 and is today cheaper than almost any other fossil fuel solution.⁴ Business model innovations such as 'pay as you go' through mobile phones fostered a paradigm shift for the diffusion and widespread adoption of decentralized solar photovoltaic systems in developing countries. One of the most prominent financial revolutions has been the exponential development of green bonds. The record USD 481 billion in green bonds issued in 2021 indicated that total issuance of green bonds was on track to surpass the yearly milestone of USD 1 trillion in cumulative issuance since the first issuance of a green bond in 2007. A major policy innovation was the adoption of net zero emission targets. More than 140 countries responsible for 90 per cent of global emissions have put forward net zero targets by 2050 or thereafter, which, if implemented fully, could result in

² Following the approval of the revised terms of reference for the review of the financial terms and conditions of the GCF financial instruments in decision B.BM-2019/08, Climate Finance Advisors BLLC was selected to undertake the review.

³ IEU independent evaluation of the GCF's private sector approach; this evaluation is currently pending consideration by the Board.

⁴ International Renewable Energy Agency. 2021. *Renewable Power Generation Costs in 2020*.

global warming by 2100 as low as 1.8 °C. However, analysis shows that countries with an 'acceptable' net zero rating cover only 6 per cent of global emissions.⁵

11. Translating net zero emission targets into action and meeting the goals of the Paris Agreement will require the world to capitalize on these and other emerging innovations by scaling up investment in a different set of assets, including investment that also maximizes the development co-benefits of climate action. In its 2018 Special Report on Global Warming of 1.5 °C, the Intergovernmental Panel on Climate Change estimates that USD 1.6 to 3.8 trillion in new climate investments are needed annually through 2050 to limit global warming to below 1.5 °C⁶ and an additional USD 140 to 300 billion is needed annually to adapt to the ongoing and future impacts of climate change.⁷ This represents about 2 per cent of the USD 200 trillion of assets under management globally⁸ and should be consistent with the potential allocation of many institutional financiers to alternative asset classes. Annex III provides an overview of financing needs across GCF's eight results areas.

12. However, while climate finance – which refers to both total global climate finance flows and total climate finance provided and mobilized by developed countries for developing countries – has trended upward in recent years, it has remained far below what is needed to implement the Paris Agreement.

13. *Total global climate finance flows* are estimated to have reached USD 632 billion in 2019/2020, a 10 per cent increase from 2017/2018, which was much slower than previous periods.⁹ Climate investment needs far outweigh the availability of public funding – public resources made up a little more than half (51 per cent) of global climate finance flows in 2019/2020. More specifically, within the landscape of public climate finance providers, development finance institutions (national, multilateral and bilateral) continued to deliver most of the public finance, contributing 68 per cent (USD 219 billion). Direct finance flows (domestic and international) from governments increased by 17 per cent in 2019/2020 from 2017/2018, accounting for 12 per cent of public flows (USD 38 billion). Climate finance through multilateral climate funds grew from USD 3 billion in 2017/2018 to USD 4 billion in 2019/2020, with GCF as the largest provider in 2020.¹⁰ Private climate investments increased by 13 per cent from 2017/2018, to USD 310 billion. Corporations accounted for the largest share (40 per cent) of private climate finance and commercial financial institutions made the biggest stride in growth, increasing their share from 18 to 39 per cent (USD 122 billion). Most of the total global climate finance – 90 per cent – was directed towards mitigation, with renewable energy investments representing 57 per cent of total mitigation finance.¹¹ Adaptation finance commitments totalled

⁵ Climate Action Tracker. 2021. *Glasgow's 2030 Credibility Gap*. Available at [Global Update - Glasgow's 2030 credibility gap - Nov 2021 \(climateactiontracker.org\)](https://climateactiontracker.org/).

⁶ Available at <https://www.ipcc.ch/sr15/>. The 2 °C scenario represents a USD 12.1 trillion investment opportunity for new renewable electric power generation over 25 years or USD 485 billion per year on average. See [MAPPING THE GAP: The Road from Paris - Finance Paths for a 2-Degree Future - BNEF \(readkong.com\)](https://www.bnef.com/readkong.com). See also 2022 IPCC report: Mitigation of Climate Change (Chapter 15), available at https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_FinalDraft_FullReport.pdf

⁷ United Nations Environment Programme. 2016. *Adaptation Finance Gap Report*. Nairobi: United Nations Environment Programme. Available at <https://unepdtu.org/wp-content/uploads/2018/10/unep-gap-report-2016-web-6-6-2016.pdf>.

⁸ Kathrin Brandmeir, Michaela Grimm, Arne Holzhausen, 2018. *Allianz Global Wealth Report 2018*. [available at https://www.allianz.com/content/dam/onemarketing/azcom/Allianz.com/migration/media/economic_research/publications/specials/en/Allianz_Global_Wealth_Report_2018_e.pdf]

⁹ Climate Policy Initiative. 2021. *Global Landscape of Climate Finance 2021*. Available at [Global Landscape of Climate Finance 2021 - CPI \(climatepolicyinitiative.org\)](https://climatepolicyinitiative.org/).

¹⁰ Watson C and Schalteck L. 2021. *10 Things to Know About Climate Finance in 2021*. Washington, DC: Heinrich Böll Stiftung. Available at [HBS-10Things2021-BOOK.pdf \(climatefundsupdate.org\)](https://climatefundsupdate.org/).

¹¹ As footnote 9 above.

USD 46 billion and a further USD 15 billion went to projects with both mitigation and adaptation benefits (cross-cutting), with estimates showing that only about the equivalent of 1.6 per cent of adaptation finance was financed by the private sector.¹²

14. *Total climate finance provided and mobilized by developed countries for developing countries* is critical to remove barriers to climate-friendly investment and scale up total global climate finance flows. This is enshrined in the Paris Agreement with a goal to reach USD 100 billion by 2020.¹³ In 2019, total climate finance provided and mobilized by developed countries for developing countries was USD 79.6 billion in 2019, an increase of 2 per cent from 2018 but still USD 20 billion short of the USD 100 billion goal for 2020.¹⁴ At the twenty-sixth session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), Parties initiated deliberations on setting a new collective quantified goal on climate finance. Such a goal will be set by 2025, starting from a floor of USD 100 billion per year and taking the needs and priorities of developing countries into consideration.

15. The gap in total climate finance flows highlights the imperative to reach the goal of climate finance provided and mobilized by developed countries for developing countries and to use these resources to catalyse the USD 2 to 4 trillion required annually to avert catastrophic climate change. As the world's largest multilateral climate fund and a hub of the climate finance architecture with over 200 AEs and delivery partners, GCF can make a substantial contribution to this effort. More specifically, the present concentration of climate finance towards mitigation investment in emerging economies in the form of debt highlights the unique role of GCF in helping to close the total climate finance gap by catalysing private finance for the most vulnerable groups, in adaptation and in ecosystem-based approaches. Of all the private finance mobilized by official development finance interventions between 2012 and 2017, approximately USD 9.3 billion, or 6 per cent, went to LDCs, whereas over 70 per cent went to middle-income countries. Energy, banking and financial services are the largest sectors supported by blended finance, accounting for 23 per cent (USD 2.16 billion) and 19 per cent (USD 1.8 billion), respectively, during the same 2012–2017 period. With its partners, GCF can leverage a wide range of grant and non-grant financial instruments to explore new forms of blended finance to de-risk climate investment in underserved geographies and thematic areas.

III. Barriers to private sector investment for climate action

16. Combining climate action with development reforms has a net positive benefit on the economy. According to the New Climate Economy Report (2018)¹⁵ climate action could yield a direct economic gain of USD 26 trillion through to 2030 compared with business as usual. The Global Commission on Adaptation estimates that investing USD 1.8 trillion in key adaptation areas such as early warning systems, climate-resilient infrastructure, improved dryland agriculture crop production, global mangrove protection and water security can generate USD 7.1 trillion in total net benefits.¹⁶ In some countries, combining climate and economic growth

¹² Tall A, Lynagh S, Blanco Vecchi C, Bardouille P, Montoya Pino F, Shabahat E, Stenek V, Stewart F, Power S, Paladines C, Neves P and Kerr L. 2021. *Enabling Private Investment in Climate Adaptation and Resilience: Current Status, Barriers to Investment and Blueprint for Action*. World Bank.

¹³ UNFCCC decision 1/CP.21.

¹⁴ Organisation for Economic Co-operation and Development. 2020. *Climate Finance Provided and Mobilised by Developed Countries in 2013–18*.

¹⁵ World Resources Institute, New Climate Economy Report. 2018. Available at <https://newclimateeconomyreport/2018/>

¹⁶ Global Commission on Adaptation. 2019. *Adapt Now: A Global Call for Leadership on Climate Resilience*.

reforms can yield as much as 2.5 per cent growth in long-run economic output increasing to as much as 4.6 per cent if avoided losses from climate change are included.¹⁷

17. Despite evidence, investors remain reluctant to finance climate action, especially in developing countries. In December 2020, the world's stockpile of negative-yielding debt reached a new record of about USD 18 trillion¹⁸ which is indicative of the available capital for climate investment. However, capital in search of assured returns find it difficult to develop and invest in climate-friendly projects, particularly in developing countries where the bulk of investment in low-emission, climate-resilient (LECR) infrastructure is needed in the coming decades.

18. However, an array of barriers limits the flow of private finance towards low-carbon, climate-resilient investments. The barriers that underlie the persistent lack of private climate finance flowing to developing countries can be grouped into four categories:

- (a) Policy, market and capacity barriers:
 - (i) Enabling environment, including prevailing regulations, policies and standards, which do not incentivize low-carbon, climate-resilient investments or are incomplete and/or unevenly applied;
 - (ii) Early-stage consumer markets, value chains or demand for climate goods and services, which reduce the creation of track records and other supportive analyses for climate-friendly investments;
 - (iii) Crowding out of private investors due to market distortions that do not value positive externalities of climate technologies;
 - (iv) Limited knowledge among the private sector of government objectives, international commitments and actions related to climate aspirations;
 - (v) Limited engagement between public and private stakeholders and capacity to identify, develop and assess climate investments, especially for adaptation and resilience to climate change;
 - (vi) Limited availability of data and information to assess climate investment risks and opportunities, including the exposure and vulnerability of the private sector to physical and transition risks associated with climate change; and
 - (vii) Limited local capacity to deploy climate mitigation and adaptation technologies and cover high upfront technology costs;
- (b) Innovation, technology and technical barriers:
 - (i) Limited number of climate technology incubators and accelerators, particularly for adaptation technologies;
 - (ii) Limited proven business models for private investment in adaptation;
 - (iii) Insufficient local ecosystem to nurture critical mass of entrepreneurs engaged in local ideation of novel and transformative climate solutions and innovative business models; and
 - (iv) Insufficient availability of financing for early-stage/pre-commercial technologies and testing of new business models (including private seed funding/venture

¹⁷ Organisation for Economic Co-operation and Development. 2022. Investing in Climate, Investing in Growth: A Synthesis. <https://www.oecd.org/env/cc/g20-climate/synthesis-investing-in-climate-investing-in-growth.pdf>

¹⁸ Mullen C and Ainger J. 2020. *World's Negative-Yielding Debt Pile hits \$18 Trillion Record*. Bloomberg.

capital, venture debt and public finance) due to lack of a track record and higher risk;

- (c) Barriers for mobilizing private finance at scale:
- (i) Many low-carbon, climate-resilient investments require higher upfront costs, have lower operations and maintenance costs and longer payback which is mismatched with traditional sources of finance;
 - (ii) Nascent and unproven investment models for private capital in new climate investment asset classes such as ecosystem services and climate-resilient infrastructure, which are still perceived as the focus of public investments;
 - (iii) Uncertainty about the value or benefit that adaptation investments will bring to business revenue in the short term, and longer time horizons for benefits from some adaptation investments to materialize;
 - (iv) Demand for climate investment products and services is too small and fragmented across too many developing countries, making it less cost-effective and attractive for institutional investors;
 - (v) Lack of available at-scale credit for micro, small and medium-sized enterprises (MSMEs) due to the lack of track record, low credit scores, the small deal size, lack of aggregation or syndication (notably for institutional investors) and high premiums for insurance coverage; and
 - (vi) Lack of instruments to mitigate local currency and interest risks to facilitate international capital flows;
- (d) Barriers related to domestic financial systems and institutions:
- (i) Financial institutions and ecosystems do not consistently price in and disclose climate risks and opportunities, including through asset valuations or investment methodologies (particularly for adaptation projects), the risk of stranded assets due to climate change and capital requirement impact to the balance sheet (e.g. reserves, liquidity coverage ratio);
 - (ii) Confusion and multiplicity of taxonomy on what constitutes LECR investments, a multitude of varying standards related to such investments and a failure of the financial system to systematically value the positive externalities of LECR investments;
 - (iii) Limited capacity of financial intermediaries and institutions to originate and appraise climate investments; and
 - (iv) Shallow local capital markets and limited access by domestic financial institutions to global capital markets.

19. The diversity of climate change activities and projects, the different types of private finance required and the heterogeneity of the private sector adds complexity in addressing barriers to mobilizing climate finance. These barriers translate into higher interest rates (debt) and required returns (equity), shorter loan tenors and a larger share of costlier equity in capital structure, affecting the attractiveness of the investment. These perceived risks and higher financing costs are magnified for novel climate investment in developing countries. This is most clearly reflected in differences in weighted average cost of capital for climate-friendly projects across the world. Steffen¹⁹ reports a difference between the weighted average cost of capital between member and non-member countries of the Organisation for Economic Co-operation

¹⁹ Steffen B. 2020. Estimating the cost of capital for renewable energy projects. *Energy Economics*. 88.

and Development of 2.0 percentage points for solar photovoltaic projects and 3.1 percentage points for onshore wind projects, while Sweerts et al²⁰ find that weighted average cost of capital values for a renewable energy project vary between 8 and 32 per cent across a sample of 46 African countries.

20. A direct consequence of these barriers is the limited supply of high-quality, transparent, low-carbon, climate-resilient investment projects despite the unmet demand. This explains the paradox of difficulties for entrepreneurs to access capital on the one hand and for financiers to identify investable project proposals on the other. Catalysing private finance will require addressing the barriers to both the demand and the supply of climate-friendly investments.

IV. GCF private sector strategy

21. In line with the Governing Instrument (para. 3) and decision B.04/08, which decided that PSF will address barriers to private sector investment in adaptation and mitigation activities, the objective of the GCF private sector strategy is to catalyse private climate finance in a manner fully aligned with a country-driven approach to meet developing countries' needs and the objectives of the USP. This objective builds on Article 2, paragraph 1(c), of the Paris Agreement by "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development", and addresses the Independent Evaluation Unit's recommendation to position GCF as a high-risk fund that aims to catalyse investment in transformative adaptation and mitigation projects.²¹

22. Since its inception, the GCF private sector portfolio has invested USD 3,418.6 million in GCF resources and mobilized an additional USD 11,126.8 million in co-financing. A large part of the GCF's private sector portfolio in its ramp-up phase was oriented towards climate mitigation especially renewable energy projects and financed by senior debt. However, in the past 12 months, the trend towards adaptation and the use of other financial instruments is a reassuring sign towards what this strategy could help achieve.

23. GCF's early private sector experience as well as inputs from partners, including direct access entities (DAEs), demonstrates a huge appetite for climate action beyond mitigation including in home-grown innovation, resilient infrastructure, ecosystem-based approaches, and new asset classes. GCF's unique business model of country centricity and partnership model, positions it well to help increase the capacity of domestic capital markets, local financial institutions and enterprises including MSMEs to attract large-scale financing for climate mitigation and adaptation impact.

24. GCF's private sector strategy is in line with its practice of work to address the barriers for scaling up private climate finance and consistent with the USP (para. 22), the private sector strategy takes a four-pronged approach, as set out in paragraphs 26–40 below, with each prong specifically designed to overcome one of the four groups of barriers identified in chapter III.

25. The approach is grounded in meeting priorities set out in the Governing Instrument and Board policies, notably in terms of thematic and geographic balance; prioritizing developing countries under UNFCCC that are particularly vulnerable, including LDCs, SIDS and African States; paying specific attention to adaptation activities; promoting the participation of local private sector actors in developing countries, including small and medium-sized enterprises and local financial intermediaries; and unlocking private finance at scale, including from institutional investors. In line with decision B.04/08, GCF seeks efficient solutions to developing

²⁰ Sweerts B., Dalla Longa F., van der Zwaan B.. 2019. Financial de-risking to unlock Africa's renewable energy potential. *Renewable and Sustainable Energy Reviews*. 102: pp.75–82.

²¹ Independent Evaluation Unit. 2021. *Independent Evaluation of the Green Climate Fund's Approach to the Private Sector: Final Report*.

climate markets without creating market distortions or crowding out private capital. Ensuring implementation of GCF policies related to indigenous peoples, gender and environmental and social safeguards are also mainstreamed across the GCF investment approach. The four prongs of the private sector strategy are discussed below.

26. **Promote a conducive investment environment for combined climate and economic growth activities.** Transparent, long-term and clear policies and regulations that internalize the positive externalities of low emissions and climate-resilient growth are required to reduce investment risk in developing countries. The first prong of GCF's private sector strategy builds on decision B.04/08 to enhance the readiness and enabling environment to drive private investment – both domestic and international capital – in climate mitigation and adaptation depending on the needs of the country.

27. GCF is the largest international source of grant assistance to develop national capacities for climate action. Through its grant-based Readiness and Preparatory Support Programme (Readiness Programme), GCF will further support national and subnational entities to develop long-term climate investment road maps, green investment plans and policies targeting private investments for climate action that maximize co-benefits between mitigation, adaptation and sustainable development. For example, GCF with the Islamic Development Bank as the delivery partner in its Readiness Programme is supporting national efforts in Jordan, Iraq, Lebanon, Oman and State of Palestine to improve the enabling environment for private sector partners, notably private direct access applicants, in climate finance. GCF is also supporting developing countries – for example Argentina, Guyana and Morocco – in formulating national climate financing strategies to catalyse private investment to meet nationally determined contribution (NDC) priorities.

28. The participation of private sector actors, particularly at the local level, is critical to achieving developing countries' national climate goals.²² To promote engagement with the private sector, all Readiness Programme proposals submitted to GCF, including national adaptation plans (NAPs), will assist national actors involved in finance and investment to develop policies and strategies such as carbon pricing, integrated climate and green finance road maps, climate risk disclosure, valuing positive externalities of climate action and development of an appropriate private sector investment strategy driven by local circumstances.

29. **Accelerate innovation for business models, financial instruments and climate technologies.** The International Energy Agency projects that half of all emission reductions needed to reach net zero by 2050 will have to come from technologies that are not yet commercially available.²³ Technological innovation is crucial to scale up adaptation in developing countries, notably those under UNFCCC that are particularly vulnerable, including LDCs, SIDS and African States. According to UNFCCC, of the 70 estimated climate technology incubators and accelerators, only 25 of these are in developing countries.²⁴ In addition to technology innovation, there is a huge opportunity for scaling up investments in business model innovations that are home-grown and fit for purpose for developing countries.

30. Article 10 of the Paris Agreement notes the importance of accelerating innovation for the long-term global response to climate change. In this context, the COP, by decision 7/CP.21, invited the GCF Board to consider ways to provide support for facilitating access to environmentally sound technologies, and for undertaking collaborative research and development to enabling developing countries to enhance their climate action.²⁵ The Board by

²² In line with the Governing Instrument and decision B.04/08.

²³ See <https://www.iea.org/reports/net-zero-by-2050>.

²⁴ UNFCCC. 2018. *Climate Technology Incubators and Accelerators*.

²⁵ UNFCCC decision 7/CP.21.

decision B.18/03 requested the Secretariat to develop terms of reference for a request for proposals (RFP) to support climate technology incubators and accelerators. However, as noted in chapter V below, the RFPs approved to date have not achieved their potential in the absence of a nimble and cost-effective process for private sector non-accredited entities to access GCF financing for demonstration or scale-up of a single meritorious project. With the approval of the updated accreditation framework at the thirty-first meeting of the Board (B.31) which included the launch of the new project-specific assessment approach (PSAA) in 2023, GCF's private sector strategy is well positioned to accelerate financing to private entrepreneurs in developing countries.

31. The private sector strategy will also support the development of high-quality public-private innovation ecosystems to drive climate innovation in developing countries. Such ecosystems help domestic entrepreneurs in developing countries, especially in LDCs, SIDS and African States to ideate, tailor and test novel climate technology and business models relevant to their own local circumstances by enabling connection to world-class technical expertise, data and information, and market access.²⁶ In line with decision B.18/03 related to the continued collaboration with the UNFCCC Technology Executive Committee, GCF also helps to foster such ecosystems by supporting developing countries in carrying out technology needs assessments and developing national climate technology frameworks. Technology needs assessments enable developing countries to determine high-priority sectors and identify technologies for mitigation and adaptation within these sectors. As of 31 December 2021, GCF has approved 31 Readiness Programme projects amounting to USD 1.6 million with the Climate Technology Centre and Network and on 31 July 2021 GCF taxonomy indicated that 66 per cent of approved projects had at least one technology component covering a wide range of mitigation and adaptation technologies.

32. Greater access to early-stage risk capital is also needed to support climate technology ventures and accelerate climate innovation in developing countries. There are few early-stage and venture capital investors in developing countries, particularly for adaptation technologies, and those investors have been less likely to support climate technologies owing to their high upfront capital requirements, longer payback periods and greater uncertainty related to scale-up. GCF provides technical support and early-stage financing to pilot new technologies, business models, financial instruments and practices to assist domestic innovators in establishing a proof of concept and in developing viable enterprises for products and services in low-emission and climate-resilient development. The development phase is critical for entrepreneurs because, at this stage, they are particularly exposed as they engage personal equity and take the risks of, among other things, sunk costs and cost overrun.

33. As an example of supporting climate technology ventures and accelerating climate innovation, GCF has provided a Project Preparation Facility (PPF) grant to the Korea Development Bank and the Global Green Growth Institute to develop a full funding proposal for Board consideration to overcome the numerous barriers faced by green start-ups and small and medium-sized enterprises in emerging and early-stage markets in East Asia, deepen the local climate ecosystems and provide early-stage equity capital for technology transfer and business acceleration.

34. **De-risk market-creating investments to crowd in private climate finance.** In line with the principle of country ownership and Board-approved policies, GCF's private sector strategy will increase the capacity of local financial institutions, private project developers, and enterprises including MSMEs in developing countries to attract private capital for climate action. GCF is uniquely positioned to leverage its wide range of financial instruments (grant, concessional debt, guarantees and equity) to enable the development of fit-for-purpose blended

²⁶ Mazzucato M. 2015. *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*.

finance instruments to support flow of capital at scale to developing countries. By blending public resources with private finance, GCF investments help to reduce the high risks, both perceived and real, faced by private sector actors seeking to scale successful climate solutions in new developing markets to demonstrate their commercial viability. If successful, the blended finance structure will establish a track record and enable financiers to reassess the risks of specific classes of climate assets such as resilient infrastructure, thematic climate bonds and others, enabling their market-driven diffusion and widespread adoption.

35. As an example of the de-risking market-creating investments, GCF has provided equity and grants in the Green Growth Equity Fund, an innovative climate-focused fund, investing in renewable energy power generation, energy-efficient buildings, low-emission transport, wastewater treatment and waste management in India,²⁷ through the AE, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO). The Green Growth Equity Fund final close took place in December 2021 with a GCF equity portion commitment of USD 80.5 million and USD 4.5 million in technical assistance grants leading to a total fund size of USD 741 million. Notably, the de-risking equity contribution of GCF mobilized additional finance from institutional investors for green infrastructure projects. In addition, the fund will leverage two to three times in debt capital in downstream investments.

36. GCF also continues to use blended finance to enable a more significant role for domestic MSMEs in meeting national climate action priorities. Notably, GCF promotes lines of credit, revolving funds and new insurance vehicles through domestic financial institutions for MSMEs engaged in climate action. For example, in the Tanzania Agriculture Climate Adaptation Technology Development Programme (TACATDP), GCF financing enabled CRDB Bank, a GCF DAE and the United Republic of Tanzania's largest commercial bank for the agriculture sector, to develop new financial products targeting smallholder farmers and local enterprises pursuing agriculture resilience and adaptation. GCF's USD 10 million guarantee, USD 20 million grant, and USD 70 million loan helped CRDB launch three new financial products focused on adaptation: a dedicated credit line, a new credit enhancement facility and a new insurance product. A successful track record established by CRDB through this project will catalyse development and diffusion of similar financial innovation at scale in the United Republic of Tanzania and other neighbouring countries.

37. Going forward, the private sector strategy, building upon successful financing models in its current private sector portfolio (see chapter V below), will expand its adaptation portfolio by focusing on new asset classes that address the needs of countries most vulnerable to climate change such as SIDS, the LDCs and African States such as climate-resilient infrastructure that combines grey and green infrastructure and cross-cutting projects. GCF will leverage its unique capital agnostic financing ability and convening power of diverse domestic and international partner networks to encourage philanthropies, corporates and other impact investors to co-invest in platforms at scale (through use of PSAA, AEs or other existing modalities) in climate adaptation in developing countries.

38. **Strengthen domestic and regional financial institutions to scale up private climate finance.** Domestic and regional financial institutions (public and commercial) play a central role in providing access to finance to scale up the adoption of climate investments with a successful track record. GCF strengthens the capacity of domestic and regional private financial institutions to catalyse private climate finance in two ways:

- (a) Directly, by co-financing private sector projects and programmes. GCF invests in projects and programmes through domestic and regional private financial AEs. For example, GCF supports XacBank, a GCF DAE, alongside the Government of Mongolia to

²⁷ See [FP164: Green Growth Equity Fund | Green Climate Fund](#).

establish the Mongolia Green Finance Corporation to enable local partner financial institutions to finance thermal insulation of housing, energy efficiency for businesses and mortgages for green affordable housing; and

- (b) Indirectly, by supporting public development banks, which in turn finance the domestic and regional private financial institutions to increase their climate investment, including by extending green credit lines. There are almost 260 public development banks (including regional and national development banks) in developing countries, representing USD 5 trillion in assets, with the capacity to extend more than USD 400 billion in climate finance per year. Doubling their investment capacity or leverage effect would be enough to bridge the climate infrastructure investment gap. For example, GCF supports the International Development Finance Club (IDFC)²⁸ Climate Facility in strengthening the capacity of IDFC members, including 10 DAEs and 4 international access entities (IAEs), to access climate finance.

39. Increasing national development banks' access to domestic, regional and international capital markets through issuing green bonds or other thematic climate bonds (such as blue bonds, transition bonds, etc.) could also be a game changer for such banks in closing the climate finance gap. However, only 58 national development banks have accessed international capital markets to capitalize their operations, and of the USD 305 billion in green bonds issued in 2020, only USD 8.9 billion (or 3 per cent) were from developing countries (excluding China). Furthermore, the total volume of green bond issuance from developing countries has been reducing in percentage terms over the past three years.²⁹

40. With its partners, GCF's private sector strategy will support developing countries in issuing green bonds and green asset-backed securities and developing new financing facilities and instruments such as climate-resilient bonds. Issuing green bonds and green asset-backed securities requires a regulated market to be in place and the issuer needs to meet certain criteria for listing financial products. GCF grant assistance can be leveraged by governments to ready their stock exchanges to list bonds. For example, GCF supported the effort of the Government of Jamaica to set up a Caribbean green bond listing on the Jamaica Stock Exchange, which will enable it to list green/adaptation bonds through a dedicated green bond facility.

V. Implementation status of the private sector portfolio, including a review of the initial modalities for the operation of the Private Sector Facility

41. The portfolio targets for GCF-1 articulated in the USP require a significant increase in programming for the private sector, particularly with respect to DAE access and adaptation finance, equivalent to a doubling of the private sector financing volume relative to the initial resource mobilization (IRM) period. The USP does not set up an overall target for private sector programming but includes a specific target for PSF allocations.

42. This chapter analyses the progress of GCF to date in terms of delivering against the USP targets at the aggregated portfolio level and for PSF. It then provides a review of the initial modalities for the operation of PSF in line with decision B.07/08. It should, however, be noted that GCF projects categorized as public sector also mobilize co-financing from the private sector,

²⁸ A group of 26 national and regional development banks from all over the world, a majority of which are active in emerging markets.

²⁹ GCF and International Development Finance Club. 2020. *The Green Climate Fund and the International Development Finance Club: A strategic alliance to realize the full potential of public development banks in financing the green and climate-resilient transition.*

thus having a market creation impact and benefiting MSMEs. An analysis of the portfolio of funding proposals approved by the Division of Mitigation and Adaptation as at 31 December 2021 indicates that 46 public sector projects or programmes with a commitment of GCF funding of USD 3.6 billion has mobilized over USD 13.3 billion in private sector finance (see annex V).

43. The table below sets out the progress of GCF as at 31 December 2021 against the strategic objectives that have been expressed as quantifiable portfolio targets or allocation parameters in the USP in grant equivalent terms.

Progress against GCF-1 portfolio targets as at 31 December 2021 (in grant equivalents) ^a

| Portfolio target | IRM outcomes as at 31 Dec 2019 | Overall GCF portfolio as at 31 December 2021 | PSF portfolio as at 31 December 2021 |
|--|---------------------------------------|--|--|
| Portfolio-level adaptation outcomes exceed IRM outcomes (million beneficiaries reached per USD billion invested in adaptation) | 164 million beneficiaries/USD billion | 162.8 million beneficiaries/USD billion | 228.8 million beneficiaries/USD billion |
| Portfolio-level mitigation outcomes exceed average IRM outcomes | 269 Mt/USD billion | 317 Mt/USD billion | 234.6 Mt/USD billion |
| 50:50 balance of adaptation and mitigation funding over time | Adaptation: 55% Mitigation: 45% | Adaptation: 48% Mitigation: 52% | Adaptation: 15% Mitigation: 85% |
| Minimum allocation floor of 50% adaptation allocation for SIDS, LDCs and African States, while aiming to build on IRM outcomes | 69% | 65% | 80% |
| Significantly increase funding channelled through DAEs | 12% | 17% | 25% |
| Allocation to PSF exceeds 20% | 16.5% | 16% | - |
| Significantly increase mobilized private finance at the portfolio level | 1:2.5 (co-financing only) | 1:2.7 (co-financing only) | 1:3.25 (co-financing at the project/pooled fund levels only) |
| Share of portfolio under implementation | | 80% | 67% |

Abbreviations: DAEs = direct access entities, IRM = initial resource mobilization, LDCs = least developed countries, PSF = Private Sector Facility, SIDS = small island developing States.

^a Decision B.27/06, paragraph (j), reaffirmed that allocation parameters should be determined in grant equivalents.

44. As at 31 December 2021, 16 per cent of the total portfolio, in grant equivalent terms, had been approved through PSF relative to the IRM baseline of 16.5 per cent of the portfolio. A total of 39 private sector projects and programmes have been approved, via PSF, with GCF resources amounting to USD 3,418.6 million and mobilizing an additional USD 11,126.8 million, a co-financing ratio of 3.25:1. Of the 39 projects, 17 have been approved, with DAEs representing USD 987.1 million of committed funds and 29 per cent of the funds (or USD 248.3 million/25 per cent in grant equivalent terms) being related to PSF-funded activities in nominal terms. The associated mitigation portfolio is expected to reduce 0.67 gigatonnes of carbon dioxide equivalent, while the adaptation portfolio is expected to reach 126 million beneficiaries. Of this portfolio, 67 per cent or 26 projects and programmes are under implementation with USD 721.3 million disbursed so far, accounting for 31 per cent of the GCF disbursed amount. Disbursed loans for these projects have also started to generate reflows of principal and interest. In terms of the PPF, as at 31 December 2021 GCF had approved 10 grants valued at USD 6.3 million for the private sector to develop funding proposals that meet GCF standards.

45. In terms of thematic balance, the PSF portfolio, in its ramp-up phase and in line with sectoral and market evolution, was mostly invested in energy and industries, with 84 per cent of funds committed to mitigation activities, although the pipeline has recently been managed to originate more adaptation projects and programmes. This was demonstrated at B.30, where three of the four approved private sector projects (a total of USD 325 million in GCF committed resources) in addition to one other private sector project approved during GCF-1 (a total of USD 3.96 million in GCF committed resources) increased the PSF adaptation programming by almost 248 per cent from the IRM.

46. Geographically, Africa comprises more than half of the PSF portfolio at 53 per cent, followed by Asia-Pacific at 27 per cent, Latin America and the Caribbean at 14 per cent and Eastern Europe at 6 per cent. Compared against the overall GCF portfolio, GCF funding has been allocated to 37 per cent in Africa, 35 per cent in Asia-Pacific, 25 per cent in Latin America and the Caribbean and 4 per cent in Eastern Europe. Private sector projects and programmes are expected to channel USD 2,164.8 million of GCF funds to LDCs, SIDS and African States.

47. For GCF to meet the portfolio targets articulated in its USP, there is a need to increase its volume of programming to the private sector. According to the GCF programming model, which generates an illustration of how much, in nominal dollar terms, needs to be programmed against key allocation parameters to simultaneously meet the GCF-1 portfolio targets, private sector projects will need to programme USD 2,345 million over the remaining two years of GCF-1. This represents a 141 per cent increase over programming in the first two years of GCF-1.

48. Meeting the GCF adaptation and DAE goals will require an increase in programming for adaptation during the remaining GCF-1 period. An analysis of the portfolio shows that there is a trade-off between programming for adaptation, DAEs and the private sector. Most allocations to the private sector are through IAEs (71 per cent). Moreover, so far, most allocations to the private sector through DAEs have focused on mitigation (84 per cent). As noted by the Independent Evaluation Unit in its *Independent evaluation of the GCF's Country Ownership approach*, GCF can play a role in connecting IAEs with DAEs to promote capacity-building towards accessing GCF financing. While this is part of GCF's current practices already, it will continue to strengthen this area. One such example is FP114: Program on Affirmative Finance Action for Women in Africa (AFAWA): Financing Climate Resilient Agricultural Practices in Ghana, in which an IAE (African Development Bank) is channelling GCF funds to a DAE (Ecobank) as the executing entity. While there are similar examples that are not captured in the reporting of the split between IAEs and DAEs, GCF will seek to promote this type of collaboration more often moving forward.

49. In line with decision B.07/08, GCF offers a unique range of financial instruments: grants, concessional lending, guarantees and equity. With a current leveraging ratio of 1:3.25, the PSF portfolio is only marginally more catalytic than the overall GCF portfolio. This is owing to the heavy reliance of past PSF projects on concessional loans during IRM (76 per cent of the private sector portfolio).

50. This trend has been consistent with market conditions. Globally, debt has been the main instrument for climate finance – accounting for 66 per cent of total climate finance in 2015/2016 (USD 306 billion) and dropping to 60 per cent in 2019/2020 (USD 384 billion). Equity’s share is slowly increasing from 30 per cent of total climate finance in 2015/2016 (USD 140 billion) to 32 per cent in 2019/2020 (USD 206 billion).³⁰ This reflects a growing recognition of the effectiveness of equity investment in accelerating investment in early-stage markets. Guarantees have also proved to be particularly effective in catalysing private finance in nascent markets, mobilizing 22 per cent of private finance in low-income countries between 2013 and 2017.³¹

51. As shown in figure 1, the GCF portfolio is fast evolving and is increasing its range of financial instruments to address the trade-offs across USP programming targets and increase its catalytic impact.³² A full breakdown of PSF projects by financing modality is provided in annex IV.

Figure 1: Evolution of the use of financial instruments for GCF overall portfolio



52. Figure 1 shows that the GCF use of equity more than doubled in only two years from USD 0.19 billion over the period 2015–2019 (B.11 to B.24) to USD 0.57 billion over the period 2020–2021 (B.25 to B.30), and now makes up 22 per cent of the PSF portfolio. Board meetings in 2021 allocated USD 360 million in GCF equity – almost the same amount as the sum of all previous Board meetings combined (USD 400 million). Guarantees, which can be an effective instrument to either reduce or transfer risk and enhance the credit profile of a borrower, have demonstrated a significantly higher direct leveraging ratio of 1:15.3 compared with equity

³⁰ Climate Policy Initiative. 2021. *Global Landscape of Climate Finance 2021*.

³¹ Overseas Development Institute. 2019. *Blended Finance in the Poorest Countries*.

³² In line with decision B.07/08.

(1:5.4), loans (1:4.3) and grants (1:5.4). The direct leveraging ratio of guarantees reflects their incorporation into broader programmatic frameworks rather than their indirect leveraging ratio at the individual investment level.

53. Similarly, the leveraging ratio of equity is at the project level (1:5.4) and does not reflect the leveraging ratio at the individual subproject level. For example, at B.21 the Board approved funding proposal 099, Climate Investor One (CIO), where GCF provided USD 100 million in reimbursable grants to catalyse over USD 720 million in co-financing for renewable energy projects. A case study on CIO carried out by Convergence highlighted that the GCF commitment enabled CIO to make its final close in terms of raising capital where every dollar of donor capital in the CIO structure was multiplied fourfold with commercial capital.³³

54. This direct leveraging ratio of 1:4 is multiplied by entrepreneurial equity and debt finance at the individual investment level. CIO closed at USD 850 million in 2019, out of which USD 373.2 million has been deployed to 15 downstream portfolio companies through the development fund and construction equity fund. To date, USD 20.6 million of GCF capital has been deployed to three downstream portfolio companies that have reached the construction phase, and the mobilization of CIO with co-financiers at the individual subproject level ranges between 9.4 and 82.6 times as a multiple to GCF investments. The CIO model has proved capable of catalysing project development on the ground in developing countries, which has prompted the AE to contemplate launching similar structures in climate adaptation sectors where financing risks are relatively hard to address compared with energy and mitigation. These key sectors are water and sanitation, oceans, and landscapes and cities.

55. Applying the experience gained in mitigation, GCF made considerable progress in moving from equity for mitigation towards equity for adaptation in LDCs, SIDS and African States in 2020 and 2021. Notably, GCF has capitalized on an increase in investor appetite for new asset classes in climate-resilient infrastructure. For example, funding proposal 152, the Global Sub-national Climate Fund (SnCF Global), approved at B.27 and managed by Pegasus Capital Advisors, leverages USD 150 million in first loss equity investment from GCF to mobilize USD 600 million of private and institutional capital for mitigation and adaptation solutions at the subnational level. Almost half of the 42 countries participating in this project are LDCs and SIDS. SnCF Global has already made progress in terms of financing its first projects, which are expected to be climate-smart agricultural parks in Caribbean States, designed to withstand extreme weather events and deploying a range of innovative agricultural and climate-resilient technologies. Each dollar of capital raised by SnCF Global could be leveraged over fivefold at the individual project level, giving GCF funding a leveraging ratio of 1:25.

56. GCF with Pegasus have also already adapted this approach to support innovative adaptation technologies and ecosystem-based approaches and practices through funding proposal 180, Global Fund for Coral Reefs Investment Window (Coral Reefs Fund), approved at B.30. The Coral Reefs Fund creates a private equity fund to promote investments in the blue economy in 17 countries.³⁴ GCF will act as anchor investor with its USD 125 million investment commitment to catalyse USD 375 million in additional public and private sector investment.

57. While still the smallest proportion of the GCF portfolio, the use of guarantees doubled from USD 0.08 billion over the period 2015–2019 (B.11 to B.24) to USD 0.16 billion over the period 2020–2021 (B.25 to B.30). Similarly to equity, this doubling in the use of guarantees all took place in 2021, with the approval of five new funding proposals by the Board, of which four are mostly investing in Africa. As highlighted in the review report of the GCF financial terms and conditions, one of the key barriers to further increasing the use of guarantees is that in the absence of a credit rating, GCF is required to set aside 100 per cent of the guarantee in cash as a

³³ Convergence. 2021. *Case Study: Climate Investor One*.

³⁴ See [FP180: Global Fund for Coral Reefs Investment Window | Green Climate Fund](#).

capital reserve. In comparison, an A-rated bank would need to set aside only 10 to 15 per cent of the guarantee in cash as a reserve. There are several elements of risk that could affect the ability of GCF to receive a credit rating, including the characteristics of the GCF portfolio, with a high share of grant-only projects, long grace periods and tenors, and a triple risk exposure (final beneficiary risk, AE risk and country risk). While cash deposits in the GCF trust account could be considered, these are dependent on pledges, which are paid over several years and are exposed to foreign exchange risk. The risk of a downgrade in its credit rating may also reduce GCF’s risk appetite.³⁵ Hence, the Secretariat is reviewing programmatic options to increase the efficiency of the use of guarantees in the absence of a credit rating.

58. In terms of concessionality, as shown in figure 2, the bulk of GCF private sector projects typically receive low levels ranging from about 5 to 50 per cent compared with public sector projects with concessionality mostly from 66 to 100 per cent. This trend is likely to remain, especially as the use of equity increases and its grant equivalency is close to 0 and below the typical concessionality levels of public sector projects. In addition to co-financing, GCF as a multilateral fund leverages its investors’ convening power and operates as a risk mitigation platform and a market creator.

Figure 2: Concessionality of Private Sector Facility projects^a



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^a This figure is based on the Climate Finance Advisors’ 2020 report on the review of the financial terms and conditions of the GCF financial instruments and has been updated by the Secretariat with data as at 31 December 2021.

59. Beside this evolution in funding instruments, GCF is also shifting from being a co-financier to a co-investor and increasingly supports upstream origination and development of funding proposals to better align its portfolio to USP programming targets. Reflecting its growing role as a hub of climate finance, GCF is also more frequently approached by developing countries and AEs to support the development of co-investment platforms and act as an anchor investor to catalyse large public and private climate financial flows. For example, GCF worked with the Asian Development Bank to develop the programmatic framework for the Association of Southeast Asian Nations Catalytic Green Finance Facility, which was approved by the Board at B.28. The commitment of GCF, as an anchor investor, of USD 300 million will unlock USD 3,385 million in Asian Development Bank loans, which in turn is expected to catalyse more than USD 2.4 billion in private investment. The Catalytic Green Finance Facility of the Association of

³⁵ Climate Finance Advisors. 2020. *Review of the financial terms and conditions of the GCF financial instruments.*

Southeast Asian Nations also aims to help countries to scale up issuances of green and climate bonds to support sustainable growth in the region. Such co-investment platforms also have a huge potential to scale up private finance for adaptation by de-risking and preparing bankable climate-resilient infrastructure investments.

60. In line with its business model, GCF's capacity to manage its programming trade-offs between adaptation, the private sector and DAEs and focus on the most vulnerable groups depends on its portfolio of AEs. GCF needs a portfolio of private sector AEs, notably DAEs with the capabilities to develop and implement large-scale projects in adaptation, using high-impact financial instruments (equity and guarantees). As at B.30, 24 per cent (27) of the 112 GCF AEs are identified as private sector AEs, with 59 per cent (16) being DAEs. The GCF current portfolio of private sector AEs comprises a diverse set of entities across the investment value chain, including asset owners (e.g. institutional investors, insurers and pension funds); asset managers (e.g. debt and equity funds); commercial and investment banks; and MSMEs, project developers and companies.³⁶ Each of these entities has a different role in terms of ownership and management of assets, as well as in terms of size and governance.

61. Of the 27 private sector AEs, 19 have signed accreditation master agreements, 15 of which are effective.³⁷ However, only 8 private sector AEs have approved projects (5 IAEs and 3 DAEs with approved projects, for a total number of 16 projects approved for private sector AEs, including 1 IAE project having lapsed).³⁸ Eighty-one per cent of private sector AEs are composed of entities accredited for medium and large-sized projects and the private sector representation in the simplified approval process portfolio (projects of USD 10 million or less) is currently 13 per cent of approved simplified approval process projects. While a large proportion of the private sector AEs are accredited for loans, equity and guarantees (26, 19 and 19, respectively), only 6 have approved projects utilizing equity and guarantees respectively,³⁹ with only 3 being DAEs.⁴⁰

62. To accelerate the number of private sector projects, GCF has conducted two dedicated RFPs. Out of the 30 shortlisted proposals, only 5 funding proposals were approved under the Mobilising Funds at Scale (MFS) RFP, representing USD 263.4 million (out of USD 500 million allocated by the Board through decision B.16/03). These 5 funding proposals were approved primarily because the Secretariat made significant efforts to match project developers with AEs to sponsor the shortlisted concepts for GCF. Similarly, only 3 funding proposals were approved under the MSME RFP for a value of USD 60 million out of USD 100 million allocated by the Board (decision B.13/22, para. (d)).

63. The review of the MFS and MSME RFPs undertaken in 2019 highlighted that many of the non-accredited entities with shortlisted proposals had difficulties in being accredited or in partnering with existing AEs despite the Secretariat's efforts in actively seeking to connect them with suitable AEs.⁴¹ In addition, evaluations of the accreditation process sponsored by the Independent Evaluation Unit and the Secretariat as well as consultations with private sector stakeholders found that the GCF accreditation and project preparation process is overly lengthy and costly for the private sector and more attuned to the requirements of public institutions.⁴²

³⁶ In line with decision B.04/08.

³⁷ The accreditation master agreement for Acumen Fund Inc. lapsed on 10 July 2021; however, the AE will be seeking re-accreditation at an upcoming Board meeting.

³⁸ Acumen Fund Inc. – 3 projects, Africa Finance Corporation – 1 project (lapsed), CRDB Bank Plc – 1 project, Deutsche Bank – 1 project, MUFG Bank Ltd – 2 projects, Nordic Environment Finance Corporation – 1 project, Pegasus Capital Advisors – 3 projects and XacBank LLC – 4 projects.

³⁹ Acumen Fund Inc., Deutsche Bank, MUFG Bank Ltd, Pegasus Capital Advisors and XacBank LLC for equity; and CRDB Bank Plc for guarantees.

⁴⁰ Acumen Fund Inc., CRDB Bank Plc and XacBank LLC.

⁴¹ See documents GCF/B.23/12/Add.03 and GCF/B.23/12/Add.04.

⁴² As footnote 19 above.

These barriers are particularly acute for DAEs in LDCs and SIDS, where experience has shown that on average private sector DAEs take one year longer than IAEs to work through the accreditation process. Shortlisted projects under the MFS RFP also experienced challenges in negotiating and executing accreditation master agreements and securing all no-objection letters upfront. Given these issues, and particularly the absence of a process for the accelerated accreditation of entities seeking to undertake a single investment, the RFP on incubators and accelerators has been postponed.

VI. Lessons learned and way forward

64. Reflecting on the positive trends and areas for improvement during the IRM period, as summarized in chapter V, allows GCF to learn what has and has not worked for the implementation of its private sector portfolio and global experience related to catalysing private finance. This chapter identifies five ways forward based on lessons learned to advance implementation of the GCF private sector strategy and achieve the portfolio targets set out in the USP. Some of these additional efforts are already under Board consideration. The five ways forward are discussed below.

65. **Enhance the private sector's contribution towards developing and implementing NDCs, NAPs and long-term climate strategies.** Experience from the Readiness Programme shows that engagement between governments and the private sector to promote the private sector's role in developing and implementing NDCs, NAPs and long-term climate strategies is limited and underleveraged. The number of proposals under the Readiness Programme that target engagement with the private sector – 80 countries under the first phase of readiness and 22 proposals under the second phase – represents a relatively lower share than other targeted readiness outcomes.

66. The private sector has noted that its engagement in realizing NDC ambitions is limited by the lack of investment plans in NDCs and NAPs. As a country's vision to transform development trajectories to limit global warming to 1.5 °C, NDCs are typically designed as policy signals for national climate priorities, rather than portfolios of bankable investment projects. While many countries have included estimates of financing needs associated with implementing their NDCs and similar strategies, only a handful have developed climate investment plans or climate financing strategies that take into consideration all available sources of finance. One of the reasons has been the lack of tools and methodologies.

67. At the request of developing countries, GCF will use its Readiness Programme to promote greater engagement between governments and the private sector and increase the private sector's contribution towards achieving national climate goals. The Independent Evaluation Unit's *Independent Evaluation of the GCF's Approach to the Private Sector* also highlights the need to better integrate the private sector into country processes to have better collaboration on GCF programmes, a key enabling factor to promote country ownership. In particular, GCF will support developing countries in translating NDCs, NAPs and long-term climate strategies into investment plans that (i) align, combine and sequence multiple sources of international and domestic finance from the public and private sectors; (ii) address policy and regulatory gaps to improve the bankability of the NDC project pipeline; and (iii) identify financial mechanisms that do not increase sovereign debt, but catalyse private funds and increase access to long-term affordable finance.

68. In line with the principle of country ownership, the Readiness Programme and PPF will also strengthen the capacity of NDAs, focal points, DAEs and local private sector actors to better quantify climate risks and identify climate-friendly business opportunities. GCF is collaborating with two global coalitions to develop new valuation and labelling methodologies to better

assess the risk-reward profile of LECR investments. The ambition of these methodologies is to accelerate the creation of new climate-friendly asset classes such as climate-resilient infrastructure and enable developing countries to attract private investment aligned with their NDCs and NAPs. The initial response from developing countries to pilot these methodologies has been extremely positive.

69. **Leverage improvements in the accreditation process, including a project-specific assessment approach and enhance GCF engagement with non-accredited entities.** To manage the trade-offs in its programming goals, GCF requires a subset of private sector AEs, particularly DAEs, to bring forward for Board consideration large-sized funding proposals in adaptation, using financial instruments with a high catalytic impact. AEs with the capacity to advance the GCF mandate related to climate technologies and innovation are also required and should also be prioritized in future GCF accreditation efforts.

70. To complement its core accreditation process, GCF has also relied on RFPs to accelerate the origination and development of transformative private sector projects. However, RFPs did not achieve their full potential owing to the lack of an expedited accreditation process for non-accredited entities and the reticence of AEs to partner with them. The PSAA modality, recently approved by the Board within the updated accreditation framework, would provide a more viable path for the private sector to work with GCF on strategic priorities such as climate innovation and catalysing adaptation finance at scale in developing countries, notably those under the UNFCCC that are particularly vulnerable, including the LDCs, SIDS and African States. While a detailed implementation plan for the PSAA is still under development, the Secretariat expects to perform due diligence internally on entities that present proposals under the PSAA modality, greatly reducing the processing time for accreditation and improving access to finance for local entities which are not able to complete a full accreditation process. The Secretariat will also put in place target service standards for accreditation to improve the efficiency and partners' experience of the accreditation process.

71. During the IRM period, GCF acted primarily as a co-financier, providing second-level due diligence to projects and programmes brought forward for Board consideration. As noted in chapter V above, GCF is increasingly requested by developing countries and AEs to play the role of a co-investor and convenor. This role fully leverages the unique comparative advantages of GCF as a hub of climate finance with over 200 delivery partners and the capacity to deploy a unique set of grant and non-grant instruments to complement the financing modalities of its partners. This can enable GCF to catalyse finance from large institutional investors, including pensions funds, insurance companies, sovereign wealth funds and asset managers, who have expressed a strong interest in partnering with GCF but have viewed the accreditation process as a barrier.

72. To create the bandwidth it needs in order to increase GCF engagement with private sector entities, PSF will focus on private investors at the global, regional and national levels, including institutional investors, commercial banks, equity and debt funds, impact investors and insurance companies, and engage strategically with development finance institutions only when it pertains to private sector development or as co-investors.

73. **Explore new modalities to scale up the use of guarantees and equity, enhance GCF support to close the insurance protection gap and reduce foreign exchange risks for DAEs.** Global trends highlight the potential of guarantees and equity to mobilize more capital than any other instrument as they expand developing countries' access to capital markets at a lower cost and longer maturities.⁴³ The initial experience of GCF with new forms of blended finance is consistent with these global trends and seems to also indicate a strong potential of

⁴³ Organisation for Economic Co-operation and Development. 2021. *Scaling up Green, Social, Sustainability and Sustainability-linked Bond Issuance in Developing Countries*.

these instruments to catalyse private finance at scale in adaptation, including in the LDCs, SIDS and African States, which have historically received the least amount of private investment.

74. To date, GCF has limited its investment in equity to pooled funds. In line with its mandate to support transformative change, GCF will continue to invest in pooled funds and complement that with equity to invest in new innovative financial structures to advance business models and technologies. Early-stage financial instruments or initiatives typically leverage innovation to offer new types of products or services, often with direct-to-consumer or other innovative distribution channels. Such initiatives can be a catalytic way to pilot new solutions to create a track record and increase the likelihood of creating low-emission and climate-resilient markets from large-scale investment.

75. As noted in chapter V above, GCF was able to rapidly build up its equity portfolio in GCF-1. However, its capacity to deploy guarantees in a commensurate manner is limited by its lack of credit rating. To address this barrier, GCF will explore options to deploy guarantees in a more efficient manner in the absence of credit rating through partnerships with green guarantee companies. This may include structuring guarantee products as a revolving fund, partly funded by an initial grant, with additional revenues from fees paid by the service user. Proceeds from the guarantee funds could be deployed to guarantee or insure a specific element of a programme (e.g. energy savings guarantee). Specific contract guarantee to power purchase agreements (PPAs)⁴⁴ and contract for differences (CfD)⁴⁵ could also be structured to transfer risk and incentivize investment from project developers who typically bear high upfront costs for capital expenditure and long lifetimes for returns on investment.⁴⁶

76. When GCF co-finances activities involving equity and guarantees, its resources are leveraged at the project and at each individual investment level. As a learning institution, GCF will monitor the leveraging ratio from the use of guarantees and equity to confirm the catalytic impact at each individual investment level across geographies and thematic areas. Lessons learned will be used to inform future project origination and development efforts.

77. There is a large insurance protection gap in developing countries, with those who are the most vulnerable to the impacts of climate change being those who are the least able to afford insurance coverage. Increased insurance coverage could reduce losses in the poorest countries by as much as 25 per cent through a range of instruments, including parametric insurance, insurance-backed social protection and indemnity-based products.⁴⁷

78. There is a growing demand for GCF to support projects with an insurance component. This is consistent with the guidance from COP 26 to GCF, which highlighted the importance of GCF addressing climate risk through a diversified set of financial instruments, including parametric insurance. Most of the GCF insurance-related work to date supports the design of insurance schemes, the provision of climate information to inform insurance products and the development of insurance markets by reducing basis risk for weather-related shocks. For example, the Board approved funding proposal 179, Tanzania Agricultural Climate Technology Deployment Programme, implemented by CRDB Bank at B.30. In collaboration with other insurance companies, this private sector DAE will launch a dedicated agriculture resilience and adaptation insurance scheme focused on smallholder farmers to further scale up the adoption of the climate innovative technologies. The GCF USD 10 million grant will be used to pilot the

⁴⁴ Power purchase agreements are contracts between the purchaser or 'offtaker' and a privately owned power producer.

⁴⁵ Contract for differences is a long-term contract between, for example, an electricity generator and a low-carbon contracts company for establishing a set price for energy.

⁴⁶ As footnote 35 above.

⁴⁷ See [RMS – Executive Summary](#).

initiative, serving as a ‘market maker’ to induce insurance providers to extend climate-related index or parametric insurance products catering to smallholder farmers.

79. However, experience has shown that scaling up insurance for the most vulnerable is limited by the capacity to pay for insurance coverage in a sustainable manner, as well as by a limited supply of insurance providers to create a sustainable market. There are opportunities emerging. New climate insurance products, including parametric insurance (also known as event-based insurance or index-based insurance); crop insurance and energy performance insurance are increasingly demonstrating their potential to provide cover for natural disasters and enhance the resilience of the most vulnerable groups. Financial technologies (‘fintech’)⁴⁸ in the insurance sector is also creating a track record of delivering a range of benefits, including efficiency improvements, cost reductions, improved risk assessment and superior customer experience. Moreover, new risk financial instruments tools, such as insurance for mangroves and coral reefs to protect coastal assets, livelihoods and biodiversity, are entering the market.⁴⁹

80. GCF will expand its existing work related to insurance under its existing modalities. For example, GCF can provide grant funding through the Readiness Programme and PPF to design and pilot new insurance products, notably weather-indexed insurance, and invest in new microinsurance companies that offer affordable products to vulnerable borrowers. As with its experience in overcoming challenges in scaling up its support to guarantees, GCF will explore opportunities to partner with insurance companies to provide insurance products in a sustainable manner and deepen the insurance markets in developing countries. As a follow-up on the USP capability review, the Secretariat will enhance its technical capabilities in this area. While insurance can be an effective risk management tool in many circumstances, high residual climate risks can make insurance premiums unaffordable for local populations. Accordingly, GCF will retain its focus on ex ante risk reduction, including through early warning systems.

81. The private sector strategy will leverage other ongoing work by GCF on local currency financing when available⁵⁰ to improve GCF support to DAEs and MSMEs and mitigate exchange risk for foreign investors. DAEs have noted that they are forced to bear the foreign exchange risk to pass the GCF concessionality downstream. However, their capital structure will not be able to sustain such exposure over the long term. Similarly, MSMEs are also negatively impacted by their exposure to foreign currency risk. In sub-Saharan Africa, for example, energy service companies finance their technology in hard currency, but receive their service payments in the local currency. If the latter depreciates, these business models are exposed to significant risks which could be mitigated by local currency funding. Local currency lending is also critical to deepen local capital markets and improve debt sustainability by contributing to debt predictability. So far, only two funding proposals have used GCF concessionality to buy a currency swap and reduce the risk exposure to the currency fluctuations. However, these hedges were possible because the countries have relatively liquid and developed capital markets, but would not be feasible in frontier markets, with less liquid and less developed capital markets.

82. Terms and conditions could be more explicit in defining and detailing the potential trade-off between concessionality and the cost of hedging, with the possibility for the AE to transfer a portion of the concessionality received to cover the costs of hedging or to buy a currency swap. Usually, the more developed the capital markets, the greater the liquidity, the number of swaps counterparties and tenors and hence the higher the hedging arrangements

⁴⁸ ‘Fintech’ is defined as the use of technology and innovation to improve activities in finance.

⁴⁹ UNDP. 2021. UNDP insurance and risk financing facility. Available at <https://irff.undp.org/sites/default/files/2021-12/irff-brochure-updated-nov-12.pdf>

⁵⁰ Under development by GCF’s Office of Risk Monitoring and Compliance under the Board’s Investment Committee.

options and the lower the costs of hedging (which may imply that a lower concessionality may be needed). On the other hand, the less developed the capital markets, the higher the likelihood that some products are not available, or too risky, and therefore more expensive (which may justify a higher level of concessionality). This is a situation that needs to be addressed on a case-by-case basis and on the merits of the project, for example by seeing whether the borrower is in need of liquidity at a lower cost or to protect repayments against currency fluctuations.⁵¹

83. As the GCF private sector portfolio continues to shift from concessional debt towards more high-impact financial instruments and modalities, risk management becomes increasingly important. GCF will build on its existing robust risk management system and further strengthen its risk management capacity. GCF has a comparative advantage in terms of risk management as it provides two levels of due diligence: a primary level of due diligence and appraisal carried out by NDAs and AEs and a secondary level of due diligence and appraisal carried out by the Secretariat.⁵²

84. **Develop innovative financial instruments that catalyse developing countries' access to private climate finance without increasing their debt burden.** The impact of the coronavirus disease 2019 (COVID-19) pandemic has been particularly devastating for developing countries and is exacerbating the challenges of closing the climate finance gap. Efforts to revive economies and address the impact of the pandemic have led to a sharp increase in sovereign debt estimated at 23.6 per cent in emerging economies and 14.6 per cent in low-income countries.⁵³ Among the poorest countries, the proportion of those in or at high risk of debt distress climbed to 55 per cent in January 2021 from 50 per cent in 2019.⁵⁴ Those countries most affected have neither deep domestic financial markets nor excess savings to overcome these challenges. As credit ratings fall, interest rates climb. This increases the cost of new debt, further burdening fiscal budgets and undermining their capacity to finance climate action. Closing the climate financing gap to ensure a climate-resilient recovery from the pandemic in developing countries will require using public resources to catalyse private finance, notably with financial instruments that will not increase their debt burden.

85. The COVID-19 pandemic has resulted in a significant increase in the number of GCF projects requiring adaptive management. In particular, projects have experienced challenges in meeting co-financing requirements due to the lack of access to finance. Expenditure rates have also decreased as projects have reported slowdowns in implementation activities due to travel restrictions and lockdowns, supply chain bottlenecks and liquidity constraints.

86. GCF will build on its existing work to support developing countries that wish to leverage non-conventional debt instruments to catalyse private climate finance. Through its Readiness Programme, GCF is assisting several countries in exploring the potential of national climate finance vehicles, such as green banks or trust funds. Two such proposals have been approved to help the governments of Mongolia and Cambodia create national green banks (non-bank financial institutions), with several other governments like Barbados seeking support from GCF to develop their own. Initiatives such as these allow countries to aggregate international climate finance to national vehicles which can crowd in the local private sector and free up public funds for other needs.

87. **Develop and implement a private outreach plan to advance the implementation of the private sector strategy.** Continued implementation of the GCF private sector strategy and roll-out of new programming and financing modalities will require greater engagement with

⁵¹ As footnote 35 above.

⁵² Further details of the GCF approach to portfolio risk management may be found at <https://www.greenclimate.fund/sites/default/files/document/gcf-b17-12.pdf>.

⁵³ See https://www.imf.org/external/datamapper/G_XWDG_G01_GDP_PT@FM/ADVEC/FM_EMG/FM_LIDC.

⁵⁴ World Bank Low-Income Country Debt Sustainability Framework database.

both national GCF partners and the private sector. In line with paragraph 23(f) of the USP, the Secretariat has developed a private sector outreach plan, which is set out in annex II for consideration by the Board. The outreach plan outlines a four-pronged approach to building strong partnerships with the private sector:

- (a) Engage with developing countries, including NDAs and ministries responsible for finance and investment, to enhance their understanding of the GCF private sector strategy and its value to the national investment priorities;
- (b) Engage domestic private sector actors including commercial banks, local financial institutions, capital market players, and enterprises to increase their participation in GCF-financed activities and as a potential engagement in PSAA;
- (c) Engage with a broader network of international and domestic private sector entities to scale up private climate finance for developing countries;
- (d) Participate in global and regional leadership initiatives and networks to share GCF knowledge and experience and to learn from others; and
- (e) Leverage GCF convening power to promote innovative partnerships between developing countries and the private sector.

VII. Recommendation

88. The Secretariat recommends that the Board consider for adoption the draft decision text contained in annex I.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.32/06 titled “Review of the initial private sector facility modalities and the private sector strategy”:

- (a) Welcomes and takes note of the development of the GCF private sector strategy as set out in chapters II to VI of document GCF/B.32/06, which builds on the updated Strategic Plan for the GCF 2020–2023 and its strategic priority of catalysing private sector finance at scale;
- (b) Recognizes that meeting the parameters and guidelines for the allocation of resources during the GCF first replenishment programming period, as agreed under decision B.27/06, paragraph (i), requires a significant increase over 2022 and 2023 in Private Sector Facility programming overall, and in particular an increase in direct access and adaptation programming through the Private Sector Facility;
- (c) Requests the Secretariat to engage with national designated authorities and accredited entities to urgently advance the private sector pipeline with a particular focus on concept notes and funding proposals that cover one or more of the following:
 - (i) Submission by direct access entities;
 - (ii) Focus on adaptation;
 - (iii) Engagement of local private sector actors, including micro, small and medium-sized enterprises;
 - (iv) Support for climate technology incubators and accelerators;
 - (v) Utilization of the diverse financial instruments of GCF, including exploring options to facilitate increased access to equity, guarantees and insurance products by developing countries that are particularly vulnerable, including the least developed countries, small island developing States and African States, and design and deployment of other innovative instruments; and
 - (vi) Demonstration of significant potential to catalyse private sector finance at scale;
- (d) Also requests the Secretariat to encourage and facilitate use of the Readiness and Preparatory Support Programme and Project Preparation Facility to support country-driven engagement with the private sector to enhance the role of the private sector in implementing nationally determined contributions, national adaptation plans and long-term climate strategies, and accelerate the development of the private sector pipeline as described in paragraph (c) above; and
- (e) Takes note of the private sector outreach plan and that this is a living document that will be operationalized to promote the implementation of the private sector strategy in conjunction with delivery of the Secretariat’s annual work programmes.

Annex II: Private sector outreach plan

I. Objective of the private sector outreach plan

1. GCF is a partnership institution, supporting over 148 developing countries in promoting a paradigm shift towards low-emission and climate-resilient pathways. In line with its core principle of country ownership and its business model, GCF works through national designated authorities (NDAs) and focal points, as well as with its network of over 200 accredited entities (AEs) and delivery partners. GCF also engages with a diverse range of other institutions, networks and coalitions to contribute towards achieving the goals of the Paris Agreement.
2. Implementation of the GCF private sector strategy requires continued close engagement with its key stakeholders and partners. In line with paragraph 23(f) of the updated Strategic Plan, the Secretariat has developed a private sector outreach plan in order to guide the efforts of GCF to build strong partnerships that will advance the implementation of its private sector strategy.
3. The GCF private sector outreach plan, including its partnership approach and implementation modalities, is outlined below.

II. Private sector outreach and partnership approach

4. GCF takes a four-pronged approach to engaging and building strong partnerships with the private sector, as set out below.
5. **Engage with developing countries, notably NDAs, to enhance their understanding of the GCF private sector strategy and outreach with the private sector.** In line with its principle of country ownership, all GCF outreach efforts are anchored in its strategic engagement with NDAs and focal points, which is increasing taking place through its structured dialogues with all regions (Asia-Pacific, Latin America and the Caribbean, Eastern Europe and Central Asia), the least developed countries (LDCs), small island developing States (SIDS) and African States. These structured dialogues bring together participants from developing countries, including government, private sector, AEs, civil society organizations and development partners. They provide an opportunity for GCF to share its private sector strategy and highlight the potential of the private sector to contribute to the implementation of countries' nationally determined contributions and national adaptation plans. It also provides an opportunity to discuss how implementation of the strategy can be tailored to meet the needs of each specific region. In addition, GCF's targeted dialogues with NDAs, focal points and direct access entities can be used to support these efforts, including sharing knowledge and good practices between developing countries.
6. The GCF Readiness and Preparatory Support Programme is available for developing countries to promote greater engagement between governments and the private sector. This may include conducting national-level mappings of private sector actors (domestic and international) to identify the most relevant partners to support the achievement of countries' nationally determined contribution and national adaptation plan goals, as well as formulating and executing private sector engagement plans.
7. **Engage with a broader network of private sector entities to scale up private climate finance for developing countries.** In line with its business model, GCF needs a portfolio of private sector partners that can support the development and implementation of country-driven, private sector projects to meet its programming goals as articulated in the updated Strategic Plan. Following the approval of the updated accreditation framework, a

mapping exercise will be undertaken by the Secretariat that would, among other things, identify the most suitable private sector partners to meet the GCF programming objectives, notably in terms of adaptation and catalysing private finance for LDCs and SIDS. This will enable GCF to diversify its AE network and increase its engagement with institutional investors (including insurance companies and pension funds), commercial banks, equity and debt funds, and institutions that can service micro, small and medium-sized enterprises and impact investors.

8. Particular attention will be given to engaging with developing country institutions and leveraging the Readiness and Preparatory Support Programme to increase the share of private sector direct access entities. The mapping will provide an overview of the landscape of potential private sector partners and articulate the specific barriers that different private sector partners face in terms of their engagement with GCF. This will allow GCF to complement and leverage the knowledge and capabilities of various private sector actors and tailor its engagement to address such barriers. GCF will capture lessons learned through this engagement with its private sector partners and projects in order to contribute to the global policy dialogue on catalysing private finance for developing countries.

9. GCF will continue to build partnership coalitions with non-accredited entities, notably through its efforts to scale up the development of co-investment platforms (to be implemented through accredited entities and other existing funding modalities). The Secretariat will be able to leverage its private sector mapping to connect AEs with investors in this regard.

10. **GCF engagement in key global leadership initiatives and networks to share its knowledge and experience and to learn from others.** As a new and evolving organization, promoting the visibility of GCF and its unique role in catalysing private investments is critical to increasing the understanding of private sector investors around the opportunities of investing in climate action in developing countries.

11. At the same time, GCF is a small organization and therefore must be strategic in terms of its engagement with global and regional initiatives and networks. To prioritize its engagement, GCF will be guided by the four prongs of its private sector strategy; it will engage in initiatives and networks that advance their implementation and where it can make a substantive contribution based on its implementation experience. GCF will assess the results from its engagement in such initiatives and networks to ensure that its participation remains effective and efficient.

12. GCF will also continue to leverage its collaboration with the climate funds, including the Global Environment Facility, the Adaptation Fund and the Climate Investment Funds to build on its lessons learned and advance implementation of its private sector strategy.

13. GCF established a Private Sector Advisory Group (PSAG) to make recommendations to the Board on GCF-wide engagement with the private sector and modalities during the initial resource mobilization period.¹ The appointment of PSAG members expired in 2020. PSAG provided value in the early years of GCF to help it to develop its initial operating modalities and financial instruments based on global lessons learned. Considering the strong support it receives from Board members, an assessment or consideration of a future PSAG mandate from the Board may be linked to a broader review of Board committees, panels and groups.

14. **Leverage GCF convening power to promote innovative partnerships between developing countries and the private sector.** As the hub of climate finance with a large and diverse set of partners, GCF has a unique convening power to bring different actors together, enabling it to match investors with AEs to sponsor projects and programmes that achieve greater scale.

¹ Decisions B.04/08 and B.05/13, paragraphs (h)–(m).

15. GCF will also continue to build on its role as a convenor and knowledge sharer through its annual flagship Private Investment for Climate (GPIC) Conference. Bringing together global and local leaders and experts from the private and public sectors, GPIC provides a unique opportunity to showcase innovative climate investments to share experiences and promote partnerships to scale up private climate finance in developing countries. Since its inception in 2018, GPIC has positioned GCF as leader of private climate finance for developing countries. To each of its virtual editions of 2020 and 2021, it attracted more than 2,000 participants representing a mix of institutional investors, specialized climate firms, project developers and high-level country representatives.

16. The Secretariat will leverage GPIC to promote engagement on key priority areas for GCF, in particular promoting private sector investment in adaptation and in LDCs and SIDS. It will also explore the possibility of organizing regional GPICs to promote greater engagement between private sector actors at the regional and local levels.

III. Implementation of the private sector outreach plan

17. To support the implementation of the private sector outreach action plan, the Secretariat will continue to develop a suite of communication material to create awareness among private sector actors of the GCF mandate and how it engages with the private sector and to provide specific project examples and impact stories, with results and lessons learned. This will enhance the GCF profile as well as the private sector's understanding of GCF, which in turn increases the quality and quantity of collaboration opportunities.

18. GCF will also amplify its outreach efforts through global champions who can reach out through their networks to communicate on the efforts of GCF to catalyse private finance at scale.

19. An annual outreach plan will be developed with specific engagement plans for key initiatives and partnerships to promote the implementation of the strategy.

20. As a knowledge organization, lessons learned from the GCF's implementation of its private sector outreach plan will be captured on an annual basis to continuously improve the effectiveness of its outreach efforts.

Annex III: Overview of financing needs across the GCF eight results areas

1. **Energy generation and access:** annual clean energy investment in emerging and developing economies needs to increase from less than USD 150 billion in 2020 to over USD 1 trillion by 2030 to reach net zero emissions by 2050.¹ For instance, offshore wind can be a significant renewable energy source for developing countries while creating many development and construction jobs. According to estimates, offshore wind can add 20–30 GW annually between 2025 and 2030, with substantial growth potential across many developing countries.² Opportunities for private sector development and private investment exist in the scale-up of renewable energy value chains, innovations in technology and new market models such as dispatchable storage, corporate offtake and flexibility services.

2. **Transport:** the energy intensity of the transport sector dropped by 2.3 per cent in 2019 after falling an average 1.4 per cent per year between 2000 and 2018. To meet climate goals, however, the energy intensity of the transport sector needs to decline by 3.2 per cent annually from 2020 to 2030. A recent analysis by the World Resources Institute indicates that the annual investment in low-emission, climate-resilient transport needed to achieve the 2 °C scenario is USD 2 trillion annually during 2020–2030, which is well within the range of the current investment of USD 1.3 trillion to USD 2.3 trillion in transport.³ A rapid paradigm shift towards mobility-centric development with an increased share of trips using public transport coupled with infrastructure for walking, cycling and other non-motorized solutions would be critical to ensuring that the new transport investments are climate aligned. Opportunities also exist for the private sector in the rapid scale-up of value chains for electric mobility, new business models that straddle vehicle to grid services and next generation zero emission fuels.

3. **Buildings, cities, industries and appliances:** cities and urban areas are identified as one of the most critical global systems transitions that can accelerate ambition and scale up climate action. Climate financial flows for cities reached an estimated USD 384 billion annually on average in 2017/2018, far short of urban climate finance needs, estimated to stand at USD 4.5 to 5.4 trillion annually.⁴ While private domestic financiers mobilized most of the urban climate finance globally, public finance played a stronger role proportionally in developing economy cities, contributing USD 45 billion as opposed to USD 36 billion from private sources at the project level. Vastly insufficient levels of urban climate finance were invested in developing economies, such as South Asia and sub-Saharan Africa, which saw an annual average investment of just USD 4 billion and USD 3 billion, respectively. Although data availability is uneven, the flows of urban mitigation finance far outweigh those of urban adaptation finance, estimated at USD 7 billion. The World Bank predicts the need to invest up to USD 400 billion on a global scale to urban resilience to address the needs of at least 77 million poor people who are at increasing risk. If cities fail to build their resilience to disasters, shocks and ongoing stresses, climate change and natural disasters will cost cities worldwide USD 314 billion every year by 2030. Investment in the buildings sector grew 2 per cent to USD 150 billion in 2019, mainly as a result of increased investments in energy efficiency across developing countries.⁵ Cumulative

¹ International Energy Agency. 2021. *Financing Clean Energy Transitions in Emerging and Developing Economies*. Available at <https://www.iea.org/reports/financing-clean-energy-transitions-in-emerging-and-developing-economies>.

² Global Wind Energy Council. 2020. *Global Offshore Wind Report 2020*.

³ World Resources Institute. 2016. *The Trillion Dollar Question II: Tracking Investment Needs in Transport*.

⁴ Cities Climate Finance Leadership Alliance. 2021. *2021 State of Cities Climate Finance*.

⁵ International Energy Agency. 2020. *Energy Efficiency 2020*. Available at <https://www.iea.org/reports/energy-efficiency-2020>.

investment needs in energy efficiency for meeting the goals of the Paris Agreement are estimated to be approximately USD 27 trillion during 2016–2050, including an annual increase of USD 360 billion for buildings and space as well as a USD 126 billion increase in investments in industries' efficiency.⁶

4. **Forestry and land-use:** agriculture, deforestation and forest degradation contribute to about one quarter of total annual emissions. Halting the annual loss of more than 7 million ha tropical forests while ensuring growth in sustainable agricultural production to feed an estimated 9 billion people by 2050 is a huge challenge. Public funding and government regulations alone will not be sufficient to change the deforestation trajectory in developing countries, where most of the commodity-driven deforestation occurs. But public climate finance is limited; although forests and agriculture hold more than 30 per cent of the climate solution, they currently receive less than 3 per cent of public climate finance.⁷ According to recent data, the cumulative mitigation across the forestry and land use sectors in developing countries could amount to 43 gigatonnes of carbon dioxide equivalent by 2030.⁸ The anticipated cost to realize related reductions could be as high as USD 151 billion per year until 2025 and USD 192 billion per year from 2026 to 2030. In the absence of market transformations to internalize and mainstream these benefits, a total of USD 1.716 trillion would be needed by 2030 to achieve the goals of Paris Agreement.⁹

5. **Health, food and water security:** while the importance of agriculture in developing countries is indisputable, the cost of adaptation for agriculture alone could be more than USD 100 billion per year. For mitigation, USD 5–30 billion is needed annually by 2030 to implement measures costing up to USD 20 per tonne of carbon dioxide equivalent globally, directed mostly towards improving management of croplands and grazing areas. Actions such as restoring soils and soil carbon increased total cost to USD 30–460 billion in 2030 for mitigation measures costing up to USD 100 per tonne of carbon dioxide equivalent. While these costs appear large, the amounts can be compared to global agricultural subsidies, which exceeded USD 500 billion in 2017.

6. **Ecosystems and ecosystem services:** ecosystem-based management, covering forests, grasslands, mangroves and wetlands, aim to protect and regenerate natural ecosystems by acting as carbon sinks and storing captured carbon,¹⁰ and are key to advancing climate adaptation and mitigation. Ecosystem-based interventions hold the potential to be combined with hard infrastructure investments and protect existing infrastructure assets. About USD 8.1 trillion needs to be invested into ecosystem-based management by 2050, equivalent to an annual investment of USD 536 billion, to meet the climate change, biodiversity and land degradation targets of the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity and the United Nations Convention to Combat Desertification.¹¹ However, only USD 133 billion is invested in ecosystem-based management

⁶ International Energy Agency. 2018. *Energy Efficiency 2018*.

⁷ See [Why Financing sustainable land use matters | UNEP – UN Environment Programme](#).

⁸ Intergovernmental Panel on Climate Change. 2019. *Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems*.

⁹ Kissinger G, Gupta A, Mulder I and Unterstell N. 2019. Climate financing needs in the land sector under the Paris Agreement: an assessment of developing country perspective. *Land Use Policy*. 83: pp.256–269.

¹⁰ Ecosystem-based management has been estimated to provide 37 per cent of greenhouse gas mitigation through to 2030 for the below 2 °C scenario (Griscom B. et al. 2017. Natural climate solutions. *Proceedings of the National Academy of Sciences of the United States of America*. 114(44): pp.11645–11650).

¹¹ United Nations Environment Programme. 2021. *State of Finance for Nature*.

annually, most of which comes from public sources, creating a shortfall of around USD 4.1 trillion.¹²

7. **Livelihoods of people and communities:** many economic activities and livelihoods are dependent, directly or indirectly, on ecosystems and their services. The World Economic Forum estimates that approximately USD 44 trillion of the global economy is highly or moderately linked to nature and its services.¹³ Hence loss and degradation of ecosystems have a direct impact on livelihoods of people and communities. Furthermore, increased heat stress due to climate change will lead to reduced productivity and the loss of approximately 80 million full-time jobs, of which 52 million would be in South Asia and Western Africa.¹⁴ In addition, climate change threatens efforts to secure sustainable livelihoods for vulnerable people and communities, through climate-related hazards such as reduced crop yields, food insecurity and higher food prices. The private sector has several opportunities to engage in this area. For example, integrated impact-based multi-hazard climate information and early warning services can reduce climate impact on livelihoods and support a scaling up of the provision of insurance in response to climate events. Possible engagement can include commercialization of country-specific climate information targeting priority sectors such as health surveillance, insurance, aviation, forecast-based financing, agriculture, energy generation, dam control and infrastructure development. In addition, the private sector can provide climate risk insurance for poor and vulnerable people in developing countries. This will allow risk finance and risk transfer solutions to be scaled up for the poor and most vulnerable people, with an emphasis on women and girls.

8. **Infrastructure and the built environment:** according to the Global Infrastructure Outlook, the infrastructure investment gap could reach a cumulative level of USD 14.9 trillion worldwide in 2035, meaning a global deficit of 15.9 per cent. Some estimates project the deficit to be as high as 32 per cent, and it is expected to be even higher in low- and middle-income countries, especially when investments related to the Sustainable Development Goals are included.¹⁵ Meeting the 2° C target and Sustainable Development Goals 6.1 (drinking water) and 6.2 (sanitation and hygiene) would require an increase of 124 per cent in investments in water supply and 236 per cent in investments in sanitation, flood protection and irrigation in such countries.¹⁶ The global infrastructure investment gap reflects a misalignment between the geographic distribution of savings, capital flows and infrastructure investment needs.

¹² As footnote 11 above.

¹³ See [New Nature Economy Report Series | World Economic Forum \(weforum.org\)](https://www.weforum.org/reports/new-nature-economy-report-series).

¹⁴ International Labour Organization. 2020. The role of the ILO in addressing climate change and a just transition for all. Available at https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_736774.pdf.

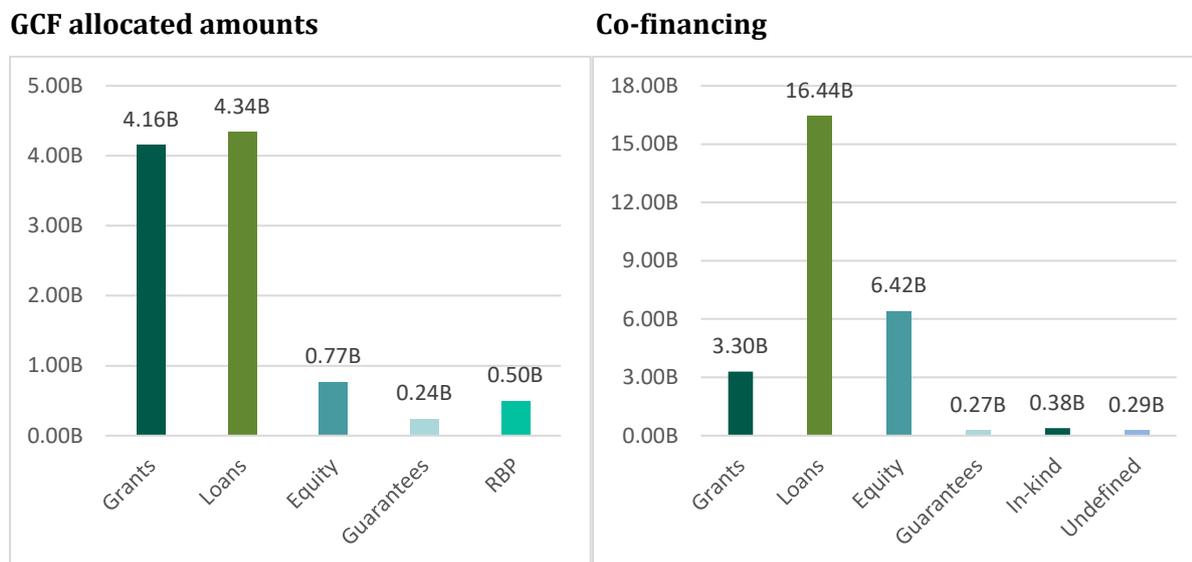
¹⁵ Arezki R, Bolton P, Peters S, Samama F and Stiglitz J. 2017. From global savings glut to financing infrastructure. *Economic Policy*. 32(90): pp.221–261.

¹⁶ J Rozenberg and M Fay (eds.) 2019. *Beyond the Gap: How Countries Can Afford the Infrastructure They Need while Protecting the Planet*. World Bank Group. Available at <https://openknowledge.worldbank.org/handle/10986/31291>.

Annex IV: Analysis of the GCF portfolio by financial instrument

1. In line with decision B.07/08, GCF initially focused on grants and concessional lending and subsequently approved the use of guarantees and equity as additional financial instruments. Figure 1 below shows the GCF allocated amounts by financial instruments.

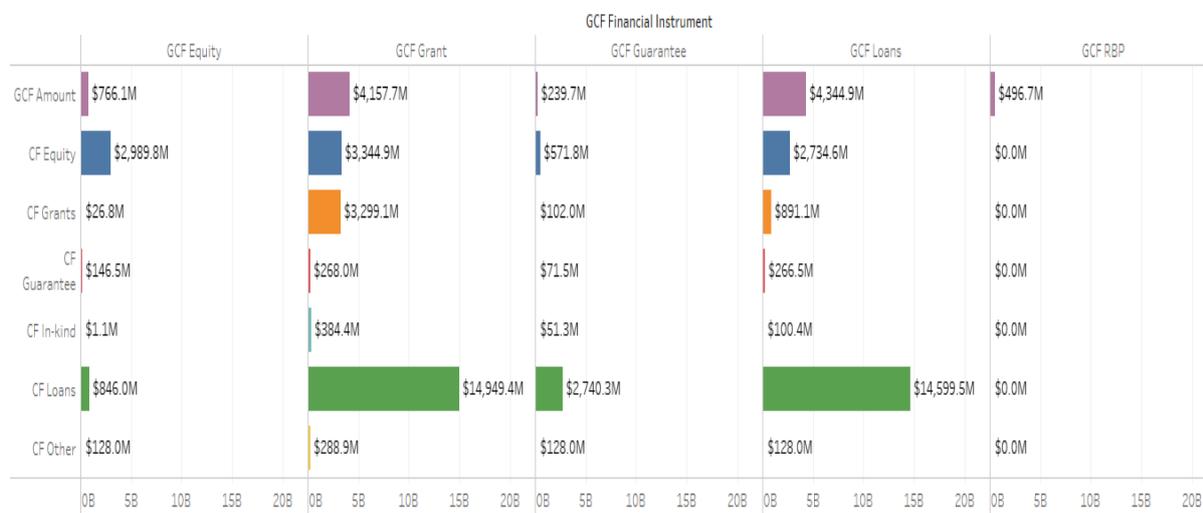
Figure 1: GCF allocated amounts by financial instruments (in USD billion)



Abbreviations: B = billion, RBP = results-based payments

2. Guarantees have demonstrated the highest leveraging ratio (1:15) at the project level, as they are usually embedded in a broader programmatic initiative. The leveraging ratio of equity is at the project level (1:5) and does not reflect the leveraging ratio at the individual subproject level. Initial sublevel investment would indicate that the combined leveraging ratio could reach 1:25. Figure 2 shows the leveraging ratio by instrument.

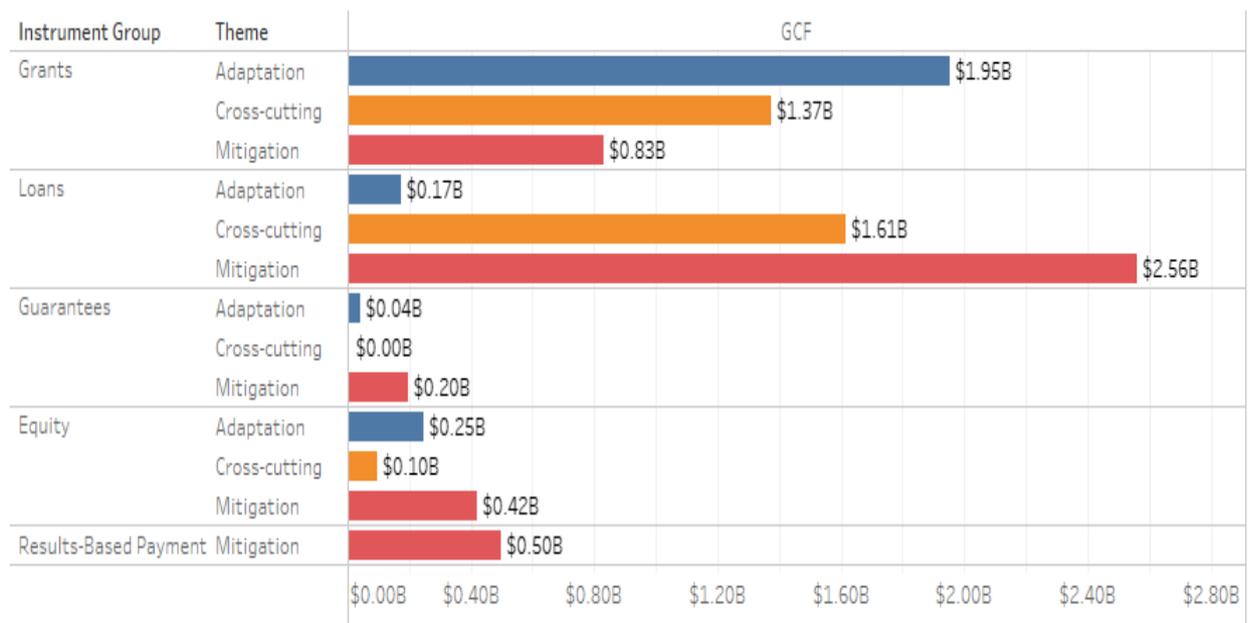
Figure 2: Leveraging ratio by instrument



| | Equity | Grants | Guarantees | Loans | RBP |
|----------------------------------|---------------|---------------|-------------------|--------------|------------|
| Total GCF funding (USD million) | 766 | 4,157.7 | 239.7 | 4,344.9 | 496.7 |
| Total co-financing (USD million) | 4,138.2 | 22,534.7 | 3,664.9 | 18,720.1 | 0 |
| Leverage ratio | 5.4x | 5.4x | 15.3x | 4.3x | N/A |

3. The use of equity was initially focused on mitigation, but it has evolved to increasingly support adaptation (see figure 3).

Figure 3: GCF financial instruments by theme (GCF allocated amount)



4. The table below shows a breakdown specifically of Private Sector Facility projects by financing modalities.

Table 1: Private Sector Facility projects by financing modalities

| FP# | Project name | Accredited entity | Type | Theme | Instrument | GCF approval (USD million) | Target co-financing (USD million) |
|-------|---|-------------------|------|---------------|--------------|----------------------------|-----------------------------------|
| FP005 | KawiSafi Ventures Fund | Acumen | DAE | Cross-cutting | Equity | 20 | 80 |
| | | | | | Grants | 5 | 5 |
| FP017 | Climate action and solar energy development programme in the Tarapacá Region in Chile | CAF | DAE | Mitigation | Equity | 0 | 82 |
| | | | | | Senior loans | 39 | 60 |
| FP025 | GCF-EBRD SEFF Co-financing Programme | EBRD | IAE | Cross-cutting | Grants | 34 | 34 |
| | | | | | Senior loans | 344 | 973 |
| FP026 | Sustainable Landscapes in Eastern Madagascar | CI | IAE | Cross-cutting | Grants | 18.5 | 0.8 |
| FP027 | | Deutsche | IAE | Mitigation | Equity | 78.4 | 221.6 |



| FP# | Project name | Accredited entity | Type | Theme | Instrument | GCF approval (USD million) | Target co-financing (USD million) |
|-------|---|-------------------|------|---------------|--------------|----------------------------|-----------------------------------|
| | Universal Green Energy Access Programme (UGEAP) | Bank | | | Grants | 1.6 | 0 |
| FP028 | MSME Business Loan Program for GHG Emission Reduction | XacBank | DAE | Mitigation | Grants | 0.5 | 0 |
| | | | | | Senior loans | 19.5 | 40 |
| FP039 | GCF-EBRD Egypt Renewable Energy Financing Framework | EBRD | IAE | Mitigation | Equity | 0 | 250 |
| | | | | | Grants | 4.7 | 2.3 |
| | | | | | Senior loans | 150 | 600 |
| FP046 | Renewable Energy Program #1 - Solar | XacBank | DAE | Mitigation | Equity | 0 | 8.9 |
| | | | | | Senior loans | 8.7 | 0 |
| FP047 | GCF-EBRD Kazakhstan Renewables Framework | EBRD | IAE | Mitigation | Equity | 0 | 137 |
| | | | | | Grants | 4 | 3 |
| | | | | | Senior loans | 106 | 307 |
| FP048 | Low Emissions and Climate Resilient Agriculture Risk Sharing Facility | IDB | IAE | Cross-cutting | Equity | 11 | 3 |
| | | | | | Grants | 2.1 | 1.1 |
| | | | | | Guarantees | 1.5 | 1.5 |
| | | | | | Senior loans | 5.4 | 4.4 |
| | | | | | Undefined | 0 | 128 |
| FP078 | Acumen Resilient Agriculture Fund (ARAF) | Acumen | DAE | Adaptation | Equity | 23 | 27 |
| | | | | | Grants | 3 | 3 |
| FP080 | Zambia Renewable Energy Financing Framework | AfDB | IAE | Mitigation | Equity | 0 | 37.5 |
| | | | | | Grants | 2.5 | 1.5 |
| | | | | | Senior loans | 50 | 62.5 |
| FP081 | Line of Credit for Solar rooftop segment for commercial, industrial and residential housing sectors | NABARD | DAE | Mitigation | Equity | 0 | 50 |
| | | | | | Senior loans | 100 | 100 |
| FP095 | Transforming Financial Systems for Climate | AFD | IAE | Cross-cutting | Grants | 35.2 | 8 |
| | | | | | Senior loans | 127.2 | 460.8 |
| FP096 | DRC Green Mini-Grid Program | AfDB | IAE | Mitigation | Equity | 0 | 15 |
| | | | | | Grants | 1 | 33 |
| | | | | | Senior loans | 20 | 20 |
| FP097 | Productive Investment | CABEI | DAE | Adaptation | Grants | 3 | - |



| FP# | Project name | Accredited entity | Type | Theme | Instrument | GCF approval (USD million) | Target co-financing (USD million) |
|-------|--|-------------------|------|---------------|---------------------|----------------------------|-----------------------------------|
| | Initiative for Adaptation to Climate Change (CAMBio II) | | | | Senior loans | 12.5 | 12.5 |
| FP098 | DBSA Climate Finance Facility | DBSA | DAE | Cross-cutting | Grants | 0.6 | 0.9 |
| | | | | | Subordinated loans | 55 | 114 |
| FP099 | Climate Investor One | FMO | IAE | Mitigation | Equity | 0 | 620 |
| | | | | | Reimbursable grants | 100 | 101.5 |
| FP105 | BOAD Climate Finance Facility to Scale Up Solar Energy Investments in Francophone West Africa LDCs | BOAD | DAE | Mitigation | Grants | 4.5 | 1.1 |
| | | | | | Senior loans | 64.7 | 68.1 |
| FP106 | Embedded Generation Investment Programme (EGIP) | DBSA | DAE | Mitigation | Equity | 0 | 77 |
| | | | | | Senior loans | 0 | 260 |
| | | | | | Subordinated loans | 100 | 100 |
| FP114 | Program on Affirmative Finance Action for Women in Africa (AFAWA): Financing Climate Resilient Agricultural Practices in Ghana | AfDB | IAE | Cross-cutting | Grants | 1.5 | 0 |
| | | | | | In-kind | 0 | 0.6 |
| | | | | | Senior loans | 18.5 | 5 |
| FP115 | Espejo de Tarapacá | MUFG_Bank | IAE | Cross-cutting | Equity | 60 | 386.7 |
| | | | | | Senior loans | 0 | 647.3 |
| FP128 | Arbaro Fund – Sustainable Forestry Fund | MUFG_Bank | IAE | Mitigation | Equity | 25 | 175 |
| FP140 | High Impact Programme for the Corporate Sector | EBRD | IAE | Mitigation | Grants | 5.5 | 1.4 |
| | | | | | Senior loans | 176.8 | 530.3 |
| | | | | | Subordinated loans | 75.8 | 227.3 |
| FP148 | Participation in Energy Access Relief Facility ("EARF") | Acumen | DAE | Mitigation | Equity | 30 | 0 |
| | | | | | Grants | 0 | 3.7 |
| | | | | | Senior loans | 0 | 26.3 |
| FP149 | Green Climate Financing Facility for Local Financial Institutions in Latin-America | CAF | DAE | Mitigation | Grants | 5 | 0.2 |
| | | | | | Senior loans | 95 | 50 |



| FP# | Project name | Accredited entity | Type | Theme | Instrument | GCF approval (USD million) | Target co-financing (USD million) |
|-------|--|-------------------|------|------------|---------------------|----------------------------|-----------------------------------|
| FP150 | Promoting private sector investment through large scale adoption of energy saving technologies and equipment for Textile and Readymade Garment (RMG) sectors of Bangladesh | IDCOL | DAE | Mitigation | Grants | 6.5 | 0 |
| | | | | | In-kind | 0 | 1 |
| | | | | | Senior loans | 250 | 83 |
| FP151 | Global Subnational Climate Fund (SnCF Global) – Technical Assistance (TA) Facility | IUCN | IAE | Mitigation | Grants | 18.5 | 8.1 |
| | | | | | In-kind | 0 | 1.4 |
| FP152 | Global Subnational Climate Fund (SnCF Global) – Equity | PCA | IAE | Mitigation | Equity | 150 | 600 |
| FP153 | Mongolia Green Finance Corporation | XacBank | DAE | Mitigation | Equity | 4.7 | 10 |
| | | | | | Grants | 2 | 0 |
| | | | | | Senior loans | 5 | 13 |
| | | | | | Subordinated loans | 15 | 0 |
| FP164 | Green Growth Equity Fund | FMO | IAE | Mitigation | Equity | 132.5 | 807.5 |
| | | | | | Grants | 4.5 | 0 |
| FP168 | Leveraging Energy Access Finance (LEAF) Framework | AfDB | IAE | Mitigation | Equity | 0 | 310 |
| | | | | | Grants | 10.9 | 4 |
| | | | | | Guarantees | 80 | 50 |
| | | | | | Senior loans | 0 | 407 |
| | | | | | Subordinated loans | 80 | 18 |
| FP178 | Desert to Power G5 Sahel Facility | AfDB | IAE | Mitigation | Equity | 0 | 161.7 |
| | | | | | Grants | 8 | 10 |
| | | | | | Guarantees | 20 | 20 |
| | | | | | Reimbursable grants | 40 | 0 |
| | | | | | Senior loans | 82 | 625 |
| FP179 | Tanzania Agriculture Climate Adaptation Technology Deployment | CRDB | DAE | Adaptation | Grants | 20 | 0 |
| | | | | | Guarantees | 10 | 0 |
| | | | | | Senior loans | 70 | 100 |



| FP# | Project name | Accredited entity | Type | Theme | Instrument | GCF approval (USD million) | Target co-financing (USD million) |
|--------------------|---|-------------------|------|---------------|--------------------|----------------------------|-----------------------------------|
| | Programme (TACATDP) | | | | | | |
| FP180 | Global Fund for Coral Reefs Investment Window | PCA | IAE | Adaptation | Equity | 125 | 375 |
| FP181 | CRAFT - Catalytic Capital for First Private Investment Fund for Adaptation Technologies in Developing Countries | PCA | IAE | Adaptation | Equity | 100 | 300 |
| SAP004 | Energy Efficient Consumption Loan Programme | XacBank | DAE | Mitigation | Grants | 1 | 2.5 |
| | | | | | Senior loans | 9 | 9 |
| SAP013 | Scaling Smart, Solar, Energy Access Microgrids in Haiti | NEFCO | IAE | Cross-cutting | Equity | 0 | 4.3 |
| | | | | | Grants | 1.5 | 8 |
| | | | | | Senior loans | 0 | 23.6 |
| | | | | | Subordinated loans | 8.4 | 0 |
| SAP016 | Fiji Agro-photovoltaic Project in Ovalau | FDB | DAE | Mitigation | Grants | 1.1 | 0 |
| | | | | | In-kind | 0 | 4 |
| | | | | | Senior loans | 3.9 | 1 |
| Grand total | | | | | | 3,418.6 | 11,126.8 |



Annex V: Private sector co-financing of public sector projects by accredited entity (USD)

| FP | AE | Co-Financing | GCF | Total | Private sector deals involved |
|--------------|-----------|-----------------------|----------------------|-----------------------|-------------------------------|
| FP009 | IDB | 20,000,000 | 21,700,000 | 41,700,000 | YES |
| FP010 | UNDP | 96,070,000 | 20,000,000 | 116,070,000 | YES |
| FP021 | AFD | 63,564,132 | 17,026,107 | 80,590,238 | YES |
| FP040 | EBRD | 78,900,000 | 50,000,000 | 128,900,000 | YES |
| FP044 | WorldBank | 155,880,000 | 86,000,000 | 241,880,000 | YES |
| FP051 | UNDP | 105,220,000 | 17,346,000 | 122,566,000 | YES |
| FP052 | ADB | 38,290,000 | 26,910,000 | 65,200,000 | YES |
| FP063 | IDB | 20,000,000 | 23,000,000 | 43,000,000 | YES |
| FP064 | IDB | 60,850,000 | 103,000,000 | 163,850,000 | YES |
| FP065 | WorldBank | 1,111,000,000 | 195,000,000 | 1,306,000,000 | YES |
| FP067 | WFP | 699,404 | 9,273,586 | 9,972,990 | YES |
| FP070 | WorldBank | 20,000,000 | 20,000,000 | 40,000,000 | YES |
| FP071 | WorldBank | 410,900,000 | 86,300,000 | 497,200,000 | YES |
| FP076 | ADB | 101,040,000 | 40,000,000 | 141,040,000 | YES |
| FP077 | ADB | 425,114,000 | 145,000,000 | 570,114,000 | YES |
| FP082 | ADB | 1,314,637,911 | 100,000,000 | 1,414,637,911 | YES |
| FP083 | WorldBank | 310,000,000 | 100,000,000 | 410,000,000 | YES |
| FP086 | EBRD | 194,778,661 | 98,751,419 | 293,530,079 | YES |
| FP090 | ADB | 17,700,000 | 29,900,000 | 47,600,000 | YES |
| FP093 | AfDB | 32,690,125 | 27,582,293 | 60,272,418 | YES |
| FP102 | BOAD | 9,402,491 | 29,476,291 | 38,878,782 | YES |
| FP111 | IDB | 44,000,000 | 35,000,000 | 79,000,000 | YES |
| FP116 | FAO | 20,001,480 | 29,988,520 | 49,990,000 | YES |
| FP132 | GIZ | 160,204,313 | 37,220,909 | 197,425,222 | YES |
| FP136 | WorldBank | 132,000,000 | 165,237,592 | 297,237,592 | YES |
| FP137 | UNDP | 24,446,775 | 30,100,000 | 54,546,775 | YES |
| FP138 | BOAD | 139,894,445 | 85,635,841 | 225,530,286 | YES |
| FP146 | CABEI | 52,548,192 | 64,094,029 | 116,642,221 | YES |
| FP147 | UNEP | 2,530,485 | 47,403,174 | 49,933,659 | YES |
| FP154 | ADB | 560,000,000 | 175,000,000 | 735,000,000 | YES |
| FP155 | FAO | 8,250,000 | 25,000,000 | 33,250,000 | YES |
| FP156 | ADB | 3,385,000,000 | 300,000,000 | 3,685,000,000 | YES |
| FP158 | CI | 60,872,629 | 36,760,394 | 97,633,023 | YES |
| FP159 | FAO | 17,578,286 | 28,988,852 | 46,567,138 | YES |
| FP163 | WorldBank | 1,283,500,000 | 280,000,000 | 1,563,500,000 | YES |
| FP166 | CABEI | 1,602,000,000 | 271,300,000 | 1,873,300,000 | YES |
| FP167 | IUCN | 15,839,042 | 33,783,755 | 49,622,797 | YES |
| FP173 | IDB | 319,100,000 | 279,000,000 | 598,100,000 | YES |
| FP174 | CABEI | 94,100,000 | 174,300,000 | 268,400,000 | YES |
| FP176 | BOAD | 17,485,179 | 34,209,730 | 51,694,909 | YES |
| FP177 | WorldBank | 722,840,000 | 157,000,000 | 879,840,000 | YES |
| SAP012 | IFAD | 3,376,844 | 9,648,127 | 13,024,972 | YES |
| SAP015 | FAO | 1,754,000 | 10,000,000 | 11,754,000 | YES |
| SAP018 | AfDB | 1,431,969 | 10,000,000 | 11,431,969 | YES |
| SAP019 | FAO | | 9,975,000 | 9,975,000 | YES |
| SAP023 | FMCN | 1,000,000 | 9,000,000 | 10,000,000 | YES |
| TOTAL | | 13,256,490,364 | 3,584,911,618 | 16,841,401,982 | |

Annex VI: Summary of key country and private sector actors needs

| Countries' needs as expressed by national stakeholders (national designated authorities) | Needs expressed by private sector actors |
|--|---|
| <ul style="list-style-type: none"> ❖ Private sector needs enhanced access to credit (tenor, rates, currency, speed); ❖ GCF to help intermediate between international private sources and domestic capital markets; ❖ National designated authorities need substantive support in identifying private business opportunities, including through nationally determined contribution conversion and in adaptation; ❖ Help to build stronger local financial institutions focused on climate finance; ❖ Better targeting of readiness to support project development and origination; and more rapid deployment of readiness support; ❖ Predictability from programmatic platforms; possible need for flexible country-led approaches to encourage replication; ❖ Improve Private Sector Facility (PSF) awareness of national circumstances and policies; consideration of these in project origination and selection; ❖ Division of Mitigation and Adaptation and PSF to work closely together to deploy country-driven programmes across public and private sectors and to develop toolkits; ❖ Better articulation between PSF, local private sector and financial institutions, including for micro, small and medium-sized enterprises and bottom of the pyramid; ❖ Engagement of South-South knowledge-sharing platform with the private sector welcomed; ❖ GCF policy and selection criteria should support more risk taking from GCF and accredited entities: focus on higher impact projects; ❖ Simplify processes and decision-making to better suit local private sector, micro, small and medium-sized enterprises and bottom of the pyramid activities; and | <ul style="list-style-type: none"> ❖ Foreign exchange risk support and hedging; and GCF to offer longer-tenor debt in local currency at reasonable rates; ❖ Guarantees, price offtaker support and other credit enhancements; ❖ Support financial intermediaries that channel financing to climate-focused small and medium-sized enterprises; ❖ Greater availability of climate investment platforms suitable for institutional investors; ❖ Support vehicles aimed at mobilizing local capital markets for climate investments; ❖ Early-stage equity such as accelerators and incubators, venture and seed to build out investable project pipelines; ❖ Capacity-building for governments to build appropriate climate policy and private sector conducive environments; ❖ Accredited entities need to improve channelling function as private sector players have found large development financial institutions accredited entities to be unsupportive of private sector projects generated by non-accredited entities; ❖ Expert private sector focused staff at GCF who understand the private sector and can provide speed, efficiency and accountability with processing and reviewing deals at GCF; ❖ Clear pathway to capital with commitment from GCF (e.g. product-specific requests for proposal); ❖ Proactive market-making to address gaps in the climate finance architecture; ❖ Flexibility to adapt accreditation criteria to diverse governance structures; ❖ Allow the private sector to co-invest or partner with the GCF without becoming an accredited entity; and |



| | |
|--|--|
| ❖ Greater transparency on criteria for financial terms (e.g. when is concessionality considered?) could help private sector proponents determine whether GCF is a viable source. | ❖ Improve transparency of GCF access and decision-making processes on accreditation and project cycle. |
|--|--|
