

RAISING AMBITION. EMPOWERING ACTION.



GREEN CLIMATE FUND

Report on the progress of the Green Climate Fund during its initial resource mobilization period (January 2015 through March 2020)

The Green Climate Fund is a unique institution. It is the manifestation of a joint global commitment to fight climate change and a crucial element of the Paris Agreement. Over the past five years, it has developed from an idea of solidarity between developed and developing countries to a crucial force in countering climate change and its effects.

While initially established in 2010 as part of the United Nations Framework Convention on Climate Change, GCF became fully operational in 2015 after raising USD 10.3 billion equivalent in pledges from 48 countries, regions and cities and being given the important role of serving the Paris Agreement. The growth of GCF over its first programming period has been nothing short of remarkable, considering that at the beginning of 2015 it had just 27 staff and had adopted only a small number of policies and approved no projects for financing.

Over the past five years, GCF has committed over USD 5.6 billion of its own investment to support 129 projects in 108 countries and delivered more than 370 capacity-building grants in 138 countries to governments and organizations. This has leveraged over USD 14.1 billion in co-financing from the private sector, governments and other development investment funds to build a project portfolio with a total value of USD 19.7 billion. GCF is designed to break down barriers, drive ambition and empower developing countries to realize their climate ambitions. By piloting new programmes, scaling-up projects and deploying its flexible toolkit of financial instruments, GCF is driving a paradigm shift to lower greenhouse gas emissions (mitigation efforts) and supporting action to adapt to the impacts of climate change in developing countries (adaptation efforts). The Fund has a particular focus on delivering in most vulnerable countries, including the least developed countries, small island developing States and African States.

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BUILDING A NEW APPROACH FOR INTERNATIONAL FINANCE TO SUPPORT NATIONAL GOALS

The Green Climate Fund has been built on the back of the accumulated experiences over the past decades of what works best in international finance for development. Over the past five years, it has developed instruments and ways of working that aim at maximum flexibility to ensure the most rapid and efficient use of international funding to drive change through a comprehensive collaboration with developing countries.

GCF has done so while setting priorities for its funding that reflect the particular challenges of climate financing: ensuring that countries remain in control while safeguarding global priorities; ensuring that those with the greatest needs are not pushed behind in the queue from those with the most resources to request funding; and ensuring that crucially important adaptation efforts are not crowded out by more easily scalable mitigation efforts.

Countries in the driving seat

At the heart of this work is an effort to ensure that countries stay in the driving seat, being in control of their own development process towards a low-emission, sustainable and resilient future. GCF is therefore investing a significant share of its resources to assist developing countries to build their capacity to conduct comprehensive infrastructure and development planning, understand the financial structures and negotiate with potential partners and investors, so that these countries can develop impactful climate projects that reflect their needs and ambitions.

By the end of 2018, GCF had become the world's largest supporter of climate finance capacity-building in developing countries. This assistance comes through GCF's "Readiness and Preparatory Support Programme", which so far has attracted 138 countries and provided USD 242 million in approved funding. This programme is continually evolving and improving to learn from previous experience and adapt to country needs.

GCF also balances global priorities with country ownership by issuing both open calls for proposals, where countries are free to request support for what they identify as their mitigation and adaptation priorities, and issue-specific calls that promote globally agreed, urgent and essential actions to counter the acceleration or effects of climate change.

Attention to the most vulnerable while staying global

It is climate change's cruel injustice that its adverse effects will be most devastating in countries and among populations that had little to do with its cause and are often the least equipped to deal with its consequences. Small island developing states, African states and least-developed countries are therefore prioritized by the Green Climate Fund in its allocation of resources.

In its first five years of operations, GCF has exceeded its initial target of allocating half of all project finance to vulnerable countries by allocating USD 3.26 billion, or 58 per cent of its total portfolio. Three fifths of its capacity-building funding has been allocated to vulnerable countries.

That said, the GCF global mandate ensures that all developing countries have an equal opportunity to access its support. GCF therefore keeps a keen eye on geographical balance. This balance is not mechanical (not all areas are equally vulnerable to the effects of climate change), but over the past five years, GCF has achieved a good balance between the world's regions. The balance roughly matches the regions' population size, when combined with their climate vulnerability and need for additional resources.

Balancing mitigation and adaptation

To reach our global target of limiting global temperature rises to 1.5 °C, we need to dramatically accelerate efforts to limit CO₂ emissions globally. However, given that global warming is well underway, there is an equally urgent need to adapt to the changes brought on by higher temperatures from sea level rises to weather pattern changes.

The Green Climate Fund strives to balance its funding equally between mitigation and adaptation. Given that mitigation projects often are larger and more straight-forward in their design and measurable effect than the intricate and ecologically complex adaptation projects, achieving such a balance is a complicated challenge. Over the past five years, GCF has maintained a balance between the two, with projects and programmes addressing climate change adaptation of over USD 1.97 billion in grant equivalent terms, USD 2.23 billion in nominal terms, or 54.5 per cent of GCF financing in grant equivalent terms.

Collaborative and open

GCF works through a network of accredited partners for project design and implementation. They include multilateral and national banks, international financial institutions, development finance institutions, United Nations agencies, conservation organizations, equity funds, government agencies and regional institutions. These diverse partnerships enable GCF to build on knowledge and experience to drive systemic change that achieves climate ambitions.

Over its initial resource mobilization period the GCF accredited 95 partners from both the public and the private sector, including international, regional and national partners, to both develop and implement projects. This arrangement enables GCF a considerably wider range in expertise and capacity than if it had to rely on inhouse resources.

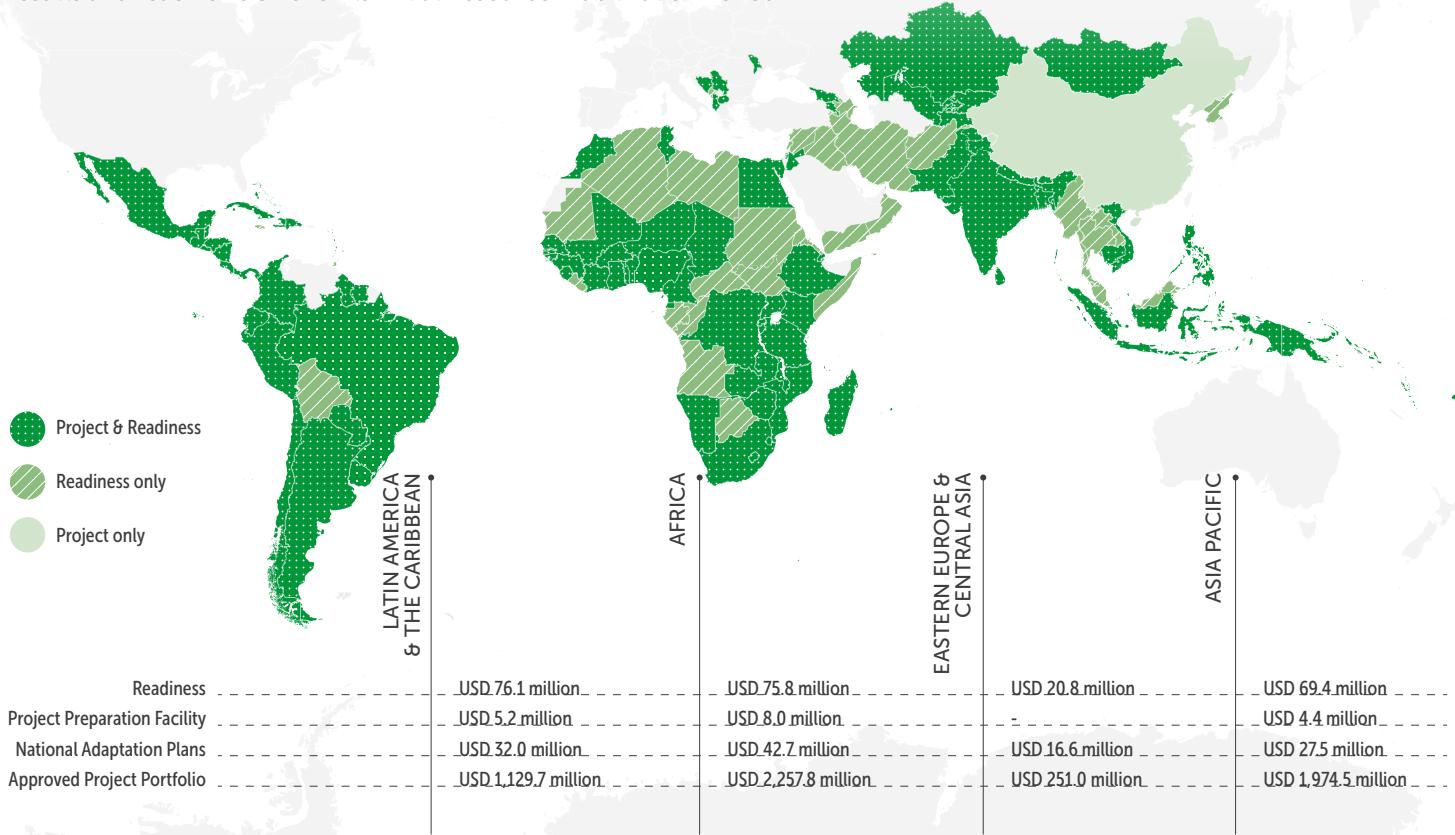
Strategic, innovative and willing to take risk

There is no lack of exciting project ideas and blueprints in developing countries. However, often, there is a need for one institution willing to step in with a financial commitment to turn an idea into reality. GCF has been enabled to display such risk appetite. It also has the flexibility to offer financing in whatever form is the most useful to encouraging other investors to join and in getting projects off the ground. GCF is able to combine a full range of financing instruments, including loans, equity, guarantees and grants to design bespoke solutions that tackle specific investment barriers. When prioritizing how to best channel its resources, GCF seeks high-impact, transformative and innovative climate investments where its funding can make a dramatic difference.

During its first five years of operation, it has been highly successful in this regard attracting over USD 14.1 billion of co-investments from the private sector, governments and other development finance organizations.

MAP OF FUNDED ACTIVITIES

January 2015 through March 2020:
results and reach of GCF over its Initial Resource Mobilization Period



Boosting private sector participation

The Financing for Development conference in Addis Ababa in 2015 emphasized that the private sector will have to play a significant part in rechanneling current financial flows for low-emission climate resilient development. This is particularly important in the race to raise the trillions of US dollars necessary to address climate change.

Over its first five years of operation, GCF has taken this reality to heart, striving to create co-financing opportunities with both international financial entities and locally based entrepreneurs to fund mitigation and, increasingly, adaptation activities. It has set up a dedicated private sector facility to complement public funding and better serve the needs of private sector partners and investors.

Since 2015, the GCF private sector facility has achieved a number of key milestones, including developing a portfolio of 27 projects that involve USD 2.2 billion of GCF funding and leverage USD 7.3 billion in co-financing. Moreover, 18 of the 95 entities accredited so far to design and implement projects are from the private sector.

A MATURING INTERNATIONAL INSTITUTION

Alongside building its project portfolio and developing its support programmes, GCF has built a policy framework and a robust set of institutional functions to ensure the efficient and professional management of the institution and its portfolio and enhance trust. The policy framework contains over 100 policies, including a class-leading Indigenous Peoples Policy, Gender Policy, environmental and social policy, and environmental and social safeguards.

The substance and rigour of many of these policies are considerable enhancements of those existing so far in other climate finance mechanisms and development finance institutions. The application of these policies and standards beyond the GCF internal processes and practices has contributed substantially to the promotion of a paradigm shift in how developing countries plan and execute plans for low-emission climate resilient development.

The impact of these organizations adopting and implementing more rigorous standards and policies across all of their work has enhanced their reputation and increased their eligibility to access additional sources of climate finance.

In parallel, GCF has established a number of independent units to safeguard the impartial, ethical and trustworthy operation of the Fund. These include:

- an Independent Redress Mechanism to address complaints by people who believe they are negatively affected or may be affected by projects or programmes funded by GCF;
- an Independent Integrity Unit, which ensures that all GCF staff, in addition to external stakeholders, implementing entities, and intermediaries relating to GCF, adhere to the highest standards of integrity; and
- an Independent Evaluation Unit that informs the GCF Board's decision-making; synthesizes lessons learned to guide GCF and its stakeholders; provides high-quality and independent evaluations of GCF performance, activities and results; and informs the United Nations Framework Convention on Climate Change and the Paris Agreement.

FIRST GCF REPLENISHMENT

GCF's first replenishment, including a Pledging Conference in Paris in late 2019, has been highly successful. To date, nearly 30 countries have pledged a total of USD 9.8 billion for GCF's 2020–2023 programming period. Nearly 80 per cent of the countries increased their pledges in national currency and nearly half of them either doubled or more than doubled their contributions compared to GCF's first funding period—a strong signal of GCF's ability to deliver on its mandate and our partners' commitment to tackling the climate crisis with urgency.

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