GREEN CLIMATE FUND

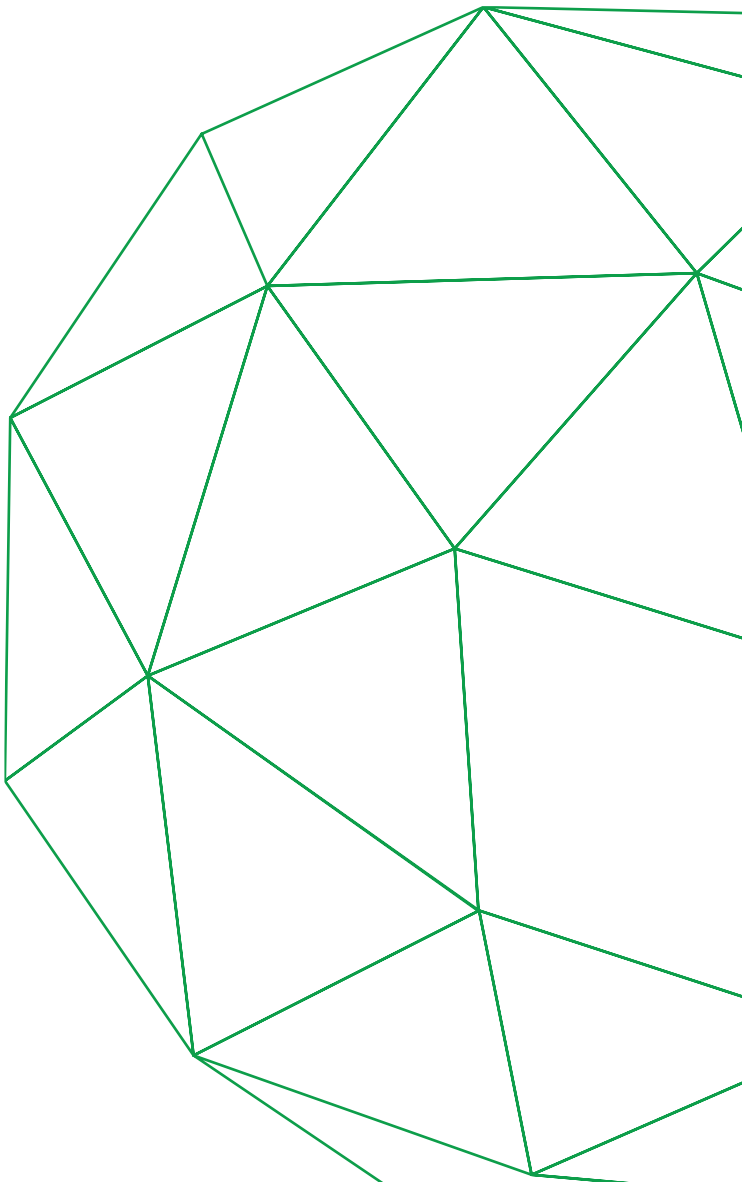
FP095

Transforming Financial Systems for Climate (The "TFSC programme")

Multiple countries

June 2025

Interim Evaluation Report



AFD GROUPE

technopolis group

This report presents the executive summary of the Interim Evaluation of the Green Climate Fund (GCF)-funded program “Transforming Financial Systems for Climate”. The evaluation was independently commissioned by the Accredited Entity (AE), Agence Française de Développement’s Group (AFD) and submitted to GCF. GCF assumes no responsibility for the accuracy of the information in this report.

This evaluation was conducted by **TECHNOPOLIS Group** as an independent study, in accordance with established evaluation standards and the ethical principles governing this professional practice.

Executive summary

The Transforming Financial Systems for Climate (TFSC) Programme, funded by Agence Française de Développement's Group (AFD) and the Green Climate Fund (GCF), aims to contribute to the achievements of the objectives of the Paris Agreement by redirecting financial flows towards diversified private sector sub-projects that better support the transition to a low-carbon and resilient economy. It is reflecting both AFD Group and GCF's ambition to scale up climate finance through a blended approach that combines concessional credit lines and technical assistance. This mid-term evaluation assesses the design and implementation of the TFSC programme to date and provide recommendations for potential future phases. It responds to three key challenges: i) accountability; ii) learning and improvement; and iii) forward-looking.

Launched in 2019, the TFSC Programme targets 17 emerging and developing countries, most of which are highly vulnerable to climate change; some of these countries offer significant potential for private sector investment in adaptation. A total of EUR 653 million has been committed, including EUR 413 million from AFD Group and EUR 240 million from the GCF. The implementation faced a slow start, with only one project approved with a local financial partner (LFP) by 2021. The COVID-19 pandemic played a significant role in delaying negotiations, approvals, and disbursements. However, momentum picked up in subsequent years, culminating in 10 approved projects with LFPs across 7 countries, mainly in Africa. The commitment phase of the Programme has been completed: all available funds have been committed and all credit line agreements signed. By the end of 2024, EUR 499 million (79%) of the committed funds had been signed, and EUR 128 million (19%) had been disbursed.

The programme combines credit lines with TA to strengthen the capacity of LFPs to identify and finance climate-aligned investments (i.e., sub-projects). While TA is underway in countries like South Africa, Egypt, and Nigeria, it remains in earlier stages in others like Ecuador, Ivory Coast, Mauritius, and Morocco.

Although the TFSC aims for 40% of its portfolio to support adaptation, most disbursed funds to date have targeted mitigation sub-projects, particularly in renewable energy and green construction. Structural challenges, such as a limited pipeline of bankable adaptation subprojects and lower financial returns, have constrained progress on adaptation, though some projects are now making firmer commitments to address this imbalance.

The programme implementation reflects the distinct roles of AFD and Proparco: AFD mainly focuses on public development banks and policy dialogue, while Proparco targets private commercial banks and market-based green finance. Their modality of deployment also differs: AFD is better equipped for supporting institutional and regulatory capacity, whereas Proparco emphasises business development and pipeline identification. The majority of TA contracts currently underway are in Proparco-led projects, highlighting its reliance on external providers due to limited local presence.

Findings on relevance

The Programme is well aligned with the global climate finance agenda and AFD Group's internal priorities. However, responsiveness to country-specific contexts has been uneven. In countries with established climate finance ecosystems, TFSC has enabled meaningful engagement; in less mature environments, limited capacity and low local ownership have constrained its relevance.

Findings on country ownership

Country ownership has largely materialised through the active involvement of LFPs, who have driven project design and TA activities. Yet, engagement with national institutions, such as NDAs (National designated Authorities, government institutions that serve as the interface between each country and the Fund) and ministries, has remained limited, restraining the Programme's ambition to strengthen policy dialogue. Overall, the Programme has mostly functioned as a bilateral initiative between AFD Group and LFPs, rather than a nationally embedded platform.

Findings on coherence:

While the TFSC design reflects continuity with AFD Group's climate finance strategies, its coherence has been challenged by the diversity of implementation contexts. The differing operational models of AFD and Proparco have impacted coherence, with AFD projects benefiting from local presence and Proparco relying on centralised management and TA providers, affecting coordination and responsiveness. Furthermore, the programme complements other climate finance support programmes offered by other development finance institutions. It helps to bridge the significant gap between climate finance needs and the amounts currently allocated. Compared to other tools, it has a strong focus on adaptation.

Findings on efficiency:

The Programme has faced delays and misalignment between TA and credit line roll-out. TA was often not mobilised early on to support project preparation, limiting its strategic contribution due to delays associated with procurement and contract awarding processes. Administrative burdens, particularly linked to GCF reporting (i.e Annual Performance Report), have further hindered planning and reduced operational agility.

Findings on effectiveness:

Signs of progress are visible in LFPs with prior climate finance experience or early feasibility support. The Programme has contributed to the development of green finance capabilities, though overall implementation remains nascent. Few mid-term outcome targets have been met, with results so far mostly in energy-related indicators. Finally, achieving the Programme's goal of 40% adaptation finance remains highly ambitious. Many LFPs, particularly private ones, face difficulties in building adaptation pipelines, and adaptation targets were often agreed on a best-efforts basis rather than firm commitments.

Findings on gender equity:

Although gender has been mainstreamed in Programme design, its practical integration is weak. TA components include gender dimensions, but their integration has remained limited, especially within private institutions. Existing internal policies were often deemed sufficient, highlighting a need for clearer, more adaptable gender requirements. Nonetheless, some gender-related TA activities have not yet fully commenced, which may partly account for the limited integration observed to date.

Recommendations

Clarify expectations and provide structured guidance to support the Programme's activities: The Programme should issue clearer and more practical guidance on climate and gender strategies, with tailored support adapted to LFPs' contexts. Expectations should be differentiated to allow LFPs to focus on a single theme when justified, improving engagement and implementation. A climate risk mapping exercise across TFSC countries is also recommended to strengthen the adaptation approach and support the development of new products. Remaining grant resources could be used to finance this guidance work.

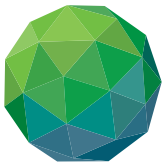
Strengthen the programme's monitoring and evaluation capacities: To improve reporting quality and consistency, especially for adaptation, gender, and emissions indicators, the Programme should provide targeted support to LFPs. Discussions with the GCF are needed to review and possibly adapt the monitoring framework, stabilise Annual Progress Report (APR) templates, and ensure alignment with LFP capacities. These adjustments would enhance reporting predictability and efficiency across the Programme.

Maintain a dedicated TFSC Secretariat within AFD Group and the internal steering committee: To ensure effective coordination and continuity among AFD Group, the TFSC Secretariat, now a central interlocutor for both AFD and Proparco, should be maintained throughout the Programme. The internal steering committee should continue to support ongoing projects and track progress. To sustain the Secretariat's role, a dedicated budget should be allocated, potentially by reallocating existing grant resources from the TA envelope, in coordination with the GCF.

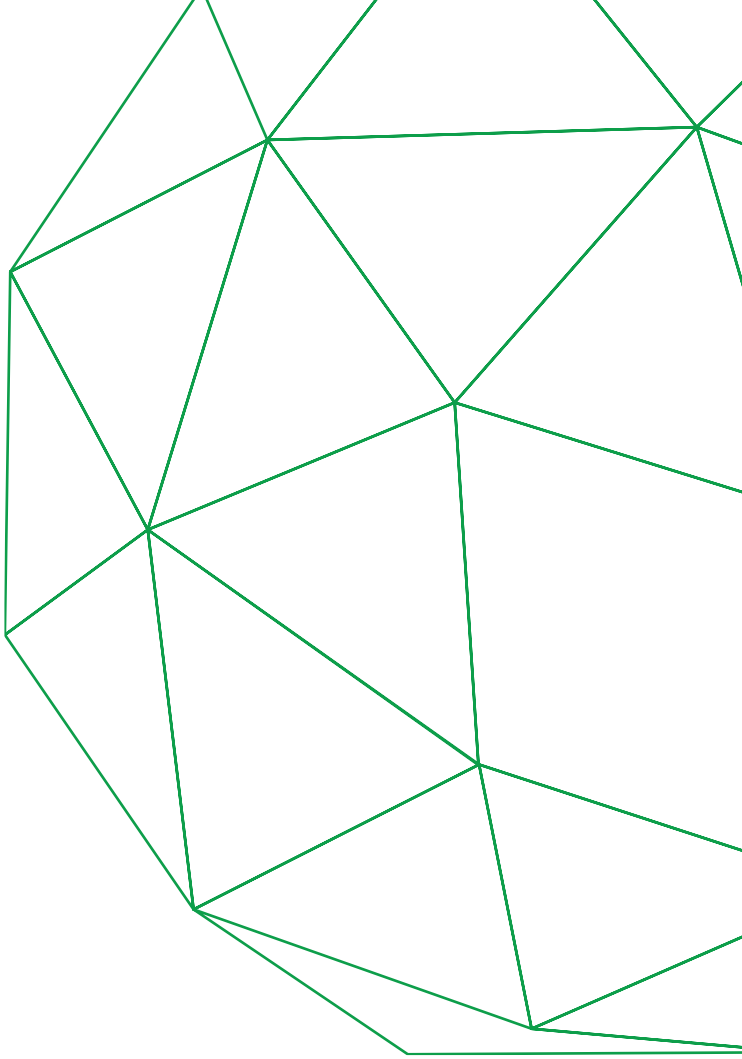
In preparing a potential second phase of the Programme, several lessons from implementation to date should guide future design. First, a phased approach, with technical assistance preceding credit lines, could improve institutional readiness and accelerate disbursement.

Strengthening the strategic engagement of NDAs will also be key to reinforcing country ownership and policy alignment. To support more targeted outreach, a mapping of climate aligned financial actors and potential pipelines could help refine country selection and partner engagement. In parallel, upstream grant funding should be mobilised to build institutional capacity and identify viable projects and actors, particularly in less mature markets. Structuring investment incentives, guarantees, and risk-sharing tools could enhance the financial viability of climate sub-projects, especially in adaptation sectors. A second phase could incorporate dedicated efforts to promote

peer learning among local financial partners and develop resilience components, including climate risk transfer mechanisms, to better safeguard the impact of financed investments. Lastly, the operational mandates of AFD and Proparco should be better integrated from the outset, ensuring realistic expectations, particularly for private sector engagement in adaptation finance, and more appropriate project structuring.



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Green Climate Fund
Department of Monitoring,
Evaluation and Learning (DMEL)
OCSIO.DMEL@gcfund.org