

Five years of the Green Climate Fund

How much has flowed to Least Developed Countries?

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CITATION AND ACKNOWLEDGMENTS

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Executive Summary

Meeting countries' climate goals is increasingly becoming a matter of fundamental concern for many countries. Especially for the most vulnerable countries, meeting global mitigation targets to limit the increase in global warming to below 1.5 degrees above pre-industrial levels is a matter of survival because of their limited financial, technical, technological and human capacity to cope with increasing and more frequent climate-related adverse events. In addition, the need for these countries to prepare their response to build resilience and reduce their vulnerability to the adverse effects of climate change faces a major challenge - finding the means to finance climate action.

The health crisis caused by the COVID-19 shook the economy of the Least Developed Countries (LDCs) to the core, further limiting their capacity to finance climate action, thus accentuating the need for support for the development and implementation of adaptation and mitigation projects. In the current context where countries are in the process of finalizing the revision of their Nationally Determined Contributions (NDCs) to set new targets, it is imperative to understand the current state of finance mobilization by LDCs in order to anticipate the improvements to be made as well as the means to be deployed to allow sustainable, predictable and proportional financing to the needs of these countries for the achievement of the climate plans.

This analysis is conducted within the framework of the implementation of the **IMPACT** project and takes stock of the resources mobilized through funding proposals submitted to and approved by the Green Climate Fund (GCF) over the period from November 2015 to July 2021 (Board 29). It is based on data published by the GCF. The methodology of the analysis excludes preparatory support projects (Readiness) and considers all projects submitted by LDCs to the GCF through both the standard funding proposal process and the simplified approval process (SAP), and takes into account national projects at the individual country level as well as multi-country or regional projects that include at least one LDC. It is part of a series of analyses of which findings will be published in the form of reports or briefings, the main ones of which will show for example (i) the analysis of the portfolio of LDC projects approved by the GCF and (ii) the analysis of the "success factors" of approved projects for LDCs with the aim of contributing to identify and share best practices for better mobilization of climate finance for LDCs

Overview of approved funding for LDCs

- A total of 69 projects were approved by the GCF for LDCs out of a total of 177, representing 39% of the Fund's approval portfolio. These projects are made up of 30 adaptation projects, 21 mitigation projects and 18 cross-cutting projects. 39 of the 69 projects are currently under implementation, representing a rate of 56.5%. At the territorial level, 47 of these projects are national, while 22 are multi-country projects including at least one LDC. These projects correspond to a total funding volume of USD 2.54 billion out of a total of USD 8.8 billion approved by the GCF, i.e. a funding rate of 29% for the LDCs. This amount also represents an average USD 2.04 per capita¹ across all LDCs. Total co-financing for these projects amounts to USD 4.9 billion.

¹ Using the 2020 estimated total population of LDCs as provided by the World Bank data

In terms of disaggregation by public/private sectors, in nominal terms, out of the 69 projects approved up to July 2021, 51 are from the public sector, i.e. 74.6% and only 18 projects are from the private sector, i.e. 25.4%. In terms of the Target Area of the GCF, out of 30 approved adaptation projects, 29 are from the public sector, i.e. 96.6%, and only 1 project is from the private sector. Conversely, the private sector is more represented in the area of mitigation with 12 projects out of 21 approved, i.e. 57%. In the field of cross-cutting projects, the public sector is represented with 72% (13 projects out of 18).

- In terms of financial instruments, grants and loans were the most commonly used instruments in the demand for funds with 44% and 42% of funding respectively. Equity, guarantees and performance-based payments were the least used instruments.

Sectoral trends

- The financial flows from the GCF to the LDCs have been directed more towards mitigation funding which totaled 53% of the funds, higher than the representation rate of the "mitigation" area in the overall GCF funding, which is about 49%. Mitigation funding is followed by cross-cutting projects, which have mobilized 25% of the LDCs' funding envelope, and finally adaptation, which accounts for 21% of the funding approved for LDCs. Although the overall funding of the GCF reflects more or less the same reality, the gap is much higher when it comes to LDCs where funds for mitigation are more than the double of the funds allocated to adaptation. This seems less consistent with the needs of LDCs, considering that they are classified as highly vulnerable to climate change not only because of their high dependence on primary resources but also because of their low financial, technical and technological capacities to overcome/resist climate shocks (floods, droughts, etc.). Efforts to balance the allocation of climate funds more equally between mitigation and adaptation activities, especially for LDCs, should be strengthened.
- Projects in the Agriculture, Forestry and Other Land Use (AFOLU) sector, including water resources management, ranked first with 45 projects out of a total of 69. Within the AFOLU sector, agriculture was the dominant sub-sector with 34 projects, followed by ecosystems and forests with 11 projects. The water resources sub-sector is represented in both of the above sub-sectors. Livestock and coastal protection were poorly represented. Each is found in 2 projects. The AFOLU sector is followed by the energy sector with 21 projects involved. These energy projects take into account energy efficiency in buildings. In third place are the coastal zone sectors (2 projects) and then the industry sector which was considered in 1 project. However, in terms of financial envelope mobilized, the energy sector projects mobilized the largest, i.e. around 50% and the AFOLU sector projects mobilized 41% of the overall envelope.

National and multi-country scope of projects

- National projects dominated in terms of number and volume of funding mobilized by LDCs. 47 national projects were approved mobilizing about USD 1.73 billion or 68% of the approved funding for LDCs. The funding mobilized by LDCs through the 22 multi-country projects is about USD 0.81 billion, or 30% of the total GCF funding approved for LDCs (USD 2.54 billion up to July 2021). Conversely, co-financing mobilized by LDCs through multi-country projects represents USD 3.56 billion or 73% of the total financing mobilized, against USD 1.33 billion mobilized through national projects or 27% despite their nominal importance in the GCF project portfolio. In other words, multinational projects received more co-financing than national projects. The low share of co-financing in national projects indicates the difficulty of LDCs to mobilize domestic or internal funds to support climate action. Most adaptation projects were submitted as national projects (25 out of 30 projects) and mobilized about USD 0.63 billion from the GCF, out of a total funding of USD 2.54 billion. In the area of mitigation, national projects (9 out of 21) have mobilized USD 0.56 billion from the GCF for GHG emission reductions. As for cross-cutting projects, those with a national scope mobilized USD 0.54 billion from the GCF. In all, 58% of the funding approved for LDCs was mobilized through national projects.
- It should be noted that co-financing has been mobilized more through multi-country projects and especially through mitigation projects, i.e. more than $\frac{3}{4}$ of the co-financing mobilized by the LDCs.

Mobilization by type of accredited entity, approval period and disbursement trend.

- The field of climate finance mobilization for LDCs is dominated by international access accredited entities (AEs). Out of 57 national direct access entities accredited by the GCF, only 14 are from LDCs, or about 25%. This means that many of the 46 LDCs still do not have a direct access entity at the national level. Moreover, out of these 14 national direct access AEs, only 5 have managed to get 5 projects (1 per AE) approved at the GCF level. The amount mobilized by national entities from the GCF is USD 0.352 billion out of USD 2.54 billion approved, i.e. 14%. In addition, most LDC direct access entities are accredited for micro and small projects, and only 5 are accredited for medium projects, and none are accredited for large projects. This significantly limits the volume of funding that LDC direct access entities can mobilize, and demonstrates their limited technical and operational capacity to enter the climate finance market. Strategic thinking for LDC accreditation decisions is required: would it be strategically more advantageous for an LDC to invest in accreditation for micro and small projects of several national entities or would it be more astute to invest in building the technical and fiduciary capacity, environmental and social standards of an already accredited entity to enable it to position itself for accreditation for larger projects at the time of its accreditation review?
- The LDC project approval time is quite long, with a median line of 619 days or 21 months. This could represent an average of 6 to 7 rounds of reviews of the funding proposal at the GCF Secretariat and/or ITAP level, given that submission is made quarterly in accordance with the GCF project submission schedule. The shortest approval time for LDC projects was 113 days (about 4 months) and the longest was 1727 days, or 58 months. In terms of area, adaptation projects had the longest average time of 22 months compared to 20 months for mitigation and cross-cutting projects. These timeframes do not include project preparation time which can vary from 6 months to more than a year depending on the type of project, the capacity of the accredited entity to conduct the process, the responsiveness of the GCF focal point or the GCF

National Designated Authority (NDA) in providing information, data and/or advice to the accredited entity, etc.

- Although the approval time is already long, disbursement after approval appears to be slow. Over the period covered by the analysis, about USD 0.23 billion has been disbursed, or less than 9% of the total amount approved by the Green Climate Fund for the LDCs, after 5.5 years of operation. Only 4 projects had disbursed more than 50% of their total approved budget as of the 29th Board meeting, while 30 projects had not yet recorded their first disbursement. The rest of the projects had a disbursement rate between 1 and 50%. At the level of the overall GCF portfolio itself, disbursement is at 22% or a total of USD 1.9 billion out of the approved USD 8.8 billion, which is still low. At this pace, which combines an inherently complex project proposal preparation phase, a lengthy approval period and a slow first disbursement, will LDCs be able to implement the climate actions proposed in their current NDCs and those being prepared through the review process underway in some countries and already closed in others? And once the projects are implemented, will the objectives be achieved as initially planned, perhaps despite of changes in various aspects of the initial climate problem targeted, between the identification of the problem and the time taken to implement the interventions?

All in all, this current situation requires improvements on both sides of the process for the implementation of projects contributing to the achievement of strategic climate objectives, as they do not currently make it possible to respond to the climate emergency. In view of these various results, the analysis made suggestions for improving the mobilization of climate finance by LDCs. Further studies, such as the analysis of "success factors" and the development of self-monitoring tools for the quality of project proposals, are envisaged by Climate Analytics to support these suggestions and contribute to building the capacity of LDCs to effectively mobilized climate finance.



FP140 **MITIGATION**

MULTIPLE COUNTRIES

High Impact Programme for the Corporate Sector



FP139 **ADAPTATION**

SUDAN

Building resilience in the face of climate change within traditional rain fed agricultural and pastoral



FP138 **MITIGATION**

SENEGAL

ASER Solar Rural Electrification Project



FP137 **CROSS-CUTTING**

GHANA

Ghana Shea Landscape Emission Reductions Project



FP136 **CROSS-CUTTING**

ETHIOPIA

Resilient Landscapes and Livelihoods Project



FP135 **ADAPTATION**

MULTIPLE COUNTRIES

Ecosystem-based Adaptation in the Indian Ocean – EBA IO



FP181 **ADAPTATION**

MULTIPLE COUNTRIES

CRAFT - Catalytic Capital for First Private Investment Fund for Adaptation Technologies in Developing Countries



FP180 **ADAPTATION**

MULTIPLE COUNTRIES

Global Fund for Coral Reefs Investment Window



FP179 **ADAPTATION**

UNITED REPUBLIC OF TANZANIA

Tanzania Agriculture Climate Adaptation Technology Deployment Programme (TACATDP)

Introduction

As part of the fight against the adverse effects of climate change, institutions and mechanisms have been established over the years at the international level to provide financial and technical support to vulnerable countries. The most recently established and important financial mechanism to date was set up at COP16 in Cancun in 2010 as the operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) in accordance with its Article 11: the Green Climate Fund (GCF).

It is currently the world's largest climate fund that assists developing countries and in particular least developed countries (LDCs) and small island developing states (SIDS) to combat climate change. To this end, it offers a wide range of opportunities to mobilize resources in several forms (grants, loans, equity or guarantees) to finance activities that contribute to building the resilience of vulnerable communities to climate change and low-carbon development. In practical terms, the GCF aims to help these groups of vulnerable countries achieve a paradigm shift towards low-emission and climate-resilient development paths. A 50/50 balance between mitigation and adaptation investments is targeted by the GCF².

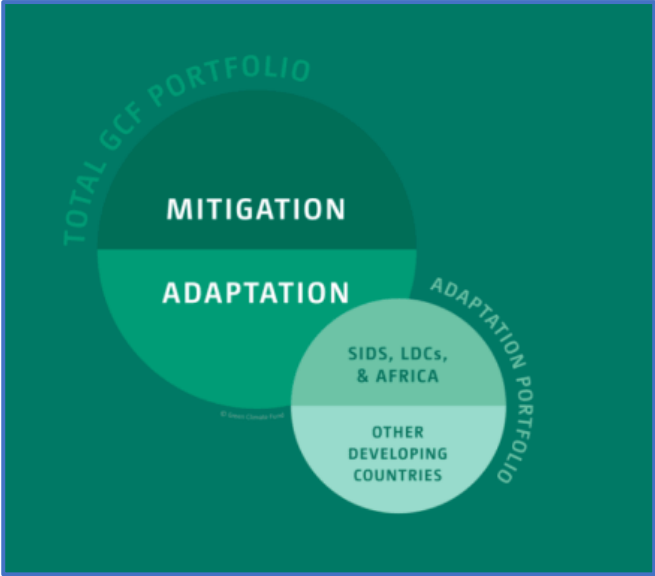


Figure 1: GCF's intention in funding climate actions.

Source: GCF, visited in July 2021

In the context of climate change, three groups have been prioritized for GCF operations based on their degree of vulnerability. These are: (i) Least Developed Countries (LDCs); (ii) Small Island Developing States (SIDS), and Africa (countries not classified as LDCs). The vulnerability of LDCs and SIDS is very particular because, not only are these countries highly dependent on primary resources for their survival, but they also have a very limited technical, technological and financial capacity to cope with

² <https://www.greenclimate.fund/sites/default/files/document/financing-climate-action-jul2021.pdf>

climate shocks. This particular vulnerability justifies the allocation of funds set by the GCF. In fact, the GCF has targeted 50% of the adaptation allocation for SIDS, LDCs and African States³.

This analysis, which is part of the implementation of the IMPACT project, aims to take stock of the resources mobilized through funding proposals submitted by LDCs and approved by the GCF from its operationalization until July 2021, the Board meeting (B. 29). This analysis is based on data published by the GCF to highlight trends in LDC funding. Based on the methodology used, the portfolio analysis considered national or individual and multi-country/regional projects from LDCs. Multi-country projects considered in the analysis are projects in which at least one LDC is involved.

1. Overview of approved funding for LDCs

According to the data published by the GCF in July 2021, **a total of 177 projects (period from November 2015 to July 2021) have been approved, of which 69 projects involve at least one LDC**. This corresponds to a representation rate of 39% of LDCs in relation to the number of projects approved by the Fund. Of these projects, 47 are national and 22 are multi-country. The latter category includes non-LDCs⁴. The following figures summarize the distribution of GCF projects according to their territorial scope (national or multi-country).

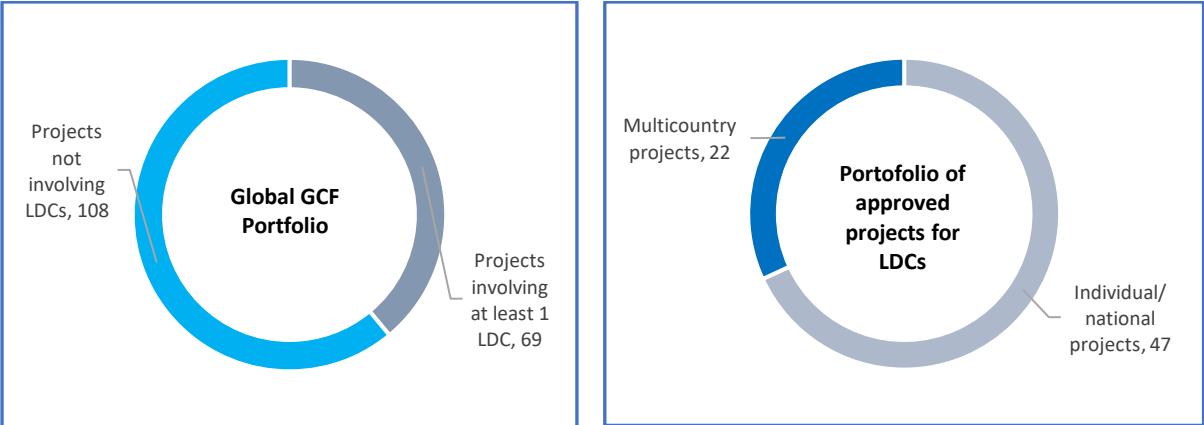


Figure 2: Distribution of projects by territorial scope and countries involved
 Source: Adapted from GCF, data as of July 2021

In financial terms, as shown in Figure 2 below, **data published in July 2021 by the GCF indicates that out of a total funding of US\$8.8 billion, USD 2.54 billion⁵ have been allocated to all 46 LDCs, i.e. about 29%. This represents a USD 2.04⁶ per capita mobilized from the GCF over the last five years. This figure is even smaller given that most of the approved funding has not being disbursed yet for effective implementation of projects.**

³ The remaining 50% is intended to finance projects in non-LDCs and non-SIDS countries that are not listed in Annex 1 of the Convention.
⁴ This analysis has not taken into account projects mobilized by Vanuatu, which recently graduated from the LDC category.
⁵ https://www.greenclimate.fund/sites/default/files/documents/gcf-project-portfolio-fr_0.pdf
⁶ Based on the World Bank 2020 population estimated for the LDCs

Co-financing for the same projects amounted to USD 4.9 billion. This amount was mobilized through the approval of 69 LDC projects, 39 of which are under implementation, i.e. a rate of 56.5%. The overall co-financing at the level of the GCF amounts to USD 24.4 billion.

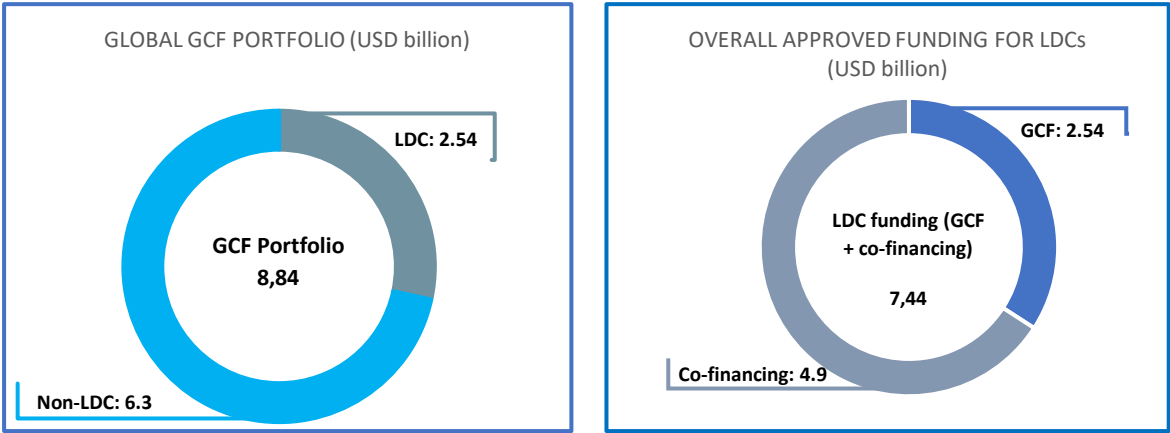


Figure 3: GCF global approved funding and for LDCs
 Source: Adapted from GCF, data as of July 2021

Of the total GCF portfolio, 129 projects are under implementation, of which USD 1.9 billion have been disbursed.

In terms of preparatory support, an amount of USD 338 million was approved for 140 countries. In terms of Project Preparation Funding (PPF), 42 PPFs were approved for an amount of US\$ 27.1 million, of which US\$ 19.1 million has been disbursed.

In terms of geographical distribution of climate finance through the GCF (including co-financing), Asia Pacific has the highest amount at USD 14.52 billion, followed by Africa with USD 10.99 billion. Considering the GCF's own funds, Africa, which was ranked first in November 2020, is dethroned by Asia Pacific with a cumulative funding in July 2021 of USD 3.32 billion, or 38%. The following figure illustrates the distribution of funds mobilized per geographical area.

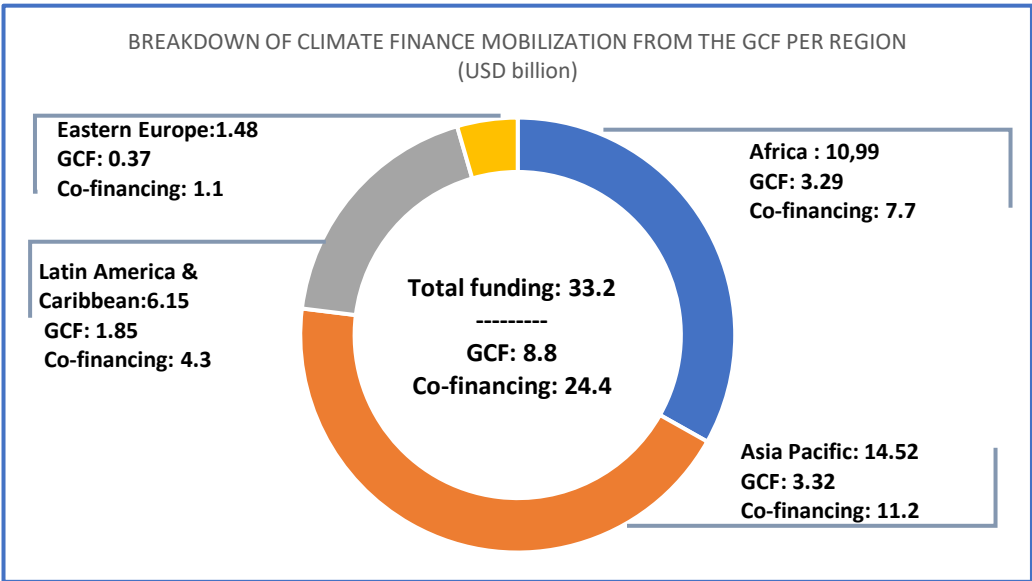


Figure 4: Breakdown of climate finance mobilization by geographical area
 Source: Adapted from GCF, data as of July 2021

2. Sectoral analysis of GCF funding for LDCs

2.1. Funding by strategic area of intervention: adaptation, mitigation and cross-cutting projects

The GCF funds three strategic areas of intervention, namely Adaptation, Mitigation and Cross-cutting. This funding is based on projects submitted by countries or promoters. In LDCs, these three areas have received funding at different scales. This section presents the share of funding for each area in the overall GCF approved envelope for LDCs.

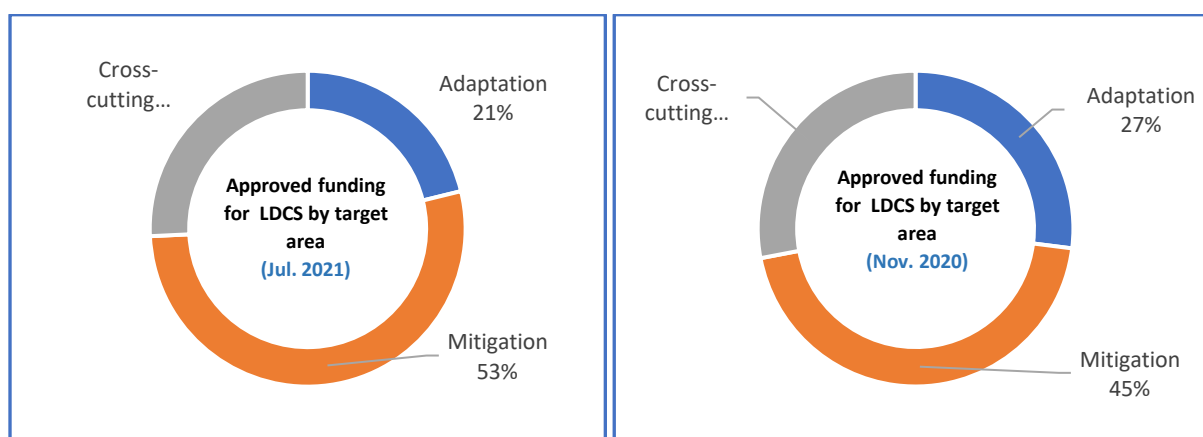


Figure 5: Distribution of GCF approved funding for LDCs by target area
Source: Adapted from GCF, data as of November 2020 and July 2021

The July 2021 data shows a noticeable increase in funding for mitigation in comparison with the November 2020 data, namely from 45% to 53%. The part of adaptation funding has decreased from 27% in November 2020 to 21% in July 2021, and although the cross-cutting projects have a good adaptation component, the overall level of funding for adaptation target area remains lower. This can be explained by the fact that mitigation projects have seen more approval in the two Board meetings (March and July 2021).

This part of approved funding for mitigation for LDCs remains well above the one dedicated for mitigation in the overall approved envelope of the GCF, which is 49% (see figure 6). The mitigation area is seconded by cross-cutting target area which has mobilized 30% of the overall financial envelope of the GCF and finally adaptation which represents 21%. Compared to the November 2020 data, the July 2021 data show a decrease in the overall funding for adaptation and cross-cutting projects in favor of mitigation envelope. Although some mitigation projects have a resilient development component - access to energy for irrigation water harvesting (agriculture, food security), and some cross-cutting projects some strong adaptation components, the part of adaptation and resilience funding is still low given the needs in LDCs.

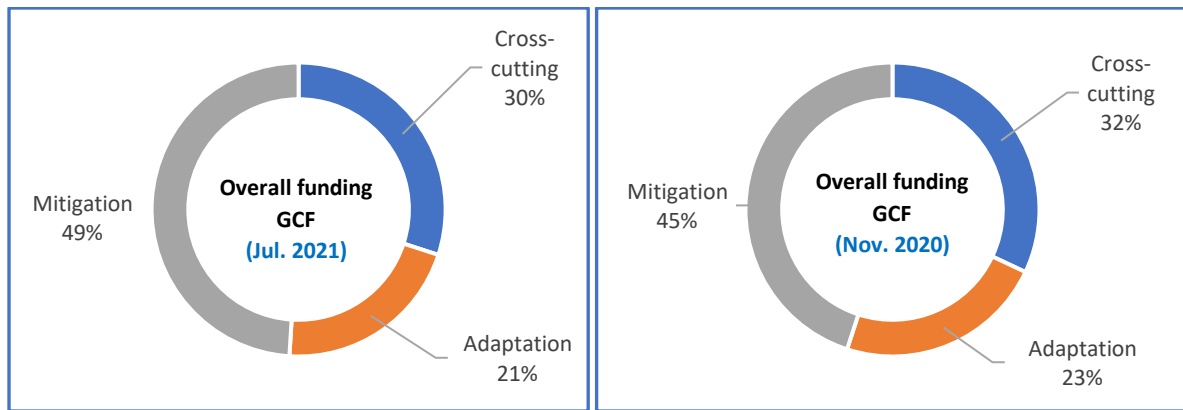


Figure 6: Distribution of overall GCF funding by target area
 Source: Adapted from GCF, data as of November 2020 and July 2021

Figures 5 and 6 show that **GCF financial flows in LDCs are directed more towards mitigation financing. This funding has increased in 2021 with the approval of medium and large mitigation projects. During the last two Boards (Board 28 and 29), in nominal terms, 50% of the approved projects were for mitigation, 25% for adaptation and 25% for cross-cutting. In financial terms, 80% of the funding approved for LDCs during these Board meetings was dedicated to mitigation. Only 2 adaptation projects were approved on behalf of LDCs 2021 (up to July) mobilizing an envelope of USD 70.1 million**

Although the overall funding of the GCF (see figure 5) reflects the same reality, the gap is much higher when it comes to LDCs where funds for mitigation are more than double the funds allocated to adaptation. This seems less consistent with the needs of LDCs, considering they are classified as highly vulnerable to climate change not only because of their high dependence on primary resources but also because of their low financial, technical and technological capacities to overcome/resist climate shocks (floods, droughts, etc.). Moreover, LDCs have contributed the least to global warming. However, emission reductions appear in the GCF funding from November 2015 to July 2021 as a priority for LDCs. The impact of climate finance over this period covering globally the first NDCs may therefore be less important for adaptation and resilience in the LDCs, if we consider that the benefit of mitigation is global (a benefit shared as much by the LDCs as by the developed countries that are major emitters of GHGs), while adaptation has a greater impact at the local level, i.e. at the level of the vulnerable populations, by reinforcing their resilience in the long term. These figures indicate that the GCF's ambition to reach a balanced funding between adaptation and mitigation (50:50 floor) has not been achieved, at least for this first five-year period of the GCF's operation, and this imbalance has become even more pronounced in the two GCF Board meetings of March and July 2021. Efforts to balance the allocation of climate funds more equally between mitigation and adaptation activities, especially for LDCs, need to be strengthened.

The larger part of mitigation finance could be explained by the potentially greater returns on investment in economic terms from those projects, compared to investment in climate change adaptation.



Photo by Kouassigan Tovivo

Box 1

At national level, budgetary data on approved GCF projects remains low for LDCs in relation to the resource mobilization ambitions and financial needs set out in their NDCs and adaptation strategies; and also, particularly given the scale of the climate challenges facing these countries, as well as the proportions of the population whose livelihoods depend on agriculture, livestock, fisheries, forestry, energy, which represent the backbone of the economy hard hit by climate change

On the other hand, the small envelope allocated so far to financing adaptation activities could be explained by the low submission of adaptation project proposals by LDCs, or the low budget of such submitted proposals (compared to mitigation project proposals), or to a larger extent, the lack of concrete internal guidance for formulating adaptation ideas/options into projects as most LDCs do not yet have a NAP document that is supposed to guide adaptation interventions; indeed, only 7 LDCs have a NAP submitted to the Convention⁷. This may be explained by the persistent difficulties faced by LDCs in assessing and justifying adaptation needs or in translating policy objectives into implementation plans. From another perspective, this lower level of adaptation funding could be linked to the fact that these types of projects are mostly seeking funding in the form of grants or subsidies, which are more difficult to justify and complicated to obtain, and rarely in the form of loans. By cross-reading the different results of project proposals' assessment by the GCF, it had been difficult for adaptation project proponents to justify the link or causality between the current situation and climate change (justification of incremental costs "costs incriminated to climate change"). In other words, it has proven difficult for project proponents to establish the focus between "anthropogenic effects" and "climate effects" and to link this with the application for funding request from the GCF. In addition, the lack of information/data from vulnerability studies to enable a better climate rationale would have crippled the development of bankable adaptation proposals. In sum, climate finance in LDCs remains unbalanced and can be described as disproportionate to the real needs and constraints of communities, even though mitigation helps to reduce the risk of worsening climate effects in the long term.

⁷https://www4.unfccc.int/sites/NAPC/News/Pages/national_adaptation_plans.aspx

2.2. *Funding per vulnerable sector to climate change in LDCs*

Prior analyses of National Adaptation Programmes of Action (NAPAs), existing National Adaptation Plans (NAPs), climate strategies, National Communications on Climate Change and National Determined Contributions (NDCs) have revealed that the agriculture, energy, water resources, forestry, livestock, ecosystems and coastal sectors are the most vulnerable to climate change in general in LDCs. Projects submitted by LDCs and approved by the GCF have addressed one or more of these priority sectors to varying degrees, either individually or in combination of two or more sectors. The level of involvement differs, however, from one sector to another. This section highlights the sectors that have mobilized the most funds for the purpose of undertaking in the following sub-headings, a cross analysis with the prioritization made in the commitment documents, notably the NDCs. Two aspects were considered, namely the number of projects and the financial envelope mobilized for the sectors.

In terms of the number of projects approved by the GCF for LDCs, projects in the Agriculture, Forestry and Other Land Use (AFOLU) sector, including water resources management, ranked first with 45 projects out of a total of 69. Within the AFOLU sector, agriculture was the dominant sub-sector with 34 projects, followed by forest ecosystems with 11 projects. The water resources sub-sector is represented in both of the above sub-sectors. Livestock and coastal protection were poorly represented. Each is found in 2 projects.



Photo by Nana Kofi Acquah for IMWI

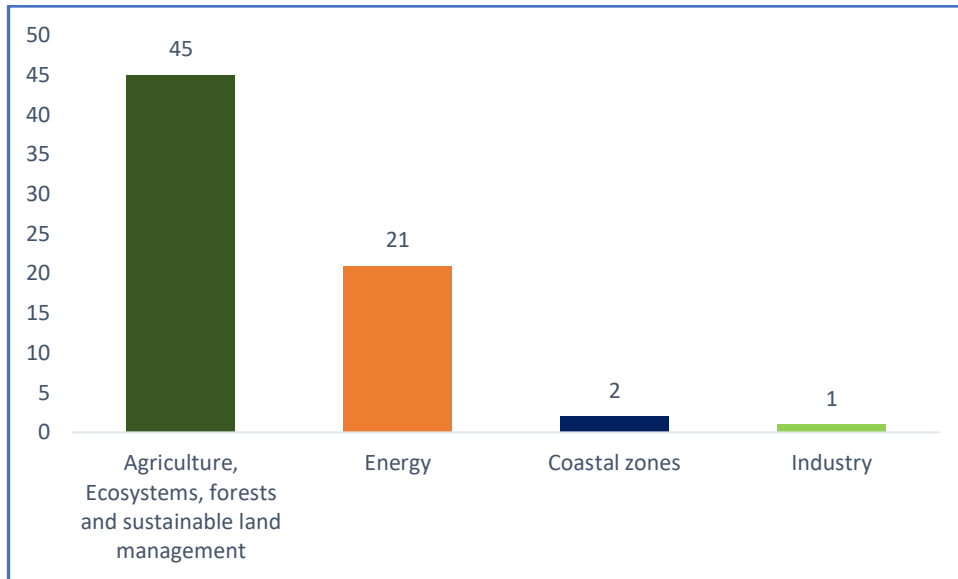


Figure 7: Sectoral representation in GCF-approved projects for LDCs

Source: Adapted from GCF, data as of July 2021

In terms of financing, energy sector projects have mobilized the largest financial envelope, at around USD 1.4 billion. Although this financial assessment did not take into account the energy aspects included in the resilient agriculture projects involving water harvesting, this sector was ahead of the others in terms of funding mobilization. This is consistent with the representation of the mitigation target area in the overall GCF-approved funding for LDCs (see figure 8).

AFOLU sector projects have mobilized about USD 1.1 billion from the GCF. Most of these projects, particularly those specific to agriculture, include energy, for example in the context of irrigation water drainage. This reflects the consistency of the envelope mobilized for energy, which should not be equated with mitigation in this paragraph. Coastal management was taken into account in 2 projects that mobilized USD 40.75 million. Finally, the industry sector was taken into account through a project that mobilized USD 256 million from the GCF. It should be noted that this project involves energy efficiency. The following figure shows the parts of the major sectors in the approved envelope by the GCF.

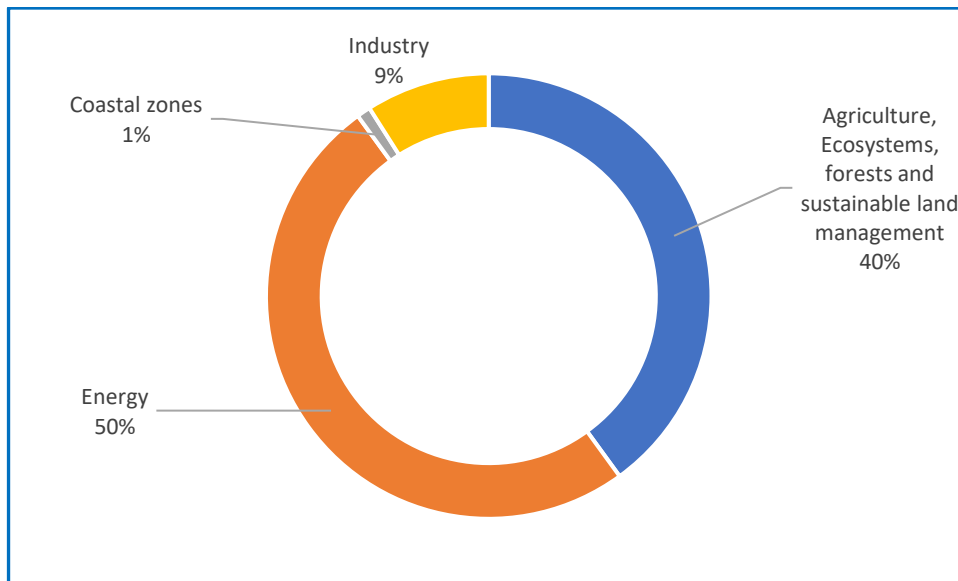


Figure 8: Weight of major sectors in GCF approved funding for LDCs

Source: Adapted from GCF, data as of July 2021

2.3. Comparative analysis between funded sectors and priority sectors

LDCs as part of their political and strategic climate commitment have set priorities taking into account the needs identified in their NDCs for example. According to an analysis⁸ by Climate Analytics of the first NDCs by the LDCs, although the mitigation priorities identified in the NDCs differ across regions and countries, there are some commonalities in terms of priorities:

- In terms of mitigation, energy (100% of countries), forestry/LULUCF (72% of countries) and agriculture (62% of countries) are explicitly mentioned as the top 3 mitigation priority sectors for LDCs. These are followed by transport which is also indicated by a majority (60%) of countries;
- In terms of adaptation, the majority of LDCs mentioned agriculture (96% of countries), water resources (85%) and forestry (74%) as the three main priority sectors for adaptation. Livestock, fisheries and aquaculture, as well as climate-smart agriculture, feature prominently, as they contribute to food security, which is also mentioned as a major sub-area of concern in agriculture.

On the basis of the above data, we can deduce that agriculture stands in a good position in the priorities of the LDCs. Indeed, it is the 3rd priority for mitigation (62% of LDCs) and the 1st for adaptation (96% of LDCs). Strengthening the resilience of communities is therefore the priority. This is in line with the recommendation of the Paris Agreement, in the definition of the guidelines for NDCs. Indeed, the Paris Agreement clearly recognizes the importance of adaptation by explicitly mentioning it as one of its objectives (article 2.1 (b)), by establishing a specific global objective on adaptation (article 7.1) and by encouraging a balance between mitigation and adaptation funding (art. 9.3).

Comparing these priorities with the climate finance operated so far in LDCs by the GCF, there is a mismatch between the priorities and the approved financial envelopes between adaptation and mitigation. For LDCs, adaptation efforts must therefore be intensified as a matter of urgency.

⁸ https://climateanalytics.org/media/synthesis_of_the_ldcs___ndcs_analysis_impact_2017.10.04.pdf

2.4. *Distribution of funding between the public and private sectors and the financial instruments used*

GCF funding is distributed between the public and private sectors. 5 financial instruments have been used to mobilize funds: grants, loans, guarantees, equity, and result-based payments. Until July 2021, GCF funding is distributed as shown in the following figure.

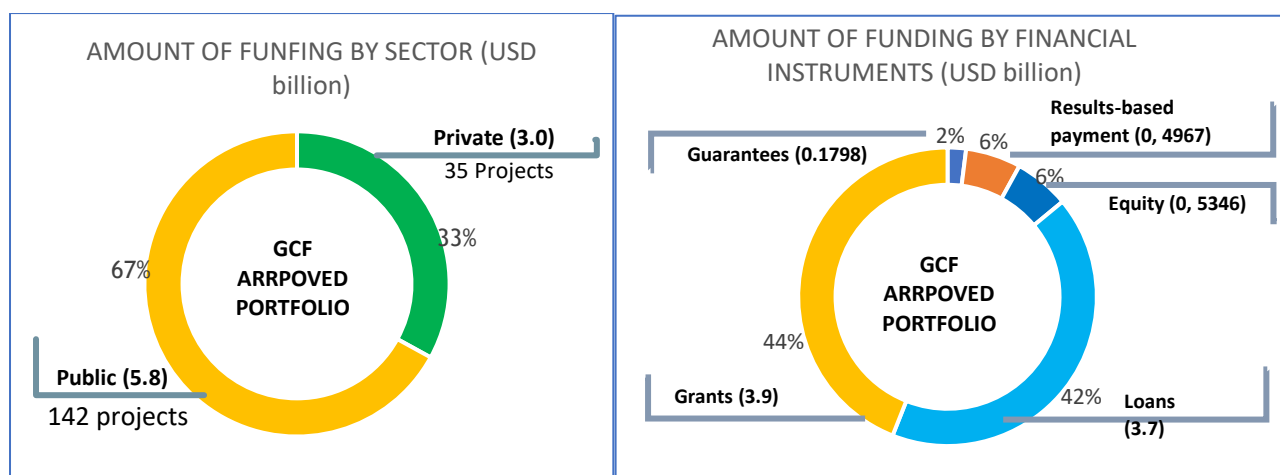


Figure 9: Distribution of GCF funding by sector and financial instruments

Source: Adapted from GCF, data as of July 2021

Public sector has largely dominated in the funding of climate activities with 67% of the total approved funds. **In terms of financial instruments, grants and loans were the most used instruments in the demand for funds with 44% and 42% of funding respectively.** Equity, guarantees and result-based payments were the instruments least used by project proponents to fund activities.

At the LDC level, the trend in the proportions of public and private projects is not too different from that of the overall GCF portfolio. In terms of nominal value, **out of 69 projects approved up to July 2021, 51 are from public sector or 74% and only 18 projects are from private sector, being 26%. In terms of the target area of the GCF, out of 30 approved adaptation projects, 29 are from the public sector, i.e. 96.6%, and only 1 project is from the private sector. Conversely, the private sector is more represented in the area of mitigation with 12 projects out of 21 approved, i.e. 57%. In the field of cross-cutting projects, the public sector is largely represented with 72% (13 projects out of 18).**

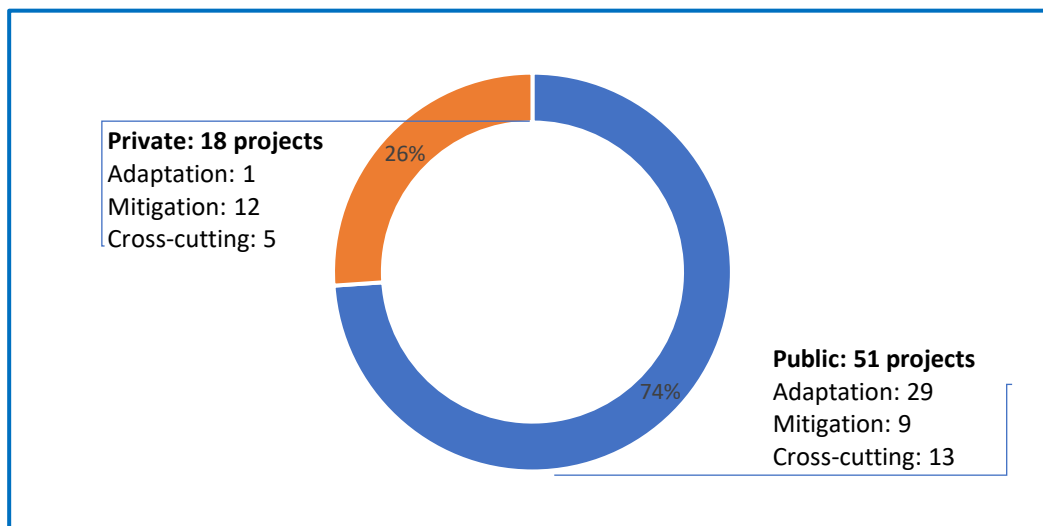


Figure 10: Approved LDC projects by GCF target areas and private or public sectors
 Source: Adapted from GCF, data as of July 2021

In financial terms, the envelope mobilized by the public sector represents 58% against 42% for the private sector. The following figure illustrates the distribution of GCF approved funding by sector (public or private) in the LDCs over the period November 2015 to July 2021.

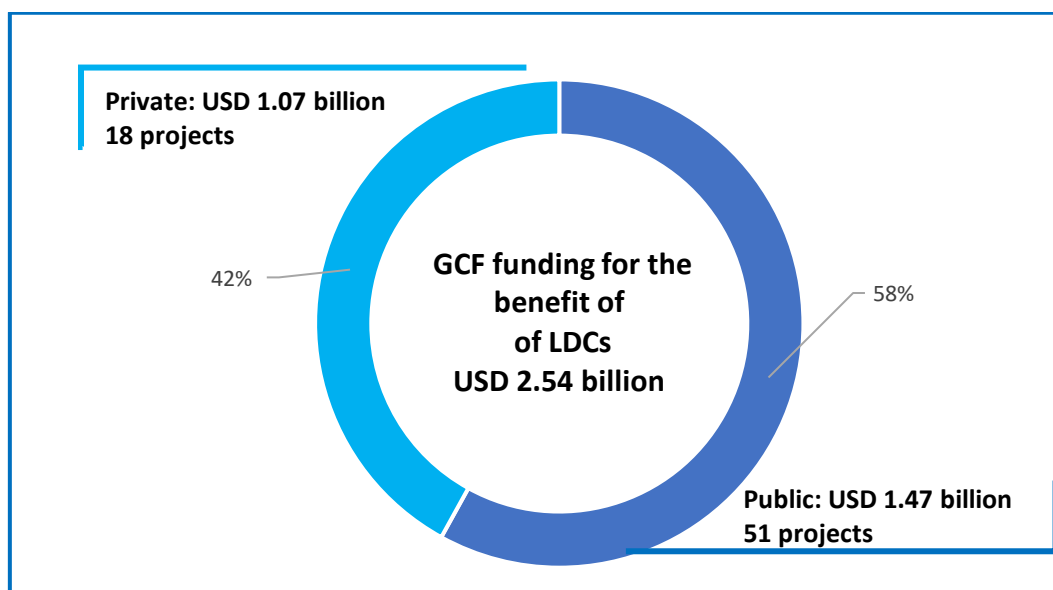


Figure 10: GCF Funding by public or private sector in LDCs
 Source: Adapted from GCF, data as of July 2021

The smaller financial gap shown in the figure above is justified by the fact that mitigation projects, which are mostly private sector projects, have usually requested large-scale funding, unlike adaptation projects. In addition, these projects have a faster economic return on investment and would therefore have a higher chance of approval at the level of the GCF through the loan window with a more substantial envelope.

3. Analysis of the geographical coverage of projects involving LDCs

In view of the problem to be addressed and many other factors, a project may be national (implemented at the individual country level) or multi-country (implemented in a group of countries in the same or different regions). Projects submitted by LDCs to the GCF include both national and multi-country projects. National projects dominated in terms of number and volume of funding mobilized for this first five-year period of GCF operations in LDCs. 47 national projects were approved, mobilizing approximately USD 1.73 billion in funding, representing 68% of the funding approved for LDCs. The funding mobilized by LDCs through the 22 multi-country projects is about USD 0.81 billion, or 32% of the total GCF funding approved for LDCs (USD 2.54 billion by July 2021). Conversely, co-financing mobilized by LDCs through multi-country projects represents USD 3.56 billion or 73% of the total co-financing mobilized, against USD 1.33 billion mobilized through national projects or 27% despite their nominal importance in the GCF project portfolio. In other words, multinational projects received more co-financing than national projects.

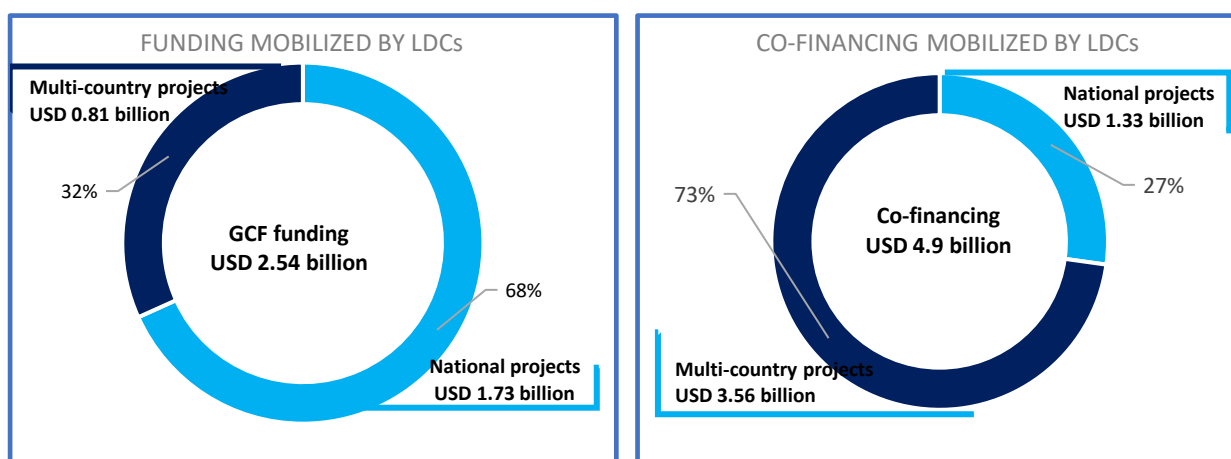


Figure 11: Distribution of funds mobilized by geographical scope of projects (national or multinational).

Source: Adapted from GCF, data as of July 2021

The significantly high share of co-financing for multi-country projects could be explained by the fact that most of this co-financing comes from regional/international institutions or banks that themselves carry multi-country projects as accredited entities with international or regional access. In another sense, the relatively smaller share of co-financing from national projects could be explained by the low involvement of national institutions and banks in co-financing climate projects in LDCs. This also demonstrates, to a larger extent, the lower contribution of national budgets in the co-financing of climate projects submitted to the GCF and the lower national capacity to mobilize co-financiers.

In terms of areas of GCF funding, most adaptation projects were submitted as national projects (25 out of 30 projects) and mobilized nearly USD 0.63 billion from the GCF, out of a total funding of USD 2.54 billion, demonstrating the local/community or country focus of adaptation interventions. In the area of mitigation, national projects (9 out of 21) have mobilized USD 0.56 billion for financing GHG emission reductions. As for cross-cutting projects, those with a national scope have mobilized USD 0.54 billion. In all, 70% of the funding approved for LDCs was mobilized through national projects. It should be noted that in this analysis, only funds actually earmarked for LDCs are taken into account in multi-country projects, and not the total amount of these multi-country projects. With regard to the GCF's own funds and co-financing, the latter was much larger in the area of mitigation. More than ¾ of the co-financing has been mobilized through mitigation projects.

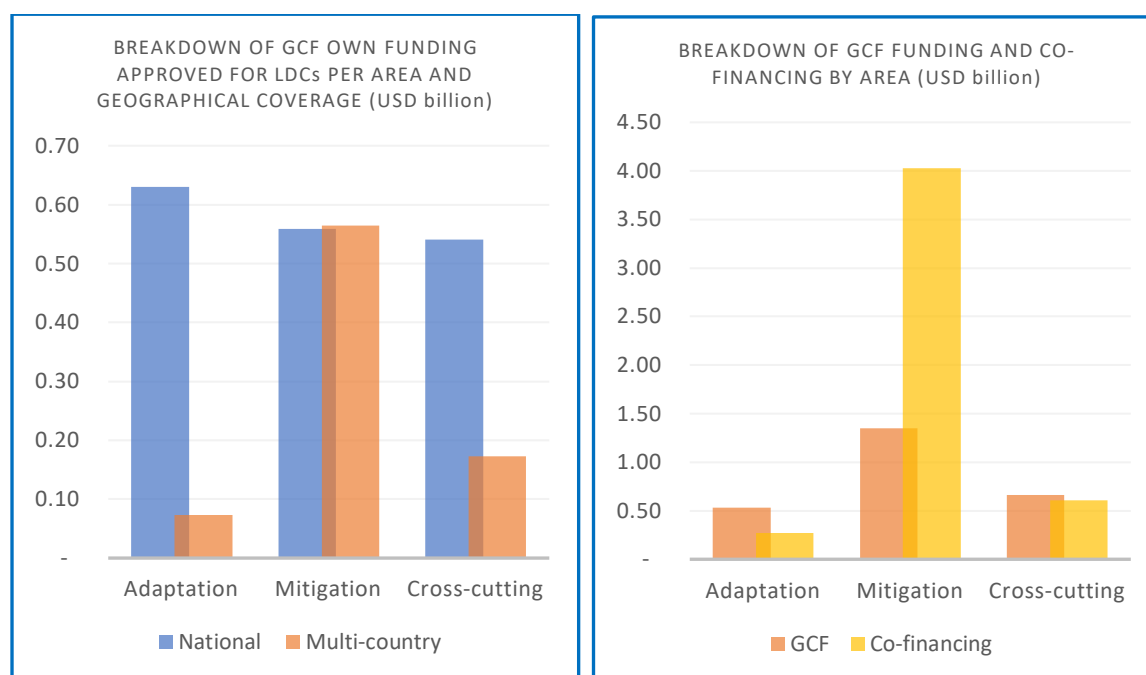


Figure 12: Level of funding between GCF and co-financiers per target area and geographical coverage

Source: Adapted from GCF, data as of July 2021

The strong involvement of co-financiers, especially solid investors (regional banks, multinationals, etc.) in mitigation projects can be explained by the fact that these mitigation projects have a much greater leverage effect than adaptation projects, but also involve risks that must be guaranteed and prevented. In addition, these projects have a more certain, quicker and safer return on economic investment than adaptation or resilience projects. The risk of non-repayment would therefore be reduced. This confirms the conclusions drawn in section 2.1. Cross-cutting projects also showed a much greater trend of co-financing than adaptation projects.

4. Projected analysis of trends in LDCs' mobilization of GCF financial resources

The first projects submitted to the GCF were approved on 5 November 2015 at the eleventh meeting of the Fund's Board (B.11) in Livingstone, Zambia, held from 2 to 5 November 2015. At this meeting, 4 projects including 3 national and 1 multi-country were approved for the benefit of LDCs. The evolution of the number of projects approved by the GCF for the benefit of LDCs during the period from November 2015 to July 2021 is presented below.

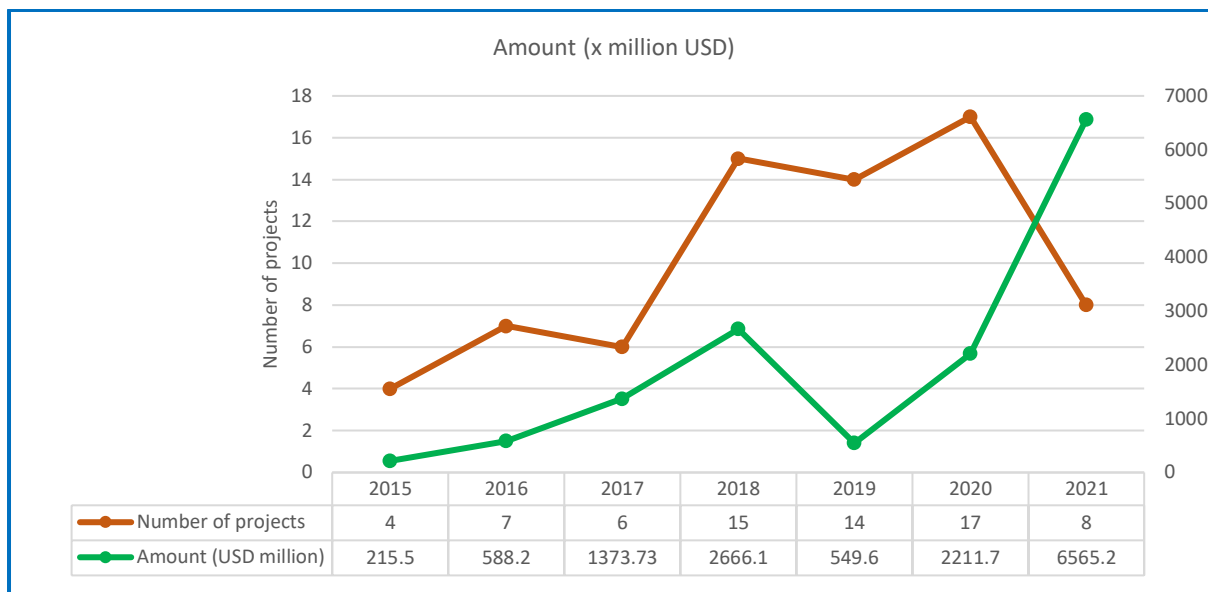


Figure 13: Evolution of the number of approved projects and the amount mobilized per year over the period 2015- July 2021.
 Source: Adapted from GCF, data as of July 2021

According to the figure above, **the year 2021, although in progress and with a low nominal value (number of projects), presents the peak of the mobilization of climate funds. This year is marked by the approval of large multi-country projects (involving many other non-LDCs) especially in the area of mitigation, with 80% of the total amount mobilized from the GCF and 96% if co-financing is included.** Up to July, the year 2021 recorded the project with the largest budget involving an LDCs in the portfolio of projects submitted to the GCF. This is project FP156: ASEAN Catalytic Green Finance Facility (ACGF) with a total budget of USD 3.7 billion distributed as follows:

	Grant (USD million)	Loan (USD million)	Total (USD million)
GCF	20	280	300
Co-financing (ADB)	0	3,400	3,400

The recipient countries of this funding are Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia and the Philippines. These data would confirm the interest in large-scale mitigation finance through loan window.

In nominal terms, the year 2020 presents the highest number of approved projects, followed by the year 2018, taking into account that the year 2021 is not yet completed. The increase in the number of projects approved during these years can be explained by the fact that the years 2015 to 2017 enabled not only the strengthening of countries by equipping them with technical and operational capacities for the formulation of climate projects through the first preparatory support projects (Readiness), but also the maturing of the internal project approval procedures put in place by the Fund.

However, it is interesting to note that this spike in project approvals in 2018 is not due to the simplified approval process (SAP)⁹ introduced by the Fund; as the first SAP approved for LDCs was in February 2019 for Benin (Benin SAP005)¹⁰. The large approved envelope of 2017, despite the small number of projects approved for the benefit of LDCs, is explained by the approval of the *FP038 Geeref Next* project with a total funding of USD 765 million covering 37 countries including 6 LDCs. In 2019, although the number of projects approved on behalf for LDCs remains comparable to that of 2018 for a total of 14 projects, there is a drastic drop in the volume of funding dedicated to these projects, in a proportion of about 1/5 (see figure 13 above). In fact, capacity building activities through preparatory support projects must have made it possible to initiate good project proposals from 2018 onwards, which got approved around 2020, considering the study and preparation time at the country level and the approval time at the GCF level.

Box 2

The reforms carried out towards the end of 2017 at the level of the GCF, notably the reorganization of the Secretariat with the deployment of staff of sufficient size, talent and global reach to enable it to respond to both immediate needs and anticipated medium-term demands for human resources, the reform of the approval process at the level of ITAP, and the ambitions set by the Fund would have favored the approval of a much larger number of projects in 2018. At the 18th meeting of the Board (B.18) from September 30 to October 2, 2017, the Secretariat had projected the submission to the Board in 2018 of 40-55 proposals for funding in 2018, including up to about 25-35 proposals from the public sector and between 15-20 proposals from the private sector. The funding to be provided during 2018 was estimated at USD 837 million.

Source: Decisions of the Board - eighteenth meeting of the Board, 30 September - 2 October 2017

⁹ GCF Brief: Simplified Approval Process

¹⁰ Decisions of the Board - twenty-second meeting of the Board, 25 - 28 February 2019

5. Analysis of funds disbursement for approved projects

5.1. Disbursement trend for approved projects

Following the GCF project cycle, after approval by the Funds' Board, comes the stage of financing arrangements between the GCF and the bidder through the Accredited Entity. This allows the financing clauses to be put in place and the first disbursements for the implementation of project activities to be released. **The analysis undertaken under this section considers a project to be under implementation when it has had its first disbursement finalized.**

The speed or rate of disbursement of funds for the implementation of project activities is therefore critical to the success of the project, particularly in terms of achieving results in a timely manner. However, the available data indicate that the rate of disbursement remains relatively low. **A total of USD 1.9 billion has been disbursed by the GCF for all projects approved from November 2015 to July 2021, representing 22% of the total approved budget¹¹. In this GCF portfolio, 129 projects are under implementation out of 177 approved as of July 2021. This number includes all projects for which a Funded Activity Agreement (FAA) is signed between the GCF and the Accredited Entity, even if the first disbursement is not yet effective. For the specific case of LDCs, out of a total approved funding of USD 2.54 billion, about USD 0.23 billion has been disbursed.**

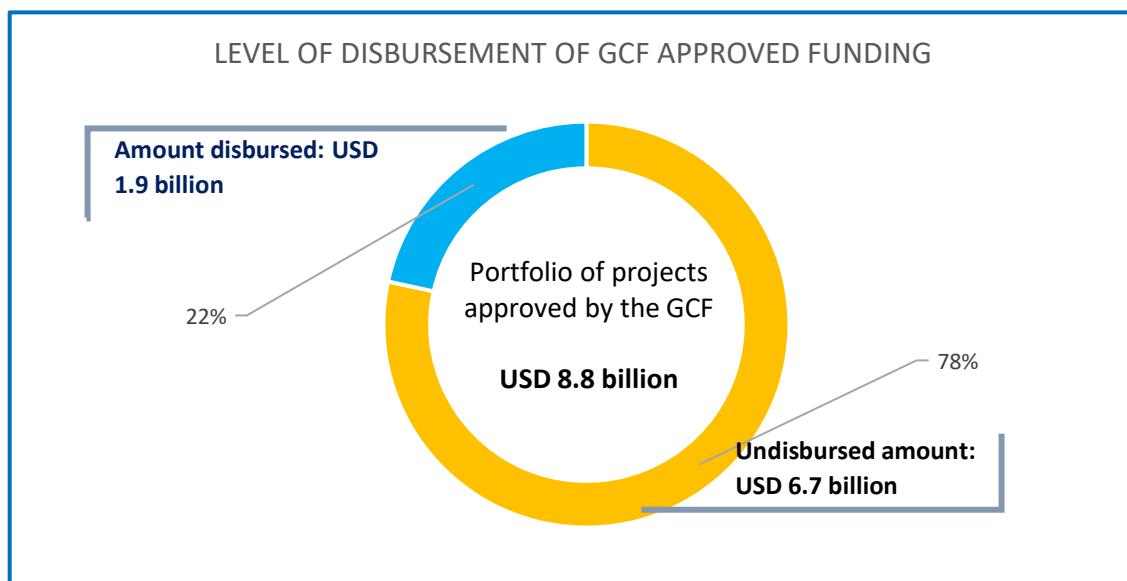


Figure 14: Share of disbursement level for approved projects

Source: Adapted from GCF, data as of July 2021

¹¹ The total amount approved by the GCF until July 2021 is USD 8.8 billion

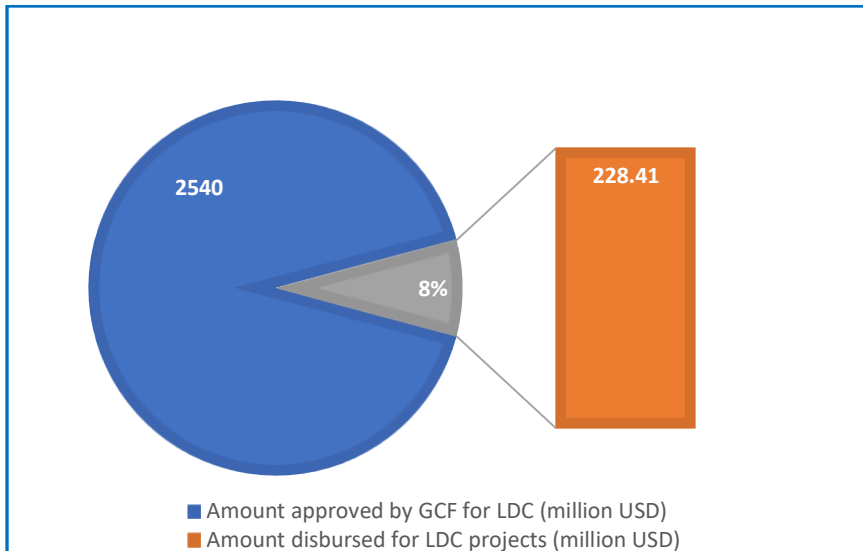


Figure 15: Level of disbursement of approved projects for LDCs

Source: Adapted from GCF, data as of July 2021

Over the period covered by this analysis, 39 of the 69 approved GCF projects for LDCs have started implementing activities, or 56.5%. This rate of projects under implementation is well below the average for the overall GCF-funded projects, which is 73% (129 out of 177 approved projects are under implementation in the overall GCF pipeline).

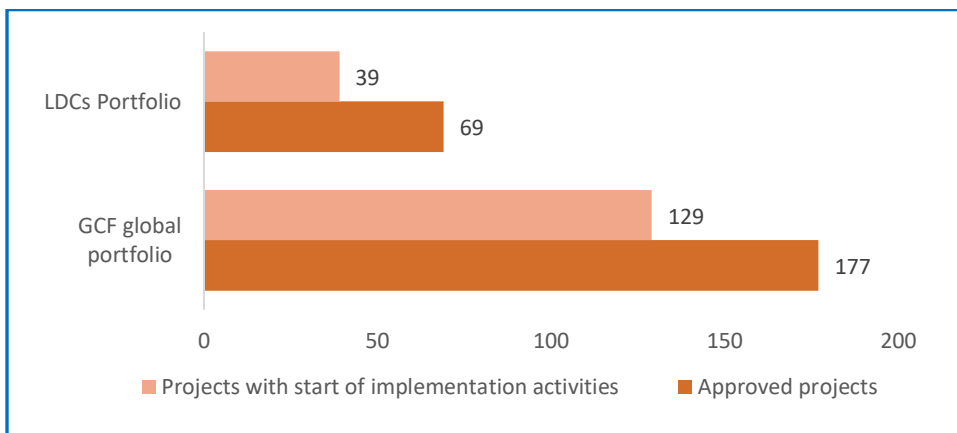


Figure 16: Number of approved projects and number of projects with actual disbursement/start of implementation activities

Source: Adapted from GCF, data as of July 2021

An analysis of the data in terms of financial resources disbursed shows that disbursement is low. A total of about USD 0.23 billion has been disbursed, which is less than 9% of the total budget approved for projects including at least one LDC, after 5.5 years (66 months) of operation of the GCF.

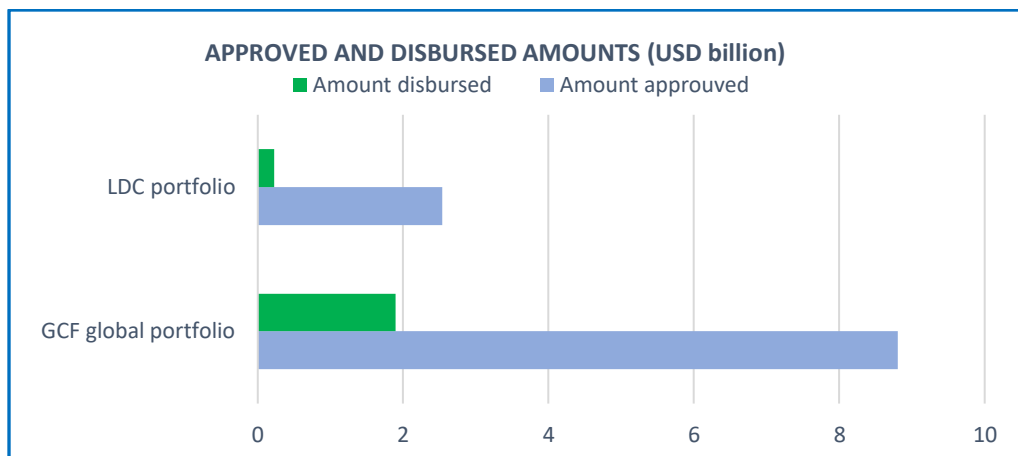


Figure 17: Share of approved funding and disbursed amounts of overall GCF approved projects and projects approved for LDCs

Source: Adapted from GCF, data as of July 2021

Box 3

The first projects approved by the GCF for LDCs date from November 2015, namely FP002, FP003 and FP004 for Malawi, Senegal and Bangladesh respectively. Together, these three projects have mobilized approximately USD 60 million from the GCF, of which only USD 10.6 million has been disbursed as of July 2021, representing a disbursement rate of 17.7% 5.5 years after approval.

Source: Adapted from GCF, data as of July 2021

For projects approved for LDCs, only 4 projects have passed the 50% disbursement mark of the total approved budget. These are adaptation projects, 2 of which are category C and 2 category B in terms of the level of environmental and social risks. The 4 projects are carried out by accredited international access entities (UNDP, UNEP and the World Bank). It is also noted that all 4 projects are national in scope. To date, the multi-country project with the highest disbursement rate (26%) is FP103: Promotion of Climate-Friendly Cooking which covers Senegal and Kenya. These projects are presented in the following table.

Table 1: LDC projects with a disbursement rate exceeding 50% of the approved project budget

	Project title	Country	GCF (USD Million)	Disbursement rate	Amount disbursed (USD million)	Date of approval	Accredited Entity
FP002	Scaling up the use of Modernized Climate information and Early Warning Systems in Malawi	Malawi	12.3	59%	7.26	05-Nov-2015	UNDP
FP011	Large-scale Ecosystem-based Adaptation in The Gambia: developing a climate-resilient, natural resource-based economy	Gambia	20.5	61%	12.51	30-Jun-2016	UNEP
FP069	Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change induced salinity	Bangladesh	25	59%	14.75	01-Mar-2018	UNDP
FP074	Africa Hydromet Program - Strengthening Climate Resilience in Sub-Saharan Africa: Burkina Faso Country Project	Burkina Faso	22.5	74%	16.65	01-Mar-2018	World Bank

Source: Adapted from GCF, data as of July 2021

Supposing that Malawi had included this project as part of the implementation of its first NDC, the country would not have been able to implement this project during its 2015-2020 phase. At this rate of disbursement, it would be difficult for LDCs to implement projects that are or will be included in their new NDCs, or even in short term strategy documents such as country programmes submitted to the GCF.

5.2. Disbursement trend by GCF funding areas

The projects approved by the Fund cover the three main areas of intervention but on different scales depending on the number of projects and the financial envelope.

In nominal terms, 77% of adaptation projects have been effectively disbursed (23 projects out of a total of 30 approved), followed by cross-cutting projects with 50% of projects having been effectively disbursed (i.e. 9 projects out of 18). The mitigation area has a lower rate of projects under implementation with 33% (7 projects out of a total of 21). It is true that the consideration of projects that were approved at the July 2021 GCF Board meeting has lowered the rates, but overall, the effectiveness of disbursement of funds for projects approved for the benefit of LDCs remains low.

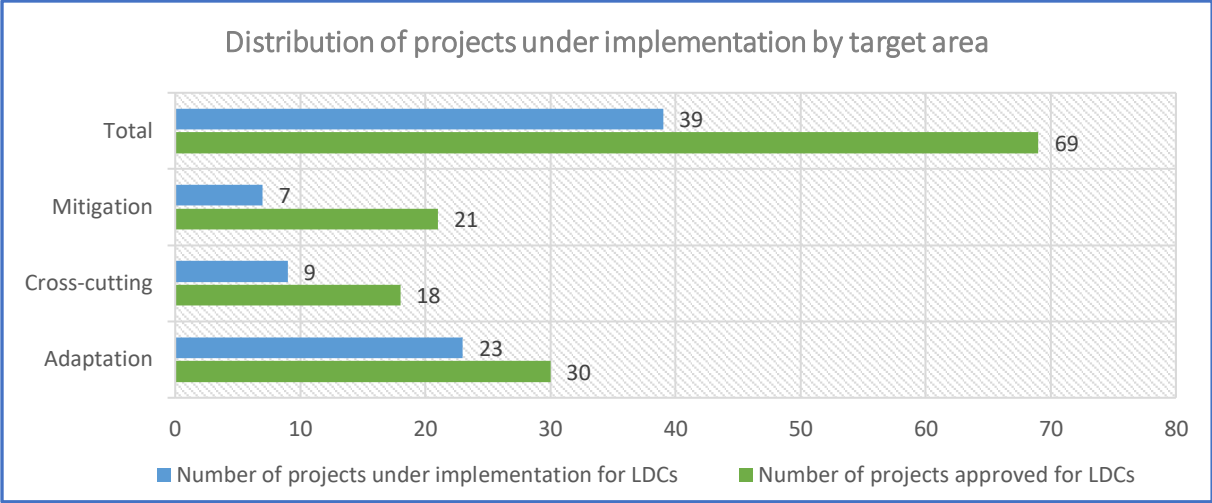


Figure 18: Distribution of approved projects for LDCs and projects under implementation per target area

Source: Adapted from GCF, data as of July 2021

In relation to the amount of funding approved for each of the target areas, the rates representing the amount disbursed are 22%, 2% and 13% respectively for adaptation, mitigation and cross-cutting projects.

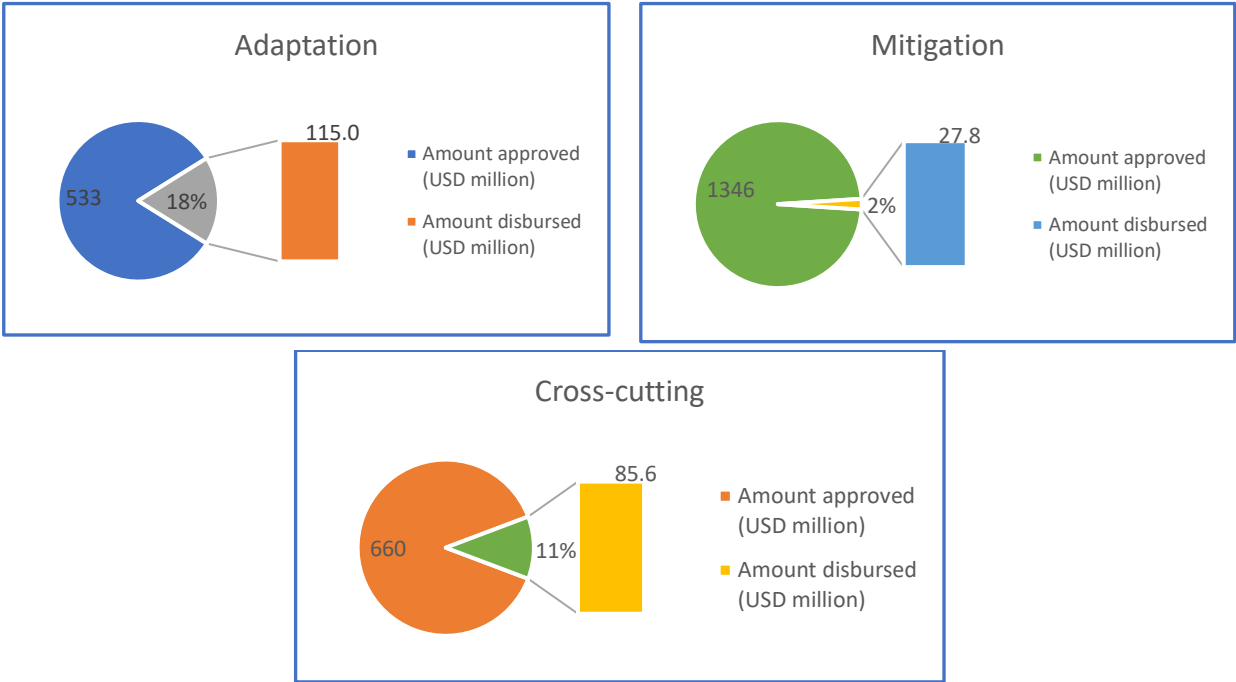


Figure 19: Disbursement level of approved funding for LDCs per target areas

Source: Adapted from GCF, data as of July 2021

Mitigation projects although having recorded the largest share of the financial envelope (~ 53% of total approved funding for LDCs), conversely show the lowest disbursement rate. This could be explained by the fact that mitigation projects are in majority funded through the loan window requiring the establishment of fairly robust and complex financial instruments and mechanisms, requiring more time and resources from the accredited entities and the beneficiary countries/instances to finalize them. Most mitigation projects are also projects developed under the refinancing model through the accredited entity, if it is a bank for example.

In conclusion, even if the start of projects cannot be realistically instantaneous after approval, it is considered that the level of disbursement remains low, highlighting a long disbursement process. A direct implication of such a delay in disbursements is that it delays the implementation of climate actions and thus the achievement of the countries' targets under international agreements. The low rate of disbursement could be, on the one hand, a consequence of the slowness or reduced capacity of countries to quickly put in place the necessary project management structures and tools, legal and financial setups after project approval, to meet the conditions set by the Board before the first disbursement. On the other hand, it could also be explained by the slowness of the accredited entity carrying the project to lift conditionalities with regard to approved projects subject to further investigation of certain aspects with additional studies. This last case is most due to a lack of data to clearly justify the need for project intervention. It is therefore essential for LDCs when benefitting from the Readiness to conduct studies as part of project preparation, as data are not sufficiently available in many LDCs, most of which already suffer from low capacity to conduct robust scientific studies.

6. Focus on access modalities for approved projects

6.1. Overview of how to access the GCF

The Green Climate Fund (GCF) has a **direct access** modality through national, regional (ministries, NGOs, national development banks etc.) and **indirect access** through accredited regional and international entities (multilateral and regional banks, UN and bilateral development agencies, international financial institutions etc.). Private sector entities may also be accredited as intermediaries or implementing entities. **As of July 2021, 113 entities have been accredited by to the GCF, of which 57 are national direct access entities, 14 regional direct access entities and 42 international access entities.** These different entities are accredited to specific project sizes and categories, depending on their technical and operational capacities to manage funds and catalyze the implementation of activities.

Box 4

The GCF distinguishes between 4 levels or sizes of projects: (i) micro-projects with a value of less than USD 10 million; (ii) small projects with a value of between USD 10 million and USD 50 million; (iii) medium-sized projects with a value of between USD 50 million and USD 250 million; and large projects with a value of over USD 250 million.

The complete list of GCF-accredited entities can be found under this [link](#). This list is being continuously updated.

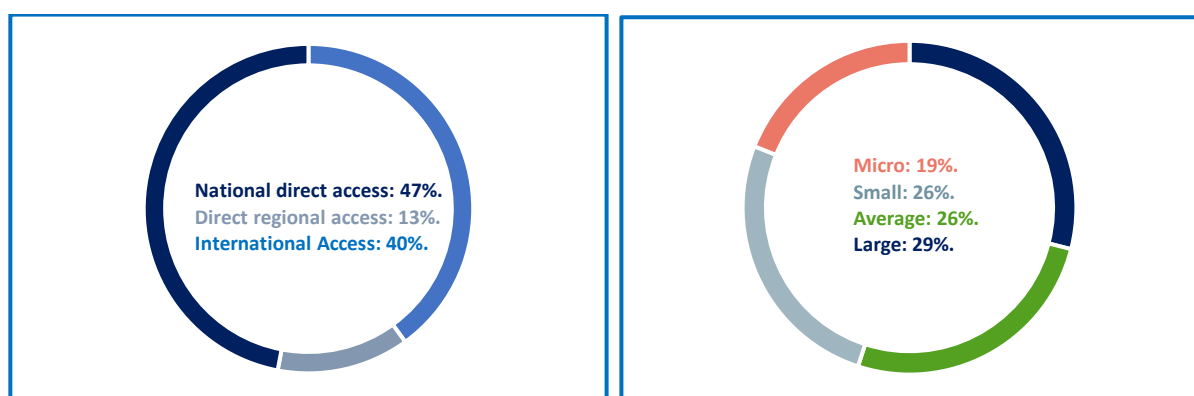


Figure 20: Share of approved projects by size and accreditation type.

Source: Adapted from GCF, data as of July 2021

6.2. Mapping of the types of Accredited Entities involved in LDC projects

In the context of mobilizing climate finance, 28 accredited entities (AEs) submitted project proposals on behalf of LDCs to the GCF. In this batch, national and regional direct access entities were poorly represented (see the following figure).

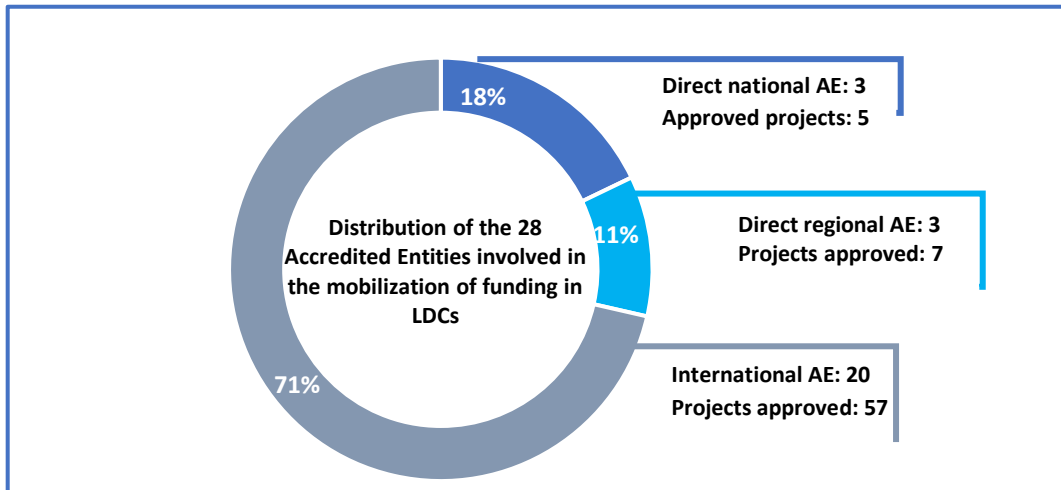


Figure 21: Accredited Entities involved in LDC projects

Source: Adapted from GCF, data as of July 2021

Of the 28 AEs that have carried and had projects approved for the benefit of LDCs, only 5 are national direct access entities from LDCs. These are: (i) the Center of Ecological Monitoring (CSE) of Senegal; (ii) the Ministry of Finance and Economic Cooperation (MoFEC) of Ethiopia; (iii) the Ministry of Environment (MoE) of Rwanda; (iv) Palli Karma-Sahayak Foundation of Bangladesh; and (v) Infrastructure Development Company Limited (IDCOL) of Bangladesh (see Table 3 below). The low representativeness of accredited direct access entities could be explained in part by the fact that they have limited technical and operational capacity to enter the climate finance market. Out of 57 national direct access entities accredited by the GCF as of July 2021, only 14 are from LDCs, or about 25%. This means that many of the 46 LDCs still do not have a national direct access entity.

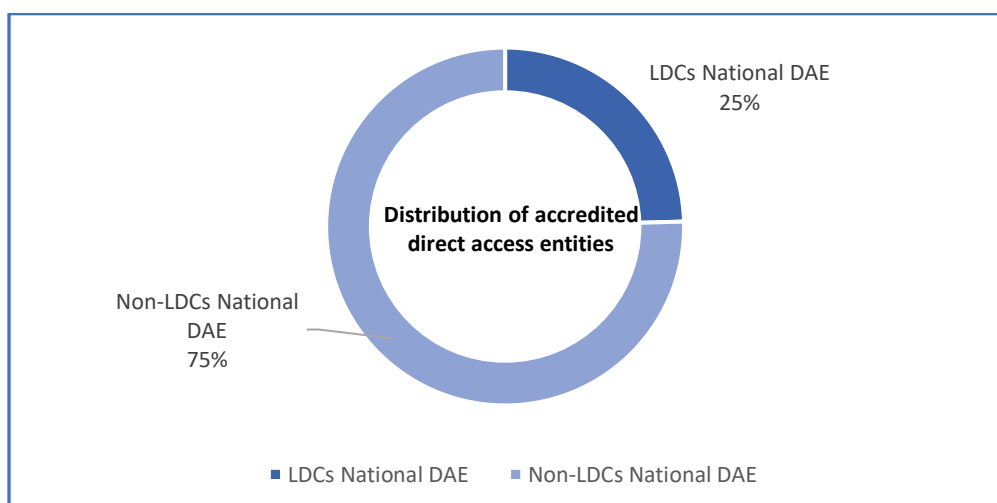


Figure 22: Distribution of GCF-accredited National Direct Access Entities

Source: Adapted from GCF, data as of July 2021

Although the number of direct access entities is not necessarily proportional to a country's mobilization of funds, mobilizing GCF resources through a national entity has advantages, including: (i) accentuating national ownership of the project as required by the Fund, (ii) benefiting from the advantages related to the management of project funds for the implementation of activities including the management fees whose rate varies between 7 and 10% depending on the size of the project. For example, with a mobilization of USD 2.54 billion (see figure 3 above), the project management fees would be between USD 177 and 254 million in theory, bearing in mind that this amount may be inversely proportional to the project budget if the budget is very high. These project management fees can be used to invest in strengthening the operational, technical and human capacities of institutions at the LDC level.

Based on the findings of this analysis, it can be said that the low representativeness of LDC direct access entities is a shortfall in climate finance mobilization from the GCF.

6.3. Capacity to mobilize funds by national and regional accredited entities

Over the period of November 2015 to July 2021, national and regional entities have been involved in the development and submission of 12 projects. These projects are distributed as follows: 4 adaptation projects, 5 mitigation projects and 3 cross-cutting projects. The total amount mobilized by these two types of entities from the GCF is about USD 0.76 billion, i.e. 28% of the total amount approved by the GCF for the LDCs. The co-financing mobilized amounts to USD 0.6 billion, or 12% of the total co-financing for LDC projects of USD 4.9 billion. The following table provides more details.

Table 2: Level of mobilization of GCF funds by national and regional direct access AEs

Direct access type	Number of entities	Number of projects	Total amount (USD million)	GCF funding (USD million)	Co-financing (USD million)	Disbursement of the GCF	
						Amount (USD million)	Rate
National	5	5	445	352	94	12	3.5%
Regional	3	7	810	354	456	6	1.6%

Source: Adapted from GCF, July 2021 data

The amount mobilized by the national entities from the GCF is USD 352 million and that of co-financing is USD 94 million. Conversely, the regional entities have mobilized more co-financing, i.e. USD 456 million against USD 354 million from the GCF. This indicates the weak capacity or the difficulties of national entities to mobilize donors or even the country to co-finance the projects they are carrying out. Considering the total approved funding envelope of the GCF for LDCs, i.e. USD 2.54 billion (July 2021), the weight of funds mobilized by type of accredited entities is presented in the figure below.

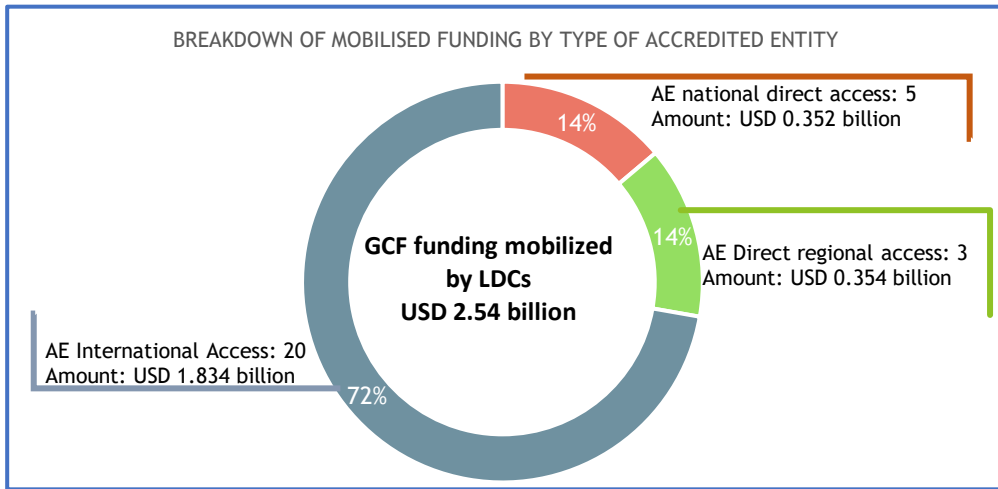


Figure 23: Distribution of resources mobilized by type of accredited entities.
 Source: Adapted from GCF, data as of July 2021

It's clear that the field of climate finance mobilization by LDCs is dominated by international access accredited entities (about 72% of funding). National and regional direct access accredited entities share the second rank with 14% of funding mobilized for each type. In addition, the Board meetings B.28 and B.29 did not approve any projects by national or regional direct access entities for LDCs¹².

In terms of effective involvement of national entities in mobilizing funding, 5 out of 14 accredited entities, or 36%, managed to submit and get funding proposals approved. Each entity was only able to submit one project for approval over the period covering November 2015 and July 2021.

The other 9 national direct access entities have not yet been successful in having a project proposal approved by the GCF.

¹² Decisions of the Board - twenty-ninth meeting of the Board, 28 June - 1 July 2021 and Decisions of the Board - twenty-eighth meeting of the Board, 16 - 19 March 2021.

Table 3: Accredited national direct access entities with LDC project approval at the GCF level

	Entities	Project approved	Country	Domain	Financing (USD million)		
					Total amount	GCF	Co-financing
1	Center for Ecological Monitoring (CSE)	FP003: <u>Increasing the resilience of ecosystems and communities through the restoration of the productive bases of salinized lands</u>	Senegal	Adaptation	8.2	7.61	0.59
2	Ministry of finance and economic cooperation (MoFEC)	FP058: <u>Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities</u>	Ethiopia	Adaptation	50	45	05
3	Ministry of Natural Resources (MOE)	FP073: <u>Strengthening Climate Resilience of Rural Communities in Northern Rwanda</u>	Rwanda	Transversal	33.2	32.8	0.4
4	Infrastructure Development Company Limited (IDCOL)	FP150: <u>Promoting private sector investment through large scale adoption of energy saving technologies and equipment for Textile and Readymade Garment (RMG) sectors of Bangladesh</u>	Bangladesh	Mitigation	340.5	256.48	84.02
5	Palli Karma-Sahayak Foundation	SAP008: <u>Extended Community Climate Change Project-Flood (ECCCP-Flood)</u>	Bangladesh	Adaptation	13.3	9.7	3.6

Source: Adapted from GCF, data as of July 2021

These figures illustrate the limited capacity of existing national entities to develop and submit projects and mobilize substantial climate finance, or at least to submit projects of financial size corresponding to their level of accreditation successfully to the GCF. This could also be explained by the fact that the countries that even have national accredited entities do not use them sufficiently in the framework of mobilizing funds or do not provide them with sufficient technical means to fully ensure their role. For instance, Senegal is the only LDC to have had four national projects approved as of July 2021. Interestingly, only one of those projects has been submitted through the national accredited entity (CSE), accredited only for micro-projects.

This low mobilization of climate finance by national accredited entities in LDCs can also be due to the fact that they are mostly accredited for micro and small-scale projects, and of category C or B in terms of environmental and social risk category¹³. This limits their scope or flexibility in terms of mobilizing resources for larger projects. In addition, only one national direct access entity from an LDC was accredited at the July 2021 B.29 Board meeting. This was the Development Bank of Zambia (DBZ). The accreditation was obtained with many conditionalities that need to be addressed prior to the submission of a funding proposal to the GCF¹⁴.

The complete list of direct access entities from LDCs and the size of projects for which they are eligible is presented under this [link](#).

¹³ In the GCF financing architecture, micro-projects are projects for which the total amount requested is less than or equal to USD 10 million and small projects from USD 10 to 25 million.

¹⁴ https://www.greenclimate.fund/sites/default/files/document/gcf-b29-14_1.pdf

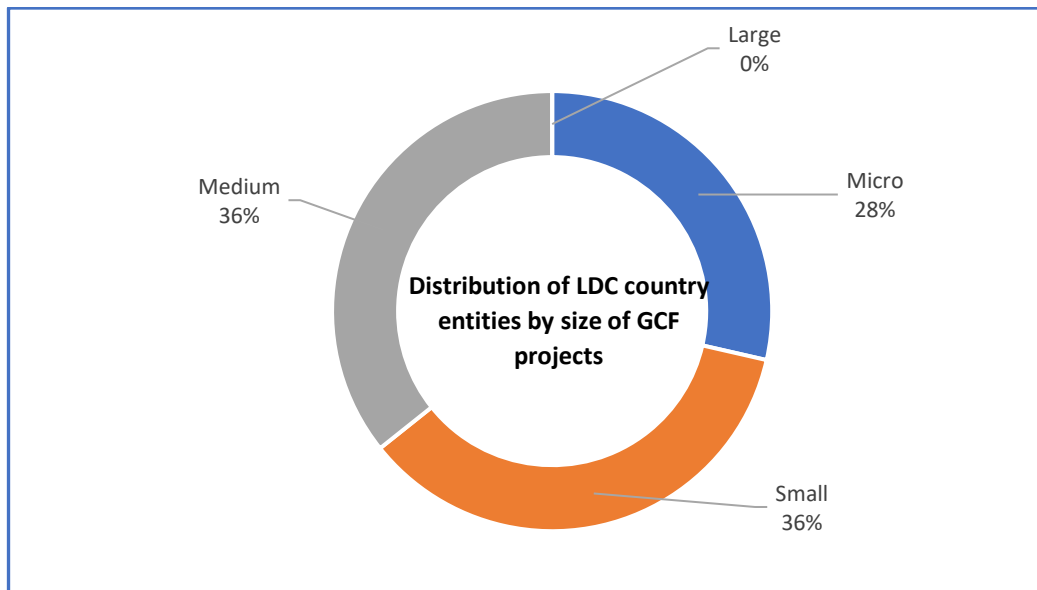


Figure 24: Distribution of LDCs' direct access entities by size of projects for which they are eligible
 Source: Adapted from GCF, data as of July 2021

Of the 14 national direct access entities in LDCs, 5 are accredited for medium-sized projects, 5 for small projects and 4 for micro projects. No entity is accredited to carry large projects (see figure 25). In terms of Environmental & Social (E&S) categories, 10 are eligible for category B projects¹⁵, 2 for category C projects¹⁶ and 2 for category A projects¹⁷.

¹⁵ Activities with limited potential adverse environmental and/or social risks and/or impacts, generally location-specific, largely reversible, and easily managed through mitigation measures

¹⁶ Activities with minimal or no environmental and/or social risks and/or negative impacts.

¹⁷ Activities with potentially significant negative (detrimental) environmental and/or social risks and/or varied, irreversible or unprecedented impacts.

7. Project incubation time

The approval process for projects submitted to the GCF involves several steps from project identification to the conclusion of the legal terms of financing as summarized below.

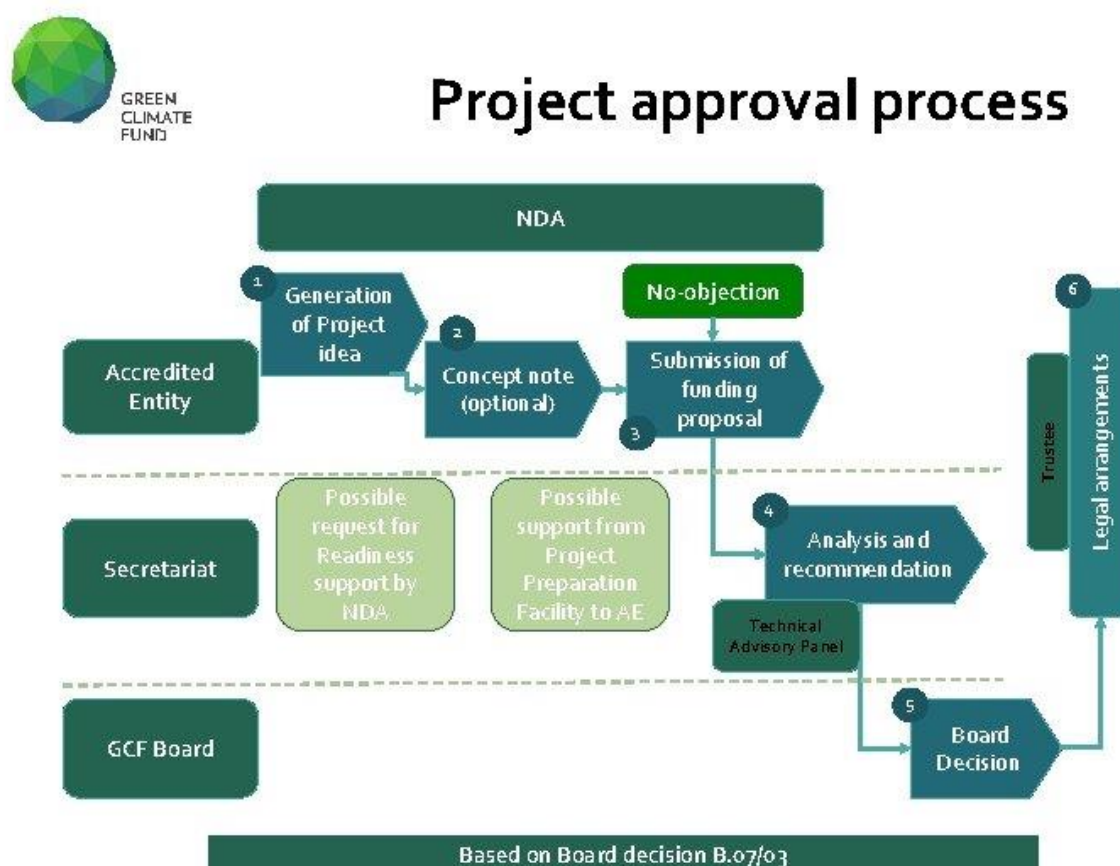


Figure 25: Overview of the project approval process

Source: <https://slidetodoc.com/the-green-climate-fund-august-2017-overview-part/>

The analyzed data show that the time elapsed between the official date of submission of a funding proposal by an LDC and its approval by the GCF is quite significant, even for projects submitted through the simplified process (SAP). **The median approval time for all LDC projects at the GCF level has been estimated at 619 days or 21 months. This could represent an average of 6-7 rounds of funding proposal reviews at the level of the GCF Secretariat and/or ITAP,** given that submission is made quarterly in accordance with the GCF project submission schedule. The shortest approval time for LDC projects was 113 days (about 4 months) and the longest was 1727, being 58 months or almost 5 years (see next figure).

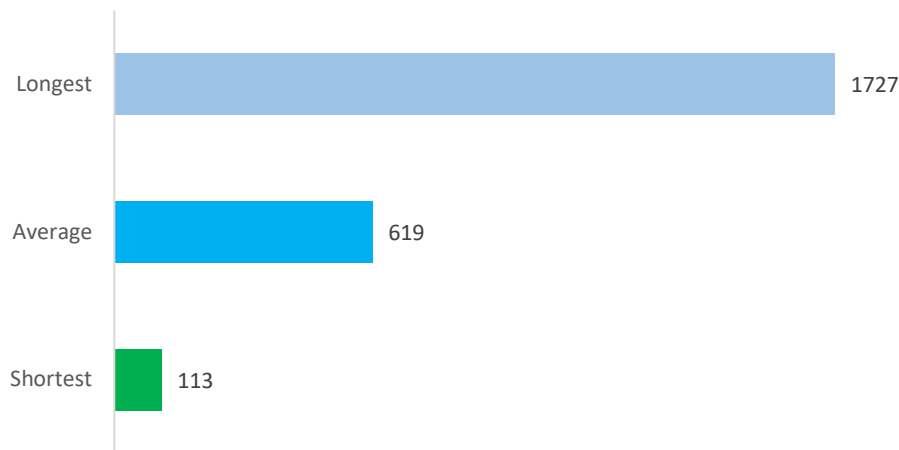


Figure 26: Duration (in days) of LDCs projects approval after official submission to the GCF
 Source: Adapted from GCF, data as of July 2021

Only 20 project proposals had a review and approval process of up to 365 days (1 year), 27 project proposals were approved within 1 to 2 years, and the rest (22 projects) had an approval time ranging from 3 to over 4 years. In terms of area, adaptation projects have the longest average duration with 22 months (almost 2 years) compared to 20 months for mitigation and cross-cutting projects.

These durations do not include project preparation time which can vary from 6 months to more than a year depending on the type of project, the capacity of the accredited entity to conduct the process efficiently, the responsiveness of the GCF focal point or the National Designated Authority (NDA) to provide information, data and/or advice to the accredited entity, as appropriate. These are all factors that can extend the time between submission and approval of a project proposal. The incubation period for projects submitted by LDCs can therefore vary from 2 to 4 years depending on the data analyzed. Although there is the possibility of submitting several proposals at the same time, countries, and subsequently the accredited entities that support them, would not have the capacity to do so. At this rate, will LDCs be able to implement the climate actions proposed in their current NDCs and those that come out of the revision process underway in many countries?

In addition, the long incubation period of projects indicates a low capacity of countries to become truly embedded in the Fund's process, despite the fact that LDCs have benefited from preparatory "Readiness" support projects that are designed to build their capacity for climate finance. Under the preparatory support programme, each developing country can receive up to US\$1 million per year for support related to institutional capacity building, coordination, policy and planning, and investment programming. Of this overall amount, NDAs/GCF focal points may apply for up to USD 300,000 per year in direct support to help establish or strengthen their capacity to respond to the needs of the Fund. The GCF may also provide capacity building for national or regional organizations (direct access entities) seeking accreditation to the Fund, once they are designated by their country's NDA. **Over the period of 2015 to July 2021, 141 Readiness projects worth USD 106 million have been approved for LDCs. 126 of these Readiness projects are under implementation and a disbursement of USD 50.9 million has already been made, i.e. 48% of the total amount approved.** Despite all these facilities put in place by the GCF to strengthen the capacity of countries and their entities, the mobilization of funding is still limited as indicated by the results presented in this analysis.



Photo by Zbynek Burival

Conclusion

This analysis highlights a low level of mobilization of GCF resources by LDCs and raises a number of questions and issues. Even including regional and multi-country projects, the figures remain low in relation to the resource mobilization ambitions defined in the Nationally Determined Contributions (NDC) currently being updated.

The long duration between the submission and approval of project proposals is a challenge on several fronts. It is counterproductive to the implementation of projects that contribute to the achievement of strategic climate objectives such as those contained in NDCs and other documents whose implementation is periodic. It also does not address the climate emergency in terms of resilience. Furthermore, it also calls for the need for accredited entities, especially national direct access entities, to build their capacity to produce robust quality project proposals that can significantly reduce the number of technical improvement requests that the Fund's Secretariat may require after submission. This would go a long way towards reducing the time taken to review proposals. Also, the decision of the Fund's Board at the 25th Board meeting to increase the number of members of the independent technical advisory panel from 6 to 10 by the end of 2020¹⁸ would reduce the time taken to evaluate proposals, leading to faster approval. In addition, perhaps it is time for the Fund's Board to seriously consider the controversial proposal that the GCF should have representatives in the regions and teams outside of Songdo to assist countries in project preparation, as other financial institutions do; perhaps this should be the future of the Fund, to be more present on the ground alongside countries and accredited entities in formulating and implementing projects in a timely manner.

The low level of funding disbursement for approved projects, including even those approved more than 5 years ago, indicates that efforts need to be made both at the country and accredited entity levels to put in place as soon as possible the conditions required after approval to allow effective disbursement for timely project implementation. These conditions could include technical studies such as vulnerability analyses, feasibility studies, environmental and social impacts, emissions trajectories, etc., as well as the legal and financial arrangements required before the first disbursement. At the level of the Fund, efforts already underway to make the various stages of project financing more fluid and simplified, namely approval, disbursement, and monitoring of implementation, must continue to enable LDCs to begin implementation of approved projects in a timely manner and to meet climate objectives, especially in this current phase of implementation of the new NDCs.

The accreditation of the vast majority of LDCs' direct access entities to micro and small projects limits them in mobilizing large volumes of funding, unless they can bring several of these projects to the Fund at the same time or on a very regular basis - which is not likely because of the limited capacity of these entities to develop and submit several proposals at once. This calls for strategic thinking in LDC accreditation decisions: would it be strategically more advantageous for an LDC to invest in accrediting several national entities to micro and small projects or would it be more astute to invest in building the technical and fiduciary capacity and environmental and social standards of an already accredited entity to enable it, upon review of its accreditation, to position itself for accreditation to larger size of projects? It is up to each LDC to make choices that will allow them to achieve the objectives of climate

¹⁸ Decision B.25/09

finance mobilization and accelerate the implementation of projects, especially in the coming years when the new NDCs will need to be implemented.

Access to the GCF requires that project proponents develop and submit proposals that meet the Fund's requirements. These requirements include the 6 investment or project eligibility criteria and form the basis of the appraisal and approval process by which the Board makes decisions on the funding of a given project/programme. What measures and mechanisms have LDCs put in place to ensure that project proposals developed do indeed meet these technical requirements of the Fund, and that the technical review committees in the countries have the expertise to identify technical deficiencies that the entities developing the proposals could improve upon? These are some of the questions that can guide LDCs in strategically preparing to build their capacity by taking advantage of the various support tools and instruments available from the GCF. The next steps in this analysis, which are the subject of separate documents, especially the analysis of the “success factors” of GCF-approved projects for LDCs, will shed light on the technical aspects of developing robust project proposals for the GCF.

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