HEINRICH BÖLL STIFTUNG
WASHINGTON, DC

Green Climate Fund

Private Sector Finance in Focus

Briefing 1: A Critical Review of Key Trends

Written by Oscar Reyes and Liane Schalatek

Published by the Heinrich-Böll-Stiftung, Washington, DC, October 2021

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Written by Oscar Reyes and Liane Schalatek

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Published by:
Published by the Heinrich-Böll-Stiftung, Washington, DC, October 2021

Place of publication:
https://us.boell.org/

October 2021

Summary

- Private sector projects and programs account for one third (US$2.957 billion) of approved Green Climate Fund (GCF) funding, distributed across one fifth (35 of 177) of projects and programs.
- The vast majority (83 percent) of GCF private finance is channeled through large intermediaries operating at regional or international level, in particular multilateral development banks and publicly-owned development finance institutions.
- The majority of GCF private sector finance takes the form of loans, which account for almost 70 percent (US$2.06 billion) of the total. A further 18 percent (US$535m) takes the form of equity financing, while 9.5 percent (US$280m) takes the form of grants.
- Over half of GCF private sector finance goes to Africa (US$1.51 billion), with close to one-third (US$878 million) to the Asia-Pacific region, 12 percent (US$360 million) to Latin America and the Caribbean (LAC), and 7 percent (US$208 million) to Eastern Europe.
- The dividing line between "private" and "public" GCF finance is unclear. Some predominantly public activities are reported as private sector ones, enabling accredited entities to reduce the concessionality of the loan co-financing that they offer.
- The GCF's US$2.957 billion in approved private sector financing is expected to attract US$9.47 billion in co-financing, meaning that every dollar of GCF funding is matched by around three dollars from other sources. Most of the expected co-financing for private sector activities (74 percent of clearly specified co-financing, and just over 50 percent of all co-finance claims yet to be fulfilled) is provided by publicly owned or funded institutions and development banks.
- An increasing share of co-financing is identified as "to be determined", with a significant gap between the co-financing claims made by accredited entities when seeking project or program approval and the contractual obligations for co-financing, such as those codified in Funded Activity Agreements (FAAs), that they are willing to undertake.
- In many cases, private sector activities have inflated the level of claimed co-financing by counting existing shareholdings and private equity, with little evidence that these investments are new or causally linked to the funded activity.
- Close to half (US$1.41 billion) of GCF approved private sector lending is channeled via multilateral and regional development banks, with just over one third (US$1.06 billion) distributed via other development finance institutions, and 16 percent (US$461 million) via private sector entities.
- Twenty-eight of the GCF's 113 accredited entities are categorized as private sector, although only seven of these have any funded activities so far. Only one national private sector accredited entity (the Mongolian XacBank) has so far received approvals for funded activities.

- Most private sector accredited entities (16 of 28) have seen conditions imposed for improving their gender and ESS capacity. In eight cases, including four large international commercial banks (BNP Paribas, Credit Agricole, Deutsche Bank and HSBC), the entity was requested to first develop a gender policy before accessing GCF financing.
- Only eight of the 35 approved private sector activities have to fulfil explicit gender or ESS-related conditions to access project or program funding, despite civil society concerns that accredited entities' monitoring capacity (especially in the case of private sector entities) is inadequate.
- There is a significant transparency gap between public and private sector activities. The exemptions for commercially sensitive information in the GCF's Information Disclosure Policy are currently applied too broadly, with the effect that non-disclosure is often assumed to be the norm with private sector activities. This creates difficulties for civil society's attempts to assess the potential value and impact of funding proposals, especially in the case of multi-country programs and financing facilities.

What is GCF private sector finance?

The Green Climate Fund (GCF), established by and accountable to the United Nations Framework Convention on Climate Change (UNFCCC), is the world's largest multilateral climate fund. A core part of its remit is to encourage private sector investment in mitigation and adaptation measures that address climate change in developing countries. GCF private financing should be "consistent with a country-driven approach," with a particular focus on "local actors, including small- and medium-sized enterprises and local financial intermediaries" as detailed in the GCF's Governing Instrument (UNFCCC 2011). To date, the GCF's Private Sector Facility (PSF), a specialized organizational division of the GCF Secretariat, has mostly supported energy generation and energy efficiency, which account for 85 percent of its financing (IEU 2021a, 2). The vast majority of this finance is channeled through large international intermediaries, including multilateral development banks (MDBs), publicly-owned development finance institutions and private multinational banks.

Any GCF project or program can have a private sector component, while those that receive a majority of their financing from the private sector are administered by the PSF. These private sector-led activities account for a third of all GCF financing.

GCF private sector investment typically takes the form of concessional lending (i.e. below market-rate) accompanied by modest capacity building or technical assistance grants, although a fifth of private funding also takes the form of equity investments (company ownership).

Introduction

Why a closer look at GCF private sector finance?

GCF financing for private sector mitigation and adaptation activities is a central part of its stated ambition to "promote the paradigm shift towards low-emission and climate-resilient development pathways" in recipient countries (UNFCCC 2011, para. 41-42). The GCF has arguably "the strongest private sector focus of the multilateral climate funds" and this is seen by many countries, including several developed country contributors, as a core feature that differentiates it from other public actors in the global climate finance architecture (IEU 2019, 131). On paper, the GCF can accept considerable investment risks in order to achieve impact and innovation, while maintaining rigorous fiscal standards, environmental and social safeguards (GCF 2017; IEU 2019, 131). However, various evaluations by the Independent Evaluation Unit have identified shortcomings in policies and practices that have so far prevented the GCF from achieving this goal (IEU 2021b, 12-14).

This is the first in a series of short briefings that will evaluate GCF private sector engagement several years into the Fund's full operationalization. This analysis and review by civil society observers to the GCF comes at a time when the effectiveness and future of the GCF's existing private sector engagement strategy are under internal review.

GCF private sector finance so far

A fifth of GCF approved project/programs are private sector activities (35 of 177), but they account for exactly one third (US$2.957 billion) of the GCF's US$8.9 billion in total approved nominal funding, which reflects the fact that most GCF private sector activities are larger than the average public sector ones.[1] This financing share is comfortably in line with a target allocation that "exceeds 20 per cent"[2] for the ongoing first replenishment period of the GCF until 2023 (GCF-1) (GCF 2020a). However, it is unclear whether the GCF-1 target refers to nominal or grant equivalent terms; the GCF Secretariat reports that, as of 30 April 2021, private sector activities represent only 15 percent of the total portfolio in grant equivalent terms (GCF 2021a, para 42).

To date, the GCF's private sector facility has mostly supported energy generation and energy efficiency, which account for 85 percent of its financing (IEU 2021a, 2). There are only two small PSF programs that focus solely on adaptation (FP078 and FP097, together worth US$41.5million). No private sector adaptation projects or programs have been approved since 2018 (IEU 2021a, 4), although three further private sector adaptation programs (worth US$324million in GCF financing) will be considered at the 30th meeting of the GCF Board in October 2021.

[1] All data in this report includes project, program and accreditation approvals up to and including B.29 (July 2021), unless otherwise stated. The overall figures for project and program financing exclude "lapsed" projects and programs, the term used for activities that have GCF approved funding that will not be taken up so that, in effect, the GCF's funding commitment is canceled.

[2] The wording of Decision B.27/06 refers to an allocation, rather than a grant-equivalent allocation, although the framing leaves some room for ambiguity.

Defining private sector finance

The proportions of "private sector activities" referred to in this briefing encompass funding that is administered within the scope of the Private Sector Facility (PSF), the organizational division of the GCF Secretariat that focuses on private sector activities.

A GCF funded activity is said to be "private" if "all financial resources that are provided for its implementation from financing entities are more than 50 per cent owned and/or controlled by private shareholders" (GCF 2020b, 28). The lines between public and private programming are far from clean, however. At least two "private sector" activities (FP026, FP151)[3], both of which are focused on technical assistance, clearly report that most of their financial resources come from public or non-profit actors.

In several other cases, encompassing most of the private sector activities channeled through MDBs, the reported "financial resources provided for implementation" – i.e. the co-financing component of these activities – is also public, mainly involving loans from the development bank in question (see "co-financing" section below). The basis for claiming that these are private sector programs is not clearly justified in relation to the "financial resources" criteria. However, it is possible to discern a rationale: by classifying programs as "private", MDBs (acting as implementing entities) are able to set their own financing rates (and those of other co-financiers) at levels that are far less concessional than those established by the GCF's "financial terms and conditions" governing public sector activities.

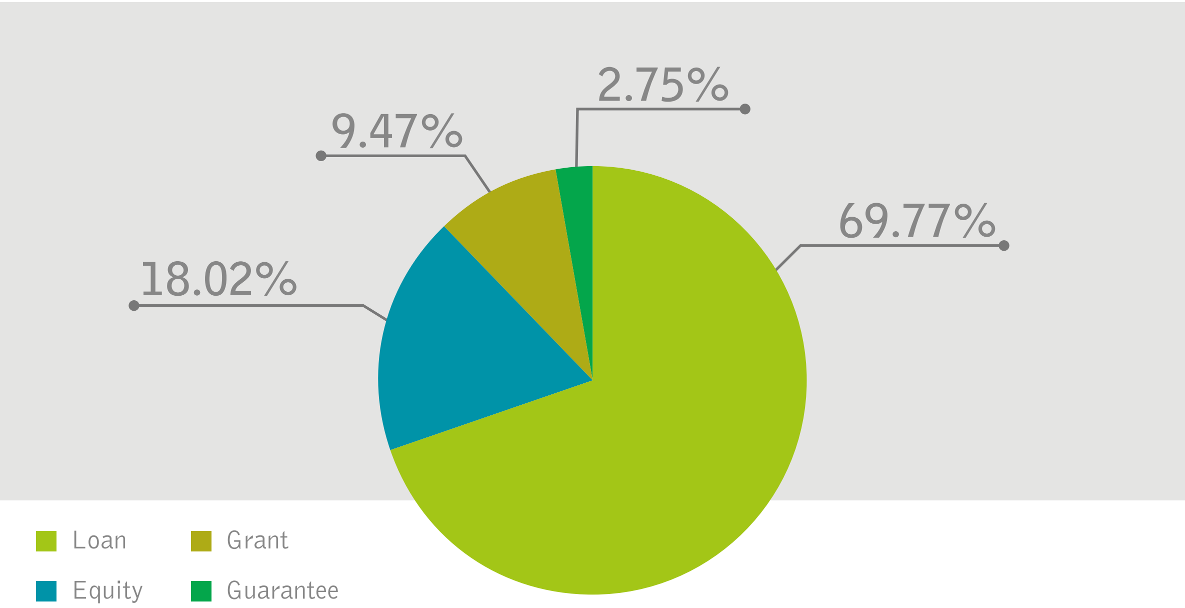
The current means of distinguishing public from private activities also partially obscure the fact that considerable amounts of GCF "public" financing also substantially benefit the private sector. For example, all four activities (FP043, FP082, FP086 and FP166) currently classified as public-private partnerships fall outside of the PSF, and are worth US$508 million in approved financing.

In addition, a number of funded activities aimed at improving the energy efficiency of micro-, small-, and medium-sized enterprises (MSMEs) and industry (FP009, FP063, FP064) are listed as public sector projects. Agricultural value-chain financing is another area where the private sector is the major intended beneficiary of a public sector activity. In the case of FP076, for example, the main financial resources aside from GCF lending come from the Asian Development Bank (ADB), according to which criteria the program is correctly classified as "public". By way of comparison, the European Bank for Reconstruction and Development (EBRD) classifies a project (FP047) as private because it counts the equity of subproject "sponsors" as private. Were the ADB to use the same accounting method, its project would be "private" – a contrast that shows up the need for clearer criteria in how the public/private classification is applied.

[3] The designation "FP" stands for "funding proposal" approved under the GCF's standard project/program approval process. The GCF maintains individual pages for each funded activity, which can be found at the hyperlinks included in this report, or via https://www.greenclimate.fund/projects.

Financial instruments

Private Sector Finance (by financial instrument)



The majority of GCF private sector finance takes the form of loans, which account for 69.8 percent (US$2.07 billion) of the total. A further 18 percent (US$535m) takes the form of equity financing, while 9.5 percent (US$281m) takes the form of grants. Risk guarantees are negligible so far, amounting to just 2.8 percent of private sector funding (almost all related to a single programme, FP168, approved in July 2021).

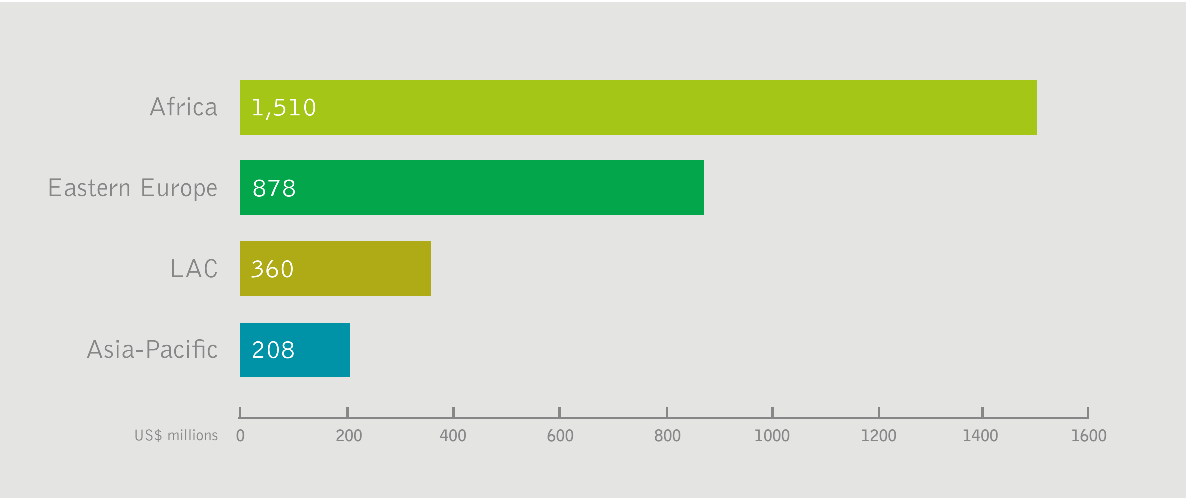
The level of concessionality of GCF loans is recorded on the "term sheet" for each funded activity, which remains confidential, although the project/program documentation for approved activities shows that the GCF typically provides senior loans, alongside a modest capacity building grant. GCF private sector lending overall has taken the form of low-interest and long-tenor project/program loans, lines of credit to banks and other financial institutions, and first loss protection. At present, the GCF does not publish data for different types of loan finance, such as senior or junior lending tranches.

GCF loans were mostly used for renewable energy investments and credit line programs (IEU 2019, 133). Most of the equity financing (seven of ten activities) follows a (fund-of-)funds approach, while the remainder (three small-scale activities) offers risk sharing facilities to MSMEs and households. In one case, the GCF has provided a reimbursable grant to support a blended financing facility (FP099).

Regional distribution

Africa is currently the region receiving the largest share of GCF private sector financing, accounting for 51 percent of programming approved so far (US$1.51 billion). Close to a third of private sector finance goes to the Asia-Pacific region (29.7 percent, US$878 million) with a further 12 percent (US$360 million) to Latin America and the Caribbean (LAC) and 7 percent (US$208 million) to Eastern Europe.

Private Sector Finance (by region, in US$ millions)



This is broadly consistent with the scope of GCF funding overall, although there are some regional differences in terms of what funding instruments are used. Africa has a considerably higher proportion of grant financing (13.1 percent) than elsewhere (only around 6 percent of private finance in Asia-Pacific and Latin America is in the form of grants). The share of equity finance is far higher in Latin America (41 percent) than in other regions, although these figures relate to just four funded activities with an equity component so may not be evidence of a broader trend.

Close to half (17 of 35) of the GCF's private sector projects/programs offer some funding for activities in one or more least developed countries (LDCs), with loans accounting for 67 percent of the total, with a further 17 percent allocated as equity, 12 percent as grants and 3 percent as guarantees. However, these figures may conceal more than they reveal, since the largest share of this funding is delivered via multi-country programs where individual country allocations or indicative targets are typically not specified. The figures here are calculated by averaging the total financing share of multi-country programs across all participant countries, but in practice this is likely to overstate the actual share of LDC financing.[4] Greater transparency could be achieved if GCF programs were required to present target financing allocations per countries at the outset, as well as disclosing disaggregated data as part of their annual performance reports (APRs), which should all be made publicly available on the GCF website.[5]

[4] Participant countries are defined as those issuing no objection letters. We know from existing private sector development and climate finance patterns that most financing goes to middle income countries, reflecting greater investor confidence and more developed market infrastructure (IEU 2021a, 2).

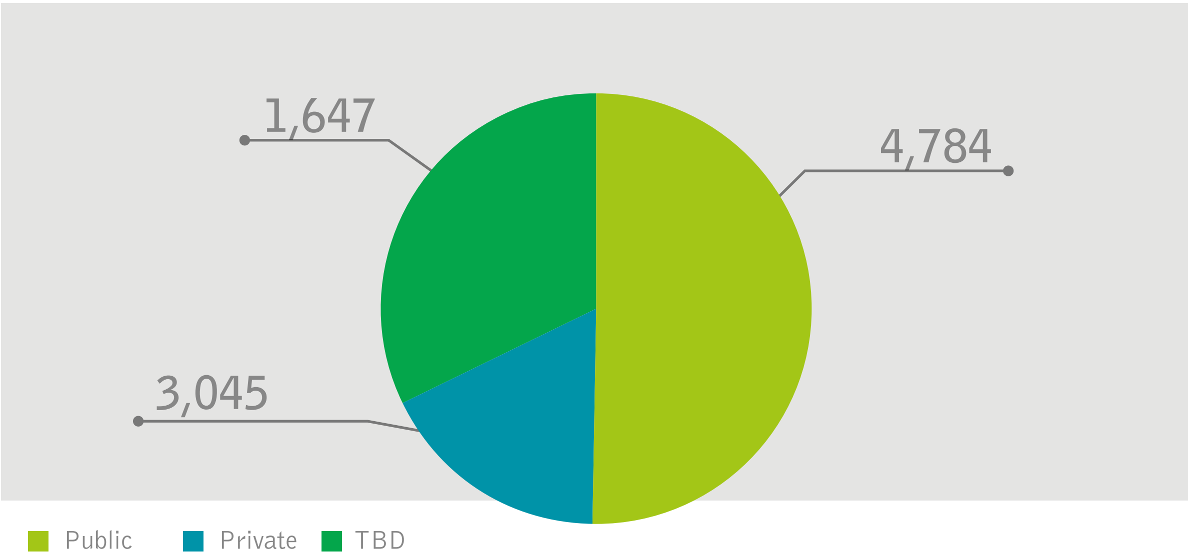
[5] As part of the GCF's monitoring and accountability framework, accredited entities must provide an annual performance report (APR) for each funded project or program. APRs should be made public on the GCF website but are currently only partially disclosed (and redacted in the case of private sector ones), with many remaining unpublished.

Co-financing

The GCF's US$2.957 billion in approved financing is expected to attract US$9.47 billion in co-financing, meaning that every dollar of GCF funding would be matched by around three dollars from other sources. A majority of this co-financing for private activities is expected to come from public sources.

In 2019, the Independent Evaluation Unit (IEU) found that almost 70 percent of private sector co-financing was "leveraged from public owned or funded international organizations and development banks" (IEU 2019, xxxiv). On the face of it, this share appears to have fallen with US$4.78 billion (50 percent) of the claimed co-financing by July 2021 ascribed to public institutions. However, a further US$3 billion in projected co-financing remains "to be determined", and if only the share of clearly attributed co-financing is calculated then the public sector share remains 74 percent (US$4.78 billion of US$6.43 billion).

Private Sector Co-financing (US$ millions)



Private sector investment accounted for only 29 percent of GCF private sector co-financing by 2019 (IEU 2019, 141). As of July 2021, only 25 percent (US$1.65 billion) of clearly attributed co-financing is from the private sector, although this proportion is likely to rise as further investment is confirmed.

The GCF is not yet seeing an increase in private sector co-financing, according to these figures. Instead, GCF projects and programs (notably FP115, FP152 and FP164) are increasingly claiming co-financing that remains "to be determined" at the time of funding approval. It is far from clear whether this undetermined co-financing will ever materialize, and there is emerging evidence that co-financing claimed in funding proposals is far higher than what accredited entities are legally obliged to deliver on once they sign Funded Activity Agreements (FAAs).

Five of the eight private sector activities whose mandated annual performance reports have been made publicly available reveal co-financing levels written into FAAs that are significantly below the figures that were claimed when seeking funding approval, which are still the figures reported on project and program pages of the GCF's website.[6] In the case of FP098, implemented by the Development Bank of Southern Africa (DBSA), the approved funding proposal and program web page report that US$55.6 million in GCF funding will generate US$114 million in co-financing, but only US$55.6 million of this is written into the FAA. The contrast is even starker in the case of FP095, implemented by Agence Française de Developpement (AFD), where the funding proposal claimed that US$292 million in GCF funding would attract US$503 million in co-financing, but only €211 million (US$234 million) is written into the FAA.

The lack of transparency on this matter is a particular concern in the case of projects and programs where very high levels of co-financing were reported at the time of approval, with high private sector leverage ratios claimed as one key justification for the GCF undertaking the activity. For example, FP115 (Espejo de Tarapacá), intermediated by the Japanese private sector MUFG Bank on behalf of the Chilean holding company Valhalla, was able to claim that the GCF's US$60 million investment would leverage over US$1 billion in co-financing, although US$361 million of this was the unnamed equity stake of a "strategic private investor" while a further US$647 million in senior loans were listed simply as "TBD." If these additional funds are required for the project to be built, then has the GCF included the achievement of such levels of co-financing in the project's FAA as a contractual obligation? These are important questions because, prior to receiving GCF funding, the Valhalla holding company had reported financial difficulties and, as of April 2021, no further financing has been reported and the project is again reported to be delayed (Peña 2021; Saavedra and Elgueta 2018).

The reporting of private co-financing that takes the form of equity investments is another source of concern. In a number of cases (FP017, FP039, FP046, FP047, FP080, FP081, FP096, FP106, FP115, FP168) existing shareholdings or equity investments by the project "sponsor" are reported as co-financing. However, this seems to simply be counting the fact that the companies who are implementing projects already have private owners or shareholders, rather than signaling an increase in equity investments or new share issues. This form of reporting is clearly inconsistent with how public projects (or even private projects that do not report such equity) are presented. The inconsistency could easily be resolved, however, if the category of co-financing by project "sponsors" were restricted only to demonstrable new injections of equity finance that can be justified as having come in response to the GCF's investment.

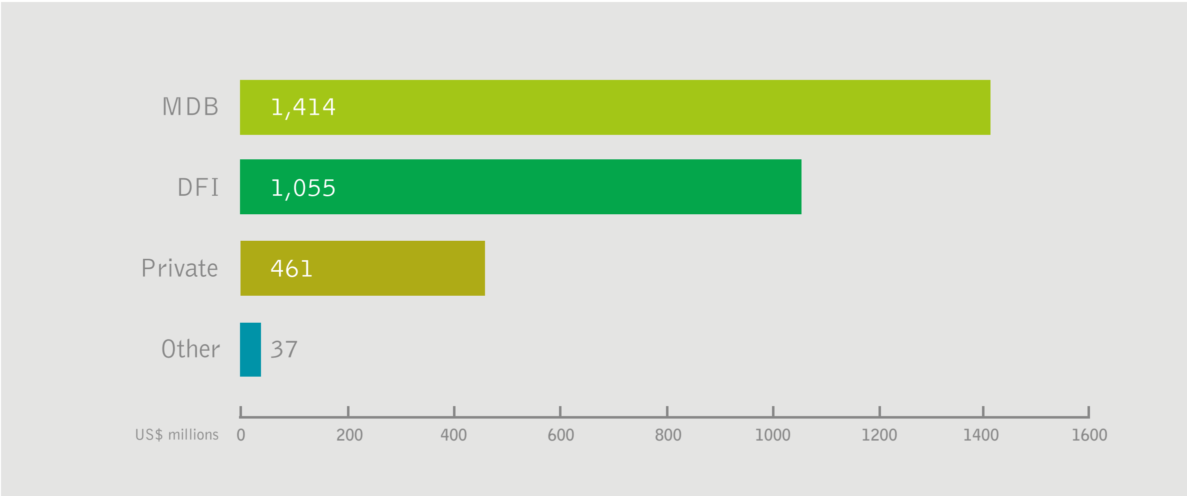
[6] FP005, FP026, FP048, FP081 and FP098. FP099 does not publicly report on co-financing at all, FP081 is consistent with the funding proposal, and FP097 reports co-financing slightly above the level set out in the proposal (US$13 million rather than US$12.5 million). The FAA figures are derived by subtracting the APR reported figure for the "Total Amount of Proceeds Approved" from the "Total project budget including co-financing as reflected in the relevant Funded Activity Agreement." As far as we are aware, these figures reflect only the legal agreement (FAA) and do not confirm that co-financing has yet been delivered.

Accredited Entities

Some US$1.41 billion (47.5 percent) of GCF approved private sector lending is channeled via multilateral and regional development banks, while most of the rest (US$1.06 billion, 35.7 percent) is distributed via development finance institutions.

By comparison, only a relatively small share of GCF private sector investment (15.5 percent, or US$461 million) is made via GCF accredited private sector entities, distributed across 11 activities. Of this total, US$396 million is allocated to activities managed by regional or international entities, while the remaining US$65 million are managed by a single national direct access entity (the Mongolian XacBank).

GCF Private Sector Finance by Entity Type (US$ millions)



As of July 2021, the GCF had 113 accredited entities, 28 of which are categorized by the GCF as from the private sector – although only six of these have any funded activities so far.[7] A time lag between accreditation by the GCF Board and its legal confirmation provides part of the explanation: seven Accreditation Master Agreements (AMAs) with private sector entities have only been signed in the last year (since July 2020). A further nine private sector accredited entities have not yet signed AMAs, four of which were approved several years ago.

Cooperation between GCF and the multinational commercial banks that it has accredited has been particularly slow. Five years since its initial accreditation, HSBC has not signed an AMA, while no such agreement has been signed with BNP Paribas almost three years after the GCF Board approved it as an accredited entity. Crédit Agricole signed its AMA in April 2021, five years after Board approval. Although Deutsche Bank signed its AMA two years after Board approval in 2017,

[7] XacBank (4), Acumen (3), MUFG (2), Deutsche Bank (1), NEFCO (1) and Pegasus (1).

its only project (FP027), which was approved in October 2016, looks unlikely to happen (IEU 2019, 135). MUFG is alone amongst the big, international commercial banks to have projects under implementation – both of which were organized via a special private sector pilot program, the Request for Proposals (RfP) for Mobilizing Funds at Scale (MFS). A thorough review of the difficulties of GCF collaboration with such institutions is needed before their re-accreditation as partners of the Fund, which is required five years after their AMAs are signed.

Although it is still early days, the GCF's successful collaboration with XacBank in Mongolia provides an example of what could be achieved by focusing attention on strengthening national-level rather than international commercial banks. Over the past decade, XacBank has developed a profile that includes climate-friendly investments, especially in energy efficiency and renewable energies (Wörlen et al. 2020, 26). The GCF has helped XacBank to expand its portfolio, approving four funded activities that mostly target concessional lending towards improving energy efficiency and installing solar power. For example, GCF financing helped XacBank to become the first commercial bank to successfully fund a utility-scale (10MW photovoltaic (PV)) solar plant in Mongolia (Transparency Partnership 2019).

Governance

Although the GCF does not involve the private sector in its decision-making processes, its Board seeks private sector input via a Private Sector Advisory Group, which includes eight private sector representatives (equally distributed between developed and developing countries) and including two additional observers (one representing private sector organizations and one representing civil society organizations respectively). While actively providing recommendations on a host of issues during the GCF's initial operations, the PSAG has been dormant since early 2020, pending Board approval of a review of the effectiveness of various groups and committees. Further private sector outreach is conducted by National Designated Authorities (NDA), which are typically hosted by the finance or environment ministries of countries eligible to receive funding, and the GCF Secretariat, which hosts an annual Private Investment for Climate conference.

At the level of projects and program implementation, most GCF operating policies and guidelines (including accreditation requirements for implementing entities, investment framework criteria, and environmental and social safeguards, gender and Indigenous Peoples' policies and related requirements) apply equally to public and private sector funded activities. However, there are some notable policy exceptions, such as private sector proprietary information restricting some information disclosure, differentiated financial terms for public and private sector lending, and targeted private sector pilot programs.

Gender and Environmental and Social Safeguards (ESS)

All entities applying for GCF accreditation are assessed for their ability to comply with the GCF's Environmental and Social Policy (ESP), its environmental and social safeguards (ESS) and its gender policy. This has proven to be quite challenging, with most of the 28 GCF private sector accredited entities displaying significant weaknesses in their institutional capacity to apply GCF gender and ESS mandates, with corresponding conditions for accreditation imposed. In eight cases, private sector applicants, among them the four large international commercial banks (BNP Paribas, Credit Agricole, Deutsche Bank and HSBC), were requested to first develop their own gender policy before accessing GCF funding. Almost two-thirds of private sector entities (16 of 28) have to comply with multiple conditions requiring them to strengthen and expand their own gender capacities, such as through recruitment and training of in-house gender expertise.

Similarly, over half of private sector entities (14 of 28) faced accreditation conditions related to ESS compliance, such as strengthening in-house environmental and social management systems, ESS risk categorization procedures and related information disclosure and complaint procedure requirements.

Even where procedures and policies were in place at the time of accreditation, in a number of instances these were newly developed, fulfilling the GCF criteria on paper but without showing any track record of successful application or having made any corresponding shift in corporate culture. Because of this, there should be heightened scrutiny of the adequacy of proposed gender actions and ESS and risk management procedures during the due diligence compliance check of funding proposals, and commensurate follow up during implementation.

Many approved private sector projects and programs have weak or limited ESS proposals or gender policy plans, but the GCF Board, the GCF Secretariat and Independent Technical Assistance Panel (ITAP) have done little to improve these by proposing gender and ESS related conditions at the level of individual activities. The GCF Board and Secretariat have only applied such conditions in eight cases of the 35 private sector activities approved so far, such as for FP078 implemented by Acumen. The lack of conditions should not be taken as proof of adequate attention to gender and ESS compliance in GCF-supported private sector investments, however, and GCF civil society observers have repeatedly pointed out that the opposite is the case.[8]

A lack of project/program-level scrutiny of ESS and gender plans is particularly concerning in the cases of programmatic or fund-of-fund approaches, where the submitted ESS criteria, gender assessments and gender action plans are often very broad and unspecified, claiming more sub-project specific analysis and action to follow only later.

[8] For comments by the GCF Observer Network of Civil Society Organizations, Indigenous Peoples and local communities on individual private sector proposals, see https://www.gcfwatch.org/project-tracker.

Transparency and accountability

The GCF has a pro-active Information Disclosure Policy (IDP) with "a presumption in favour of disclosure for all information and documents relating to the GCF and its funding activities" but it allows for exemptions such as for "[f]inancial, business or proprietary and non-public information in possession of the GCF and belonging to a party outside the GCF," which are applied with a broad stroke to information related to private sector activities (GCF 2016). The GCF is thus turning the IDP's "presumption to disclose" into a de facto "presumption to not disclose" for private sector activities, instead of limiting non-disclosure only to the careful exclusion of truly commercially sensitive language.

This structural transparency deficit for GCF private sector compared to public activities manifests itself in several ways. For one, the private sector project/program proposals published on the GCF website prior to Board decisions are redacted, with related annexes withheld (such as stakeholder engagement or resettlement plans). Equivalent annexes are now routinely published for public sector proposals. The problem is particularly acute because private sector activities are far more likely to be structured as multi-country programs or financing facilities, with sectoral eligibility criteria or listings of indicative sub-projects often only elaborated in non-disclosed annexes. Second, citing the legal requirement to protect proprietary information, the GCF Secretariat does not release its due diligence compliance assessment of private sector funding proposals against the GCF's environmental and social safeguards (ESS) framework, its investment framework and its gender and Indigenous Peoples policies, whereas the equivalent assessments of public sector proposals are publicly available.

Such redacted and limited disclosure reduces public accountability. For example, there is currently no standard requirement for GCF-funded private sector programs or fund-of-fund approaches to routinely disclose information about individual sub-projects on the GCF website.[9] While some ESS information related to sub-projects must at minimum be disclosed on the website of the accredited entity[10], the release of other sub-project information (such as a detailed description of the investment supported with GCF funding) is not.

Likewise, the private sector Annual Performance Reports (APRs) in which all AEs have to self-report on implementation progress and challenges of funded activities, have widely differing levels of detail and are made public only in redacted form or, in a majority of cases, are not published at all. In future, all APRs of private sector activities for all years of implementation must be published, with redaction kept to a minimum and in particular detailed sub-project information included in the case of programmatic or fund-of-fund approaches.

[9] In some rare cases (such as for FP099 implemented by FMO, and FP128 implemented by MUFG), the GCF Board made its program funding approval conditional on the disclosure on the GCF website of some limited information on sub-project environmental and social safeguards; however, no programs are yet required to provide detailed sub-project information on the GCF website.

[10] This is a requirement under the GCF Environmental and Social Policy (ESP), which requires ESS disclosure of sub-projects on the accredited entity's own website 30 days ahead of approval in the case of Category B activities (medium risk for environmental and social impacts), and 120 days prior to approval in the case of Category A (high risk) (GCF 2018).

Recommendations

In analyzing the GCF's current portfolio of private sector projects and programs, we have found several definitional and procedural shortcomings with respect to GCF supported private sector activities, which might be resolved according to the following recommendations:

- The definition of private sector activities as those for which over half of the financial resources provided for their implementation is "owned and/or controlled by private shareholders" should be applied consistently, to ensure that accredited entities are not simply classifying activities as "private" to reduce the concessionality of their own lending.
- The Secretariat should disaggregate data on different lending types (notably, senior or junior tranches) when presenting information on financial instruments, so that the portfolio of GCF investment can be better understood. The GCF should also produce separate data on "public private partnerships" and "third sector" (non-profit non-government) lending, in addition to the current public-private distinction.
- Annual Performance Reports (APRs) for all private as well as public sector activities should be published on the GCF website, covering all years of project and program implementation and including specific information on sub-projects.
- The prevalence of multi-country programs makes it difficult to assess the actual regional breakdown of GCF financing, or the shares of LDC and SIDS financing. Multi-country programs should be required to publicly present indicative per country financing allocations as part of funding proposals, and should make publicly available the per country share of finance allocated on a rolling basis. This information should be presented in APRs and published on the GCF website.
- To ensure that co-financing claims are not overstated, the reported level of project or program co-financing should be consistent with the amount set out in the Funded Activity Agreement, with accredited entities required to publicly report on progress in achieving this co-financing goal as part of their APR.
- Clearer rules should be developed to ensure that accredited entities are not reporting existing shareholder capital or private equity as co-financing. Any reporting of the equity of project/program "sponsors" as co-financing should be required to justify how this investment is additional, i.e. establishing a plausible case that GCF involvement has caused this additional investment to be made.
- A thorough review of the difficulties and delays involved in collaboration with multinational commercial banks should be carried out before their re-accreditation as GCF partners.

- New guidance should be issued to the ITAP to ensure that greater attention is paid to the capacity of accredited entities to ensure compliance with ESS standards, gender policies and action plans and the Indigenous Peoples Policy in submitted project/program proposals, with related conditions applied more frequently as part of the Board approval process.
- The review of the GCF Information Disclosure Policy should restore the "presumption to disclose," with only clearly identified commercially sensitive information withheld. In particular, private sector funding proposals should make publicly available on the GCF website information on stakeholder consultations, resettlement plans, projected sectoral and per country allocations, and indicative lists of sub-projects, which are currently often held in closed annexes.

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ANNEX. GCF Private Sector Projects and Programs (to B.29, July 2021)

No.	Activity	Accredited entity[11]	Region(s)[12]	GCF Funding	Co-Finance
FP005	KawiSafi Ventures Fund	Acumen	Africa	25,000,000	85,000,000
FP017	Climate action and solar energy development programme in the Tarapacá Region in Chile	CAF	LAC	39,000,000	142,000,000
FP025	GCF-EBRD SEFF Co-financing Programme	EBRD	Africa, Asia-Pacific, East Eur.	378,000,000	1,007,000,000
FP026	Sustainable Landscapes in Eastern Madagascar	Conservation Int	Africa	18,500,000	800,000
FP027	Universal Green Energy Access Programme (UGEAP)	Deutsche Bank	Africa	80,000,000	221,600,000
FP028	MSME Business Loan Program for GHG Emission Reduction	XacBank	Asia-Pacific	20,000,000	40,000,000
FP039	GCF-EBRD Egypt Renewable Energy Financing Framework	EBRD	Africa	154,700,000	852,300,000
FP046	Renewable Energy Program #1 - Solar	XacBank	Asia-Pacific	8,650,050	8,906,870
FP047	GCF-EBRD Kazakhstan Renewables Framework	EBRD	Asia-Pacific	110,000,000	447,000,000
FP048	Low Emissions and Climate Resilient Agriculture Risk Sharing Facility	IDB	LAC	20,000,000	138,000,000

[11] Abbreviations: Acumen = Acumen Fund, Inc., ADB = Asian Development Bank, AFD = Agence Française de Développement, AfDB = African Development Bank, BOAD = Banque Ouest Africaine de Développement (West African Development Bank), CABEI = Central American Bank for Economic Integration, CAF = Corporación Andina de Fomento, Conservation Int = Conservation International, Deutsche Bank = Deutsche Bank Aktiengesellschaft, DBSA = Development Bank of Southern Africa, EBRD = European Bank for Reconstruction and Development, Fiji DB = Fiji Development Bank, FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., IDB = Inter-American Development Bank, IDCOL = Infrastructure Development Company Limited, IUCN = International Union for Conservation of Nature, MUFG Bank = MUFG Bank, Ltd. (formerly, Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)), NABARD = National Bank for Agriculture and Rural Development, NEFCO = Nordic Environment Finance Corporation, Pegasus = = Pegasus Capital Advisors, L.P., XacBank = XacBank LLC.

[12] Abbreviations: East Eur. = Eastern Europe, LAC = Latin America and the Carribean

No.	Activity	Accredited entity [11]	Region(s) [12]	GCF Funding	Co-Finance
FP078	Acumen Resilient Agriculture Fund (ARAF)	Acumen	Africa	26,000,000	30,000,000
FP080	Zambia Renewable Energy Financing Framework	AfDB	Africa	52,500,000	101,500,000
FP081	Line of Credit for Solar rooftop segment for commercial, industrial and residential housing sectors	NABARD	Asia-Pacific	100,000,000	150,000,000
FP095	Transforming Financial Systems for Climate	AFD	Africa, LAC	291,262,135	483,040,936
FP096	DRC Green Mini-Grid Program	AfDB	Africa	21,000,000	68,000,000
FP097	Productive Investment Initiative for Adaptation to Climate Change (CAMBio II)	CABEI	LAC	15,500,000	12,500,000
FP098	DBSA Climate Finance Facility	DBSA	Africa	55,610,000	114,940,000
FP099	Climate Investor One	FMO	Africa, Asia-Pacific	100,000,000	721,500,000
FP105	BOAD Climate Finance Facility to Scale Up Solar Energy Investments in Francophone West Africa LDCs	BOAD	Africa	74,029,125	71,345,029
FP106	Embedded Generation Investment Programme (EGIP)	DBSA	Africa	100,000,000	437,000,000
FP114	Program on Affirmative Finance Action for Women in Africa (AFAWA): Financing Climate Resilient Agricultural Practices in Ghana	AfDB	Africa	20,000,000	5,600,000
FP115	Espejo de Tarapacá	MUFG Bank	LAC	60,000,000	1,034,000,000
FP128	Arbaro Fund – Sustainable Forestry Fund	MUFG Bank	Africa, LAC	25,000,000	175,000,000
FP140	High Impact Programme for the Corporate Sector	EBRD	Africa, Asia-Pacific, East Eur.	258,030,000	758,860,000
SAP004	Energy Efficient Consumption Loan Programme	XacBank	Asia-Pacific	10,000.000	11,500,000

No.	Activity	Accredited entity [11]	Region(s) [12]	GCF Funding	Co-Finance
SAP013	Scaling Smart, Solar, Energy Access Microgrids in Haiti	NEFCO	LAC	9,900,000	35,848,000
SAP016	Fiji Agrophotovoltaic Project in Ovalau	Fiji DB	Asia-Pacific	5,000,000	5,000,000
FP148	Participation in Energy Access Relief Facility ("EARF")	Acumen	Africa	30,000,000	30,000,000
FP149	Green Climate Financing Facility for Local Financial Institutions in Latin-America	CAF	LAC	100,000,000	50,200,000
FP150	Promoting private sector investment through large scale adoption of energy saving technologies and equipment for Textile and Readymade Garment (RMG) sectors of Bangladesh	IDCOL	Asia-Pacific	256,480,000	89,020,000
FP151	Global Subnational Climate Fund (SnCF Global) – Technical Assistance (TA) Facility	IUCN	Africa, Asia-Pacific, East Eur., LAC	18,500,000	9,000,000
FP152	Global Subnational Climate Fund (SnCF Global) – Equity	Pegasus	Africa, Asia-Pacific, East Eur., LAC	150,000,000	600,000,000
FP153	Mongolia Green Finance Corporation	XacBank	Asia-Pacific	26,654,103	23,000,000
FP164	Green Growth Equity Fund	FMO	Asia-Pacific	137,000,000	807,500,000
FP168	Leveraging Energy Access Finance (LEAF) Framework	AfDB	Africa	170,900,000	789,000,000