



SIDS ACCESS TO THE GREEN CLIMATE FUND

Understanding the GCF project portfolio in SIDS

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SIDS ACCESS TO THE GREEN CLIMATE FUND

UNDERSTANDING THE GCF PORTFOLIO IN SMALL ISLAND DEVELOPING STATES

Executive Summary

This briefing analyses approved Green Climate Fund (GCF) projects from November 2015 to July 2021, with a view to understanding how Small Island Developing States (SIDS) have accessed the GCF to date.¹ The purpose of the briefing is to provide key stakeholders from SIDS with information on small island nations' access to the GCF and to highlight some of the challenges as well as potential opportunities/recommendations for improving access to climate finance from the GCF.

To prepare this briefing, Climate Analytics (CA) developed a comprehensive, living database of GCF activities under its **IMPACT project**, using all public information available on the GCF website and from publicly available project documentation.

The briefing finds that:

- **SIDS projects represent 21% of approved GCF projects** (38 out of 178 approved projects), which is low in comparison to other country groupings.
- The **least amount of GCF funding has been approved for SIDS** when compared to other regions, with SIDS approved projects representing about 4% of total GCF funding. With the inclusion of countries that classify as both a SIDS and a LDC as well as multinational projects with at least one SIDS, all SIDS-inclusive projects represent about 15% of approved GCF funding.
- The majority of SIDS' projects approved to date are **adaptation projects**. In total, there are 21 adaptation projects out of the 38 projects in SIDS, including those multinational projects and projects in countries that classify as both a SIDS and LDC. 9 of the remaining projects are mitigation projects and 8 are classified as cross-cutting.
- SIDS in the Asia-Pacific region have more approved GCF projects than SIDS in other regions, with a total of 18 approved projects. This is also the case in terms of funding volume as well. SIDS in Latin America and the Caribbean are not far behind, with 10 approved projects. There are 5 approved projects in SIDS in the African region.
- Most GCF projects in SIDS were accessed through **international access entities**. Out of the 38 projects in SIDS, 30 were accessed through international access entities, 5 through direct regional access and 2 through a direct access entity and 1 through an enhanced direct access entity.
- Most SIDS projects are **small projects** (categorized as USD 10 – 50 million). The remainder of SIDS projects mostly fall into the medium-sized category projects (USD 50 – 250 million).
- SIDS have to date only accessed **5 GCF projects through the Simplified Approval Process (SAP)**, despite the fact that this process aims to improve access by reducing time and effort during the approval process.

¹ In this briefing, SIDS countries are classified using the UN-ORHLLS listing.

- The overwhelming majority of SIDS projects are public sector projects; only **9 out of the 38 approved SIDS projects are private sector projects**.
- SIDS projects are completed faster than other GCF projects. The **average duration to completion for projects in SIDS is 5 years**. For countries that classify as both a SIDS and a LDC, the average duration is 7 years.
- **26 out of 38 approved SIDS-inclusive projects are under implementation**.
- SIDS projects have the **highest average disbursement rate per project, but the average rate is still very low**. On average, about 3.5% of GCF funding per project has been disbursed for SIDS-inclusive projects. In nominal terms, 203 USD million has been disbursed for SIDS projects, 107.3 USD million for SIDS/LDC projects, and 140 USD million for multinational projects with at least one SIDS. Total funding allocated (GCF financing and co-financing) for SIDS-inclusive projects is approximately \$USD4 billion, in comparison to the total of almost \$USD34 billion.

These findings suggest that despite the GCF's efforts to ensure efficient access to financial resources² for SIDS and Least Developed Countries (LDCs), for example through the SAP and enhanced readiness support, significant challenges still remain. Based on [the Summary of Findings](#), it is clear that **there is a need for dedicated further efforts to enhance SIDS' access to the GCF**. The findings suggest that the GCF's policies are stringent and difficult to meet for many SIDS that face capacity constraints and that entities wishing to access funds from the GCF face difficulties with demonstrating a track record of handling large amounts of financial resources, which is a requirement of the GCF. The findings also show that there is a significant reliance by SIDS on international organisations to access funds from the GCF, which is not the most effective way to promote the cornerstone element of the GCF, i.e., country-drivenness.

A few recommendations that may address some of the challenges highlighted in this briefing include:

- Efforts could be made to undertake additional capacity building in SIDS, beyond what is available through the GCF Readiness Programme, to identify gaps and improve access to the GCF.
- SIDS might benefit from “lessons learned” and “exchange” workshops among various SIDS countries, to facilitate sharing of experiences with accessing the GCF.
- It would help if the GCF Board could pay more attention to the unique circumstances of SIDS when developing and reviewing its policies, including the Readiness and Preparatory Support Programme and the SAP. Such circumstances include capacity constraints to develop concept notes and proposals due to challenges meeting complex eligibility criteria, data collection, onerous approval procedures and high transaction costs.³
- Additional work could be undertaken to understand how to increase private sector adaptation co-financing.

These recommendations are further elaborated in the [Conclusion](#) of this document.

² Article 9, paragraph 9 of the Paris Agreement.

³ See [Making Development Cooperation work for Small Island Developing States](#) (OECD 2018), [Independent Evaluation of the Relevance and Effectiveness of the Green Climate Fund's Investments in Small Island Developing States](#) (IEU/GCF, 2020)

Introduction

Small Island Developing States (SIDS) have long been recognized as being particularly vulnerable to the impacts of climate change and have played a key role in advocating for stronger ambition to limit global warming through the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement.⁴ In order to support the efforts of developing countries to respond to climate change, the UNFCCC established the Green Climate Fund (GCF) in 2010 as a financial mechanism.

The Green Climate Fund (GCF) is now the largest global climate fund. **The main goal of the GCF is to help developing countries limit or reduce their greenhouse gas (GHG) emissions and adapt to climate change and to promote a paradigm shift to low-emission and climate-resilient development.**

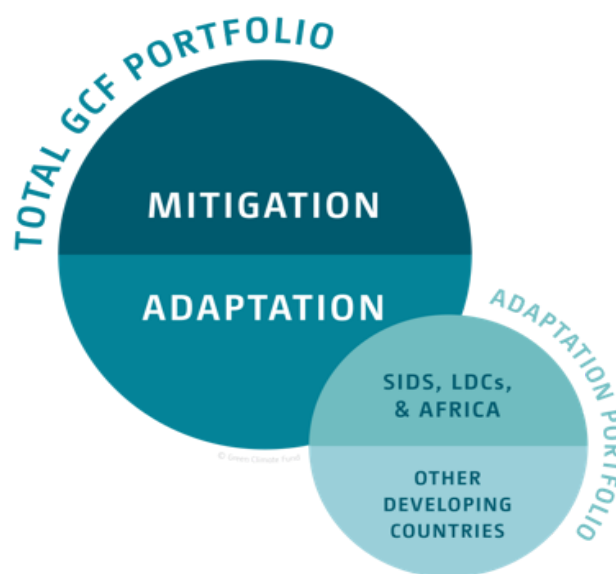


Figure 1: Distribution of GCF Portfolio

Source: Green Climate Fund

The GCF has the important role of serving the Paris Agreement and supporting the goal of pursuing efforts to limit global average temperature increase to 1.5 degrees Celsius above pre-industrial levels. In consequence, the GCF has been enhancing its strategic and climate-centric approach to funding by adopting a learning process approach and continually assessing and updating its policies. The architecture of the GCF and its activities are aligned with the priorities of developing countries through the principle of country ownership – fundamentally grounded through each country's National Designated Authority (NDA)⁵.

SIDS and LDCs are disproportionately vulnerable to climate change impacts and other external shocks and are facing significant capacity constraints and insufficient domestic finance, due in part to high levels of indebtedness, all of which constrains islands' abilities to respond adequately to challenges

⁴ Climate Change and Small Island Developing States, 2020

⁵ National Designated Authorities (NDAs) are government institutions that serve as the interface between each country and the Fund. They provide broad strategic oversight of the GCF's activities in the country and communicate the country's priorities for financing low-emission and climate-resilient development.

posed by climate change. The Governing Instrument of the GCF recognizes this particular vulnerability of SIDS and LDCs and states that: in allocating resources for adaptation, the Board will take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States⁶.

The GCF emphasizes its commitment to mobilising climate finance for SIDS and LDCs in many of its documents which includes an approach to de-risk investment in climate finance for, inter alia, SIDS and LDCs. Furthermore, **the GCF is mandated to invest 50% of its resources to mitigation and 50% to adaptation in grant equivalent and at least half of its adaptation resources must be invested in the most climate vulnerable countries (SIDS, LDCs, and African States).**⁷

As of July 2021, SIDS have received USD 1.00 billion in GCF funding, with a total of 38 approved GCF projects, 4 multiregional projects and 26 projects are under implementation.⁸

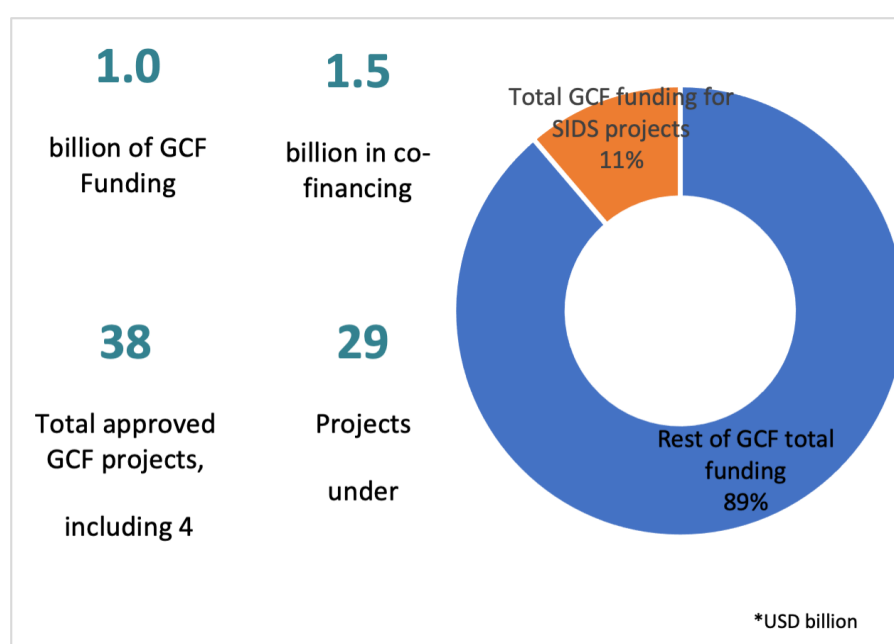


Figure 2. GCF Funding in SIDS

The GCF has different access modalities, one of them being Direct Access. This is one of the GCFs distinctive and differentiating features whereby developing countries access financial resources through national and regional entities. There are currently fifteen accredited Direct Access Entities (DAEs) from SIDS.

Despite this, SIDS still face challenges when it comes to accessing the GCF, in part because projects and programmes are approved by the GCF Board on a rolling basis, dictating a first come first served basis. In this already competitive context, SIDS have been placed in a category with much larger developing countries with greater capacity to access resources. At the GCF 24th Board meeting, the Board asked the Independent Evaluation Unit (IEU) to assess the relevance and effectiveness of the GCF's investments in SIDS.⁹ **This evaluation provides some important context and information**

⁶ [Governing Instrument for the Green Climate Fund, 2011](#)

⁷ [About the Green Climate Fund](#)

⁸ [GCF Spotlight SIDS, 2021](#)

⁹ [Independent Evaluation of the Relevance and Effectiveness of the GCFs Investments in SIDS, 2020](#)

related to the findings of this briefing. The IEUs found that SIDS face serious capacity constraints, high transaction or operational costs and that the GCF policies lack flexibility for implementation and application to address the needs of SIDS.

Specifically, the IEU's brief states that the DAEs in SIDS often have insufficient staff to meet the demand for their services, and many international access entities are disincentivized by the high transaction costs when working with the GCF on projects in SIDS. Furthermore, the brief highlights that SIDS lack the capacity to prepare GCF funding proposals, despite the GCF Readiness and Preparatory Support Programme and the SAP, both described in more detail in the [Annex](#) to this document. The IEU found that even the GCF's Private Sector Facility does not sufficiently respond to the micro-scale, low capital base and low risk capacity of businesses in SIDS. This information is crucial to understanding the findings of this briefing and to an extent, explains some of the findings.

Methodology for collating and analysing data

To improve understanding of GCF projects and programmes in SIDS, Climate Analytics (CA) developed a comprehensive database of GCF activities under its IMPACT project. CA experts extracted all public information available on the GCF website including projects and Board meetings documentation. We placed special emphasis on categorizing¹⁰ the projects into clusters that could yield valuable information to inform efforts to strengthen SIDS' project proposals and improve their financial access to the GCF.

The database comprises over 50 variables for each of the 178 approved projects¹¹ (from the 11th Board meeting on November 5th, 2015, up until July 1st, 2021, at the 29th Board meeting) and presents information according to a host of factors, inter alia:

- Project characteristics (e.g., country, region, size, beneficiaries, GHG avoided)
- Access modality and accredited entities
- Thematic and result areas
- Financial variables (e.g., funding and co-financing, instruments, risk category, etc.), and
- Status of project (e.g., current disbursement, under implementation, expected completed date).

The information contained in this database was then used to provide a synthesis of GCF resource allocation activities within and among SIDS' projects and to develop the results presented in the next section.

¹⁰ We classified countries in line with the GCF country grouping (SIDS, LDC and African States) that uses the categorization for developing countries that was first established in the United Nations Conference on Environment and Development in June 1992 for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

¹¹ GCF official information depicts 177 projects, however, we considered 178 projects including FP104 Nigeria Solar IPP Support Program from the Africa Finance Corporation approved at the 22th Board meeting.

Summary of findings

GCF Portfolio in SIDS

- Figure 3 shows that of a total of 178 approved GCF projects as of GCF/B.29 (July 1st, 2021), **38 projects are in SIDS countries, with 19 of these originating in countries that classify only as a SIDS and 7 projects in countries that classify as both a SIDS and an LDC.**¹² The remaining 12 projects are multinational projects that include at least one SIDS, and in some instances are multi-regional. Figure 3 also shows that in nominal terms, this equates to **SIDS projects representing 21% of the GCF's total approved projects**, which is quite low when compared to GCF projects approved in other countries.

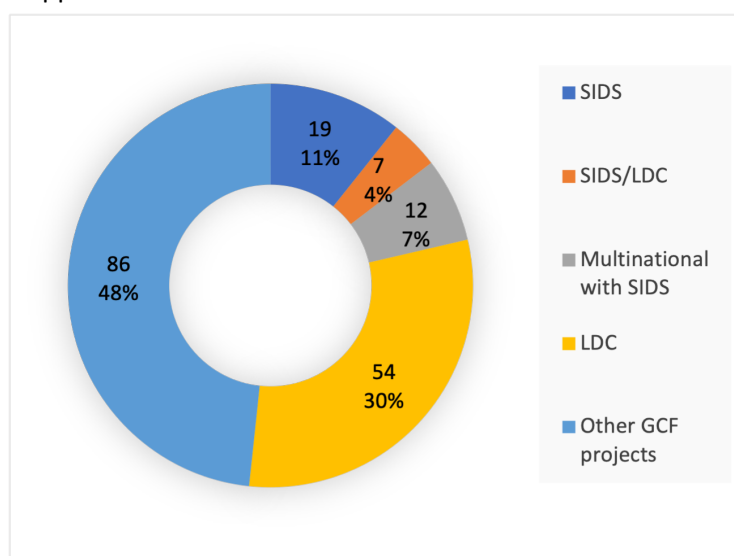


Figure 3. Approved GCF projects by country grouping

- Figure 4 shows that **SIDS have received the least amount of GCF funding as compared to other groups of countries, with SIDS countries receiving only about 4% of total GCF funding.** All three project categories involving SIDS (SIDS-only, SIDS/LDC¹³, multinationals with SIDS) have received about **15% of the GCF's total funding approved to date**, significantly lower than other groups of countries. The total funding for SIDS GCF projects (SIDS and SIDS/LDC) including co-financing, is approximately USD 1.7 billion. The average funding per project for SIDS and SIDS/LDC countries is approximately USD 75 million. This average figure is more than 2 times less than the average funding for approved GCF projects.

¹² [UNORHLLS List of SIDS](#)

¹³ A country that classifies as both a SIDS and LDC

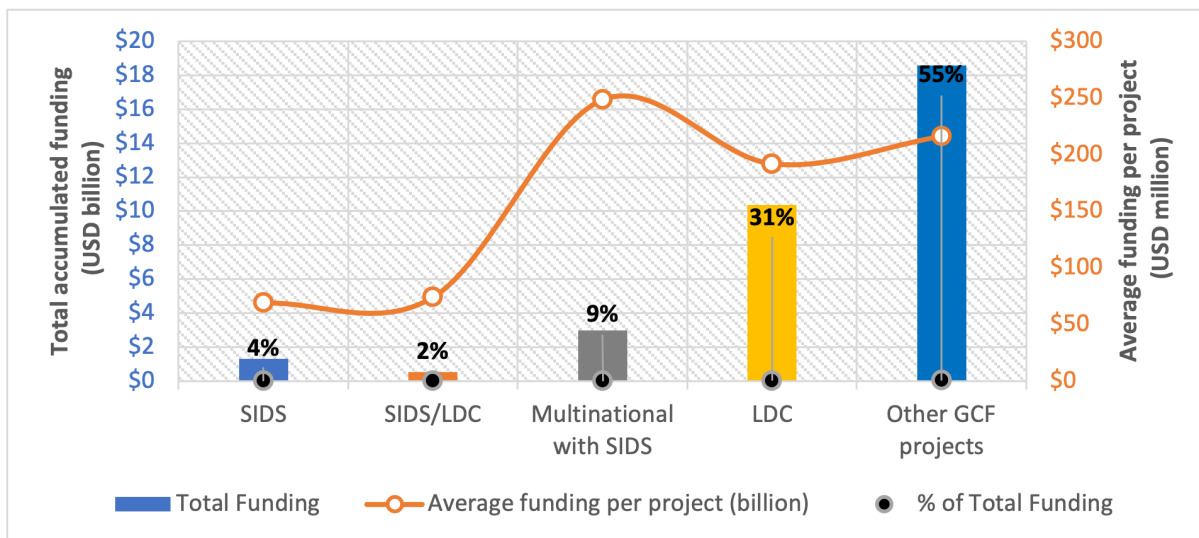


Figure 4. Total and average GCF funding by country grouping

The results in figure 3 and figure 4 suggest a few different things:

- i. SIDS have submitted fewer funding proposals comparing with other country grouping, and projects submitted were mostly small and medium as per the GCF project-size classifications.
- ii. SIDS have submitted fewer projects to the GCF for approval due to capacity constraints and other challenges, and/or
- iii. the GCF has approved fewer projects in SIDS than in LDCs and significantly fewer projects when compared to projects in other developing countries.

The GCF recently compiled its own information on GCF activities in SIDS in a “Spotlight” brief, and this brief confirms that capacity constraints in SIDS account for the low access rate we see in Figures 3 and 4. As of July 2021, the GCF approved a total of US\$69.9 million for 119 readiness grants, of which the fund disbursed US \$34.8 million for 105 grants.¹⁴ To put this in context, to date, the GCF has approved US\$307.2 million in readiness grants.

The numbers in the preceding paragraph reinforce the findings seen in the figures above, i.e., that SIDS are not accessing GCF financing in a manner similar to other developing countries. Despite this, the **Climate Funds Update** shows that from 2003 – 2019, the GCF was the largest source of climate funding for SIDS. **If the GCF is indeed the largest source of climate finance for SIDS, urgent efforts need to be made to increase the amount of funding channelled to SIDS through the GCF based on what is seen in figures 3 and 4.**

Recalling the findings of the GCF’s IEU on the relevance and effectiveness of the GCF in SIDS⁹, figures 3 and 4 support the conclusion that SIDS face capacity constraints regarding proposal development and meeting the requirements of GCF Policies. The IEU also found that programmes and initiatives which aim to assist countries with capacity constraints, e.g., the Readiness Programme and the SAP, have not been working adequately for SIDS and that these initiatives, programmes and policies need to be better tailored to the context SIDS. These

¹⁴ [GCF Spotlight: Small Island Developing States \(SIDS\), July 2021](#)

findings could help to explain why the numbers of projects and number of resources deployed to SIDS from the GCF are significantly lower than for other countries.

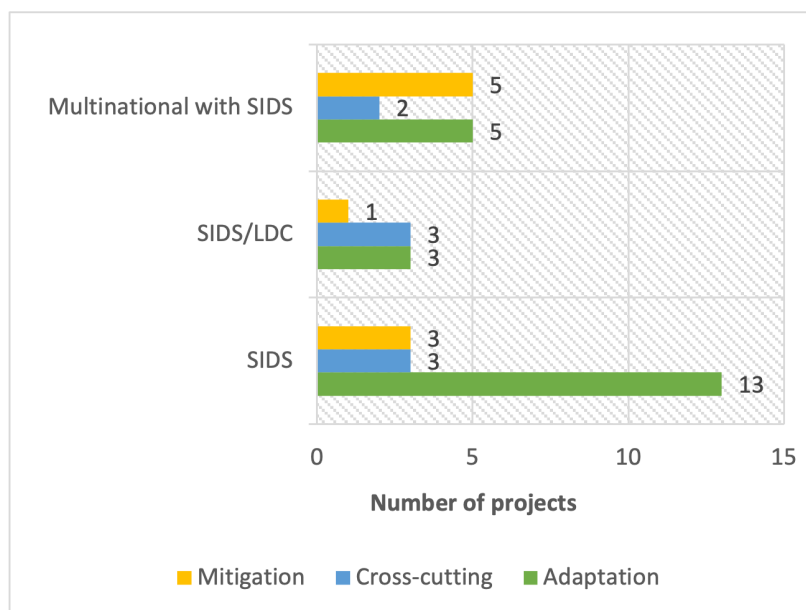


Figure 5. Approved GCF projects by thematic area

- With regard to the GCF result areas, according to Figure 5, **adaptation projects make up the majority of GCF projects in SIDS**, which is probably not a surprise given the particular vulnerability of SIDS and the impacts of climate change they are already facing. The remainder of projects are split between mitigation and cross-cutting projects, with an equal number of adaptation and mitigation projects for multinational projects that include at least one SIDS. In total, there are 21 adaptation projects out of all projects in SIDS, including those multinational projects and projects in countries that classify as both a SIDS and LDC.
- When comparing type of project by funding volume, GCF resources attributed to adaptation projects represent about 4% of total approved GCF resources, while mitigation represents about 7% of the total approved GCF resources. However, when co-financing is included, the percentages of funding are more balanced at around 6% each. Cross-cutting projects will skew these numbers as well given that those projects include both adaptation and mitigation components.
- Figure 6 shows the number of approved projects in SIDS grouped across the different SIDS regions. **SIDS in the Asia-Pacific region are leading in terms of number of approved projects, with 19 approved projects.** SIDS in Latin America and the Caribbean are not far behind, with 10 approved projects. SIDS in the African region have a total of 5 approved GCF projects.

Overall, the findings do not suggest any SIDS region is particularly “out-performing” another in terms of GCF project approvals, but Asia-Pacific has the highest number of approved projects to date. The findings however do reinforce what we see above, i.e., there are much fewer projects from SIDS projects when compared to the total portfolio of GCF approved projects, alluding to the challenge that SIDS face with access to climate finance.

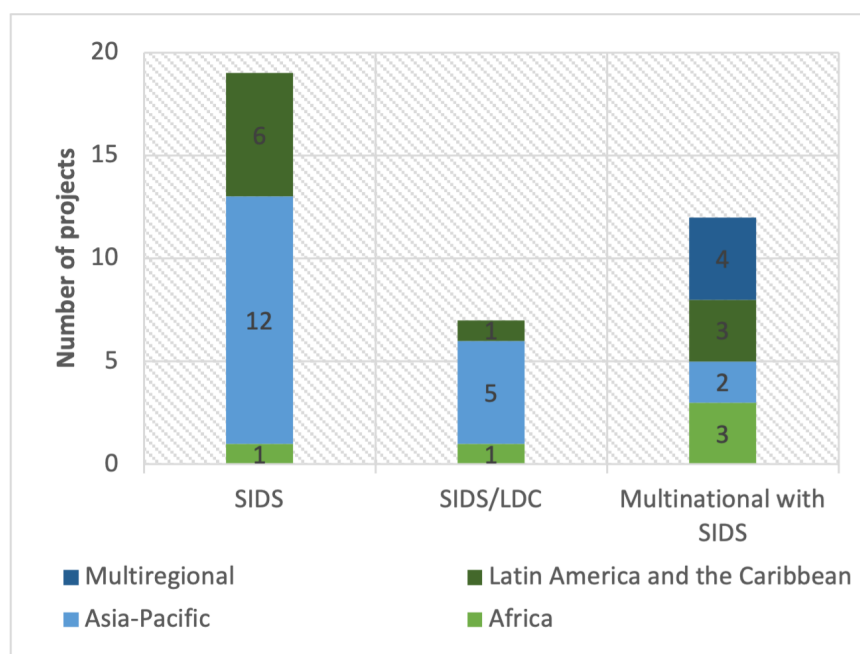


Figure 6. GCF projects by region

Access Modality

- Figure 7 below shows a breakdown of projects in SIDS by access modality. As explained in the [Annex](#), there are three types of accredited entities through which countries can access the GCF: 1) international access entities, 2) direct access entities (DAEs), which could be national or regional and 3) enhanced direct access entities, also national or regional. Figure 7 shows that SIDS mainly access the GCF through international access entities. This finding reinforces those of the GCF's IEU briefing, i.e., that capacity constraints and high transaction costs in SIDS hinder their access to GCF resources at the national level, given that international access entities dominate the access modality for SIDS.

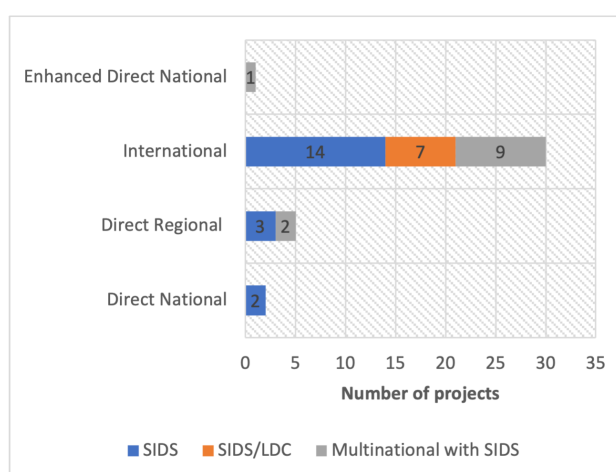


Figure 7. SIDS projects by access modality

The GCF's requirements for accreditation are stringent. For example, an organisation that wishes to become an accredited entity (AE) has to meet specific requirements, which include inter alia, demonstrated capacity and a proven track record to undertake projects or programmes of different financial instruments. Entities wishing to be accredited also must meet the GCF's Environmental and Social Safeguards policy and its Gender policy as well as specific fiduciary standards. Some of these requirements may be very challenging for SIDS' institutions to meet.

As of July 2021, only four (4) of the forty (40) SIDS had a **national DAE**. In some instances, the process for accreditation of a DAE in SIDS can take up to 3 years and requires a significant amount of time and human resources. The direct access modality is meant to support the cornerstone of the GCF, i.e., promoting country ownership. However, it is clear from figure 7 and the findings of the GCF IEU that the GCF is not being successful at promoting this level of country ownership in SIDS. Among other reasons, this is possibly due to GCF policies that are difficult to meet in the SIDS context and that do not adequately respond to the capacity constraints faced by SIDS.

The IEU's brief on the relevance and effectiveness of the GCF in SIDS also mentioned that **international access entities** are disincentivized by the high transaction costs of undertaking projects in SIDS. This supports the above finding that there are fewer projects in SIDS than in other regions. Despite this, from figure 7, it seems that international access entities play a larger role in SIDS than direct and regional entities, possibly due to higher capacity and experience to execute GCF projects.

- Figure 9 addresses the typical size of GCF projects in SIDS. The GCF defines project size by the amount of funding provided (as seen in figure 9). **Almost half of the approved projects in SIDS were small projects and the majority of SIDS projects (32 of 38) fall in the small and medium categories.** SIDS host 1 micro project; and 5 large projects, with 4 of the large projects being multinational projects, which require greater financing as the projects involve multiple countries.

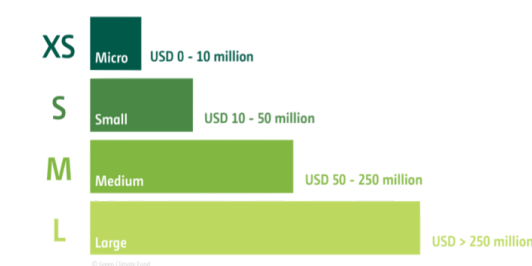


Figure 8 .GCF project size categories

(Source:GCF)

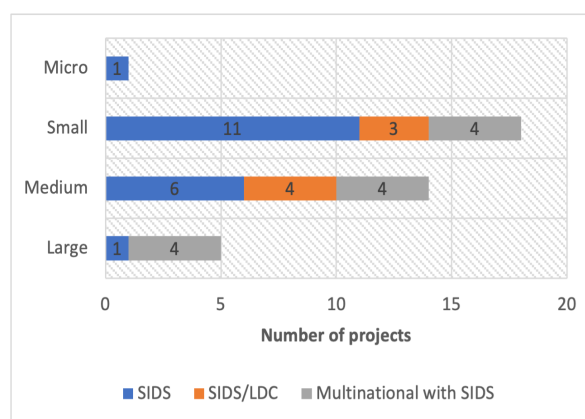


Figure 9. SIDS projects by size categories

When examining this information, it is worth recalling the findings above on SIDS access modalities. Figure 7 shows that the majority of SIDS projects use international access entities. Of the 32 SIDS projects that fall in the small and medium size categories shown in figure 9, 25 projects used international access entities. This means that only 7 of the small and medium SIDS projects in figure 12 were accessed through regional or national entities. With regard to the micro and large projects in SIDS, the micro project was accessed through a direct regional entity and 4 of the large projects were accessed through international access entities, with the remaining one through an enhanced direct access entity.

- Figure 10 below shows the number of SAP approved projects in SIDS. As of July 2021, there are only 5 simplified approval process (SAP) projects in countries that classify as SIDS. As explained in the Annex, the SAP is supposed to be beneficial for SIDS and LDCs as it streamlines the approval process and is meant to allow for smaller developing countries to access resources in a more efficient manner. However, based on the results in figure 10, SIDS have accessed the SAP the least, which seems counterintuitive.

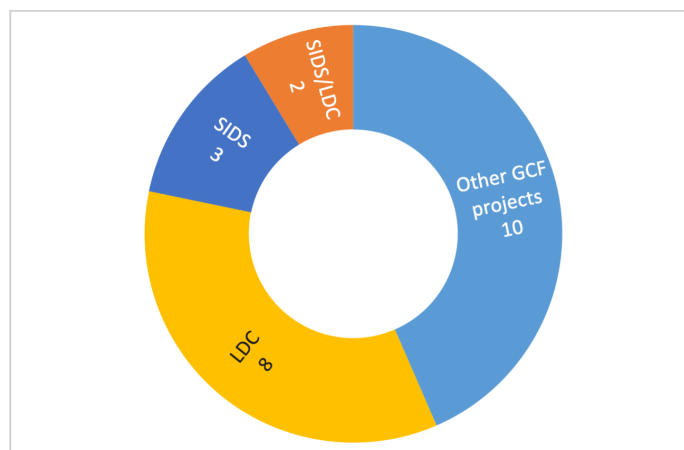


Figure 10. SAP projects in SIDS

The IEU recommends that the GCF further accelerate and simplify the process for the SAP in a few ways, among them, developing a strategy for SAP, delegating authority to the Secretariat to approve projects that meet SAP eligibility criteria; and simplifying the funding proposal template to allow SIDS to access data demonstrating their overall national vulnerability to the impacts of climate change. A draft proposal for updating SAP was presented for information purposes by the Secretariat at the 28th meeting of the GCF Board in March 2021. The proposal continues to be under development and will be discussed at the next GCF Board meeting (B.30).

Public vs. private sector projects

- Figure 11 shows the number of public sector projects versus private sector projects in SIDS. It is clear that public sector projects make up the majority of projects in SIDS, with only 9 out of 38 projects being private sector projects. This could be due to the nature of the private sector in SIDS. In 2014, the World Bank undertook work on enhancing competitiveness in SIDS and found that some of SIDS barriers to competitiveness are market size disadvantage (small

market size), limited sources of economic growth, poor connectivity and linkages, and limited institutional strength/capacity.¹⁵

The OECD identified a few challenges faced by SIDS with regard to economic vulnerability, such as small domestic markets, narrow resource bases, highly open economies that are easily affected by global trade and financial volatility and high infrastructure costs.¹⁶ This information could explain the findings in figure 11, i.e., the low number of private sector projects in SIDS.

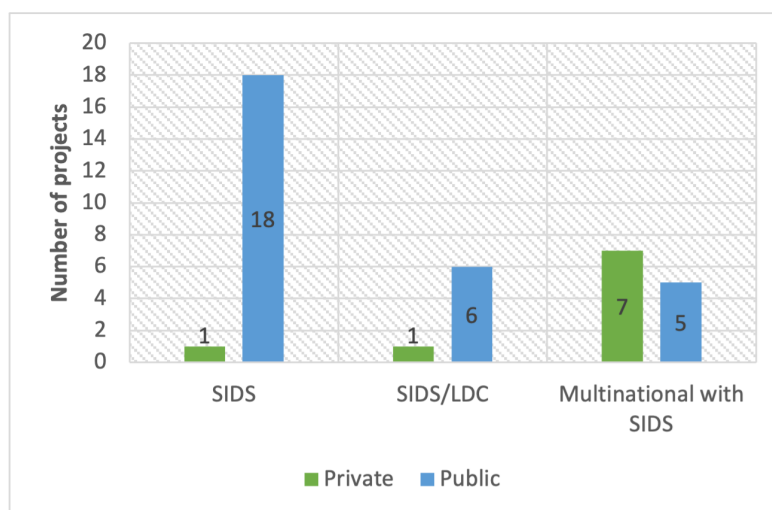


Figure 11. Public vs. private sector projects in SIDS

The results shown in figure 11 also raise further possible concerns about the effectiveness to date of GCF policies. The GCF established a [Private Sector Facility \(PSF\)](#) to fund and mobilize private sector actors, leverage GCF's funds for co-financing, de-risk the delivery of private capital and scale up private sector investment flows for low-carbon and climate-resilient development.¹⁷ The results in Figure 11 suggest that SIDS have not yet benefitted from the PSF. This could be due to the challenges faced by SIDS that are described above, the short-time that the PSF has been in place and/or other intervening factors such as economic and other impacts from COVID-19. The GCF IEU also found that the PSF is not tailored to the context of SIDS, making it ineffective in the SIDS context. The IEU report includes a number of recommendations for improving the PSF in SIDS.

The importance of private sector participation in climate finance is often highlighted in international discussions among governments and intergovernmental bodies.¹⁸ Based on figure 11 (above), efforts to attract private sector investment as part of GCF project portfolios in SIDS need to be increased.

It is also worth highlighting that the few private sector projects approved to date in SIDS are all mitigation projects. The main focus areas of these projects are:

¹⁵ [Enhancing Competitiveness in Small Island Development States, A UNIDO-Competitive Industries Partnership, 2014](#)

¹⁶ [Small island developing states \(SIDS\) and the post-2015 development finance agenda, 2015](#)

¹⁷ [The Green Climate Fund's Private Sector Facility, 2019](#)

¹⁸ [UNEP Adaptation Finance Gap Report, 2016](#)

- i. Energy generation and access
- ii. Buildings, cities, industries and appliances
- iii. Forests and land use.

This is an interesting finding given the strong priority being given to adaptation efforts in SIDS. One might infer that adaptation projects are not attractive to the private sector, which creates a significant challenge if SIDS' priorities are adaptation focused. Further work is needed to understand how to increase the attractiveness of adaptation projects in SIDS for the private sector.

Disbursement and implementation of GCF projects in SIDS

- Figure 12 shows that as of July 1st, 2021, approximately 70% of the GCF's portfolio is under implementation. In the case of SIDS projects, 26 out of 38 approved projects are under implementation. In the GCF's project cycle, the implementation period starts from the effective date of the funded activity agreement (FAA), which is a legally binding agreement entered into between the GCF and the AE for a funded activity. It contains the specific terms and conditions for the financing and implementation, including an implementation plan and disbursement plan. Finalisation of the FAA can take up to six months from the date of the funding proposal approval by the GCF.¹⁹

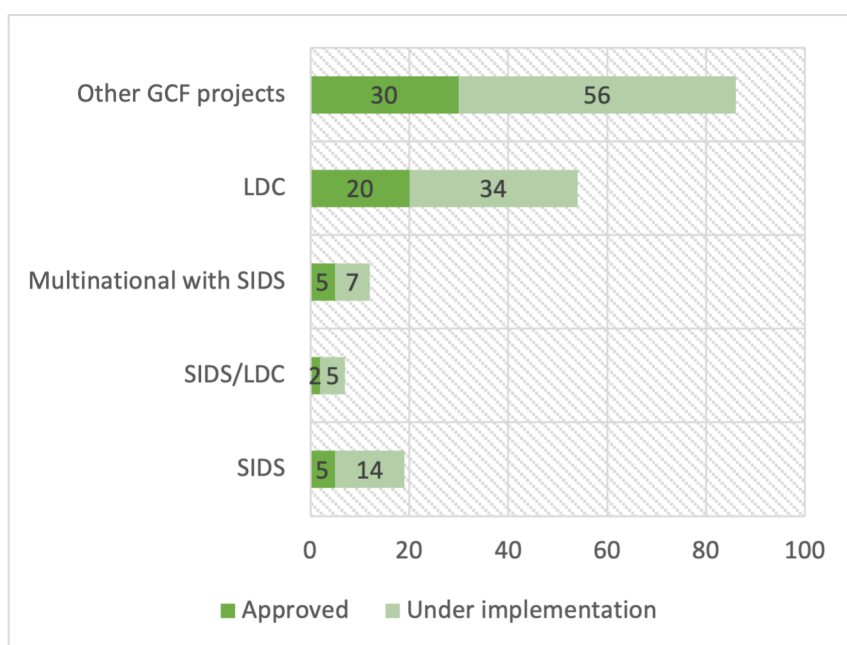


Figure 12: Number of GCF projects under implementation

With regards to disbursement, the GCF has only disbursed 6% of the total USD 33.2 billion approved (including GCF financing and co-financing). Figure 13 (below) shows that when comparing total disbursement of funds to total approved funding, the GCF has disbursed more funds for SIDS-related projects than for other GCF projects. This could be due to the fact that many SIDS projects fall in the small and medium categories, so there are less resources to disburse overall or because most SIDS projects use international access entities, which have more capacity and experience handling and disbursing large sums of money. In nominal terms, 450.7 USD million has been disbursed for all

¹⁹ [GCF Programming Manual](#)

projects including at least one SIDS. 203 USD million for SIDS projects, 107.3 USD million for SIDS/LDC projects, and 140 USD million for multinational projects with at least one SIDS.

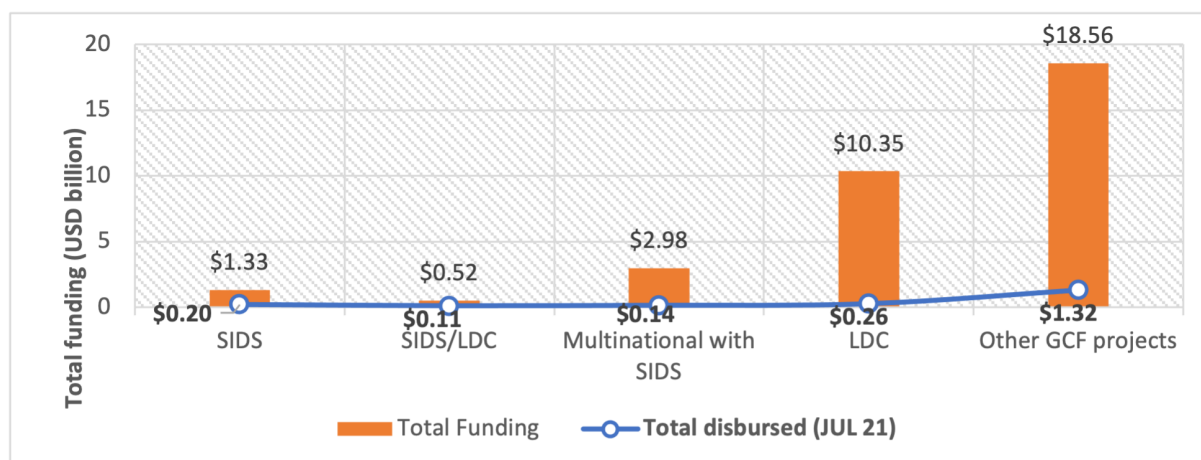


Figure 13. Comparison of total approved funding and disbursed funding

- Looking at the average disbursement funds per project, Figure 14 shows that SIDS projects have the highest average disbursement rate (22%) per project. However, for countries classified as SIDS and LDC, an average of 12.7% of the funds have been disbursed. For multi-national projects with at least one SIDS, the disbursement rate is the lowest, only 9% on average per project. LDC projects and other GCF projects have an average disbursement rate of 13.9% and 18.4% respectively.

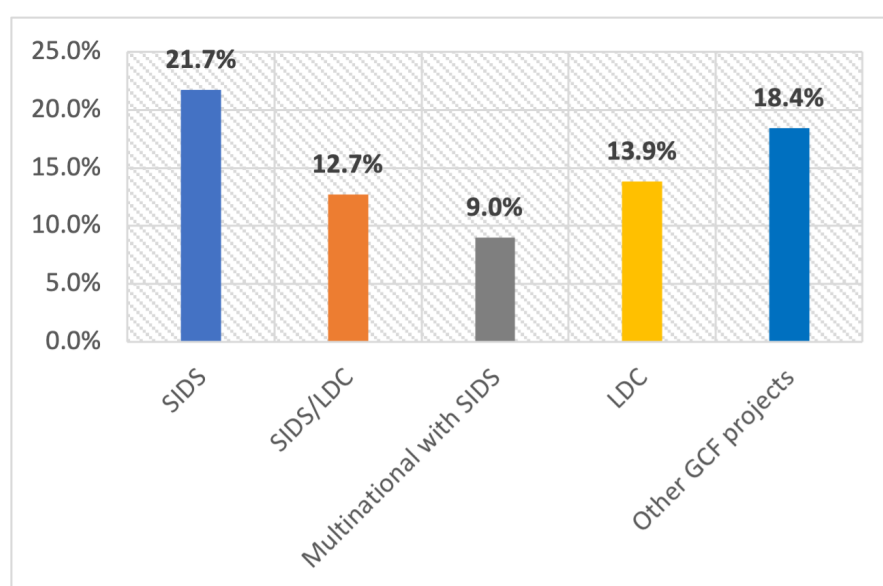


Figure 14. Average disbursement per project by country grouping

This could be due to three things:

- SIDS have smaller sized projects than other GCF projects, making the amount to be disbursed less and faster to disburse. SIDS projects disbursement only represents 10% of the total funding disbursement. Projects in countries classified as SIDS and LDC have received 5% of the total funding disbursement. For multi-national projects

have received 7% of the total funding disbursement. The rest of the GCF projects (including LDC projects) have received the rest 78% of the total amount disbursed.

2. Most SIDS projects use international access entities that are well-equipped to implement and execute GCF projects at a faster pace, but the GCF has made an effort to accelerate the disbursement in those countries.
 3. As one of the GCF mandates is to invest 50% of its resources to mitigation and 50% to adaptation in grant equivalent and at least half of its adaptation resources must be invested in the most climate vulnerable countries (SIDS, LDCs, and African States), the disbursement rate of SIDS seems to respond to this programming strategy.
- Figure 15 shows several variables. It shows that there is no apparent pattern if we examine the number of SIDS projects approved by different GCF Board meetings. The number of approvals of SIDS projects has not gone significantly up or down with time (2015 – 2021). The disbursement rate for all projects fluctuates quite significantly and this would be due to different projects being at different stages of implementation at different times. Additionally, it shows that the disbursement rate for SIDS projects does not have a correlation with the approval date.

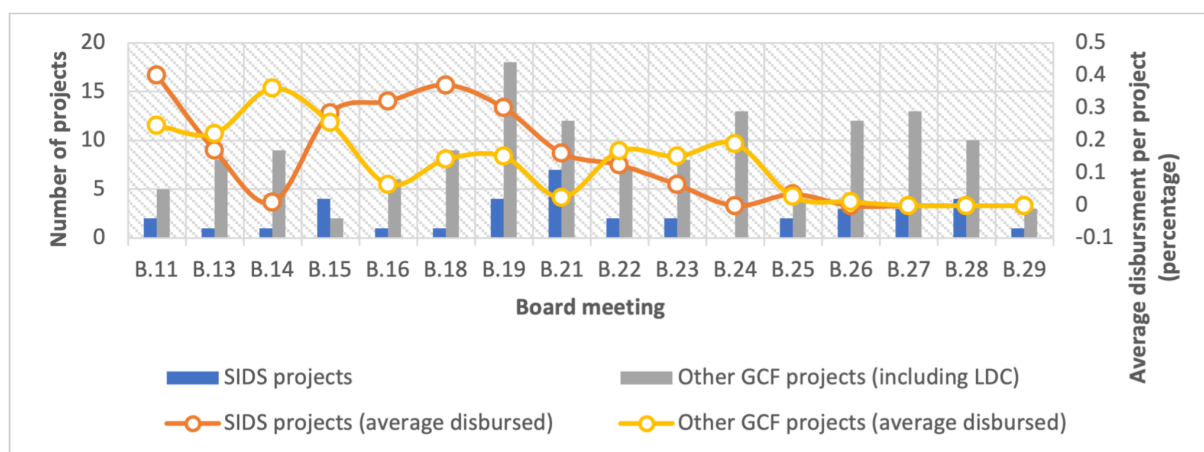


Figure 15. Average disbursement of GCF funds by board meeting

Conclusion and Recommendations

The results of this briefing highlight that there are significantly fewer GCF projects to date from SIDS than from other countries. The results support conclusions made by previous assessments from the GCF's Independent Evaluation Unit, which found that: (i) SIDS face significant capacity constraints when engaging with the GCF, and (ii) GCF policies are still not sufficiently developed or implemented in the context of needs and capacity constraints of SIDS.

Based on our findings, we make a few observations and recommendations targeted broadly at stakeholders in the climate finance space and in some instances at the NDAs in SIDS:

- NDAs might consider hosting exchange workshops or dialogues among SIDS countries to allow those SIDS that have successfully accessed the GCF to share their experiences, gaps identified, and lessons learned.
- From these exchange workshops, NDAs might pursue capacity building efforts, subject to availability of resources, to strengthen capacity based on the information gathered through these exchanges.
- The GCF IEU's assessment includes a number of recommendations to the GCF Board to improve the SAP and other GCF policies for enhancing access for SIDS. The findings of this briefing support these recommendations and these recommendations should be implemented.
- It would be beneficial for climate finance stakeholders and entities working on climate finance to undertake further work to understand how to increase the attractiveness of adaptation projects in SIDS for the private sector.

Annex - Accessing the GCF

In order to understand the findings of this briefing, it is important to have a bit of background knowledge on the GCF and how to access its resources. More information on how to address the GCF's Investment Criteria can be found in the following Climate Analytics briefings:

- Addressing the GCF Investment Criteria
- Elements of a strong GCF proposal
- Enhancing the climate rationale for GCF proposals
- Climate Adaptation and Theory of Change: Making it work for you

The information provided below aims to cover a few key terms and provide background for those unfamiliar with the GCF process.

GCF Access Modalities

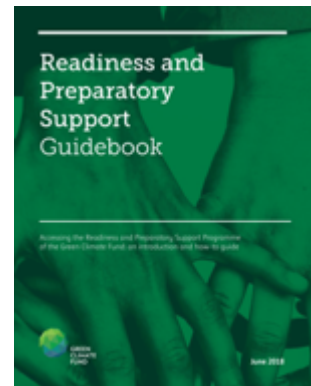
Accessing the GCF can take place through 3 types of modalities: (1) international access; (2) direct access and enhanced direct access.

1. **International access** can include United Nations agencies, multilateral development banks, international financial institutions and regional institutions. The GCF considers these intermediaries to have the wide reach and expertise to handle a variety of climate change issues, including ones that cross borders and thematic areas.
2. **Direct access** is one of the Fund's distinctive and differentiating features whereby developing countries access financial resources through national and regional entities. Through direct access, national and sub-national organisations receive funding directly, rather than only via intermediaries, to be able to support the cornerstone of the Fund's operation – country driven and ownership. This modality aims to help developing countries exercise ownership of climate finance and allow for more comprehensive integration with national climate action plans.
 - **Enhanced direct access** is an improved form of Direct Access whereby responsibilities have been devolved to the national or regional level, supporting the channelling of climate financing to homegrown organisations in developing countries. EDA is aimed at enhancing country ownership of projects and programmes through a dedicated access window for GCF's Direct Access Entities (DAEs). It allows for an enhanced devolution of both funding decisions and project oversight and management to be made at the country or entity level, e.g. NDAs and AEs do not require a GCF Board decision for each new sub-component of a GCF programme. There are four key advantages of EDA:
 - Enhanced level of country ownership;
 - More effective use of financial resources;
 - Stronger involvement of local organisations and other stakeholders; and
 - Flexible and context-specific approach.

GCF Readiness and Simplified Approval Process

GCF Readiness and Preparatory Support Programme: The Readiness Programme is designed to support countries' engagement with the GCF by empowering developing countries to, inter alia:

- o Develop strategic frameworks for engagement with the Fund;
- o Enable their regional, national and sub-national institutions to meet the accreditation standards of the Fund;
- o Develop initial pipelines of programme and project proposals aligned with the objectives and investment criteria of the Fund; and
- o Engage across government at various levels, and with civil society and private sector stakeholders.



Resources may be provided in the form of grants or technical assistance and all developing country that are Parties to the UNFCCC can access the GCF Readiness Programme. The Readiness Programme provides:

- Up to USD 1 million per country per year. Of this amount, NDAs or Focal Points may request up to USD 300,000 per year to help establish or strengthen an NDA or Focal Point to deliver on the GCF's requirements; and
- Up to USD 3 million per country for the formulation of National Adaptation Plans (NAPs) and/or other adaptation planning processes.

Countries may submit multiple proposals over multiple years, to best meet the needs of the country over time but the amount that an individual country can access is capped at a maximum of USD 1 million per country per year. The cap does not apply to adaptation planning proposals.

In response to the COVID-19 pandemic, the GCF introduced GCF Readiness Support to Climate Resilient Recovery. Under this initiative, countries may access resources through the three options below, provided they submitted their expression of interest to the Secretariat by 28 February 2021. Countries could choose one option or a combination of options to achieve the three expected outputs as follows:

- o Option 1: A new Standardized Rapid Readiness grant (up to US \$300,000)
- o Option 2: Adaptive management of the existing Readiness grants, including additional budget allocation up to US\$50,000
- o Option 3: Technical support via rostered experts/firms.

The expected outputs for this Readiness Support are:

- o Impact of the COVID-19 pandemic on and opportunities for national climate change strategies & plans are elaborated and validated by NDA
- o National strategy for resilient recovery developed and adopted by NDA/country
- o Concept notes with pre-feasibility studies for up to three priority projects/programmes developed.

As of June 24, 2021, [the GCF Readiness pipeline](#) shows that at least 4 SIDS are in the process of accessing Climate Resilient Rapid Readiness funding – 3 in the Pacific and 1 in the Caribbean.

Simplified Approval Process (SAP): This process has been designed to benefit SIDS and LDCs. It intends to reduce the time and effort needed in the preparation, review, approval and disbursement procedures for proposals of certain activities, in particular small-scale activities. The documentation

to be provided is reduced and the review and approval processes are streamlined. SAP was an initiative spearheaded by SIDS to allow for smaller developing countries to access resources in a more efficient manner given the size and capacity of many SIDS.

The SAP has three main eligibility criteria that are outlined in Figure 17 and further information on the [Simplified Approval Process](#), including an SAP concept note template with an ESS checklist, is available on the Fund's website.

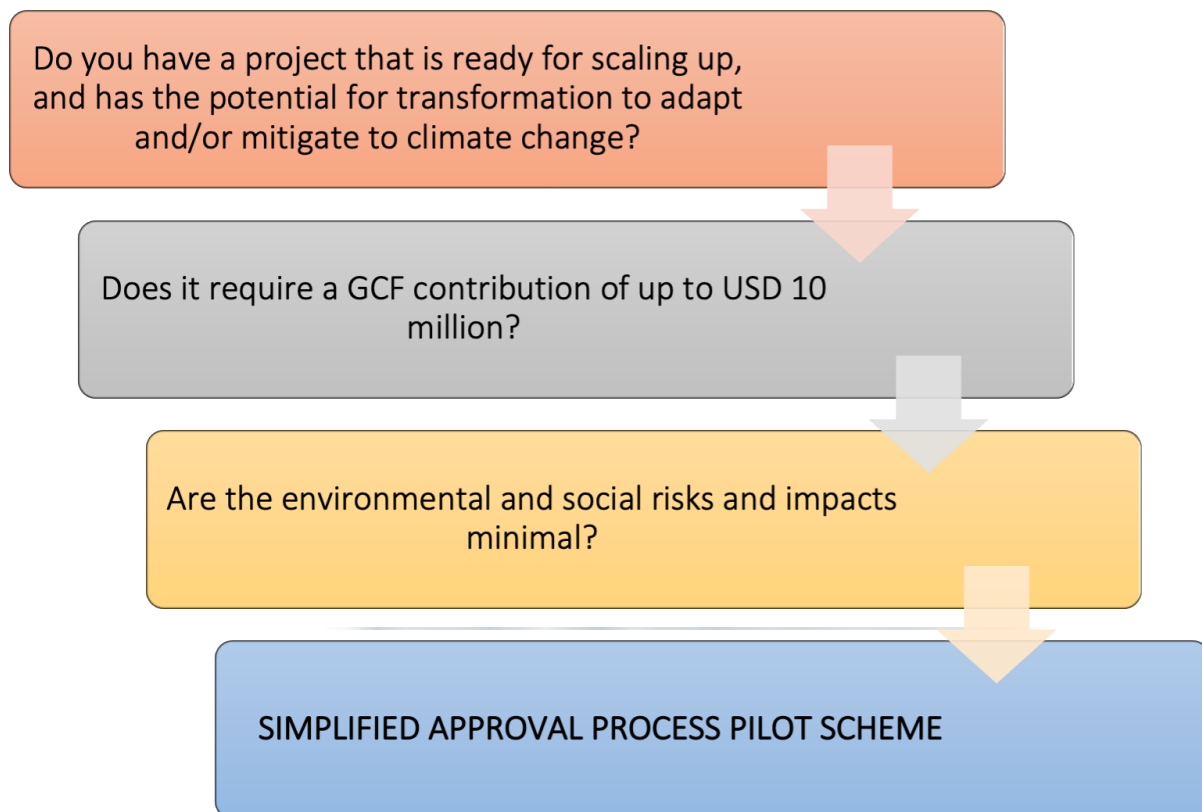


Figure 16: Eligibility Requirements for the SAP