Green Climate Fund
A Performance Check
September 2017

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- Environmental and Social Risk
- Country Ownership
- Gender
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Green Climate Fund: A Performance Check

The Green Climate Fund (GCF) is intended to be the world’s leading international channel of public climate finance. As of September 2017, it had committed US$2.2 billion in funding to 43 projects and programmes across developing countries. This briefing aims to provide an initial assessment of whether the GCF is living up to its mandate. It looks at whether funds are being equitably disbursed, “country ownership” is being enhanced (encouraging devolved management rather than control by multilateral institutions), and vulnerable countries and communities are being targeted. Key findings include:

- Despite the fact that country ownership of activities was one of the main reasons for setting up the GCF, only seven per cent of the funding already allocated will pass through “direct access” entities (national or subnational developing country institutions). Over half of allocated GCF funding is managed by just three international partners: European Bank for Reconstruction and Development (EBRD, accounting for 27.5 per cent), United Nations Development Programme (UNDP), and European Investment Bank (EIB).

- More than one-third of GCF financing is to be delivered through commercial banks, equity funds, and other financial intermediaries (FIs). This requires considerably more oversight, transparency, and capacity to exercise due diligence than the GCF currently has or seems likely to attain any time soon. Further, FI programmes complying with medium-risk safeguards have the potential to finance high risk sub-projects.

- Six large programmes and one large project — all run by international development banks — account for just over half of the funding allocated. Projects and programmes worth over US$50 million each account for over 80 per cent of the funding allocated so far. A simplified approval process for low-risk micro projects should be agreed as a matter of urgency.

- Only 27 per cent of the GCF funding allocated so far goes to adaptation. There is also evidence of bias in favour of a narrow definition of adaptation that minimizes the need to address the underlying socioeconomic factors that make marginalized populations more vulnerable to the impacts of climate change.

- The quality of the treatment of gender varies greatly. Thirty per cent of projects and programmes approved so far lack an easily accessible, publicly available stand-alone gender assessment, and 40 per cent lack stand-alone gender action plans. Even in cases where a gender action plan is articulated, insufficient budget is often allocated to achieve its goals.

- Only 4.7 per cent of the total GCF funds allocated so far have energy access as a primary focus, with several others including energy access as a minor component.

Each of the following sections contains quantitative findings based on our analysis of publically available information on the projects and programmes approved by the Board as of 1 September 2017. This is followed by explanatory background, areas of concern, and recommendations with regard to that particular topic.
The Green Climate Fund (GCF) is the world’s premier multilateral climate fund. It was established under the UN Framework Convention on Climate Change (UNFCCC) and also serves the Paris Agreement. The GCF is considered essential to the implementation of developing countries’ national contributions in the fight against climate change. Its mandate is to promote a “paradigm shift towards low-emission and climate-resilient development” within the context of sustainable development. Funds are supposed to be distributed evenly between mitigation (reducing the emission of climate-harming greenhouse gases) and adaptation (helping vulnerable countries and communities to be better prepared for the consequences of the climate change that is already happening).

Over US$10 billion has been pledged to the GCF for the period to 2018, mostly by developed country governments (although the Trump Administration has stated its intention to withhold US$2 billion of its US$3 billion commitment). These funds are supposed to be distributed in a “balanced” way amongst developing countries, with close attention paid to “particularly vulnerable” countries, including least developed countries (LDCs), small island developing states (SIDS), and African states. The GCF is also supposed to promote environmental, social, economic, and development co-benefits and take a gender-sensitive approach.

While US$2.2 billion have been committed to projects and programmes, to date, only US$52.27 million have actually been dispersed to the institutions running these activities. The information for this briefing is thus based on the funding proposals for projects and programmes approved by the Board and made available on the GCF website, rather than on-the-ground implementation.

1 At the UNFCCC level, countries present their plans in the form of Nationally Determined Contributions (for mitigation) and National Adaptation Plans. The GCF is an “operating entity of the financial mechanism of the UNFCCC”. See http://unfccc.int/cooperation_and_support/financial_mechanism/items/2807.php

Part I: Funding Distribution

Accredited Entities

- Only 7.2 per cent of GCF funding approved to date (9 of 43 projects) will pass through direct access entities. This figure will rise to 8.4 per cent if all of the proposals under consideration at the 18th GCF Board meeting (B.18) in October 2017 are approved.

- Almost three-quarters of the GCF’s funds are being managed by just five large international access entities (in order): EBRD, UNDP, EIB, Inter-American Development Bank (IDB) and Kreditanstalt für Wiederaufbau (KfW). The World Bank will replace KfW in this list if all of the B.18 funding proposals are approved.

- EBRD, UNDP, and EIB alone account for over half of all allocated funds.

- Over a quarter of the funds allocated so far (27.5 per cent) will be managed by EBRD, making it the accredited entity managing the largest share of GCF money. This is followed by UNDP with 15.5 per cent.
**Background:** Accredited entities (AEs) are international, regional, national, and subnational institutions that partner with the GCF (via an accreditation process) to receive and manage funds. All AEs are classified as either direct access or international access. Direct access is a distinguishing feature of the GCF as compared to most other multilateral financial institutions. The prevalence of direct access projects/programmes is one marker of the extent to which country ownership is being achieved.

The GCF Board has not been able to agree on how to clearly define and differentiate “direct” and “international” entities. In this briefing, we understand “direct access” entities to mean domestic institutions based in developing countries that focus on implementing activities in that same country. While the GCF employs much more lenient standards, regional direct access entities should be limited to specific circumstances, like those of SIDS, where it would be very challenging to have national entities in individual countries. Outside of these specific circumstances, all other entities – whether from developed or developing countries – that wish to implement GCF activities in multiple countries should be considered international access entities.

**Concerns:** The concentration of funding via a handful of international entities runs counter to the principle that the GCF should be “country-driven”, with decision-making devolved to local and national actors wherever possible. It risks repeating the mistakes made by a number of other multilateral institutions, which have been widely criticized for a lack of responsiveness to communities and insensitivity to the range of widely differing contexts.

The EBRD’s 27.5 per cent share of already-committed GCF funding is close to the “concentration risk” threshold set out as part of the recently approved Risk Management Framework. If all of the proposals considered at B.18 are approved, this figure would fall only slightly to 25.6 per cent.

Direct access proposals account for 28 per cent of the “pipeline” of potential projects/programmes, yet amount to just over seven per cent of currently approved funding. This may not only reflect a lack of capacity at both the GCF Secretariat and the AEs themselves, but might also indicate insufficient priority is being placed upon ensuring that direct access proposals are made ready for Board approval.

**Recommendations:** Increased priority should be placed on the accreditation of more direct access entities. Given the limited capacity of the Secretariat, a moratorium on accrediting new international access entities during 2018 could help achieve this.

To facilitate the prioritization of direct access projects/programmes, the Fund should also establish a goal for the proportion of funding allocated via direct access entities. According to the GCF Secretariat, as of early September 2017, 50 per cent of AEs are direct access (national and regional). Thus, an ambitious but reasonable goal would be for 50 per cent of projects/programmes to be direct access by 2019.

The creation of a US$40 million Project Preparation Facility (PPF) is a welcome development, but its rules should be tightened to focus exclusively on the provision of financial support to direct access entities.

Capacity building and greater support for the GCF Secretariat are also needed.

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<tr>
<th>Direct Access by percentage of GCF approved funding</th>
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<tr>
<td>International Access Entities</td>
<td>92.8%</td>
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<tr>
<td>Direct Access Entities</td>
<td>7.2%</td>
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*Note: Our designation of which AEs are direct access differs slightly from that of the GCF. The GCF classifies the Acumen Fund, Inc. as direct access. As Acumen is an impact investment fund headquartered in the United States, we consider it to be international access. Similarly, we consider Corporación Andina de Fomento (CAF), self-described as a "multilateral institution", to be an international access entity.*

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Recipient Countries

- The five countries receiving the most GCF funds are (in descending order) Egypt, Argentina, Morocco, Tanzania, and Tajikistan. Egypt receives 8.6 per cent, while Argentina and Morocco each receives 5.9 per cent. In total, these five countries receive 30.4 per cent of total committed funds.\(^5\)

- Using the Human Development Index (UNHDI) of the UNDP’s Human Development Report 2016, we found that most funding was allocated to countries considered to have “high” or “medium” levels of human development.\(^6\) The 41 countries considered to have “low” development on the UNHDI scale have so far been allocated 18.5 per cent of GCF funds.

- Other measures of poverty and development reveal a broadly similar picture. According to the June 2017 World Bank “list of economies” ranking, 13.9 per cent of funds are going to “low income countries”\(^7\).

- 16.6 per cent of GCF funds have so far been committed to Least Developed Countries.\(^8\)

**Concerns:** The GCF Board has provided little guidance on how to equitably distribute funds amongst countries beyond the general principle of paying special attention to the needs of the “particularly vulnerable” (a deliberately vague and contested term), although the Fund’s Secretariat actively monitors its portfolio of grants and investments. In practice, the distribution of funding appears to be largely based on the capacity of the AEs themselves, which has tended to result in support for activities that have already been advanced and co-financed by other multilateral institutions.

**Recommendations:** The Board should assess whether funds have been equitably distributed amongst countries on an annual basis, and consider processes to proactively address any inequities found. While country concentration does not currently seem to be a serious concern, it is too soon to fully assess the extent of country concentration and the potential to target more activities towards more vulnerable countries.

Greater transparency regarding the pipeline of activities being prepared for funding, including where they would be located, would be a helpful first step.

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5 For proposals that will fund projects in more than one country, we applied an assumption that each country receives an equal amount of funds. The “GEEREF NeXt” programme (FP038) is excluded because it involves 29 countries of widely varying profiles.


8 Two programmes (FP005 and FP027) are considered proportionately in this figure; programme FP038 is excluded from the calculation.
Numbers represented in US$ millions

GCF funded activities numbered FP005, FP014, FP025 and FP027 are allocated proportionately, with the simplifying assumption that each country participating in the programme receives an equal allocation. Funding Proposals 15 (Tuvalu) and 36 (Cook Islands) are unclassified because the host countries are not included in the UNHDI. The “GEEREF NeXt” programme (FP038) is excluded from the calculation because it contains 29 countries of widely varying profiles.

Financial Intermediation

☐ 36.8 per cent of GCF funds approved so far are to be channelled through financial intermediaries.

**Background:** Instead of directly funding projects, more than one-third of GCF financing is to be delivered through commercial banks, equity funds (or fund-of-funds), and other financial intermediaries (FIs). These institutions then invest in companies or equity funds, or provide loans or risk guarantees to “sub-projects” located in developing countries. This is how a large segment of the International Finance Corporation (IFC), the private sector lending arm of the World Bank Group, operates. In its approach toward financial intermediation, the GCF has been largely modelled on the IFC.

**Concerns:** The IFC model of financial intermediation has significant limitations. Although the IFC has magnitudes more capacity than the GCF to monitor its financial sector lending and compliance with environmental and social safeguards, it is doing a poor job. The Compliance Advisor Ombudsman (CAO), the IFC’s independent accountability mechanism, found that it “does not, in general, have a basis to assess FI clients’ compliance with its E&S [environmental and social] requirements”.9 That is an extremely troubling finding for an institution mandated to improve the lives of poor people in developing countries, especially since many of the sub-projects are higher risk and thus have the potential to cause serious environmental and social harm.

Already-approved GCF funding proposals that are reliant on FIs could result in hundreds of sub-projects worth hundreds of millions of dollars. Based on the experience of the IFC and other development banks, the deployment of FIs requires considerably more oversight, transparency, and capacity to exercise due diligence than the GCF currently has or seems likely to attain any time soon.

**Recommendations:** The GCF should scale down its financial sector investments so as to match its ability to actually make sure sub-projects are in compliance with GCF safeguards and will advance sustainable development.

Another option would be for the GCF to rule out support for higher risk sub-projects until such oversight capacity is in place.

Regardless, all Category A and B sub-projects should come to the GCF Board for approval.

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Environmental and Social Risk

79 percent of the funding allocated by the GCF so far will go to projects and programmes that are categorized as medium risk (Category B or I-2).

Background: The GCF distinguishes projects and programmes according to the following risk categories.

- **Category A or Intermediation 1 (I-1):** “Activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

- **Category B or Intermediation 2 (I-2):** “Activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures”.

- **Category C or Intermediation 3 (I-3):** “Activities with minimal or no adverse environmental or social risks and/or impacts”.

Programmes given an “intermediation” risk rating are managed by financial intermediaries. In these cases, the GCF Board initially approves an investment proposal. The individual activities to be funded are not necessarily known or disclosed at the time the Board approves the proposal, but they must operate within certain parameters for levels of risk, scope of activities, and designated host countries. For example, only countries that have indicated they agree to the potential FI investment in the future (via a formal letter of no-objection, delivered before the Board considers the proposed activity) can be included.

Concerns: The GCF asks AEs to self-identity the risk categorization of activities and has very limited capacity to independently verify this categorization, especially for financially intermediated sub-projects. Mis-categorization of environmental and social risk has been a continual problem at multilateral development banks, with a tendency to understate risk levels, potentially in order to avoid the more rigorous safeguard checks that higher risk projects require. There is little reason to believe that the GCF will not see a repeat of this problem, possibly to exacerbated effect given its reliance on financial intermediaries and its relatively small number of staff. For example, the PROFONANPE project (FP001) in Peru was classified as Category C. However, we believe the PROFONANPE should be Category B, particularly given its location in areas largely inhabited by Indigenous Peoples and its focus on activities involving Indigenous Peoples.

Under current rules, I-2 programmes/projects (which account for a third of all funding allocated so far) have the potential to include Category A sub-projects in their portfolios. This could pose a significant problem, since high risk sub-projects under an approved project/programme could be given the green light even though FI oversight would only follow the less stringent environmental and social safeguards and management plan requirements approved for a medium risk project/programme.

Recommendations: The GCF Board should refrain from approving I-1/Category A activities unless and until the Secretariat of the Fund has greater capacity to independently verify the process of sufficiently applying environmental and social safeguards.

The risk categorization of “intermediated” funding proposals should be based on the highest level of environmental and social risk of any of its sub-projects. More specifically, I-2 programmes/projects should not include Category A sub-projects. (This is not currently the case, as I-2 programmes/projects could potentially finance Category A sub-projects.) The still-to-be approved Environmental and Social Policy of the GCF’s own incomplete Environmental and Social Management System should include this explicit prohibition.

Increased Secretariat capacity is also required so that activities with a risk rating of I-2/Category B are subjected to adequate independent verification.

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10 The GCF has significantly fewer resources and oversight capabilities than the IFC. To give a sense of scale, the IFC had 3,757 staff in 2016; the GCF had 76 staff as of December 1 of that year.

11 Further documentation relating to approved projects and programmes can be found on the GCF website, which contains a listing in order of reference numbers (FP…). See http://www.greenclimate.fund/what-we-do/projects-programmes (accessed 19 September 2017).
81.4 per cent of all GCF funding is committed to large or medium-sized projects and programmes. Six large programmes and one large project – all run by international development banks – account for just over half of the funding allocated.\(^\text{12}\)

**Background:** The GCF classifies projects and programmes according to four size categories, based on the value of the entire project (i.e. not just the GCF-financed portion). These are:

- **Micro** – less than or equal to US$10 million
- **Small** – greater than US$10 million and less than or equal to US$50 million
- **Medium** – greater than US$50 million and less than or equal to US$250 million
- **Large** – greater than US$250 million

**Concerns:** While large programmes account for a significant share of GCF allocated funding, they are amongst the least scrutinized of all activities approved by the Board. For most GCF programmes, the specific sub-projects to be funded with GCF money are not known to the Board, and in many cases, not yet known to the AE. As noted above, this poses significant risk to affected communities as the appropriate level of environmental and social safeguards may not be applied.

To date, no specific approval process has been put in place to differentiate programme and project approvals.

Micro and small projects/programmes tend to receive far more scrutiny per dollar than larger programmes – an imbalance exacerbated by continual Board delays in agreeing a “simplified” process for approving low risk micro projects.

Additionally, the focus on larger activities could see a situation where large-scale infrastructure projects are prioritized over decentralized solutions that put poorer communities first, such as off-grid energy access in rural areas.\(^\text{13}\) Multilateral institutions have often been criticized for failing to provide accessible channels of support for community groups, cooperatives, and other local actors; the GCF so far seems to be repeating this pattern.

The creation of an Enhanced Direct Access (EDA) pilot programme is a positive step. EDA implies highly devolved decision-making and a strong emphasis on local stakeholder engagement.\(^\text{14}\) The EDA programme has already seen the approval of one project in Namibia (FP024) that could provide small grants at the community level.

**Recommendations:** The GCF Board should take a decision on further guidance on the approval of funding programmes (as opposed to projects), particularly those that involve one or several layers of financial intermediation.

A simplified approval process for low risk micro projects should be agreed on and implemented as a matter of urgency.

The GCF should prioritise the completion of its EDA pilot programme. It should also consider the creation of a small grants programme that would directly fund community-based and non-governmental organizations. For example, the GCF could build and improve upon approaches such as the Global Environment Facility’s Small Grants Programme implemented by the UNDP.\(^\text{15}\)

\(^\text{12}\) In descending order, the largest activities are managed by EBRD (US$378m), EIB (US$265m), EBRD (US$155m), IDB (US$133m), KfW (US$110m), and World Bank (US$86m). Additional large programmes managed by EBRD (US$110m) and the World Bank (US$86 3m) are being considered at B.18.


### Part II: Targeting Vulnerable Countries and Communities

Climate change disproportionately affects the world’s poor. Vulnerability to climate change impacts is closely connected to other forms of social and economic disadvantage, and the capacity of people to build resilience. While it is too soon to comprehensively assess whether the GCF is equitably targeting those countries, populations, and communities most in need of climate finance, an overview of the Fund’s portfolio can help to construct a fuller picture. To this end, we look at how effectively the GCF has focused resources on adaptation, the demand for which is more concentrated in lower income countries and among marginalized populations, as well as the GCF’s contribution to gender equity and energy access.

### Adaptation

Only 27.2 per cent of GCF funding allocated so far goes to adaptation. If all of the proposals presented at B.18 in October 2017 are approved, still only 30 per cent of GCF funding would go to adaptation, rising to 37 per cent if the Secretariat’s own assessment of the adaptation component of “cross-cutting” proposals is taken into account.16

Adaptation alone accounts for just 22 per cent of the funding requested by projects/programmes that have submitted “concept notes” (the optional first stage of the project approval process).17

**Background:** The GCF has set itself a goal of allocating half of its funds to adaptation. Half of that amount, in turn, is supposed to be reserved for the “most vulnerable” countries, including LDCs, SIDS, and African countries.

To gain a general sense of whether the GCF is effectively targeting the vulnerable, it is necessary to look at adaptation on two levels. First, what percentage of the GCF’s money is going toward adaptation and which countries are receiving those funds? Second, within a particular country, are adaptation activities targeting highly vulnerable populations? For example, are adaptation activities building the resilience of the resource-dependent rural poor, Indigenous Peoples, and female-headed households? Are activities reaching urban and peri-urban informal settlements built on flood zones?

**Concerns:** At the level of the percentage of GCF funds going toward adaptation, the GCF is falling significantly short of its 50 per cent goal. Further, taking concept notes into account, the current imbalance may worsen in the future.

At the level of the GCF’s ability to reach the most vulnerable communities and populations within a country, there have been concerning efforts to narrow the potential scope of adaptation financing largely to infrastructure improvements (such as sea defences or flood early warning systems). Adaptation should encompass a wide range of measures that address peoples’ underlying vulnerabilities to the impacts of climate change.18 These other activities, which are closely intertwined with “development” objectives but no less important for that, can include livelihood diversification, improving women’s rights and access to resources, education and public health initiatives, and enhancing food security, as well as other interventions that target socioeconomic conditions; building human and institutional capacity; and communication and community-led participatory planning processes.

A number of GCF activities have been approved that approach adaptation in a broad, holistic sense – including a project tackling climate change-induced water shortages experienced by vulnerable communities in the Maldives (FP007), and another addressing community and ecosystem resilience in Senegal (FP003). However, this approach has also been met with some hostility. A programme aimed at improving climate resilience and food security in Namibia (FP024), for example, was granted funding on the condition that it remove “non-climate components such as the strengthening of CBO [community-based organization] governance”.

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18 It is widely understood among development and adaptation practitioners that legitimate adaptation measures fall along a continuum, with interventions ranging from those that address the underlying vulnerabilities to the impacts of climate change through to those that directly confront climate impacts. See, for example, McGraw, H., A. Hammill, and R. Bradley (2007) Weathering the Storm: Options for Framing Adaptation and Development, Washington DC: World Resources Institute. This widely cited report elaborates a continuum of adaptation activities from development to climate change, which includes (1) addressing drivers of vulnerability, (2) building response capacity, (3) managing climate risk, and (4) confronting climate change.

More glaringly, the only two funding proposals that the Board failed to approve thus far focused on addressing vulnerability, with a particular focus on gender, in two LDCs, Bangladesh and Ethiopia.\(^\text{20}\)

**Recommendations:** Annually, the Board should assess the adaptation-mitigation balance at its first meeting of the year and make the necessary policy and procedural adjustments to ensure the 50/50 balance.

At present, greater support is still needed to ensure that adaptation proposals are more adequately reflected in the GCF project/programme pipeline, including through support provided by the US$40 million Project Preparation Facility.\(^\text{21}\)

The GCF should adopt clear guidance that defines “adaptation” broadly, acknowledging that it is often intertwined with “development” objectives and that it can include interventions targeting the underlying causes of vulnerability to climate change, including socioeconomic conditions and building human capacity, rather than narrowly focusing on infrastructure improvements.

Where the GCF invests in decreasing vulnerability, it should fund the agreed full cost of the intervention that leads to enhanced climate resilience, not merely the incremental cost.

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**Gender**

- Close to a third (30 per cent) of the projects/programmes approved so far lack an easily accessible, publicly available stand-alone gender assessment, and 40 per cent lack stand-alone gender action plans. It appears that some of these projects/programmes do indeed have gender assessments and action plans, but they do not seem to be publicly available – although in many instances their non-publication means that they were not part of the documentation submitted to the GCF.\(^\text{22}\) In other cases, a gender assessment and/or action plan exists but is of questionable quality. For example, the documentation for a project in Northern Pakistan (FP018) states that the “Gender Analysis and Action Plan has been prepared without any on-ground consultation”, and further notes that “a full institutional gender analysis has not been undertaken”.

**Background:** Climate change exacerbates the already existing marginalization and discrimination of women and girls in diverse settings – economically, politically, culturally, and socially. Because of cultural and gender differences, men, women, boys, and girls differ in their ability to adapt to climate change as well as in their capacities, knowledge, and experience to address climate change as actors. The GCF, as the first multilateral climate fund to include a gender mainstreaming objective from the outset of its operation, could become a global pioneer in its approach to integrate gender responsiveness into all its financing.

**Concern:** The quality of the treatment of gender varies greatly: some funding proposals clearly take gender seriously while others do not. This is despite the fact that the GCF Gender Policy makes a project/programme-specific gender and social impact assessment mandatory and recommends the elaboration of a supporting gender action plan. Moreover, even in cases where a gender action plan is articulated, the financial resources for its implementation are often not sufficiently reflected in the overall project/programme budget.

**Recommendations:** At the barest minimum, every project/programme should have a well thought out gender assessment and an accompanying gender action plan with project budgetary support and both qualitative and quantitative measurements and indicators, addressing how gender considerations will be integrated throughout the entire project/programme cycle. Such assessments and plans need to also elaborate the long-lasting contribution that the measure will have in empowering women’s agency and furthering gender equality.

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\(^{20}\) The proposal “Enhancing Women and Girls Adaptive Capacity to Climate Change in Bangladesh” was withdrawn, while the funding request of an Ethiopian project entitled, “Responding to the Increasing Risk of Drought: Building Gender-Responsive Resilience of the Most Vulnerable Communities”, was not approved.


\(^{22}\) For example, the “Tuvalu Coastal Adaptation Project” (FP015) states that “The Gender Assessment and Action Plan for this project is presented in Annex XIII” but the public does not have access to that document.
equality in the activities’ implementation. Each gender action plan “must list clear required actions, identify the responsible actors, timelines, and deadlines, identify indicators to measure the outputs and outcomes of required actions, and describe sanctions or mandatory follow-ups in cases where they are not taken or unsuccessful”.

Adequate gender assessments and action plans should be provided retroactively for already-approved proposals lacking these documents. For future funding, the Secretariat should not allow proposals to advance if they lack serious gender assessment and action plans. Encouragingly, for the first time, a project managed by Agence Française de Developpement (FP042) saw the disbursement of funding made conditional on the improvement of an inadequate project-specific gender analysis and the provision of a gender action plan.

Energy Access

□ Only two projects/programmes have energy access as a primary focus, representing 4.7 per cent of the total GCF funds allocated so far.24 A number of others include energy access as a minor component, including projects in India, Mauritius, and Namibia.25

Background: Decentralized renewable energy systems are essential to providing access to energy to the more than one billion people living without access to electricity. This is key to addressing the mitigation and adaptation needs in lower income developing countries, especially for the rural poor.

Concerns: Most energy sector climate financing internationally is directed toward large-scale, on-grid projects in middle income countries. According to a 2016 report by IIED and Hivos, only three per cent of international climate finance targets decentralized energy systems.24 The GCF looks set to replicate this inequitable imbalance.

Recommendations: The GCF should prioritize financing for decentralized renewable energy access projects/programmes, including setting a goal that at least 30 per cent of all mitigation financing should target decentralized energy access.

The Board should revisit and, as necessary, revise the investment criteria, performance indicators, risk management framework, and other GCF policies to ensure they they facilitate and encourage energy access initiatives.

The request for proposals for the micro-, small- and medium-sized enterprise (MSME) pilot programme considers whether the proposal benefits the bottom of the pyramid. This pilot provides a valuable opportunity to lift up energy access as a real priority for the GCF.

24 The projects/programmes are FP005 “KawiSafi Ventures Fund” (Kenya, Rwanda) and FP027 “Universal Green Energy Access Program” (Benin, Kenya, Namibia, Nigeria, Tanzania).
25 Several approved mitigation proposals may include energy access, but the sub-projects do not appear to have been selected yet. This includes “SCF Capital Solutions” (FP029) in South Africa and “GEEREF NeXt” (FP038).