

# **Accessing Green Climate Fund (GCF) for Vulnerable Countries like Bangladesh: Governance Challenges and Way Forward**

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## Accessing Green Climate Fund (GCF) for Vulnerable Countries like Bangladesh: Governance Challenges and Way Forward

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## Abbreviations

ADB	Asian Development Bank
AE	Accredited Entity
AMA	Accreditation Master Agreement
COP	Conference of the Parties
CSO	Civil Society Organization
DAEs	Direct Access Entities
EBRD	European Bank for Reconstruction and Development
FAA	Funded Activity Agreement
FP	Funding Proposal
GCF	Green Climate Fund
GEF	Global Environment Facility
IAEs	International Accredited Entities
iTAP	Independent Technical Advisory Panel
IDB	Inter-American Development Bank
LDCs	Least Developed Countries
NAP	National Adaptation Plan
NDCs	Nationally Determined Contributions
PPCR	Pilot Programme for Climate Resilience
PPF	Project Preparation Facility
RPSP	Readiness and Preparatory Support Programme
SIDs	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme



## Preface

Transparency International Bangladesh (TIB) works with a vision of an effectively governed Bangladesh where public affairs, business, politics, and daily lives of the people will be free from corruption and all powers exercised at all levels will be held accountable. To this end, TIB conducts a series of activities that include research and knowledge-based advocacy on issues and sectors of public interest, outreach, communication, and capacity building of stakeholders, and a robust programme of civic engagement especially youth engagement across the country aimed at strengthening the demand side of good governance and anti-corruption. Bangladesh being one of the worst affected countries by global climate crisis, climate finance governance (CFG) is among the priority areas of TIB's interest which focuses on evidence-based research, advocacy and civic engagement to promote integrity in climate finance.

This study on *Accessing Green Climate Fund (GCF) for Vulnerable Countries like Bangladesh: Governance Challenges and Way Forward* is aimed at identifying the governance challenges in accessing funds from GCF. TIB has undertaken this study to analyse the process and challenges of accessing GCF funds by developing countries in general and Bangladesh in particular, with a special emphasis on the governance process involved on both the supply and demand side. Therefore, this study examines GCF's governance structures, policy frameworks and practices, stakeholder engagement, and fund recipients' experiences.

Established under the United Nations Framework Convention on Climate Change (UNFCCC) in 2010, the GCF is acclaimed as the largest global source of climate finance for developing countries to mobilise climate finance promised by developed nations. However, the GCF has mobilised only 2 to 3 percent of the promised amount of USD 100 billion per year by the developed nations. While developing countries require USD 215 to 387 billion annually by 2030 for adaptation alone, the fund has been able to approve only USD 5.9 billion for adaptation since 2015, which indicates the wide gap between expectations and delivery of GCF in terms of its role to address the adverse impacts of climate change.

The GCF is expected to deliver its responsibilities in terms of supporting climate vulnerable nations by providing increased technical support as well as increased funding through Direct Access Entities (DAEs). However, due to the lack of clarity in GCF's Country Ownership Policy and guidelines and inefficient implementation plan, countries eligible for GCF fund are not receiving the expected level of support from GCF. There are also deficits in coordination and communication from the GCF to provide smooth and timely support to DAEs and National Designated Authorities (NDAs) during accreditation, project preparation, and resource mobilisation phases. As a result, potential DAEs fail to get timely accreditation and access to the funds and develop projects for implementation as per their priorities and needs. It prevents time-bound implementation of projects to alleviate the suffering of vulnerable communities. Overall, the vulnerable countries' ownership is severely undermined in GCF.

Initiatives from GCF for national-level engagement are also negligible. Potential DAEs and accredited entities are frustrated with GCF because of its complicated, and lengthy accreditation, as well as complex funding proposal approval and fund disbursement process. Besides, the GCF fails to maintain the stipulated timeline for funding proposal approval and fund disbursement. The

majority of the GCF projects ought to be implemented by the DAEs to ensure the country-driven approach and vulnerable country leadership. However, the picture is the opposite. International organisations and International Accredited Entities (IAEs) such as the World Bank and the United Nations Development Programme (UNDP) are implementing and mobilising the majority of projects and receiving the relevant funds. There is a clear dominance of IAEs in number of projects approved and fund allocated by GCF. Particularly, the number of approved projects, amount of funds allocated, and chances of receiving future projects by IAEs have recently increased disproportionately compared to the DAEs. As such, the DAEs are less prioritised resulting in fewer projects and funds for them. It undermines the country ownership approach and institutional strengthening process to bring transformational changes in implementing climate actions in developing countries. Bypassing country priorities, defying its own targets GCF allocates more funds for mitigation than adaptation and prioritises loans over grants. As a result, additional debt repayment burdens are being imposed on already over-burdened climate-vulnerable countries which is contradictory to ‘polluters-pay principle’. This study has also found GCF to be well below the desired standard of responsiveness and internal coordination with respect to requests of communications on matters that are of core interest to GCF mandate.

Based on its findings, the study provides some recommendations for GCF and relevant stakeholders. GCF should simplify the accreditation process and streamline the specific criteria for enhanced direct access to developing countries. Further, GCF should specify and adhere to the timelines for accreditation, project approval, and fund disbursement. GCF should ensure the balance of 50:50 funding for adaptation and mitigation. It should also move away from providing loans and transform itself into grant-making body for the climate vulnerable countries. On the other hand, the Fund should rethink its fund-raising strategy not only to beef up the fund at its disposal for the benefit of the climate vulnerable countries but also to transform itself into a catalyst to the delivery of the commitment of the developed nations. The GCF Secretariat needs to be more proactive in providing support, maintaining communication with NDAs and DAEs, and establishing offices at the regional levels to decentralise the decision-making process. GCF also needs to prioritise grants over loans in vulnerable countries.

The study has been conducted by Md. Newazul Moula, Research Fellow, and Md. Shahidul Islam, Research Associate at TIB, under the supervision of Md. Mahfuzul Haque, Senior Research Fellow. Special appreciation goes to Professor Dr. Sumaiya Khair, Adviser Executive Management, for her valuable advice and guidance throughout the study. Gratitude also goes to Muhammad Badiuzzaman, Director of Research and Policy, and Shahzada Akram, Senior Research Fellow, for their critical review of the report and editorial support. Special thanks to my other colleagues for their valuable feedback and support for completing this report.

My team and I hope that our work will assist the GCF in more effectively coping with the challenges for sufficient and time-bound delivery of its mandate including climate finance to developing countries. We also expect the report to be helpful for climate vulnerable countries like Bangladesh in their effort to access finance from GCF. Readers’ suggestions and recommendations on this report are welcome.

**Iftekharuzzaman**  
Executive Director

# Chapter One: Introduction

## 1.1. Background of the study

The Green Climate Fund (GCF) is the funding mechanism under the United Nations Framework Convention on Climate Change (UNFCCC). It is the world's largest climate fund established to finance the implementation of the objectives of the Paris Agreement on Climate Change.<sup>1</sup> The GCF provides support to developing countries to implement low-emission and climate-resilient activities to achieve the Nationally Determined Contribution (NDC) targets.<sup>2</sup> In 2009, developed countries committed to provide USD 100 billion climate finance per year by 2020 for climate action in developing countries in a transparent manner.<sup>3</sup> The goal was reiterated in the Paris Climate Conference in 2015 with provision of providing the finance a non-legally bindings. Notably, developing countries require annual USD 1,300 billion climate finance until 2030 to address the climate crisis. However, developed nations have provided total USD 622 billion<sup>4</sup> accompanying grant and loans since 2013 through bilateral and multilateral channels and funds including GCF, Adaptation Fund (AF), Pilot Programme for Climate Resilience (PPCR), Least Developed Countries Fund (LDCF), and Global Environmental Facility (GEF).<sup>5</sup> The developed countries never fulfilled the target of providing yearly USD 100 billion and the amount provided so far is insufficient compared to the need of developing countries.<sup>6</sup>

Goal 13.a of the United Nations Sustainable Development Goals (SDGs) have emphasized the importance of taking measures to mobilise USD 100 billion annually from the developed countries

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<sup>1</sup> Green Climate Fund. (2023). About GCF. Retrieved from <https://www.greenclimate.fund/about>; accessed on 15 December 2023.

<sup>2</sup> Green Climate Fund. (2023). Mitigation. Retrieved from: <https://www.greenclimate.fund/theme/mitigation>

<sup>3</sup> Weikmans, R., & Roberts, J. T. (2019). The international climate finance accounting muddle: is there hope on the horizon? *Climate and Development*, 11(2), 97-111.

<sup>4</sup> OECD. (2023). Climate Finance Provided and Mobilised by Developed Countries in 2013-2021: Aggregate Trends and Opportunities for Scaling Up Adaptation and Mobilised Private Finance, Retrieved from <https://www.oecd-ilibrary.org/sites/e20d2bc7-en/index.html?itemId=/content/publication/e20d2bc7-en>; accessed on May 10 2024.

<sup>5</sup> UNFCCC. (2023). UNFCCC Standing Committee on Finance Report on the doubling of adaptation finance. Retrieved from <https://unfccc.int/sites/default/files/resource/231120%20BLS23393%20UCC%20Adaptation%20Finance%20v04.pdf>; accessed on 15 December 2023).

<sup>6</sup> Reuters. (2021, October 6). African governments want climate finance to hit \$1.3 trillion by 2030. Retrieved from <https://www.reuters.com/business/sustainable-business/exclusiveafrican-governments-want-climate-finance-hit-13-trillion-by-2030-2021-10-06/>; accessed December 15, 2023.

and fully operationalise the GCF.<sup>7</sup> To reinforce support for developing countries, GCF has emphasised providing climate finance by accrediting and increasing the number of Direct Access Entities (DAE).<sup>8</sup> Meanwhile, the GCF declared to increase its fund mobilisation from USD 17 billion to USD 50 billion by 2030.<sup>9</sup> Besides, various reforms to the fund have been announced, including increasing financial support to vulnerable countries, ensuring private sector participation and investment, reinventing the accreditation process, and speeding-up project approvals and disbursements.<sup>10</sup> Notably, a total of 121 entities have been accredited by GCF for implementing projects until December 2023. Among these, there are 63 National Access Entities (DAE-National), while regional Access Entities (DAE-Regional) and International Accredited Entities (IAEs) are 14 and 44, respectively.<sup>11</sup> During 2015 to 2023, the GCF has approved USD 13.5 billion in 243 projects, whereas the disbursed amount is only USD 3.8 billion<sup>12</sup> indicating poor delivery of GCF to meet the urgent need for adaptation and mitigation.

Despite some improvement, GCF stakeholders are concerned that accessing finance from the GCF is cumbersome due to the complex and lengthy process of entity accreditation, project approval, and fund disbursement.<sup>13,14</sup> Besides, the Rulebook of the Paris Agreement is adopted with the aim to ensure a transparent governance framework in climate finance. But its practical implementation of the rulebook on GCF has not been reflected and the need is there to apply it on GCF.<sup>15</sup> Moreover,

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<sup>7</sup> The Sustainable Development Goals (SDGs): Goal 13 CLIMATE ACTION, Retrieved from <https://www.undp.org/sustainable-development-goals/climate-action>; accessed on 10 March 2023.

<sup>8</sup> Report of the second Global Programming Conference of the Green Climate Fund, (2023, September 20). Retrieved from <https://www.greenclimate.fund/sites/default/files/event/global-programming-conference-report-23-september-2022.pdf> about; accessed on 15 March 2023.

<sup>9</sup> Climate Ambition Summit – Chair's Summary. (2023, September 20). Retrieved from [https://www.un.org/sites/un2.un.org/files/climate\\_ambition\\_summit\\_-\\_20\\_september\\_2023\\_-\\_chairs\\_summary.pdf](https://www.un.org/sites/un2.un.org/files/climate_ambition_summit_-_20_september_2023_-_chairs_summary.pdf) about; accessed on 10 December 2023.

<sup>10</sup> Climate Ambition Summit – Chair's Summary. (2023, September 20). Retrieved from [https://www.un.org/sites/un2.un.org/files/climate\\_ambition\\_summit\\_-\\_20\\_september\\_2023\\_-\\_chairs\\_summary.pdf](https://www.un.org/sites/un2.un.org/files/climate_ambition_summit_-_20_september_2023_-_chairs_summary.pdf) about; accessed on 10 December 2023.

<sup>11</sup> Green Climate Fund. (2023). Retrieved from: Entities. Retrieved from <https://data.greenclimate.fund/public/data/entities>; accessed on 5 December 2023.

<sup>12</sup> Green Climate Fund. (2023, December). Project Portfolio. Retrieved from <https://www.greenclimate.fund/projects/dashboard>; accessed on 5 December 2023.

<sup>13</sup> O'Dwyer, C. (2027, May 7). The Green Climate Fund Lacks Procedural Justice. Retrieved from <https://www.sevenpillarsinstitute-org.sevenpillarsconsulting.com/green-climate-fund-lacks-procedural-justice/>; accessed on 3 December 2023.

<sup>14</sup> Independent Evaluation Unit. (2023). Second Performance Review of the Green Climate Fund: Evaluation report . No. 13 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

<sup>15</sup> O'Dwyer, C. (2027). The Green Climate Fund Lacks Procedural Justice. Retrieved from <https://www.sevenpillarsinstitute-org.sevenpillarsconsulting.com/green-climate-fund-lacks-procedural-justice/>; accessed on 3 December 2023.

GCF policies emphasize the transparency, accountability, efficiency, stakeholder participation, and integrity of its activities; however, the implementation of these policies still needs improvement.<sup>16</sup> Some studies have discussed challenges related to the GCF accreditation, project approval, and fund disbursement process<sup>17,18</sup> but there is a need of comprehensive research on good governance in the Funds' operation. TIB has conducted number of research on national and international climate funds along with advocacy initiatives on GCF at national and global levels. The studies revealed significant governance challenges in climate funds, projects and activities in Bangladesh.<sup>19</sup> In line with TIB's previous researches and advocacy activities, this study explores the comprehensive governance challenges of developing countries' access to GCF funds with special examples of Bangladesh.

## **1.2. Objectives of the study**

### **Main Objective**

The main objective of this study is to review the governance process in accessing GCF funds of vulnerable developing countries like Bangladesh.

### **Specific Objectives**

1. To analyse the GCF policy framework for accreditation and funding for national and international entities;
2. To identify the challenges of accessing GCF fund; and
3. To provide recommendations based on research findings.

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<sup>16</sup> Transparency International Bangladesh. (2018). Adaptation finance governance standards country report- Bangladesh a new approach piloted in Bangladesh and the Maldives. Retrieved from <https://www.ti-bangladesh.org/images/2018/cfpi/Climate-Finance-Governance-Standards-Country-Report-BD.pdf>; accessed on 3 December 2023.

<sup>17</sup> Kalinowski, T. (2024). The Green Climate Fund and private sector climate finance in the Global South. Climate Policy, 24(3), 281–296. <https://doi.org/10.1080/14693062.2023.2276857>; accessed 5 December 2023.

<sup>18</sup> Independent Evaluation Unit. (2023). Second Performance Review of the Green Climate Fund: Evaluation report . No. 13 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

<sup>19</sup> Transparency International Bangladesh. (2018). Adaptation finance governance standards country report- Bangladesh a new approach piloted in Bangladesh and the Maldives. Retrieved from <https://www.ti-bangladesh.org/images/2018/cfpi/Climate-Finance-Governance-Standards-Country-Report-BD.pdf>; accessed on 5 December 2023.

### 1.3. Research Methods

This study deployed a mixed-method research approach. Both qualitative and quantitative methods were used for data collection and analysis. Data were collected from both primary and secondary sources. The methods and sources of data are presented in the following table.

**Table 1: Sources of information**

<b>Data Collection Method</b>	<b>Source of Information</b>
Key Informant Interviews (23 respondents)	Concerned officials of the National Designated Authority (NDA), Direct Access Entity (DAE-National), International Accredited Entities (IAE), Implementing Partner Institution (IP), and Potential DAE; representatives from the ‘Active Observer’, Indigenous advisory group and representatives from civil society members; journalist and experts on climate finance, etc.
Institutions Survey	<b>Primary Data:</b> Survey questionnaires were sent to 121 accredited entities, but only 15 responded. As the number of responses was insignificant, data from the responses were not considered for further analysis.
Compilation of GCF data	<b>Secondary Data:</b> Collection and analysis data available in GCF website (up to December 15, 2023) <ul style="list-style-type: none"><li>▪ Collect and analyse data of 154 GCF-eligible countries and 129 project recipient countries.</li><li>▪ Collect and analyse data of 129 GCF-approved projects.</li><li>▪ Collect and analyse data of 121 accredited entities.</li></ul>
Review and analysis	GCF reports; relevant research, articles published in journals; reports and news published in national and international the medias; relevant reports of public and private organisations; project proposals; information on GCF from websites of various national and international organisations, including GCF.

#### 1.3.1. Source of information

Data were collected from both primary and secondary sources.

##### 1.3.1.1. Sources of primary information

##### 1.3.1.1.1. Qualitative data collection method

Qualitative tools and techniques such as online surveys, questionnaires, interviews and document reviews were used to collect qualitative data. Key Informant Interviews (KIIs) were conducted to collect qualitative data from the relevant respondents to understand the activities of the Green Climate Fund. Qualitative data were collected until sufficient information was gathered. Open-

ended questionnaires/checklists were used to collect necessary details on GCF funds, projects, and activities. The checklists were prepared to collect information on: GCF's accreditation process; accreditation challenges; projects and their approval; financing challenges including co-financing; fund recipient entities; stakeholder involvement in accreditation and project planning; coherence coordination, and prioritisation of projects; prioritisation of GCF funding; country ownership; approval process of projects/funds for national and international institutions; fund disbursement process; project monitoring; implementation of GCF Board decisions; disclosure of information; grievance redress mechanism; project performance, results and evaluation; prevention of irregularities and corruption, etc. Interviews were conducted with the National Designated Authorities (NDAs) representatives, DAE-national, Implementing Entities (IPs), potential DAEs; concerned government officials; indigenous advisory groups, and civil society representatives, journalists and experts on GCF.

#### **1.3.1.1.2. Quantitative data collection method**

Quantitative data were collected and compiled from the GCF website by reviewing policies, guidelines, reports, project information, proposals, Board decisions and minutes, etc., available on the website until December 15, 2023. Based on the review, a comprehensive database on GCF activities and projects was prepared. The database was then analysed in accordance with the research objectives. Data was validated with relevant stakeholders, including GCF, in necessary cases.

#### **1.3.1.2. Secondary sources**

##### **1.3.1.2.1. Compilation of GCF data**

Data from 243 GCF projects, 154 countries and 121 Entities have been compiled until December 15, 2023.

**Country-wise database:** A country-wise database was prepared by collecting and compiling information on 154 GCF-eligible countries and 129 project recipient countries using the data published on the GCF website.

**Project-wise database:** In line with the study's objective, a project-wise database was prepared by collecting and compiling information on 243 projects published on the GCF website.

**Entity-wise database:** An entity-wise database was prepared by collecting and compiling information on 121 AEs published on the GCF website.



#### 1.4. Timeline of the study

The study is conducted during January 2023 to May 2024. Research-related data was also collected, compiled, verified, and analysed during the period.

#### 1.5. Data processing and analysis

The data were analysed using Statistical Package for the Social Sciences (SPSS) software. The percentage and mean analyses were applied. The Bivariate Binary Logistic Regression method was used to analyse the probabilities of project approval based on accredited entities.

#### 1.6. Analytical framework

The GCF's governance challenges have been assessed in four stages (priority, access, delivery, and monitoring). Each stage was analysed using six indicators of good governance (efficiency, transparency, accountability, coherence, integrity, and participation). The analytical framework, based on the governance indicators, is presented in the following table.

**Table 2: Analytical Framework based on the indicators of governance (based on stages)**

Stages of GCF fund	Indicator
Priority	Balance between adaptation and mitigation funding; country ownership; fund allocation in private sector; funding through DAEs; stakeholders engagement in accreditation process and project planning; coherence and coordination in accreditation and prioritisation of projects; prioritise adaptation
Access	GCF's accreditation process; accreditation challenges; project approval process; financing challenges; co-financing challenges; entity-based project approval; 'single country' projects; fund mobilisation by GCF
Deliver	Allocation of fund for national DAEs and IAEs; loan in financing; co-financing; time required for fund disbursement
Monitor	Disclosure of information at project implementation area; project monitoring; grievance redress mechanism; performance and evaluation of projects.

**Analysis based on six governance indicators**

- Efficiency
- Transparency
- Accountability
- Coherence
- Integrity
- Participation



## 1.7. Limitations of the data collection

The limitations of this study include insufficient data, non-cooperation of Accredited Entities (AEs) to provide interviews, and nonresponse and delays in providing critical information by GCF. Notably, TIB sent a formal letter and questionnaire to the GCF via email for interview and collect additional information. However, the response and the provided information was not satisfactory.\*

Besides, TIB communicated with AEs and sent an online survey questionnaire to learn about the GCF processes and score their experiences with regard to GCF issues. The questionnaire was sent to the email contacts of 121 entities. Despite several follow-up emails, only 15 Direct Access Entities (DAEs) participated in the survey which is insufficient to be statistically representative. Therefore, the survey responses were not used in this report.

## 1.8. Report structure

The first chapter of this report discusses the background, objectives, and research methodology. The second chapter assesses the governance challenges of the GCF's priority stage. The third chapter deals with the governance challenges of the GCF fund's access stage. The fourth and fifth chapters discuss the governance challenges of the fund disbursement stage and the monitoring stage, respectively. The sixth chapter explores Bangladesh's experience of engaging with the GCF. The seventh chapter presents the overall observations and recommendations of the research.

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\*Acknowledging the receipt of the mail, GCF indicated a delay in sending the answers. TIB agreed to receive the information within a new deadline, which GCF did not comply with either. After crossing the new deadline, TIB sent a reminder mail requesting a response, and this time, GCF provided another deadline for sending the information. After a two-month delay, GCF provided the answers in brief without adding any major new information, providing the GCF links to information that had already been analysed. Subsequently, the research team again emailed GCF with a set of follow-up questions to seek additional information. This time, GCF did not acknowledge the receipt of the mail or respond to it.

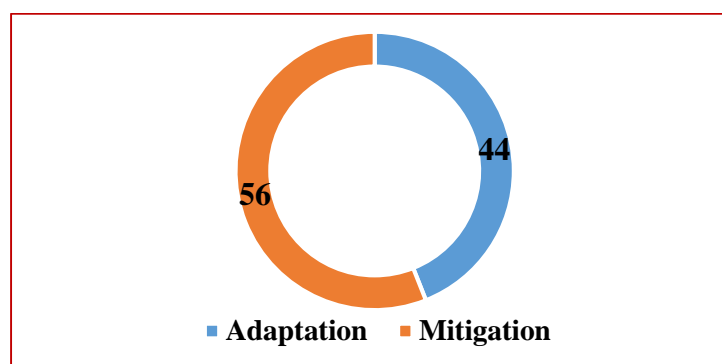
## Chapter Two: Governance Challenges in Prioritisation Stage

### 2.1. GCF's non-compliance in fund allocation

The GCF does not follow its own determined policy of fund allocation for adaptation and mitigation. GCF came to operation in 2015 with the aim to deliver a 50:50 balance between mitigation and adaptation allocations.<sup>21</sup> However, the stipulated ratio of 50:50 allocations have yet to be maintained. The allocation for adaptation stands at 44 per cent, while the allocation for mitigation is 56 per cent (Figure 1) representing a higher allocation for mitigation than adaptation. Though the allocation for adaptation themes stands at 5.9 billion, a considerable portion of the adaptation financing is channelled through cross-cutting projects, where theme-wise fund allocation is also not disclosed transparently. USD 3.5 billion (25.8 per cent) has been approved solely for adaptation projects, excluding the cross-cutting funding.<sup>22</sup>

Moreover, there is no specific time frame for achieving the target of balancing 50:50 ratios between adaptation and mitigation financing at the portfolio level. However, the GCF is keen to approve funds for mitigation projects since adaptation projects are principally grant-oriented and have less or no potential for reinvestment to generate revenues.<sup>23</sup>

**Figure 1: Allocation for adaptation and mitigation (in percentage)**



Source: Green Climate Fund (2023, December)

<sup>21</sup> Green Climate Fund. (2023). GCF in Brief: Adaptation Planning. Retrieved from <https://www.greenclimate.fund/document/gcf-brief-adaptation-planning>; accessed on 10 December 2023.

<sup>22</sup> Green Climate Fund. (2023). Project Portfolio. Retrieved from <https://www.greenclimate.fund/projects/dashboard>; last accessed on 15 December 2023.

<sup>23</sup> Huq, S. (2024). What we can learn from the Green Climate Fund crisis. The Daily Star. Retrieved from <https://www.thedailystar.net/opinion/politics-climate-change/what-we-can-learn-the-green-climate-fund-crisis-1603279>; accessed on 3 December 2023.

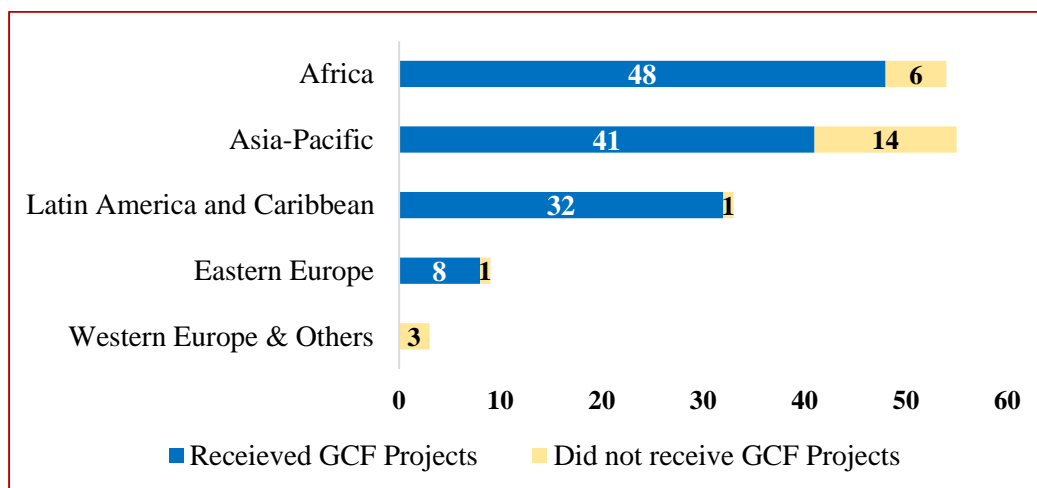
## 2.2. GCF failure to bring countries under adaptation

The GCF has not covered most of the climate vulnerable countries with regard to adaptation financing. Although there is a portfolio target to allocate at least 50 per cent of adaptation funds for vulnerable countries, including Small Island Developing States (SIDs), Least Developed Countries (LDCs), and African states, the GCF is yet to allocate adaptation finance in 42 ‘particularly vulnerable’ countries.<sup>24</sup> Adaptation funding for the remaining vulnerable countries has been mobilised through a few specific IAEs, whereas the DAEs have not been prioritised.<sup>25</sup> Moreover, GCF has no plan to adopt a policy to create a new priority group for climate-vulnerable countries that graduate from the least developed category.

## 2.3. GCF’s deficits to prioritise fund allocation

GCF activities have not reached all GCF-eligible countries. For instance, 25 (16.2 per cent) out of 154 GCF-eligible countries, have not received projects from the GCF. In the Asia-Pacific region, 14 of 55 eligible countries have not received project (Figure 2). Besides, eight of 96\* GCF strategically prioritised ‘particularly vulnerable’ countries have not received any project.<sup>26</sup>

**Figure 2: Region-wise eligible country distribution by approval of projects (in number)**



Source: Calculation from GCF country database (2023)

<sup>24</sup> Independent Evaluation Unit. (2023). Second Performance Review of the Green Climate Fund: Evaluation report No. 13 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

<sup>25</sup> Independent Evaluation Unit. (2023). Second Performance Review of the Green Climate Fund: Evaluation report No. 13 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

\* Consider only one country in one priority group.

<sup>26</sup> Calculation from, country database (2023).

## 2.4. GCF's deficit in ensuring 'country ownership'

GCF applied 'country ownership' as a flexible approach where the country-context-specific principle is taken throughout the project cycle. However, GCF does not specify a comprehensive definition of country ownership\*, and its policy fails to explain the concept adequately.<sup>27</sup> Besides, the scope and activities related to country ownership remain unclear. The lack of clarity and effective planning in the GCF country ownership policy hinders active participation and leadership of vulnerable countries in preparing projects and receiving GCF funds.<sup>28</sup> According to the policy of country ownership, the GCF and vulnerable countries are supposed to bear shared responsibilities in addressing adverse impact of climate change.<sup>29</sup> However, due to insufficient policies and the absence of practical guideline for effectively implementing this approach, the GCF is compromising its responsibilities in ensuring country ownership.<sup>30</sup>

## 2.5. Capacity deficiencies of NDAs/ Focal Points

The Nationally Designated Authority (NDA) serves as the main interface and focal point for communication between the country and the GCF. It provides leadership for fundraising from the GCF consistent with country policies, plans and strategies. However, six countries (3.9 per cent) do not have NDAs out of 154 GCF-eligible countries, resulting in limited GCF activities within these countries. The GCF has no explanation for the absence of NDAs in these countries.

Besides, the NDA has limited scope to contribute in some specific areas and activities such as ensuring country ownership, setting priorities consistent national policies, providing initial financial assistance to build the capacity of national institutions, and facilitating communication

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\* The intended approach of the GCF for country ownership has focused on four building blocks: (1) the role and capacity of the NDA/focal point, (2) multi-stakeholder engagement, (3) programming GCF investments at the country and entity level, and (4) encouraging direct access.

<sup>27</sup> Asfaw, S., Jemison, C., Khan, A., Kyle, J., Otlakán, L., Polvi, J., Puetz, D., & Puri, J. (2019). Independent Evaluation of the Green Climate Fund's Country Ownership Approach: Evaluation Report No. 4, October 2019. Independent Evaluation Unit, Green Climate Fund. Songdo, South Korea.

\*Not considering one country in multiple groups

<sup>28</sup> Asfaw, S., Jemison, C., Khan, A., Kyle, J., Otlakán, L., Polvi, J., Puetz, D., & Puri, J. (2019). Independent Evaluation of the Green Climate Fund's Country Ownership Approach: Evaluation Report No. 4, October 2019. Independent Evaluation Unit, Green Climate Fund. Songdo, South Korea.

<sup>29</sup> Asfaw, S., Jemison, C., Khan, A., Kyle, J., Otlakán, L., Polvi, J., Puetz, D., & Puri, J. (2019). Independent Evaluation of the Green Climate Fund's Country Ownership Approach: Evaluation Report No. 4, October 2019. Independent Evaluation Unit, Green Climate Fund. Songdo, South Korea.

<sup>30</sup> Asfaw, S., Jemison, C., Khan, A., Kyle, J., Otlakán, L., Polvi, J., Puetz, D., & Puri, J. (2019). Independent Evaluation of the Green Climate Fund's Country Ownership Approach: Evaluation Report No. 4, October 2019. Independent Evaluation Unit, Green Climate Fund. Songdo, South Korea.

with the GCF Secretariat and DAEs. Although the NDA's role is essential in monitoring the implementation of the GCF projects in their countries, the GCF lacks clear guidelines in this regard.

## **2.6. Inadequate guidelines of GCF for DAE nomination**

National entities are needed to be nominated by the NDA to apply for GCF accreditation.<sup>31</sup> To ensure country ownership, the NDA has instructions to nominate qualified and efficient entities aligning with the national priorities on climate change, policies, strategies, and targets. Opposite to this obligation, in some cases, the NDA nominates entities that are more likely to be accredited by GCF without considering the country's long-term climate-related goals and strategies.<sup>32</sup> Moreover, GCF has no clear guideline or policies for the NDA with indicators or criteria to consider for the nomination.<sup>33</sup> Besides, GCF policy does not specify the maximum number of DAEs from a country<sup>34</sup> or how many entities are needed to secure necessary finance to meet the country's needs and ensure country ownership.

## **2.7. Procedural weakness of GCF**

Each project implementation requires a 'no-objection letter' from NDA to show government clearance to the project. However, the process has weakness that undermines country ownership.<sup>35</sup> The 'no-objection letter' states only the governments' no objection to the project and a general statement certifying that the 'funding proposal is consistent with national priorities, strategies and plans'.<sup>36</sup> There is no credible mechanism to verify whether all due processes has been followed in taking a project by the AEs engaging all stakeholders at country before obtaining the clearance.

Besides, country ownership is not limited to ensuring consistency with national priorities and plans, but also about effectively aligning with the needs of affected people and consultation with

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<sup>31</sup>Green Climate Fund. (2023). Accreditation framework of the GCF. Retrieved from <https://www.greenclimate.fund/sites/default/files/document/accreditation-framework-gcf.pdf>; accessed on 30 December 2023).

<sup>32</sup> Asfaw, S., Jemison, C., Khan, A., Kyle, J., Otlakán, L., Polvi, J., Puetz, D., & Puri, J. (2019). Independent Evaluation of the Green Climate Fund's Country Ownership Approach: Evaluation Report No. 4, October 2019. Independent Evaluation Unit, Green Climate Fund. Songdo, South Korea.

<sup>33</sup> Asfaw, S., Jemison, C., Khan, A., Kyle, J., Otlakán, L., Polvi, J., Puetz, D., & Puri, J. (2019). Independent Evaluation of the Green Climate Fund's Country Ownership Approach: Evaluation Report No. 4, October 2019. Independent Evaluation Unit, Green Climate Fund. Songdo, South Korea.

<sup>34</sup> *Ibid.*

<sup>35</sup> Kalinowski, T. (2023). The Green Climate Fund and private sector climate finance in the Global South. *Climate Policy*, 1-16.

<sup>36</sup> *Ibid.*

relevant stakeholders which are not followed properly.<sup>37</sup> Country ownership in private sector activities is also limited.<sup>38</sup> In the case of private sector institutions, the role of NDA is non-visible at the project implementation stage. They often do not link the project with national priorities.<sup>39</sup> However, GCF approves such projects. NDA has lack of capacity to effectively verify the consistency of international organisations' funding proposals with national priorities, strategies and plans in some case.<sup>40</sup>

### **3.8. GCF's lack of communication with NDAs and eligible countries**

The GCF does not have separate coordination structures to communicate and coordinate with countries and relies on the eligible countries' existing coordination structures. Countries that do not have coordination structures of their own cannot communicate and coordinate with the GCF.<sup>41</sup> As a result, such countries did not apply for the Readiness and Preparatory Support Programme (RPSP) or underwent delays in receiving grants to increase their capacity for climate action.<sup>42</sup> In such cases, national entities also did not receive accreditation for direct access or experienced delays in the process.

### **2.9. GCF's lack in ensuring stakeholder engagement**

GCF has policies to ensure the meaningful participation of relevant stakeholders at international, national, and local levels in board meeting discussions and consultations, including accreditation and project approval process.<sup>43</sup> However, there is a lack of effective and meaningful engagement of stakeholders. 'Active observer' needs funding to participate in the GCF Board meeting.<sup>44</sup> In some cases, the active observer organisations can not send their representative to the Board meetings due to lack of funds.<sup>45</sup> Besides, observers invited on short notice, sometimes could not attend the meeting due to delayed visa approval for traveling.<sup>46</sup> The influence of the active observer in making or changing any board decisions and policies is very minimal. There are guidelines to ensure the effective involvement of indigenous people in the planning and implementing projects,

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<sup>37</sup> Kalinowski, T. (2023). *Op cit.*

<sup>38</sup> *Ibid.*

<sup>39</sup> *Ibid.*

<sup>40</sup> *Ibid.*

<sup>41</sup> Asfaw, et al (2019). *Op cit.*

<sup>42</sup> *Ibid.*

<sup>43</sup> Kalinowski, T. (2023). *op cit.*

<sup>44</sup> Key Informant. (2023, August 29). Dhaka, Bangladesh.

<sup>45</sup> Key Informant. (2023, August 29). Dhaka, Bangladesh.

<sup>46</sup> Key Informant. (2023, August 29). Dhaka, Bangladesh

inform them fully, and consider their recommendations. However, these guidelines are not properly followed.<sup>47</sup> For instance, the local and indigenous people were not meaningfully consulted during the project design phase.<sup>48</sup> It is noteworthy that more than 40 per cent of funding proposals' of the accredited entities did not consult with relevant stakeholders in project preparation stages.<sup>49</sup> However, GCF has approved such projects.

## **2.10. Deficits of GCF guideline for coordination with stakeholders**

According to the decision of the GCF Board, GCF projects have to be implemented in coordination with NDA/focal points, as well as stakeholders (e.g., civil society, non-governmental development organisations), to maintain country ownership.<sup>50</sup> However, there are no specific guidelines from GCF on how and which level stakeholders will participate with NDA with regard to GCF activities. The implementation of GCF projects in countries is largely executed through communication and coordination with NDAs/focal points.<sup>51</sup> As such, there is limited coordination and communication with the stakeholders at national levels in formulating and implementing projects.

## **2.11. Deficits to achieving the private sector allocation targets**

According to the GCF's Updated Strategic Plan (2020–2023), the allocation target through the 'Private Sector Facility' was set to exceed 20 per cent, but only 17 per cent has been achieved during this period. Due to a lack of guidance from the GCF board and an inadequate strategy for the private sector approach, this target has not been achieved.<sup>52</sup> For example, the GCF's strategic plan provides a list of priorities related to the private sector but provides limited strategic guidance for implementation.<sup>53</sup> Moreover, the GCF has not properly emphasized enhancing the participation of micro, small, and medium-sized enterprises (MSMEs) in GCF activities in LDCs, SIDS, and African States.<sup>54</sup>

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<sup>47</sup> Climate Change News. (2023). UN's Green Climate Fund Too Scared of Official Risk, Finds Official Review. Retrieved from <https://www.climatechangenews.com/2023/04/19/uns-green-climate-fund-too-scared-of-risk-finds-official-review/>; accessed on 10 December 2023)

<sup>48</sup> Key Informant. (2023, August 29). Dhaka, Bangladesh

<sup>49</sup> Asfaw, et al (2019). *Op cit*.

<sup>50</sup> *Ibid*.

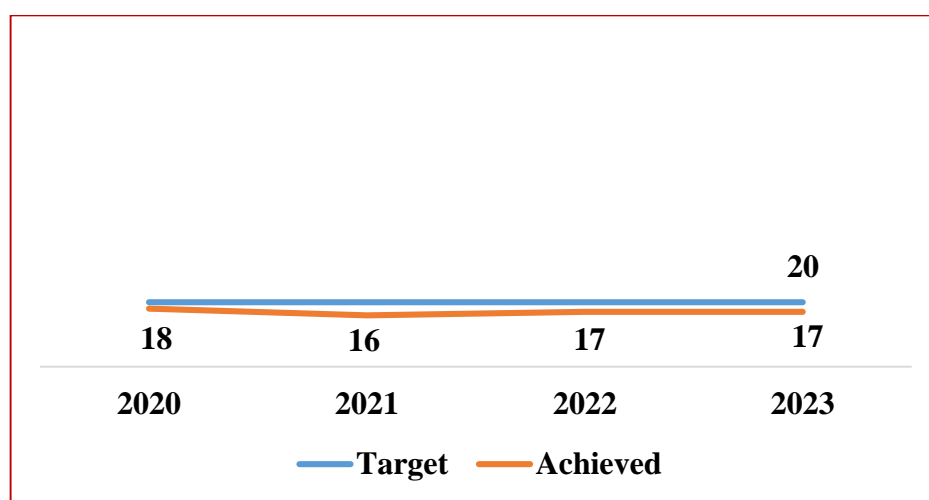
<sup>51</sup> *Ibid*.

<sup>52</sup> Independent Evaluation Unit (2021). Independent evaluation of the Green Climate Fund's approach to the private sector. Evaluation Report No. 10, (September). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

<sup>53</sup> *Ibid*.

<sup>54</sup> *Ibid*.

**Figure 3: Target vs achievement in allocation under Private Sector Facility (in percentage)**



Source: Green Climate Fund (2021;2022;2023;2024).

## 2.12. Lack of engagement in private sector

One of the strategic objectives of the GCF is to involve the private sector in developing countries, with a particular focus on engaging local institutions, small and medium-sized enterprises, and local financial intermediaries in project implementation.<sup>55</sup> However, the GCF's policy to encourage private-sector financing has been partially implemented.<sup>56</sup> Currently, most private sector projects are implemented by banks and large financial institutions from the Global North, with minimal local engagement. Moreover, private sector projects have primarily been undertaken through banks and financial intermediaries rather than through project implementing agencies (infrastructure development companies).<sup>57</sup> For instance, among the 27 accredited private sector entities, 23 (90 per cent) are financial institutions, and only four are project-implementing institutions or other commercial organisations.<sup>58</sup> GCF has approved nine projects for private sector entities, all of which are financial institutions.<sup>59</sup> A plethora of financial institutions within the private sector is evident.

The NDA is responsible for effectively engaging the private sector with the GCF which they do inadequately.<sup>60</sup> Moreover, regarding the accreditation process, private sector DAEs take more time

<sup>55</sup> *Ibid.*

<sup>56</sup> *Ibid.*

<sup>57</sup> *Ibid.*

<sup>58</sup> *Ibid.*

<sup>59</sup> Independent Evaluation Unit. (2023). Second Performance Review of the Green Climate Fund: Evaluation report No. 13 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

<sup>60</sup> Independent Evaluation Unit (2021). *op cit.*



than public DAEs because of the lack of adequate guidance and communication from GCF. Besides, the project approval process is longer for the private sector (228 days) than for the public sector (200 days).<sup>61</sup> This prolonged approval process delays project implementation to cause delay in getting financial return from projects.<sup>62</sup> As a result, the private sector is less interested in implementing GCF's projects. The private sector organisations are more interested in implementing business friendly mitigation projects than adaptation projects.<sup>63</sup> This is one of the reasons that hinders achieving the target 50:50 balance between adaptation and mitigation.

### **Box 1: Alignment of private sector with GCF plans**

GCF's private sector project implementation process is not 'country driven' and is not aligned with the strategic plan (Independent Evaluation Unit, 2021).

### **2.13. Insufficient 'readiness supports' by GCF**

GCF has provided support under the 'Readiness and Preparatory Support Programme (RPSP)' to increase country ownership by strengthening the capacity of the NDA. The supports are to enhance NDAs capacity to understand the priority needs, formulate strategies, and increase the accreditation of DAEs. However, this support is inefficient compared to the actual needs.<sup>64</sup> According to the GCF data, 12 countries (7.8 per cent) have not received any RPSP grant.<sup>65</sup>

### **2.14. Lack of coherence in project implementation**

In the least-developed countries, the implementation of GCF projects shows poor coherence with national adaptation plans and strategies.<sup>66</sup> For example, there are allegations that developed country parties are keen to provide finance for mitigation projects in considering their business interests.<sup>67</sup> GCF is also reluctant to prioritise adaptation activities and address loss and damage associated with the climate change to fulfil the needs of vulnerable countries.<sup>68</sup>

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<sup>61</sup> Kalinowski, T. (2023). *op cit*.

<sup>62</sup> *Ibid*.

<sup>63</sup> *Ibid*.

<sup>64</sup> Independent Evaluation Unit (2023). *op cit*.

<sup>65</sup> Calculation from, country database (2023).

<sup>66</sup> Independent Evaluation Unit. (2023). Second Performance Review of the Green Climate Fund: Evaluation report No. 13 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

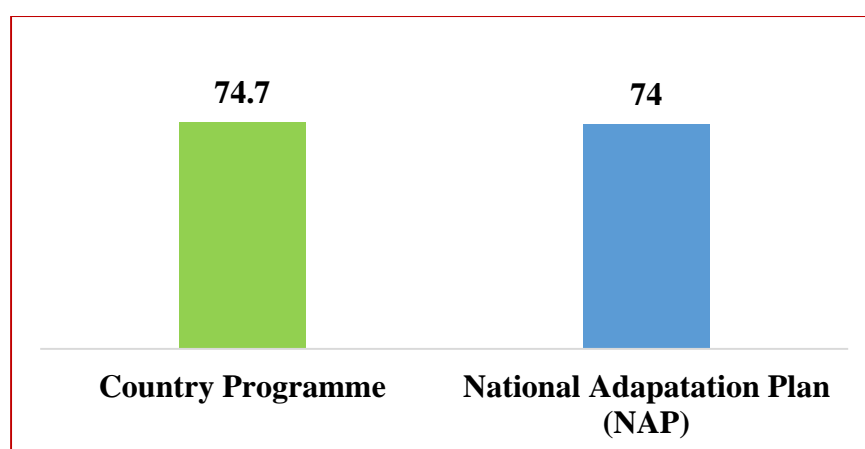
<sup>67</sup> Key Informant. (2023, July 27). Dhaka, Bangladesh.

<sup>68</sup> Key Informant. (2023, August 31). Dhaka, Bangladesh.

## 2.15. Insufficient GCF support to prepare ‘country programme’

Having a country programme in a developing country is a strong indication of ensuring country ownership.<sup>69</sup> Country programme prioritises GCF projects and programmes consistent with the vulnerable countries’ national climate plans or strategies.<sup>70</sup> However, nearly three-quarters (74.7 per cent) of countries have no country programme. In absence of the country programme, GCF activities in these countries do not fully align with national strategic goals and priorities. Although the GCF provides RPSP grants aiming to prepare country programme, 15.6 per cent of countries yet to receive this funding support. GCF’s programme and activities are intend to support national climate plans and strategies under the country programme. However, GCF has no such strategic investment plan to implement the activities.<sup>71</sup>

**Figure 4: Availability of Country Programme and National Adaptation Plan-NAP in GCF-eligible countries (in percentage)**



Source: Calculation from country database (2023).

## 2.16. Lack of GCF support to prepare National Adaptation Plan

GCF projects should be aligned and implemented following the requirements and priorities of (NAP) countries.<sup>72</sup> However, 74 per cent of countries (figure 4) do not have a NAP, negatively affecting the countries’ ability to prioritise, prepare and implement consistent projects addressing

<sup>69</sup> Independent Evaluation Unit. (2023). Independent Evaluation of the Relevance and Effectiveness of the Green Climate Fund's Investments in the African States. Evaluation report No. 14 (3rd ed.). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

<sup>70</sup> *Ibid.*

<sup>71</sup> *Ibid.*

<sup>72</sup> Independent Evaluation Unit. (2023). Independent Evaluation of the Relevance and Effectiveness of the Green Climate Fund's Investments in the African States. Evaluation report No. 14 (3rd ed.). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

their country needs. Although GCF provides RPSP grants to develop NAP, 40.3 per cent of countries did not receive this grants.<sup>73</sup>

## 2.17. GCF failure to increase funding to DAEs

According to the GCF's strategic plan (2020-2023), a 'significant increase' in fund channelling target was set through DAEs. Therefore, channelling GCF funds and resources through the DAEs is one of the important criteria to ensure the country ownership. However, only 19 per cent of its funds have been channelled through DAEs since GCF's inception in 2015, while the rest of the fund have been channelled through IAEs. The share of funding channelled through DAEs has only increased from 14 per cent to 19 per cent during 2020-2023 (Table 3).

**Table 3: GCF Fund channelling through DAEs (in percentage)**

<b>Timeline based allocation of Funds</b>	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>31 December 2022</b>	<b>31 December 2023</b>
Allocated Funds	14 Per cent	17 Per cent	18 Per cent	19 Per cent

Source: Green Climate Fund (2021; 2022; 2023; 2024)

## 2.18. Ambiguity in the implementation of gender policy

GCF's gender policy requires to follow the action plans to ensure gender equality and inclusion during the preparation of project proposals. Moreover, in terms of gender policy the coherence between action plans and budget allocations, particularly, activity-wise budget within the projects are not clear.<sup>74</sup>

<sup>73</sup> Calculation from, country database (2023).

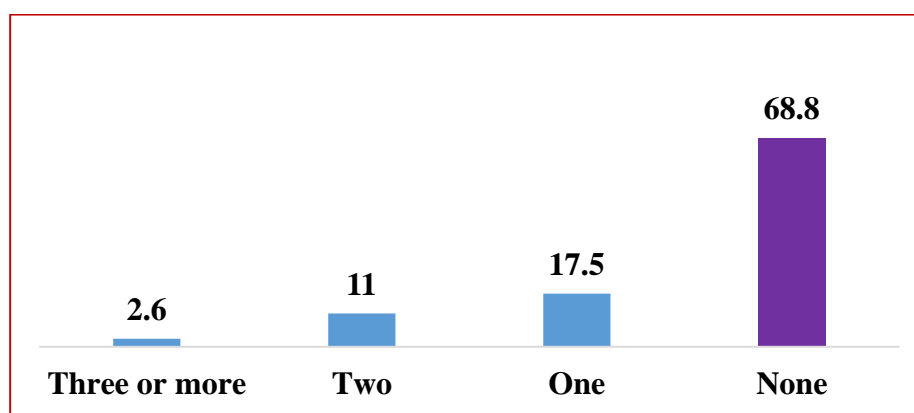
<sup>74</sup> Independent Evaluation Unit. (2023). Second Performance Review of the Green Climate Fund: Evaluation report No. 13 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

## Chapter Three: Governance Challenges in Access Stage

### 3.1. GCF's failure to accredit DAEs in GCF-eligible countries

GCF-eligible countries need to have DAEs to effectively access GCF funding ensuring country ownership.<sup>75</sup> However, GCF have failed to provide sufficient support to countries for DAE accreditation. Notably, 68.8 per cent of GCF-eligible countries do not have DAEs in absence of readiness support from GCF to prepare for DAE accreditation (figure 5). Besides, 61.7 per cent of the eligible countries have not received RPSP grants to prepare DAEs.<sup>76</sup>

**Figure 5: Availability of DAEs in GCF-eligible countries (in percentage)**



Source: Calculation from, country database (2023).

Accredited entities/potential DAEs are considered as partners in implementing GCF's action plan where GCF is supposed to provide technical support them. However, in the GCF accreditation process, the Secretariat acts more as an auditor rather than providing technical assistance to potential DAEs.<sup>77</sup>

<sup>75</sup> Asfaw, S., Jemison, C., Khan, A., Kyle, J., Ottlakán, L., Polvi, J., Puetz, D., & Puri, J. (2019). Independent Evaluation of the Green Climate Fund's Country Ownership Approach: Evaluation Report No. 4, October 2019. Independent Evaluation Unit, Green Climate Fund. Songdo, South Korea

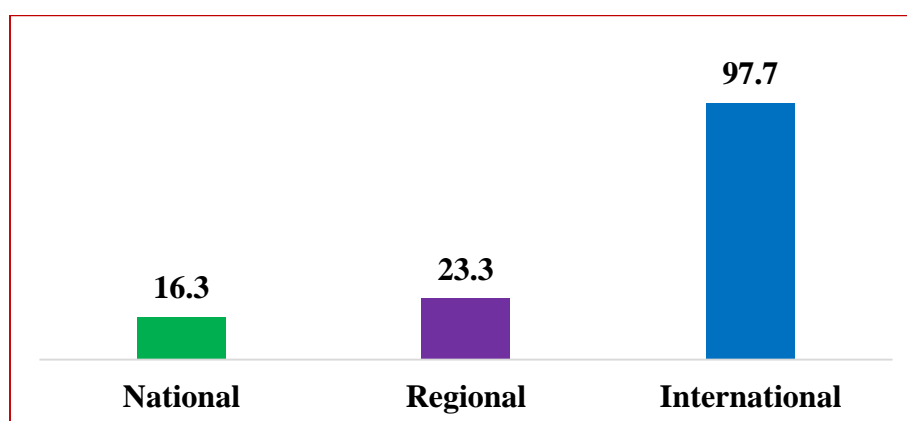
<sup>76</sup> Calculation from, country database (2023).

<sup>77</sup> Independent Evaluation Unit (2021). Independent evaluation of the Green Climate Fund's approach to the private sector. Evaluation Report No. 10, (September). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

### 3.2. Dominance of IAEs in GCF project implementation

GCF is supposed to pursue a country-driven approach and promote and strengthen engagement at the country level through effectively involving NDAs, national institutions and relevant stakeholders.<sup>78</sup> Besides, GCF is liable to support DAEs in designing and implementing appropriate projects and programmes to strengthen the country ownership.<sup>79</sup> Due to unavailability of the DAEs in most of the GCF-eligible countries, IAEs are more prioritised in allocation of projects, limiting the effectiveness of the country-driven approach. Notably, IAEs are implementing projects in 97.7 per cent of the countries, while national entities are implementing projects in 16.3 per cent countries (figure 6).

**Figure 6: Proportion of AEs engaged in implementing the project among the countries**



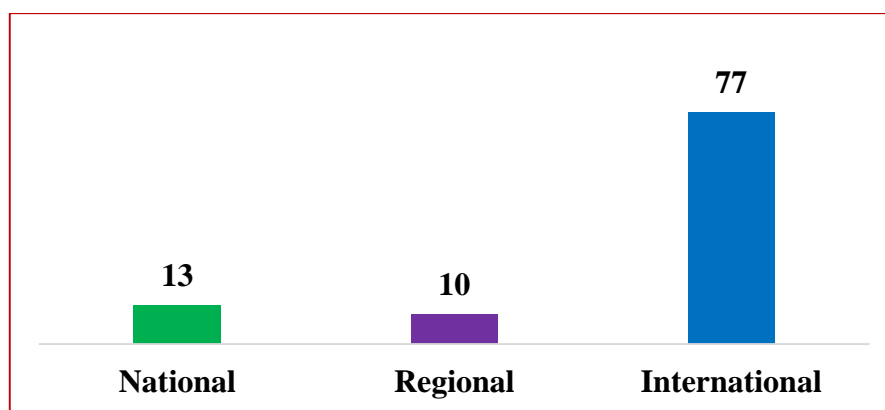
Source: Green Climate Fund. Tableau Server (Accessed on 31 October 2023).

Besides, vulnerable countries are supposed to formulate and implement the projects based on their needs. In many cases, projects of IAEs are formulated and implemented without taking into account of the vulnerable countries' needs. However, GCF approves such projects too. Notably, 77 per cent of the GCF projects are implemented by IAEs, while national entities implement only 13 per cent.

<sup>78</sup> Green Climate Fund. (2011). Governing Instrument. Retrieved from <https://www.greenclimate.fund/document/governing-instrument>; accessed on 8 December 2023.

<sup>79</sup> Green Climate Fund. (2011). Governing Instrument. Retrieved from <https://www.greenclimate.fund/document/governing-instrument>; accessed on 8 December 2023.

**Figure 7: GCF projects implemented by Accredited Entities-AEs (in percentage)** Source: Green Climate Fund, Tableau Server (October 2023).



Source: Green Climate Fund, Tableau Server (October 2023).

**Table 4: Access of Accredited Entities in GCF with at least one project**

Accredited Entities (AEs)	Per cent
International Accredited Entities (IAEs)	61.4
Direct Access Entities (DAEs)	39.0

Source: Calculation from entity database (2023).

In terms of comparison between accredited Entities, it is identified that 39.0 per cent DAEs received at least one projects (national and regional) whereas 61.4 per cent IAEs received at least one project, indicating higher access of IAEs in GCF.

**Table 5: Average number of approved projects for accredited Entities (AEs)**

Type of AEs	Average	Minimum	Maximum
National (20)	1.6	1	4
Regional (10)	2.5	1	5
International (27)	6.8	1	38

Source: Calculation from entity database (2023)

GCF approves more projects for IAEs over national and regional DAEs considering the average number of approved projects. GCF approves an average of 6.8 projects for IAEs. Notably, UNDP has received the highest number of 38 projects from GCF. However, national DAEs have received an average of only 1.6 projects and regional entities have received an average of 2.5 projects. IAEs

have a higher probability of receiving project from GCF compared to DAEs. Overall, the probability of receiving project approval for IAEs is 2.5 times higher than DAEs.

**Table 6: Probability of receiving at least one project by AEs (binary logistic regression)**

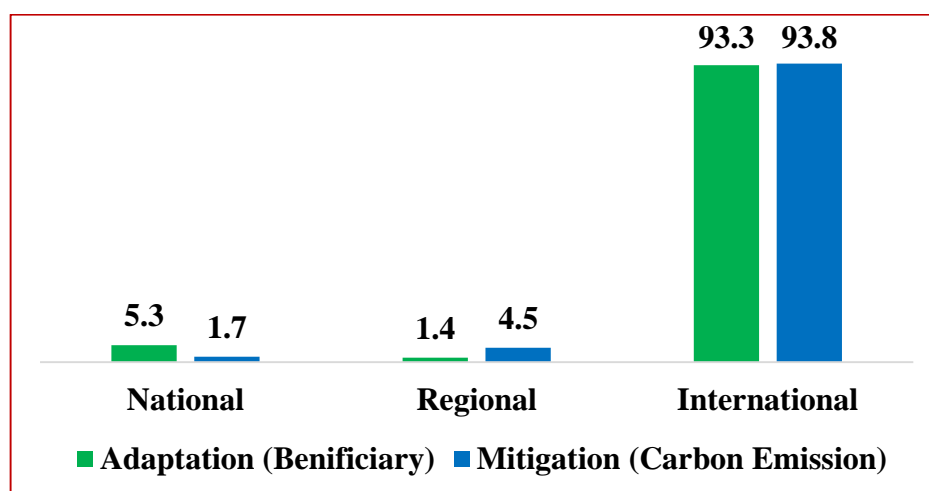
Organisation	Beta	Standard Error	Odds ratios
International accredited Entities-IAEs (Reference Category)	-	-	1
Direct Access Entities (DAEs)	0.9	0.4	2.5
Constant	-0.5	0.2	0.6

Source: Calculation from, entity database (2023).

### 3.3. Limited scope and opportunity of contribution by DAEs

In terms of impact of total approved projects (serving the number of project beneficiaries and reducing carbon emission) of accredited Entities, IAEs are delivering more than 93 per cent benefits, both in adaptation and mitigation sectors. While, DAEs are delivering only 5.3 per cent benefits in adaptation sector (in terms of beneficiaries) and 1.5 per cent benefits (reduction of carbon emission) in mitigation sector. Besides, 93.3 per cent beneficiaries of adaptation projects are served by IAEs (figure 8). Overall, the scope and opportunity to contribute by DAEs for their respective countries is insignificant compared to IAEs.

**Figure 8: Result-based contribution of accredited Entities (in percentage)**



Source: Green Climate Fund, Tableau Server (Accessed on 31 October 2023).

Overall, IAEs are implementing higher number of projects than DAEs. Due to GCF failure to ensure equity and justice in approval of projects within accredited Entities, DAEs has reduced access to GCF, negatively affecting their scope to gain knowledge and experience in implementing GCF projects, alongside losing the opportunity to strengthen their institutional capacity to implement country needs and priorities.

### **3.4. Unequal competitions in accessing GCF fund**

The GCF has a ‘zero tolerance’ policy against corruption and follows stringent criteria for accreditation. GCF heavily scrutinises potential DAEs during accreditation to comply with relevant policies and guidelines. Consequently, fewer potential organisations received DAE accreditation. It enabled GCF to implement more projects in developing countries through IAEs with the pretext of not having sufficient DAEs due to fiduciary risks, lack of institutional capacity and prevalence of corruption among others. However, GCF does not apply similar stringent approaches against large IAEs such as UNDP, which have controversially been reaccredited in GCF, leaving the allegations of corruption unresolved in GCF projects (e.g., Samoa and Armenia).<sup>80,81</sup> Contrary to barring, UNDP has received the approval of highest number of 38 GCF projects.<sup>82</sup>

There is uneven competition between DAEs and IAEs in the accreditation and approval of projects. The GCF prioritises competitively approving innovative projects to access limited GCF resources. Therefore, new DAEs need to compete with IAEs like UNDP and the World Bank, which have global exposure and experience in the climate field. An environment of uneven and unhealthy competition prevails in GCF between DAEs and IAEs in absence of level playing field. Such competition does not comply the GCF principle of providing developing country ownership and bringing transformative change by implementing country-lead climate actions. While potential DAEs struggle to get accreditation, IAEs remained focused on preparing and implementing projects. Utilising the project funds and resources, IAEs have increased their institutional capacity,

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<sup>80</sup> Green Climate Fund. (2021). Decision GCF/B.30/03. Consideration of accreditation proposals. Retrieved from [https://www.greenclimate.fund/sites/default/files/document/gcf-b30-03\\_0.pdf](https://www.greenclimate.fund/sites/default/files/document/gcf-b30-03_0.pdf); accessed on 7 December 2023.

<sup>81</sup> Climate Home News. (2021, October 4). GCF considers renewed partnership with UNDP, amid corruption investigations. Retrieved from <https://www.climatechangenews.com/2021/10/04/gcf-considers-renewed-partnership-undp-amid-corruption-investigations/>; accessed on 10 December 2023.

<sup>82</sup> Calculation from, project database (2023).

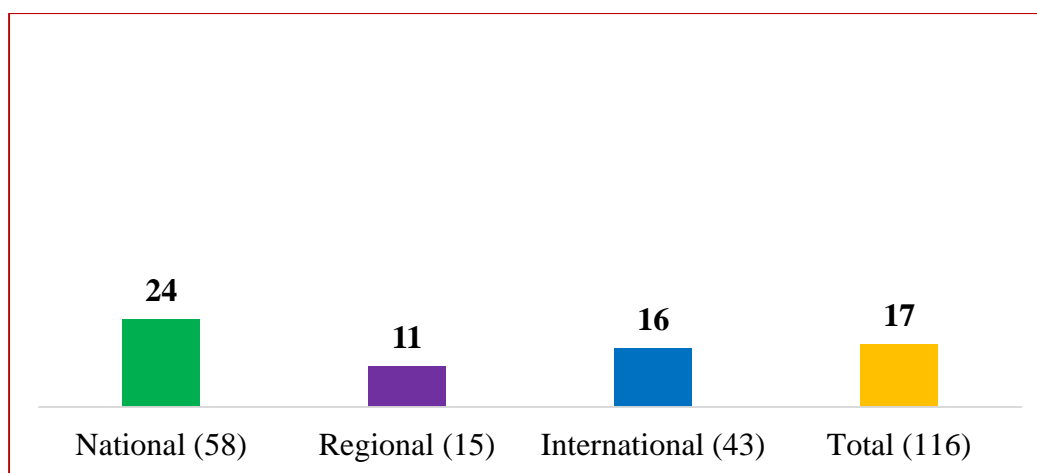


including financial, technical, and human resources for GCF implementation. As a result, IAEs remained dominant in GCF instead of DAEs.

### 3.5. Lengthy process of GCF accreditation

National DAEs required an average of 24 months from application to the GCF Board approval for accreditation, while regional DAEs and IAEs required 11 and 16 months, respectively. Notably, DAEs need to prepare around 188 new documents, translate them into English as per GCF's principles, upgrade fiduciary standards, environmental and social safeguards, and gender policies.<sup>83</sup> Preparing the documents is a time consuming process. While, IAEs possess most of the GCF-required documents because of their global experience, exposure and preparedness in similar areas providing them a lead to comply GCF standards. IAEs spent less time for application submission to board approval. As there is no fixed timeline for the accreditation process, GCF Secretariat procrastinate to review the applications.

**Figure 9: Average time spent by GCF from application to board approval (in months)**



Source: Independent Evaluation Unit (2023).

The GCF Secretariat has deficits in ensuring smooth communications with potential DAEs during the accreditation process. For instance, when applicants send an email to the GCF Secretariat for

<sup>83</sup> Tanner, T., Bisht, H., Quevedo, A., Malik, M., & Nadiruzzaman, M. (2019). Enabling access to the Green Climate Fund: Sharing country lessons from South Asia. Retrived from: <https://eprints.soas.ac.uk/35237/1/Tanner%20et%20al.%2C%202019%20Green%20Climate%20Fund%20South%20Asian%20lessons%20-%20ACT.pdf>; accessed on 12 December 2023.

inquiries and requesting supports, they do not reply promptly. In some cases, they do not acknowledge the receipt of emails.<sup>84</sup>

### **Box 2: Challenges in preparing and adopting accreditation documents**

*“The documents and standards GCF expects from potential DAEs for accreditation is difficult to prepare, making it challenging for national institutions to comply. It is also difficult to adapt the documents within the organization considering the socio-cultural context of the country” – A key informant, potential DAE, August 14, 2023.*

Potential DAEs, seeking accreditation face challenges in changing their policy and practices, including the organisational and procedural structure to meet the GCF standards.<sup>85</sup> The GCF’s guidelines and templates are not available in other official UN languages except English, therefore, many developing countries face language barriers in preparing necessary GCF documents in English. For instance, entities from SIDS and African States have encountered difficulties to address the legal and contractual issues of GCF in English.<sup>86</sup> Moreover, GCF sometimes asks for unrealistic documents during the accreditation process, such as, an organisation was asked to submit its meeting minutes of general board meeting held over five years ago.<sup>87</sup>

### **Box 3: Lengthy accreditation process**

*“Those who serves in GCF have previously served in International Financial Institutions (IFICs). They know how to make the system more bureaucratic. If GCF expect to apply similar polices that are applicable for IFIC like organisations, it would be challengin... You will never understand the bureaucracy without working with GCF.” - A key informant, potential DAE, Dhaka, August 10, 2023.*

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<sup>84</sup> Key Informant, Dhaka, August 10, 2023.

<sup>85</sup> Key Informant. (2023, September 12). Dhaka, Bangladesh.

<sup>86</sup> Independent Evaluation Unit (2021). Independent evaluation of the Green Climate Fund's approach to the private sector. Evaluation Report No. 10, (September). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

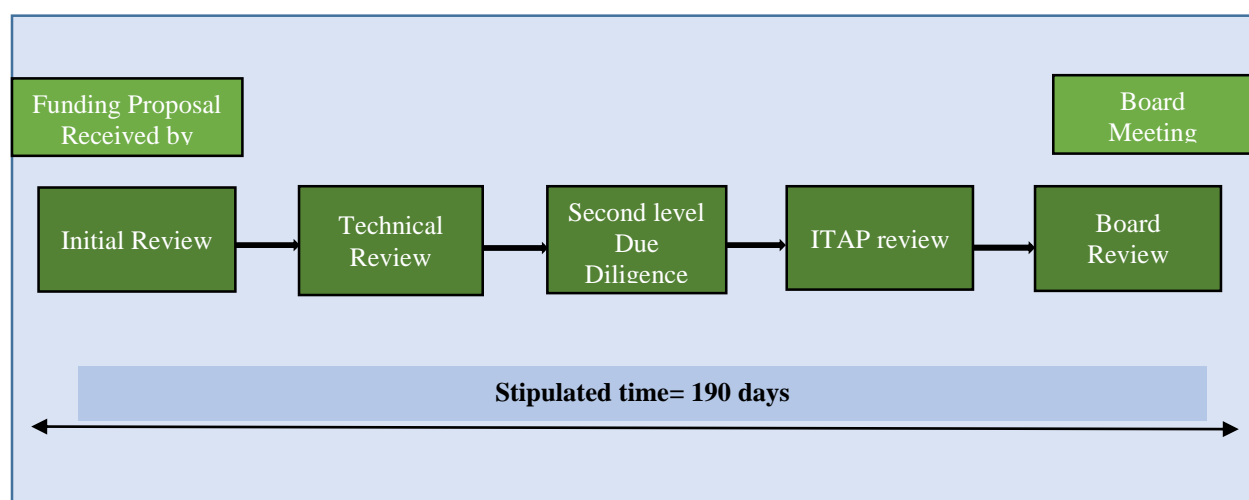
<sup>87</sup> *Ibid.*

## 3.6. Challenges in project approval

### 3.6.1. GCF's lengthy project approval process

The stipulated time from funding proposal submission to GCF board approval is maximum 190 days. However, GCF took average 389 days, ranging from a minimum of 42 days to a maximum of 1945 days.<sup>88</sup> Additional 199 days on average was required to complete the process by GCF. Notably, 79.8 per cent proposals took more than 190 days for approval.

**Figure 10: GCF activities & timeline from proposal submission by AEs to board approval**



The forms and formats used in approval process are critical, therefore, national DAEs need to hire high-paid consultants to understand and comply with the GCF's policies, guidelines and expectations. Financial and advisory services are provided to prepare funding proposals for DAEs under GCF's Project Preparation Facility (PPF). However, the preparation and approval process for availing the PPF facility is also time-consuming.<sup>89</sup>

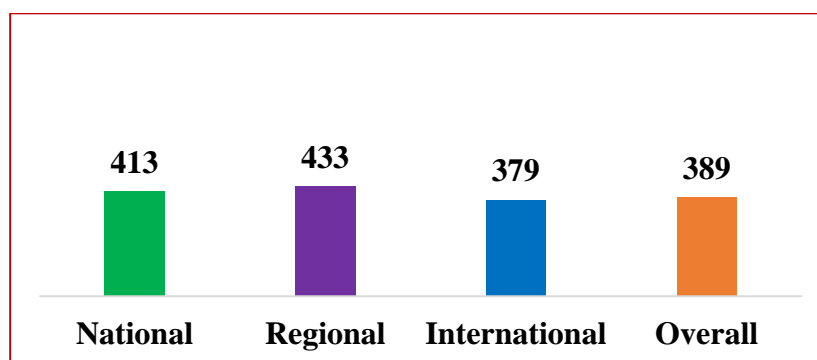
### 3.6.2. Lengthy project approval process for DAEs

The fund spends excessive time from proposal receipt to board approval for the national and regional DAEs compared to IAEs. The average time required for national DAEs is 413 days, while IAEs and regional DAEs needs at 379 days and 433 days, respectively.

<sup>88</sup> Calculation from, project database (2023).

<sup>89</sup> Key Informant. (2023, July 31). Dhaka, Bangladesh.

**Figure 11: Average time required from proposal submission to approval for AEs (in days)**

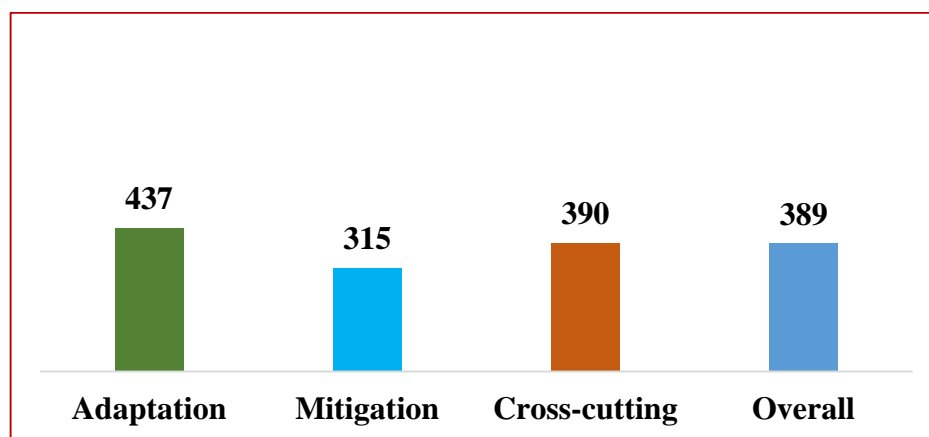


Source: Calculation from GCF project database (2023).

### **3.6.3. Lengthy approval process for adaptation projects**

GCF spends more time to approve adaptation proposals from proposal receipt to board approval compared to mitigation and cross-cutting projects. The average time required for adaptation projects is 437 days, compared to 315 days for mitigation and 390 days for cross-cutting projects.

**Figure 12: Theme-wise average time required from proposal submission to approval (in days)**



Source: Calculation from GCF project database (2023).

Particularly, the approval process for adaptation projects is lengthy due to unavailability of reliable data at country level, making the process more challenging for DAEs to present the rationale of projects.<sup>90</sup> DAEs of developing countries have less access to historical and reliable data on climate

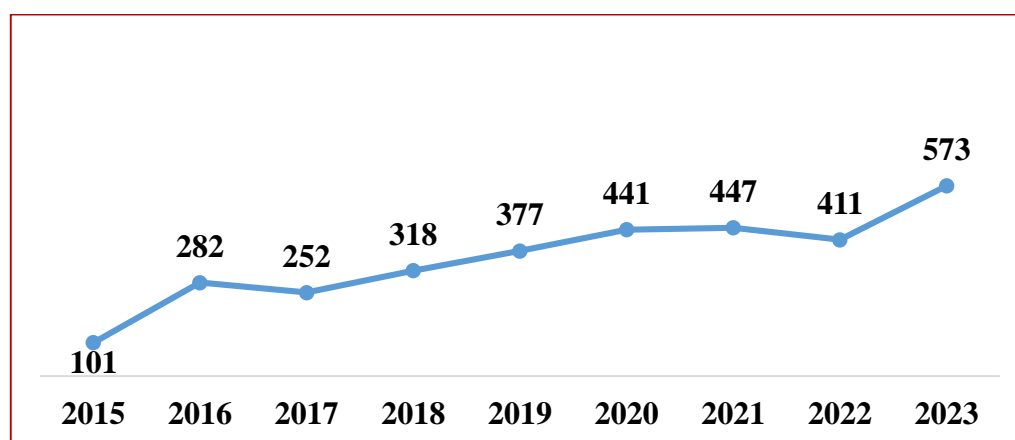
<sup>90</sup> Tanner, T., Bisht, H., Quevedo, A., Malik, M., & Nadiruzzaman, M. (2019). Enabling access to the Green Climate Fund: Sharing country lessons from South Asia. Retrieved from <https://eprints.soas.ac.uk/35237/1/Tanner%20et%20al.%202019%20Green%20Climate%20Fund%20South%20Asian%20lessons%20-%20ACT.pdf>; accessed on 12 December 2023.

change. However, GCF emphasise providing such data during the project development phases and DAEs need to provide the data in the prescribed format. It is time consuming to collect and articulate the data in the proposal to fulfil the requirements through a number of feedback sessions with GCF Secretariat. The lengthy project approval process creates a number of other challenges. For example, various changes occur in the proposed project areas, including changes in landscape, environment, climate and socio-economic condition of the project beneficiaries from the baseline scenario.<sup>91</sup> Challenges also emerge in the project implementation phase, including inconsistencies between the actual conditions in the proposed project area and project design. Discrepancies also arises among the actual and estimated costs due to changes in unit costs of the project activities.<sup>92</sup>

### 3.6.4. Increase of time in project approval

The average time from proposals receipt by GCF to project approval has increased by years. The time increased from 101 days to 573 days during 2015 to 2023. Some DAEs alleged that the GCF deliberately holds back the proposal due to having insufficient funds to award projects, resulting to increase the average approval time.

**Figure 13: Average time spent by GCF from proposal receipt to approval (in days/by approving years)**



Source: Calculation from GCF project database (2023).

### 3.7. Undermining national DAEs

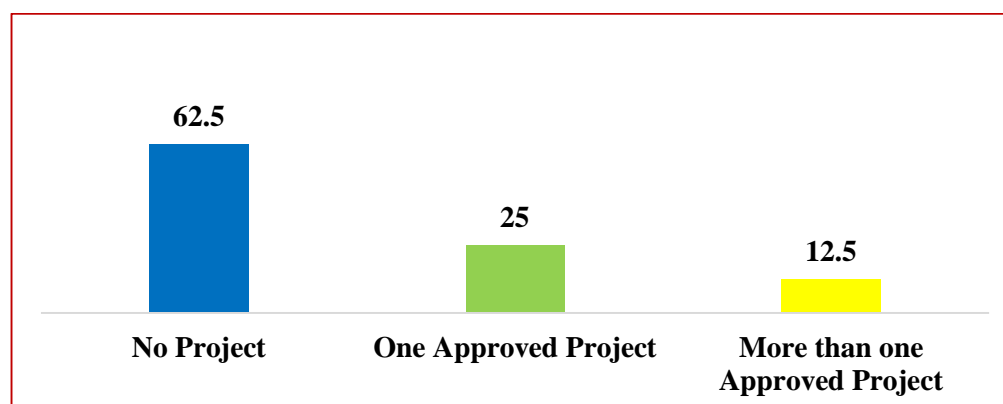
DAEs are undermined by GCF in terms of number of there prevalence in GCF-eligible countries (Figure 15). Besides, 62.52 per cent of the national DAEs possess no approved project limiting

<sup>91</sup> Key Informant (2023, August 14). Dhaka, Bangladesh.

<sup>92</sup> Key Informant. (2023, August 08). Dhaka, Bangladesh.

their capacity to mobilise fund from GCF. Only 25.0 per cent countries have one approved project and 12.5 per cent countries have more than one approved project (Figure 14).

**Figure 14: National DAE projects in GCF countries (in percentage)**

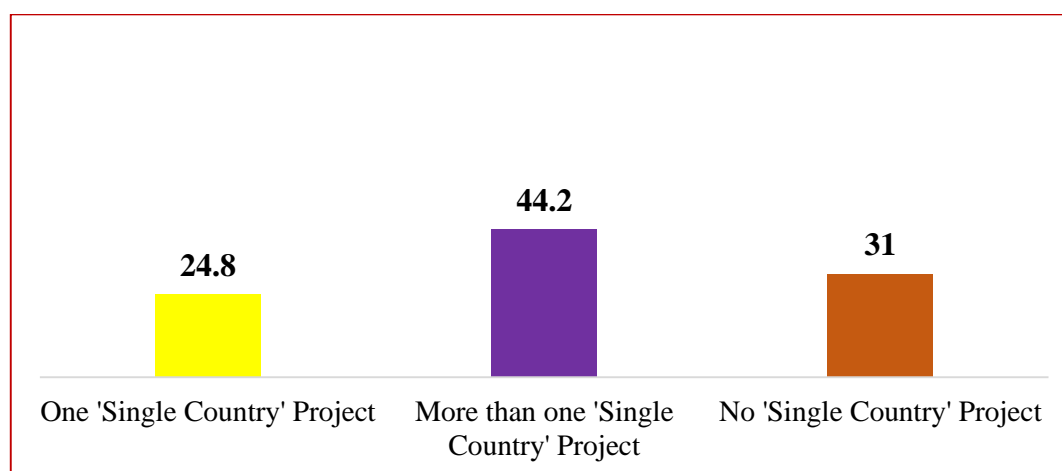


Source: Calculation from GCF country database (2023).

### 3.8. Less prioritisation of ‘single country’ projects

‘Single-country’ projects are more closely aligned with national strategy and priorities. Implementing such project enhances country ownership since they are designed and implemented solely in a single country.<sup>93</sup> It is notable that 129 countries have received GCF projects. Among them, 31 per cent countries do not have single country project (figure 15).

**Figure 15: Presence of ‘Single Country’ projects in GCF countries (in percentage)**



Source: Calculation from GCF country database (2023).

<sup>93</sup> Independent Evaluation Unit. (2023). Independent Evaluation of the Relevance and Effectiveness of the Green Climate Fund's Investments in the African States. Evaluation report No. 14 (3rd ed.). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

‘Multi- country’ project has number of challenges, such as country plans and policies are often bypassed in formulating such projects, resulting to undermine the country ownership. Nonetheless, such project has been prioritised in GCF. Notably, 87.6 per cent of countries have ‘multi-country’ projects<sup>94</sup> while most of them are implemented by IAEs.<sup>95</sup>

### 3.9. GCF’s challenges to collect and replenish necessary climate finance

The GCF is unable to collect necessary climate finance, pledged by developed countries, during its fund raising conferences which is known as pledged/programming conference. Besides, developed countries provide less than the amount they pledged in GCF fund raising conferences. For example, the United States pledged USD three billion during Initial Resource Mobilization phase and finally provided only two billion falling short of one billion.<sup>96</sup>

#### Box 4: GCF challenges in collecting climate finance

*“As of now, as all contributions to GCF are voluntary and from Parties and Non-Parties to the Convention, such as other sovereign entities, regional governments, state and cities, the global political economy and individual contributor’s political and fiscal situation could impact their contributions.” -The Green Climate Fund (March 27, 2024).*

In 2009, developed countries pledged to provide USD 100 billion climate finance annually by 2020, but the specific portion of the global pledge to be channelled through GCF is not determined. Only 2-3% of the USD 100 billion has been channelled through GCF.<sup>97</sup> Besides, developed countries has not increased their commitments and delivery in GCF. For instance, the pledged of developed countries in GCF has increased from USD 10.0 billion to USD 12.8 billion from first replenishment (2020-2023) to second replenishment (2024-2027), increasing USD 2.8 billion in four years.<sup>98</sup> Only three additional countries with small pledge has been added in GCF.<sup>99</sup>

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<sup>94</sup> Calculation from, country database (2023).

<sup>95</sup> Calculation from, country database (2023).

<sup>96</sup> Green Climate Fund. (2023, December). Status of the pledges and contributions. Retrieved from <https://www.greenclimate.fund/sites/default/files/document/1706-status-pledges-dec-8.pdf>; accessed on 2 December 2023.

<sup>97</sup> The Green Climate Fund (official communication with GCF, March 27, 2024)

<sup>98</sup> Green Climate Fund. (2023, December). Status of the pledges and contributions. Retrieved from <https://www.greenclimate.fund/sites/default/files/document/1706-status-pledges-dec-8.pdf>; accessed on 10 December 2023.

<sup>99</sup> Green Climate Fund. (2023, December). Status of the pledges and contributions. Retrieved from <https://www.greenclimate.fund/sites/default/files/document/1706-status-pledges-dec-8.pdf>; accessed on 10 December 2023.

Overall, with the increase of climate-related vulnerabilities, and loss and damages, the initiatives taken by GCF is also not sufficient against the need of developing countries. For example, GCF emphasises on project and programme related advocacy in Conference of the Parties (COP) meetings rather than building alliance to sensitise and put pressure on developed countries to mobilise a certain portion of climate finance through GCF.

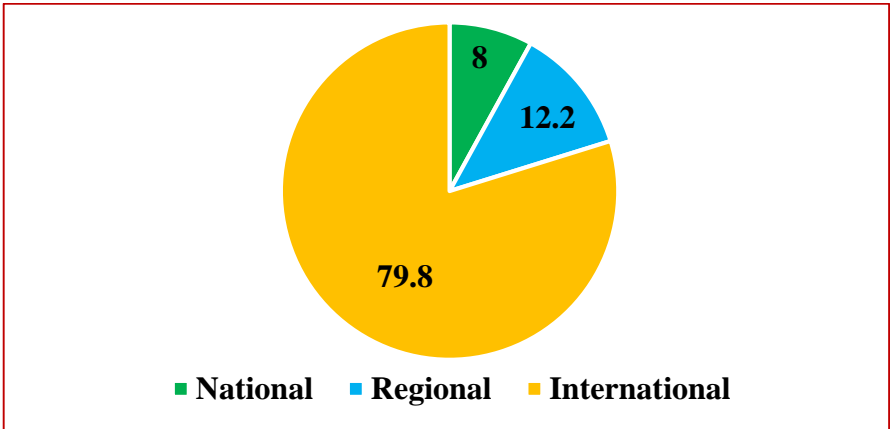


# Chapter Four: Governance Challenges at the Fund Disbursement Stage

## 4.1. Disproportionate allocation for Accredited Entities (AEs)

GCF approved USD 13.5 billion for AEs in 243 projects during 2015 to 2023. Among them USD 1.1 billion is approved for national DAEs, followed by USD 10.8 billion and USD 1.6 billion for IAEs and regional DAEs respectively. The share of approved financing is disproportionately higher for IAEs compared to national and regional DAEs. Overall 79.8 per cent of GCF finance is channelled through IAEs, whereas national DAEs account for only 8.0 per cent (Figure 16).

Figure 16: Approved fund for AEs (in percentage)

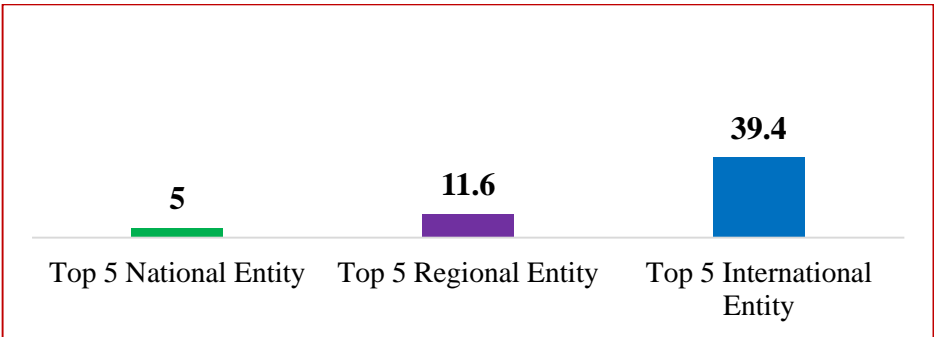


Source: Calculation from, entity database (2023).

## 4.2. Monopoly of International Accredited Entities (IAEs) in GCF

Only five IAEs (UNDP, World Bank, EBRD, ADB, and IDB) have received 39.4 per cent (USD 5.3 billion) of the GCF’s total approved project funds establishing their monopoly in GCF. Rest of the 22 IAEs received 40.4 per cent.

Figure 17: Project fund allocation in category-based top five AEs (in percentage)



Source: Calculation from GCF entity database (2023).

### 4.3. Mobilising insufficient climate finance through GCF

The contribution of GCF in eligible countries is insignificant considering the amount of finance mobilised to address the needs. Developing countries will require USD 215-387 billion annually by 2030 for adaptation only.<sup>100</sup> Since 2015, GCF approved only USD 5.9 billion in adaptation<sup>101</sup> which is insufficient compared to the needs of developing countries. Besides, GCF is not the primary or main source of climate finance in developing countries.<sup>102</sup> Majority of the GCF-eligible countries (approximately 70 per cent) do not mention GCF as a potential source of climate finance in their Nationally Determined Contributions (NDCs)<sup>103</sup>.

#### **Box 5: Climate finance need vs delivery by GCF in vulnerable countries**

*Although the GCF is acclaimed to be the largest climate fund, it still represents only a small fraction of the overall climate finance in terms of delivery. The GCF delivered around 2.9 percent of the total finance for adaptation and approximately 0.7 percent of the total financing for mitigation in GCF eligible countries. -(The Independent Evaluation Unit, 2023).*

### 4.4. GCF's failure to disburse fund in stipulated time

The process of disbursing funds for project is lengthy. GCF set the target of 180 days from the board approval to disbursement of the first instalment of project fund. However, the average time elapsed in this case is 562 days (n=185), ranging from a minimum of 36 days to a maximum of 2324 days.<sup>104</sup> Notably, 92.2 per cent of the project fund was not disbursed within the stipulated time.<sup>105</sup>

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<sup>100</sup> United Nations Framework Convention on Climate Change. (2023, December). Outcome of the Global Stocktake. Retrieved from [https://unfccc.int/sites/default/files/resource/cma2023\\_L17\\_adv.pdf](https://unfccc.int/sites/default/files/resource/cma2023_L17_adv.pdf); accessed on 25 December 2023.

<sup>101</sup> Green Climate Fund. (2023, October 30). Tableau Server. Retrieved from <https://data.greenclimate.fund/public/dashboard/data-browser/approved-portfolio/financing>; accessed on 30 December 2023.

<sup>102</sup> Independent Evaluation Unit. (2023). Second Performance Review of the Green Climate Fund: Evaluation report No. 13 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

<sup>103</sup> Independent Evaluation Unit. (2023). Second Performance Review of the Green Climate Fund: Evaluation report No. 13 (February). Songdo, South Korea: Independent Evaluation Unit, Green Climate Fund.

<sup>104</sup> Calculation from, project Database (2023).

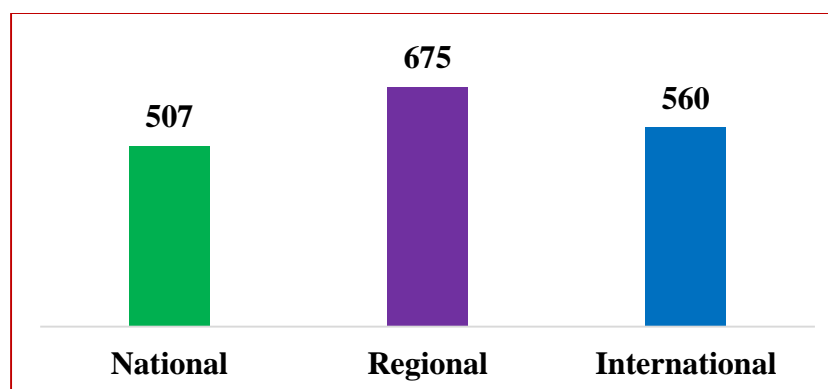
<sup>105</sup> Calculation from, project Database (2023).

#### 4.5. GCF's delay in fund disbursement

The GCF approved USD 13.5 billion for 243 projects during 2015 to 2023,<sup>106</sup> from where only USD 3.8 billion has been disbursed.<sup>107</sup> It accounts for 28.1 per cent of the total GCF approval, indicating lengthy process and delay in fund disbursement. The delayed fund disbursement have consequently slowed the project implementation.<sup>108</sup>

Based on entity types, GCF took longest time from project approval to disbursement of first instalment for regional DAEs. The average time required for regional DAEs for project approval to disbursement of first instalment is 675 days, followed by IAEs for 560 days and national DAEs for 507 days, respectively (figure 18).

**Figure 18: Average days spent by GCF from project approval to disbursement of 1st instalment for AEs**



Source: Calculation from GCF project database (2023).

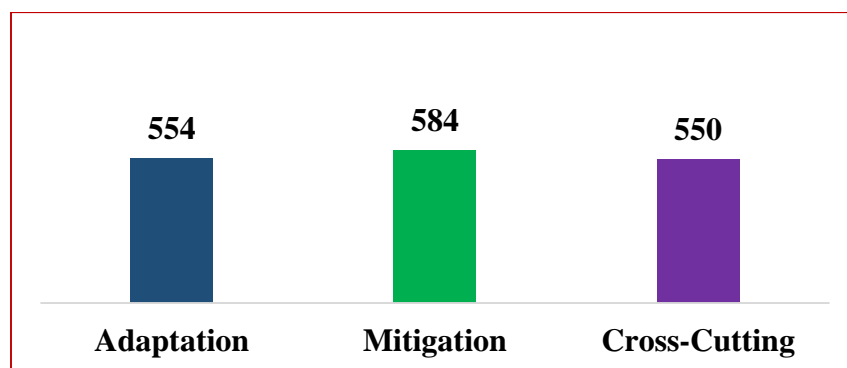
In this regard, GCF spent highest 584 days for mitigation projects, and 554 and 550 days for adaptation and cross-cutting projects, respectively (figure 19).

<sup>106</sup> Green Climate Fund. Tableau Server. Retrieved from <https://data.greenclimate.fund/public/dashboard/data-browser/approved-portfolio/financing>; accessed on 30 December 2023.

<sup>107</sup> Green Climate Fund. Tableau Server .Retrieved from <https://data.greenclimate.fund/public/dashboard/data-browser/approved-portfolio/financing>; accessed on 30 December 2023.

<sup>108</sup> Arkin, F. (2018, May 9). The Green Climate Fund Commits Billions, but Falls Short on Disbursements. Devex. Retrieved from <https://www.devex.com/news/the-green-climate-fund-commits-billions-but-falls-short-on-disbursements-92648>; accessed on 30 December 2023.

**Figure 19: Average days spent by GCF for project approval to disbursement of 1st instalment (by theme)**

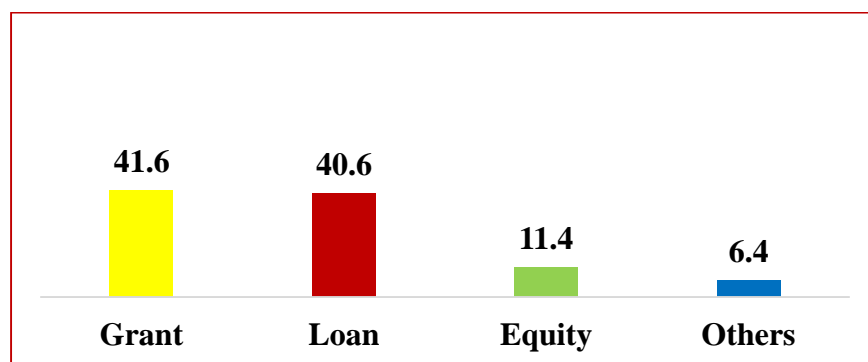


Source: Calculation from GCF project database (2023).

#### **4.6. Prioritisation of loan in GCF**

According to the polluters-pay-principle, developed countries are supposed to provide grant-based climate finance to developing countries. However, GCF has prioritised providing loans to these climate vulnerable countries. Notably, 40.6 per cent of GCF's finance is provided as loans, followed by 41.6 per cent as grant (figure 20). The loan recipient countries, who are already financially burdened due to climate change, have been under additional pressure to repay the GCF loans.

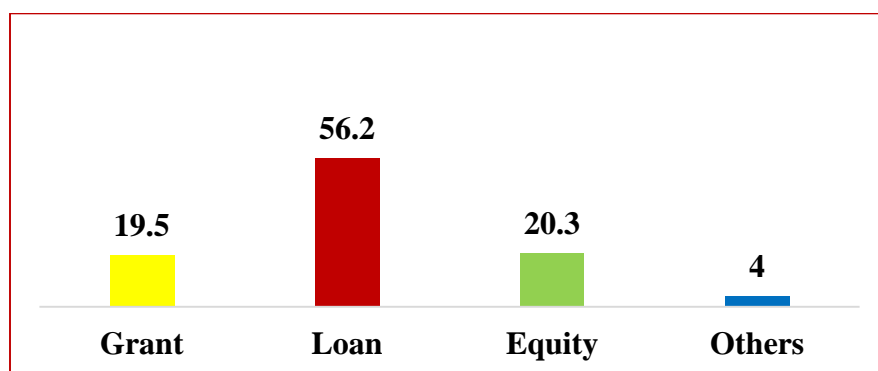
**Figure 20: Types of GCF financing (in percentage)**



Source: Calculation from GCF project database (2023).

GCF prefers providing loans over grants for financing projects in GCF-eligible countries. Notably more than half (56.2%) of GCF financing is loan while the grant amount is approximately one-fifth (19.5%) of the total financing (figure 21). GCF loan recipient countries need to repay the loan with interest in foreign currency, resulting to increase the recipient countries' external debt burden and putting additional pressure on local currency as well as country economy.

**Figure 21: Types of GCF financing and Co-financing (in percentage)**

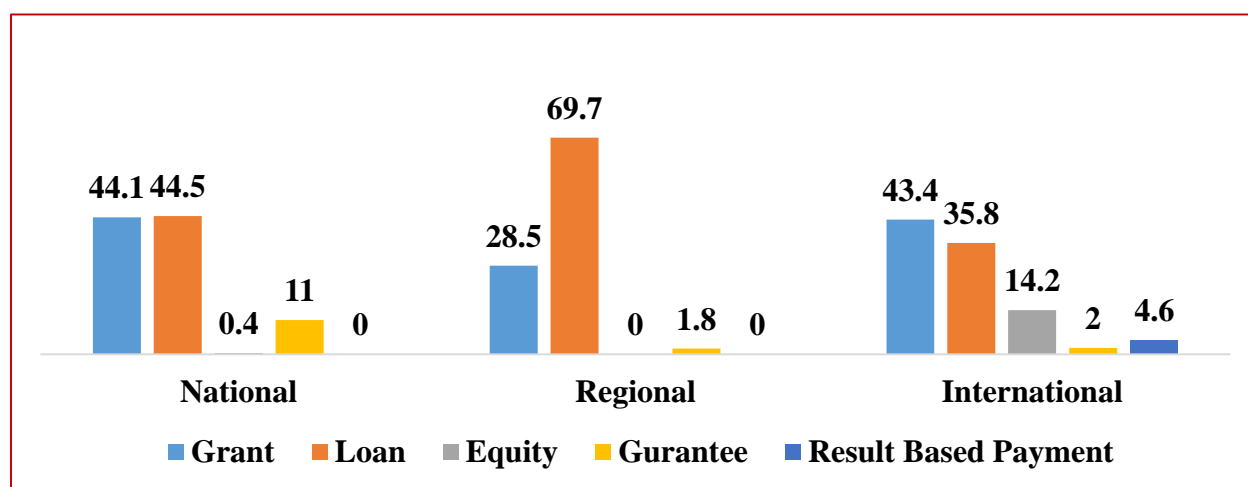


Source: Calculation from GCF project database (2023).

#### 4.7. Challenges in obtaining grants for national DAEs

The proportion of loans for national and regional DAEs is higher than that for IAEs. For instance, IAEs received 35.8 per cent loan, compared to 44.5 per cent and 69.7 per cent for national and regional DAEs, respectively (figure 22). Despite being concessional loan with 0.75 per cent interest rate, overall interest rate reaches to approximately five per cent, including all charges for maintaining currency exchange rates, service fees, and guarantee fees etc.<sup>109</sup> This rate is sometimes higher than that of multilateral money lending agencies provide.

**Figure 22: Instruments for GCF financing based on entity types (in percentage)**



Source: Calculation from GCF project database (2023).

<sup>109</sup> Key informant. (2023, July 27). Dhaka.

#### 4.8. Challenges in GCF co-financing

The ratio of GCF financing and co-financing is higher in mitigation theme compared to adaptation, which stands at 1:3.6. Mitigation projects, such as renewable energy programmes are economically viable, hence, attracts more co-finance than adaptation. Besides, co-financing institutions have the financial leverage to influence the selection and approval of projects, including its design, scope, and themes.<sup>110</sup> As such, approval for co-financing is higher in mitigation theme than adaptation.

**Table 7: Co-financing by theme**

Theme	Co-financing (Percentage)	GCF financing: Co-financing
Adaptation	15.0	1:1.6
Mitigation	38.4	1:3.6
Cross-cutting	46.6	1:2.9

Source: Calculation from GCF project database (2023).

**Table 8: Co-financing by AEs**

Organisation Type	Co-financing (in percentage)	GCF financing: Co-financing
International	86.7	1:3.1
National	2.2	1:0.8
Regional	11.1	1:2.6

Source: Calculation from GCF project database (2023).

However, national DAEs face challenges in securing co-finance, particularly, from the private sector.<sup>111</sup> The percentage of co-finance is higher (86.7 per cent) for IAEs than national DAEs (2.2 per cent), indicating the challenges<sup>112</sup> as well as inability of national DAEs to engage with private sector for co-financing (table 8). Number of the government entities, pursuing DAE accreditation, are non-financial organisations. However, the GCF expects them to collect substantial co-finance during the approval of projects to shift their burden and expose national DAEs in loan, instead of providing sufficient grant-based climate finance.

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<sup>110</sup> Cui, L., Sun, Y., Song, M., & Zhu, L. (2020). Co-financing in the green climate fund: Lessons from the global environment facility, *Climate Policy*, 20(1), 95-108.

<sup>111</sup> ECO Depeer Thinker. (2017, March). GCF insight: Co-financing. Retrieved from <https://www.ecoltdgroup.com/wp-content/uploads/2017/03/GCF-insight-March-2017.pdf>; accessed on 15 December 2023.

<sup>112</sup> ECO Depeer Thinker. (2017, March). GCF insight: Co-financing. Retrieved from <https://www.ecoltdgroup.com/wp-content/uploads/2017/03/GCF-insight-March-2017.pdf>; accessed on 15 December 2023).

**Table 9: GCF co-financing instruments by AEs**

<b>Types of Co-financing</b>	<b>Types of Organisation</b>		
	<b>National (in percentage)</b>	<b>Regional (in percentage)</b>	<b>International (in percentage)</b>
<b>Grant</b>	21.1	6.8	12.0
<b>Loan</b>	64.3	75.1	59.9
<b>Equity</b>	9.2	15.6	24.8
<b>In-kind</b>	5.1	1.4	1.2
<b>Guarantee</b>	0	1.2	0.9
<b>Result based payment</b>	0	0	0.1
<b>Others</b>	0.3	0	1.1
<b>Total</b>	100	100	100

Source: Calculation from GCF project database (2023).

Notably, 75.1 per cent loan, collected from co-financing sources, is given to regional DAEs. In co-finance, the proportion of loans for IAEs is 59.9 per cent, compared to 64.3 per cent for national DAEs. National and regional DAEs receive a higher proportion of loans than IAEs (Table 9).

## **Chapter Five: Governance Challenges at Monitoring Stage**

### **5.1. Deficits of transparency and accountability in project implementation**

The GCF have not uploaded some project annual performance reports of 2022 in the website for ensuring the disclosure of information. Besides, project implementing entities do not disclose sufficient project-related information.<sup>113</sup> The Executing Entities (EE) have lack of accountability and transparency in field level expenditures.<sup>114</sup>

### **5.2. Lack of GCF's project monitoring**

GCF has no local or regional office to decentralize section making process and monitor its operation. It has no resources at country level to monitor 129 the projects and its field level activities, implemented by number of implementing partners (IPs). The IPs are only reportable to AEs, raising the challenges of accountability and compliance in project implementation.

### **5.3. Limited engagement of National Designated Authority (NDAs) in project monitoring**

NADs provide a No Objection Certificate (NOC) to AEs with consent to implement projects and allow AEs to operate within the country. Despite having significant responsibilities of monitoring and oversight, NDAs do not effectively monitor the implementation of projects in their respective countries. They do not also properly monitor the progress and outcomes of the projects.<sup>115</sup>

### **5.4. Lack in GCF's grievance redress mechanism**

The GCF Grievance Redress Mechanism (GRM) has weakness within the system<sup>116</sup> and the system has been evolving. To avoid potential negative consequences, AEs are less likely to complain about the GCF Secretariat's lack of cooperation and delays in communication during accreditation, project approval, and fund disbursement process.<sup>117</sup> Complaints made through third parties are also

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<sup>113</sup> Omukuti, J., Barrett, S., White, P. C., Marchant, R., & Averchenkova, A. (2022). The green climate fund and its shortcomings in local delivery of adaptation finance. *Climate Policy*, 22(9-10), 1225-1240.

<sup>114</sup> Omukuti, J., Barrett, S., White, P. C., Marchant, R., & Averchenkova, A. (2022). The green climate fund and its shortcomings in local delivery of adaptation finance. *Climate Policy*, 22(9-10), 1225-1240.

<sup>115</sup> Key informant. (2023, September, 27). Dhaka.

<sup>116</sup> Green Climate Fund. (2022). Self-Assessment Report of the Independent Redress Mechanism. Retrieved from [https://irm.greenclimate.fund/sites/default/files/document/self-assessment-final\\_0.pdf](https://irm.greenclimate.fund/sites/default/files/document/self-assessment-final_0.pdf); accessed on 20 December 2023

<sup>117</sup> Key informant interview. (2023, July 27). Dhaka.



not taken seriously by GCF. In 2017, Transparency International Bangladesh (TIB) filed a complaint. GCF did not consider it as eligible case without proper investigation. Moreover, marginalised communities, women and indigenous communities cannot effectively communicate with the GCF to fill grievance.<sup>118</sup> The GRM is lengthy too.<sup>119</sup>

#### **Box 6: Filing Complaints in GCF: The Bangladesh Experience**

*Bangladesh's 'Climate Resilient Infrastructure Mainstreaming' project was approved in 2015. After two years of approval, the fund was not disbursed. Consequently, the loss and damage in the project area increased due to delays in project implementation and fund disbursement. In this situation, in 2017, TIB filed a written complaint to the GCF on behalf of the Mayor and 427 residents of the Satkhira Municipality, asserting that the loss and damage in the project areas were increasing due to delayed fund disbursement. However, the GCF's 'Independent Redress Mechanism' declared that the complaint was ineligible, without proper investigation, despite the fact of increasing loss and damages in the project areas due to the delay in project implementation. Although, the fund was released consequent upon TIB's intervention.*

#### **5.5. Lack of stakeholder engagement**

Meaningful participation of the 'active observer' is not ensured during the implementation of different phases of project cycles. Therefore, active observers are not involved in monitoring the progress of the projects in their own countries. There is no mechanism for 'active observers' to provide feedback on project progress reports.

#### **Box 7: The lack of stakeholder engagement**

*"Project implementing entities do not share anything with us about the projects they take up or do. They provide information to GCF but not to us. Now we as observers cannot know the status of implementation of these projects." - A Key Informant, Indigenous advisory group, Dhaka, September 08, 2023.*

<sup>118</sup> Green Climate Fund. (2022). Self-Assessment Report of the Independent Redress Mechanism. Retrieved from [https://irm.greenclimate.fund/sites/default/files/document/self-assessment-final\\_0.pdf](https://irm.greenclimate.fund/sites/default/files/document/self-assessment-final_0.pdf); accessed on 20 Decembor 2023.

<sup>119</sup> Key informant interview. (2023, July 27). Dhaka.

There are policies for the meaningful participation of indigenous communities to consult during the project preparation stage. However, local and indigenous people have limited engagement to provide feedback in performance, results, and project evaluation reports.

## Chapter Six: Challenges of Bangladesh in GCF Accessibility

### 6.1. GCF's deficits in enhancing the capacity of NDA and national DAEs

There are no clear guidelines from GCF to nominate NDAs. Despite having eligible institutions, the government of Bangladesh nominated its preferred organisation as NDA. However, there is ambiguity and lack of understanding about the background of the nominating.

NDA is the interface between GCF and potential DAEs to facilitate the process of accessing GCF fund and providing technical supports to potential DAEs to be accredited. In 2018, Bangladesh shortlisted four government organisations for GCF accreditation under the Country Programme. These organisations are yet to be accredited despite passing five years. Several concept notes were also developed under the country programme, however, the funding proposals could not be submitted due to lack of GCF's cooperation.<sup>120</sup> The GCF also does not assist the NDA to enhance its technical capacity to oversee GCF projects in Bangladesh.

### 6.2. Lack of cooperation from GCF Secretariat

The accreditation process of an organisation in Bangladesh was delayed by nearly two years due to insufficient cooperation from the GCF Secretariat.<sup>121</sup> Potential DAEs have been forced to hire highly paid consultants to understand the process and terms of accreditation. Due to the complexity of the accreditation process and non-cooperation in communications from GCF Secretariat, the accreditation process of an NGO in Bangladesh has been prolonged for more than three years.<sup>122</sup> Besides, GCF spent 2174 days (roughly six years) to approve a project from concept note submission due to the lack of cooperation from the GCF Secretariat.<sup>123</sup>

GCF support to facilitate the direct access is also insufficient. GCF has allocated a small amount of readiness support to enhance the capacity of the potential DAEs. For instance, The GCF

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<sup>120</sup> Key Informant. (March 23, 2024). Dhaka, Bangladesh.

<sup>121</sup> Tanner, T., Bisht, H., Quevedo, A., Malik, M., & Nadiruzzaman, M. (2019). Enabling access to the Green Climate Fund: Sharing country lessons from South Asia. Retrieved from <https://drive.google.com/file/d/1rP9wnn4vczcUYpA3DPALBjn1CuyNxa0m/view>; accessed on 12 December 2023).

<sup>122</sup> Key informant interview. (2023, August 10). Dhaka.

<sup>123</sup> Calculation from, project database (2023).

approved USD 6.1 million for readiness support during the last eight years, whereas, USD 5.4 million has been disbursed.<sup>124</sup>

### Box 8: Lengthy and complex accreditation process

*“For the past three years, we’ve been endeavouring to attain accreditation. Despite submitting numerous documents to the GCF, accreditation has yet to be granted, largely due to the intricate nature of the process. Regrettably, responses from the GCF are not prompt after sending emails, which is disappointing given the level of professionalism expected from them. If this is the experience of one of the most able organisations, I am wondering about the challenges faced by local organisations.”* – A key informant, potential DAE, Dhaka, August 10, 2023

## 6.3. Challenges in priority

In Bangladesh, only two organisations is accredited as DAEs, while there are 16 IAEs working in Bangladesh. Until December 2023, nine projects are approved in Bangladesh with USD 442.6 million.<sup>125</sup> There are deficits of prioritisation for adaptation activities in Bangladesh. For instance, USD 141.8 million (32.0 per cent) is allocated for adaptation while the allocation is USD 256.5 million (58.0 per cent) for mitigation, and USD 44.4 million (10.0 per cent) for cross-cutting.

**Table 10: Financial instruments of GCF in Bangladesh**

Theme	Million (USD)	in percentage
Adaptation	141.8	32.0
Mitigation	256.5	58.0
Crosscutting	44.4	10.0

Source: Calculation from GCF project database (2023).

GCF also have deficits to properly prioritise adaptation needs and grant-based finance in Bangladesh. The allocation for adaptation is 32.0 per cent, while mitigation stands at 58.0 per cent, representing a higher allocation in mitigation. Besides, the proportion of loans is higher (75.0 per cent) than grants (25.0 per cent). While loan accounts for 97.4 per cent in co-finance.

<sup>124</sup> Green Climate Fund. (2023). Retrieved from <https://data.greenclimate.fund/public/data/readiness> (last accessed December 2023).

<sup>125</sup> Calculation from, project database (2023).

**Table 11: Type of Finance for DAEs in Bangladesh**

Financial instruments	Million (USD)	(in percentage)
<b>Theme-based</b>		
Adaptation	76.8	23.1
Mitigation	256.4	76.9
<b>GCF Finance</b>		
loans	250.0	75.0
Grants	83.3	25.0
<b>Co-finance</b>		
loans	97.4	97.0
In-kind	3.06	3.0

Source: Calculation from, project database (2023).

Bangladesh needs invest at least USD 12,000 million from domestic and international sources by 2025 to combat the adverse impact of climate change.<sup>126</sup> A total of USD 1189.5 million has been approved for Bangladesh from national and international sources,<sup>127</sup> representing only 9.9% of the country needs. GCF approved USD 448.8 million for projects including RPSP activities in Bangladesh. The contribution of GCF is only 3.7% of the total requirement. Notably, GCF is yet to prioritise capable and potential institutions to implement innovative projects on results-based payments and activities related to carbon sequestration and carbon market.

#### 6.4. Challenges in fund disbursement

Disbursement delays are also prevalent in GCF-funded projects in Bangladesh. Only 13.3 per cent of the approved funds have been disbursed. The first instalment of the disbursement was delayed for three years in a project. The delayed disbursement of the fund not only hindered the project implementation but also exacerbated climate vulnerabilities in the project areas.

#### 6.5. Challenges in project implementation

The engagement of local communities in project implementation are not adequately ensured. The NDA does not properly monitor project activities. The active observers were not given the

126 World Bank. (2022). Country Climate Development Report: Bangladesh. Retrieved from <https://openknowledge.worldbank.org/server/api/core/bitstreams/6d66e133-e49d-5ad9-b056-7b1a6c6206ed/content>; accessed on 30 December 2023

127 Climate Funds Update. (2023, December 31). DATA DASHBOARD. Retrieved from <https://climatefundsupdate.org/publications/the-green-climate-fund-2/>; accessed on 31 December 2023.

opportunity to monitor the project implementation. There provision of disclosing project information through displaying project information board in the project area is not followed in some project locations.

#### **6.6. Lack of Coordination**

NDA has lack of coordination with relevant ministries, private sectors, active observers, women and indigenous groups and relevant stakeholders in planning and implementation of GCF initiatives.<sup>128</sup>

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<sup>128</sup> Key Informant. (March 23, 2024). Dhaka, Bangladesh.

## **Chapter Seven: Overall Observation and Recommendations**

### **7.1. Overall observation**

The GCF is acclaimed as the largest global source of climate finance for developing countries to mobilise climate finance promised by the developed nations. However, GCF has been able to mobilise only 2 to 3 percent of the promised amount of USD 100 billion per year by the developed nations. Against the need of USD 215 to 387 billion annually by 2030 for adaptation in vulnerable countries, the fund has been able to approve only USD 5.9 billion for adaptation since 2015 indicating the wide gap between expectations and delivery of GCF.

Due to the lack of clarity in GCF's country ownership policy and guidelines and inefficient implementation plan, eligible countries are not receiving the expected level of support from GCF. As such, vulnerable countries are unable to adequately contribute to climate action in coordination with the GCF and take the lead in receiving funding from it. There are also deficits in coordination and communication from the GCF to provide smooth and timely support to DAEs and NDAs during accreditation, project preparation, and resource mobilisation phases. The GCF also has deficits to provide support to enhance the capacity and skill of NDAs. As a result, potential DAEs fail to get timely accreditation and access to the funds and develop projects for implementation as per their priorities and needs. It prevents time-bound implementation of projects to alleviate the suffering of vulnerable communities. Overall, the vulnerable countries' ownership is severely undermined by the GCF.

The accreditation process is complex and requires a long time for national entities to fulfil because of its strict criteria. However, initiatives from GCF for national-level engagement are negligible. Potential DAEs and accredited entities are frustrated with GCF because of its complicated and lengthy accreditation, as well as complex funding proposal approval and fund disbursement process. Besides, the GCF fails to maintain the stipulated timeline for funding proposal approval and fund disbursement. The majority of the GCF projects ought to be implemented by the DAEs to ensure the country-driven approach and vulnerable country leadership. However, the picture is the opposite. IAEs such as the World Bank and UNDP are implementing and mobilising the majority of projects and receiving the relevant funds. Besides, the high number of multi-country projects is one of the hindrances to ensure country ownership in GCF.

There is dominance of IAEs in a number of projects approved and fund allocated by the GCF. Particularly, the number of approved projects, amount of funds allocated, and chances of receiving future projects by IAEs have recently increased disproportionately compared to the DAEs. As such, the DAEs are less prioritised resulting in fewer projects and funds for them. It undermines the country ownership approach and institutional strengthening process to bring transformational changes in implementing climate actions in developing countries.

The GCF is gradually transforming into a money lending institution rather than being the protagonist for grant-based climate financing. GCF accreditation and financing through international financial institutions is increasing. Co-financing institutions are providing more loans to national DAEs. Through setting different terms and conditions for co-financing, they are influencing GCF activities including policies. As such, bypassing country priorities and defying its own targets, the GCF allocates more funds for mitigation than adaptation and prioritises loans over grants. As a result, additional debt repayment burdens are being imposed on already over-burdened climate-vulnerable countries which is contradictory to ‘polluters-pay principle’.

The GCF has poor funding status and lacks of proper strategy to raise funds, including its role to act as a catalyst for delivering the climate finance, pledged by developed countries, to developing countries. There is a deficiency in fulfilling the required duties and achieving the goals, and lack of desired level of responsiveness and internal coordination. Overall, the GCF is found to be well below the desired standard of responsiveness that are of core interest to its mandate.

## **7.2. Recommendations**

### **7.2.1. For the consideration of GCF and concerned stakeholders**

1. The GCF should simplify the accreditation process for direct access to the fund and clearly specify the criteria and standards to accelerate the process for climate-vulnerable developing countries in some cases.
2. Technical assistance from the GCF should increase to strengthen the capacity of the potential DAEs for direct access.
3. To ensure transparency, accountability, and integrity, the timelines for the accreditation, approval, and disbursement process should be specified and adhered by the GCF and AEs.



4. A 50:50 balance between adaptation and mitigation financing should be ensured, and a timeline should be specified to achieve the target of balancing the ratio.
5. The GCF Secretariat with NDAs should enhance support and ensure smooth communication with the DAEs; the GCF should establish offices at the regional level.
6. The GCF should prepare and provide example-based guidelines to support project preparation for climate-vulnerable countries.
7. The capacity of the NDAs should be enhanced to lead the project design and approval process.
8. Regional networks of expert panels with experience in GCF funding proposal development should be created and utilise their expertise.
9. The GCF should increase grant-based financing, reduce loans, and prioritise adaptation activities in climate-vulnerable countries.
10. The GCF should develop and implement a time-bound roadmap for need-based fund disbursement.
11. The GCF should ensure a fair and level playing field for national institutions with large international and regional institutions to prevent climate funds from being used as profitable investments for business.
12. A guideline should be developed clearly mentioning the roles of GCF, NDA, the private sector, and other stakeholders. Country ownership should be fully defined, and meaningful participation of the stakeholders should be ensured.
13. The GCF must effectively ensure 'Country Ownership', including project implementation as per the 'Country Driven Approach'.
14. The GCF should plan to adopt a policy to create a new priority group for climate-vulnerable countries that graduate from the least developed category.
15. The GCF should rethink its fund-raising strategy not only to beef up the fund at its disposal for the benefit of the climate vulnerable countries, but also to transform itself into a catalyst to the delivery of the commitment of the developed nations.

### **7.2.2. For the consideration of the Government of Bangladesh and concerned stakeholders**

1. To increase the NDA's technical capacity, the workforce should be recruited from individuals with knowledge and experience in climate change and GCF; a permanent and specific position of concerned officials in the NDA's organogram should be created to run GCF activities.
  2. The government should increase grants and technical support to improve the capacity of national organisations to enhance direct access from the GCF.
  3. The NDA should nominate relevant organisations that prioritise adaptation in line with the country's national climate plans or strategies.
  4. The NDA should increase cooperation in the accreditation process of potential national institutions and provide the necessary cooperation through communication and coordination with the GCF.
  5. The NDA, private sector, active observer, and all stakeholders should collaborate to prepare a number of projects in pipeline for submission to the GCF.
  6. The NDA needs to develop a manual aligned with GCF standards to monitor project implementation at the field level consistently.
  7. Bangladesh should strengthen its negotiation capacity to ensure timely and easy accreditation, grant-based project approvals, and fund disbursements, especially adaptation financing, from the GCF.
  8. The 'Zero Tolerance' policy should be strictly implemented against irregularities and corruption in project implementation.
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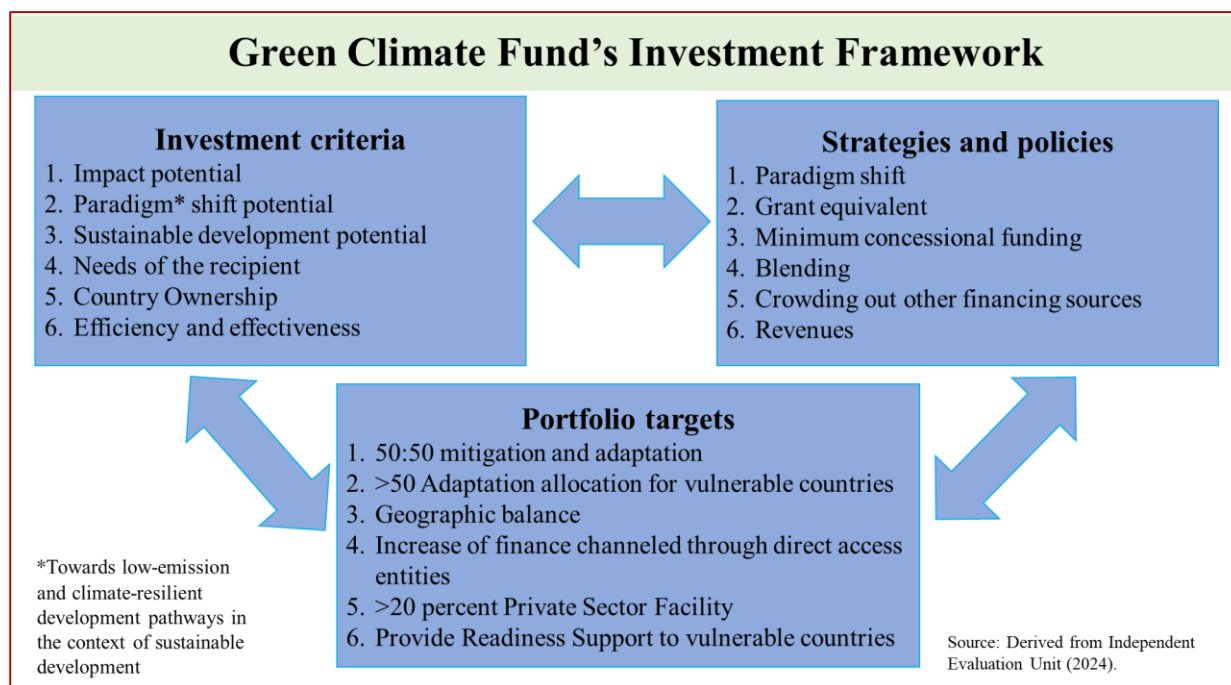
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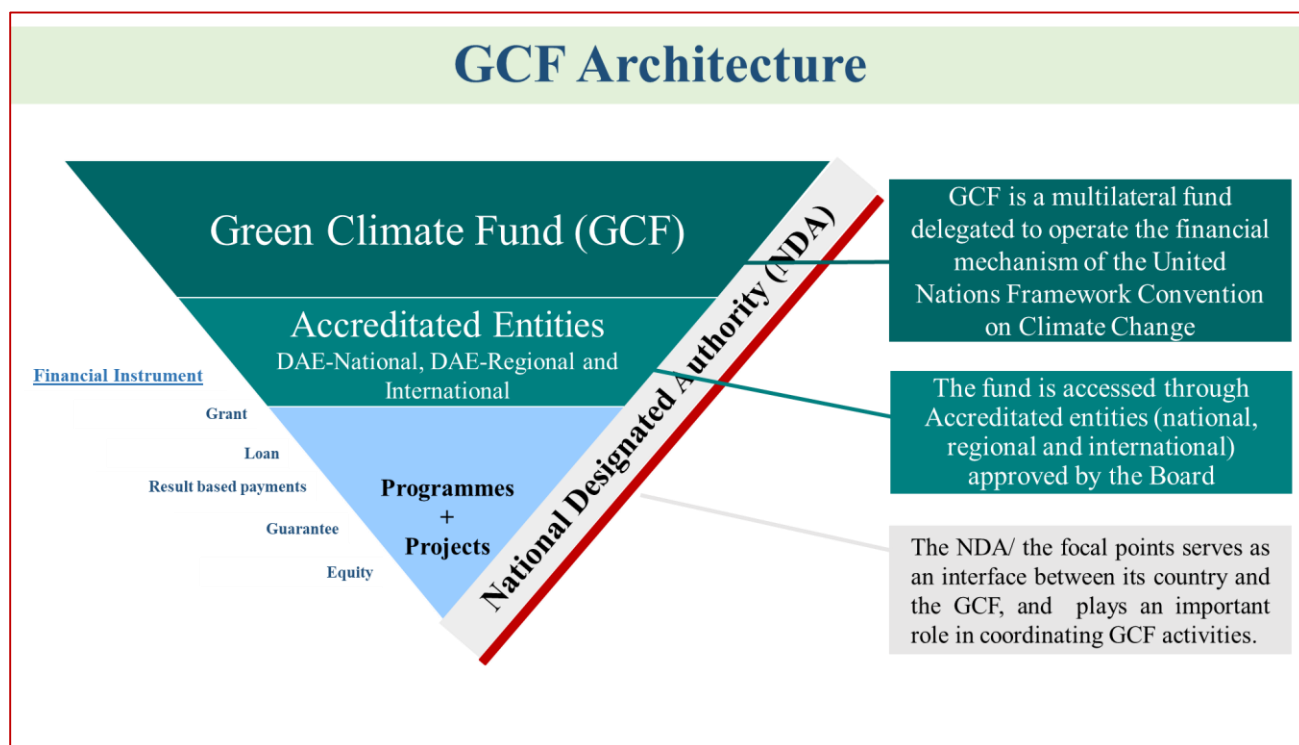
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20. Key Informant, Implementing Partner, Savar, October 23, 2023
21. Key Informant, International Entity, Dhaka, November 23, 2023
22. Key Informant, NDA, Dhaka, November 28, 2023
23. Key Informant, NDA, Dhaka, November 23, 2023

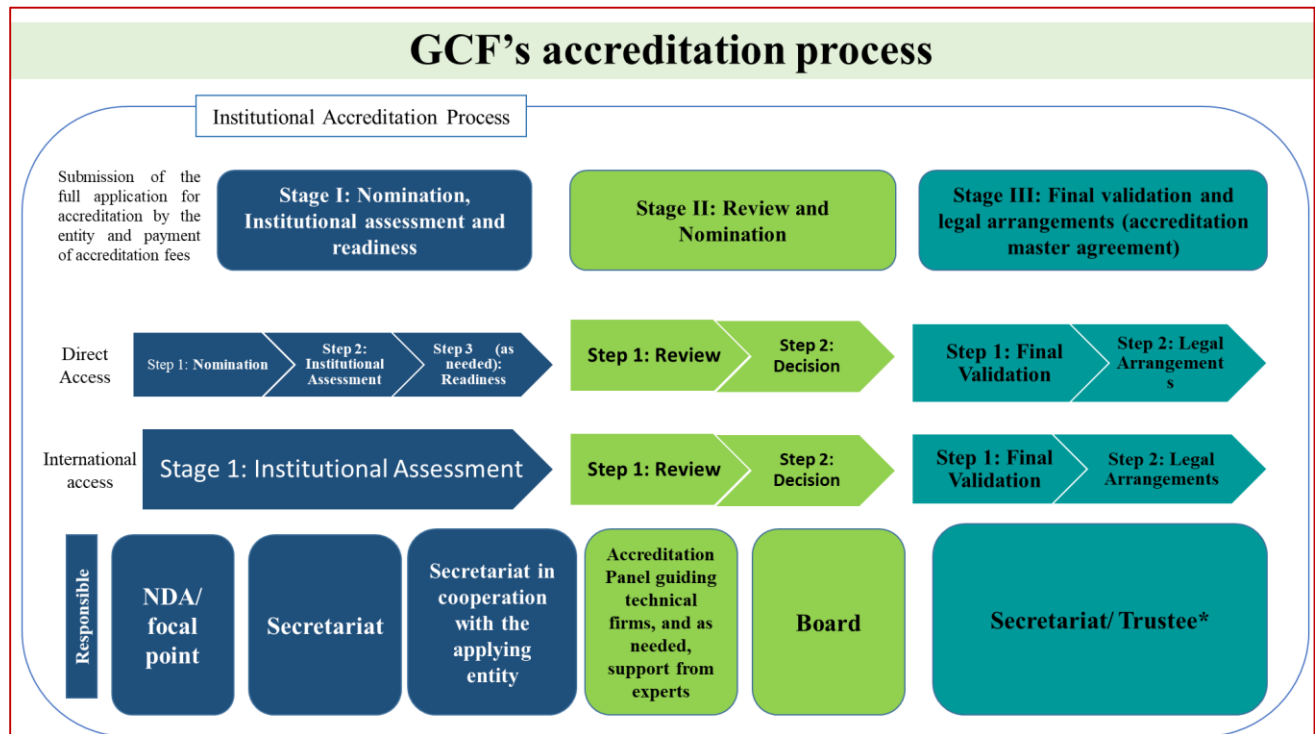
## Appendix 1:



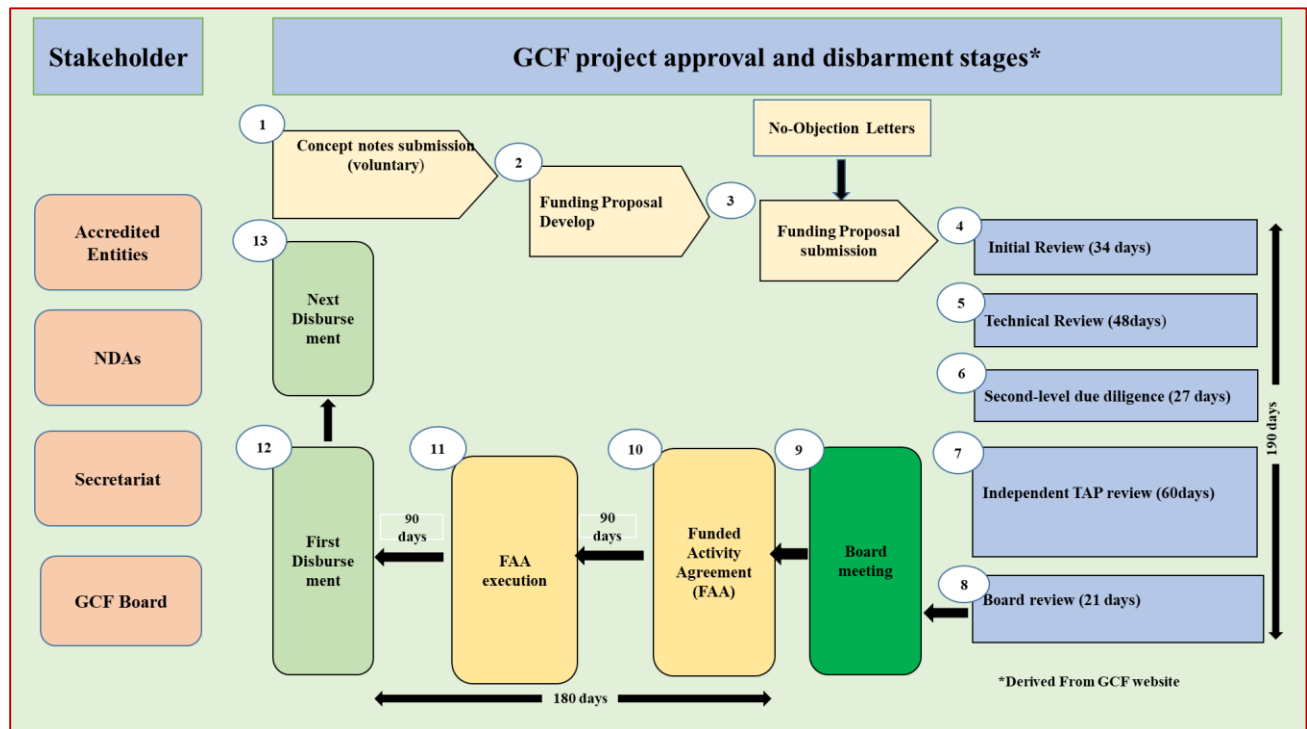
## Appendix 2:



## Appendix 3:



## Appendix 4:





## Appendix 5:

