30TH GCF INSIGHT

Bridging the gap

Unlocking more effective collaboration between the GCF and the private sector

Contents

About *GCF insight* 2

1. Introduction 3

2. Types of GCF funding 4

2024-2025 snapshot of private sector approved projects 5

3. GCF project lifecycle 8

3.1 Entry points 8

3.2 Annexes 9

3.3 Review and board approval 9

4. Systemic barriers in GCF funding processes 10

4.1 Defining private sector projects 10

4.2 Accreditation processes 11

4.3 No objection letter 11

4.4. Private Sector Facility (PSF) 12

4.5 Final authority of the board 13

Benefits of private sector collaboration with the GCF 14

5. Forging a more cohesive way forward 15

Bibliography 16

Contact 17

About *GCF insight*

This report draws on E Co's consultancy experience, particularly our work with the GCF, private sector organisations (e.g. fund managers, impact funds, and other private investors), development financial institutions (DFIs) and multilateral development banks (MDBs). This edition also utilised a desk review, including the GCF's open library database and website guidance, as well as conducting anonymised semi-structured interviews and a general survey across a range of industry stakeholders.

E Co. conducted this research independently and is not affiliated with the Green Climate Fund (GCF), the GCF Secretariat, or donors. The views expressed in this report are those of the authors and do not represent those of the GCF. Nothing in the interviews or any information or material relating thereto shall be construed as implying any official endorsement of, or responsibility on, the part of the GCF.

E Co. provides consulting support to access climate finance from the GCF (and other funds and donors) across several service areas, including: market assessment, strategy formulation, policy development, monitoring and evaluation, fund support and training. However, we may be best known for our programme and project design services in response to the GCF's criteria and processes.

Introduction

It is currently estimated that an average of at least USD 6.3 trillion in annual climate finance will be needed from 2024 to 2030 to avoid the worst impacts of climate change (Climate Policy Initiative, 2025). While there has been significant progress and global climate finance has more than doubled in the past six years (Climate Policy Initiative, 2025), the gap remains vast. With public finance often subject to geopolitical pressures, it is now more important than ever to harness the large volume of private capital, as mobilising investment at scale is indispensable for achieving global climate goals.

The Green Climate Fund (GCF) is a key public financing instrument that can provide concessional funding and reduce investment risk to help crowd in private capital. In 2013 at its 4th meeting, the GCF Board established the Private Sector Facility (PSF) to address barriers to private sector investment in mitigation and adaptation (GCF, 2022). In October 2022 at the 32nd Board meeting (B.32), the GCF adopted its Private Sector Strategy. The strategy reviewed the PSF and outlined four strategic approaches: "improving the investment environment, accelerating innovation, de-risking market-creating investments, and strengthening local financial institutions" (GCF, 2022). These approaches aimed to scale up private climate finance, particularly in vulnerable developing countries, and build on the original mandate of the PSF.

However, in spite of this, for the private sector, accessing GCF funding can often be challenging. As a publicly governed fund designed to engage private actors, **the GCF must balance the need for transparency and public accountability with the speed, flexibility and responsiveness that private investors typically require.** This inherent tension can discourage private sector participation and this *GCF insight* seeks to shed light on this.

This marks E Co's third instalment exploring the private sector's role in climate finance, building on reports published in 2021 and 2022. E Co's continued focus on this area reflects our view that enhanced cohesion within the climate finance landscape is essential to fully mobilise private sector participation. This edition presents new findings and builds on the insights previously uncovered. By continuing to identify the specific bottlenecks private actors face, E Co. aims to support greater alignment among stakeholders, ultimately contributing to increased private sector mobilisation for climate projects. Consequently, this report seeks to explore these key questions: **what does it take for private sector projects to successfully access GCF funding, and which systemic barriers, if any, do they face in navigating GCF funding processes?**

This report is designed to help better understand and subsequently navigate the complex GCF landscape. This report enables you to:

- Understand the types of funding the GCF uses to reduce investment risk
- Gain insight into the GCF's formal processes through a practical guide that shows where and how private sector actors can engage with GCF
- Find out which systemic barriers often delay private sector projects
- Learn about the benefits of GCF and private sector collaboration
- Obtain practical tips to help private sector proponents strengthen their approach and improve their chances of securing funding on time

Types of GCF funding

To attract and mobilise private investment, the GCF employs different financial instruments, designed to lower risk and enhance the commercial viability of high-impact climate projects. These include:

- Loans
- Equity investments
- Guarantees
- Grants

These instruments enable the GCF to fulfil its mandate of driving a paradigm shift, towards low-emission and climate-resilient development, by unlocking substantial flows of private capital for climate mitigation and adaptation.

The GCF's private sector portfolio clearly indicates a strong preference for certain financial instruments:

1. Loans are the overwhelmingly dominant instrument:

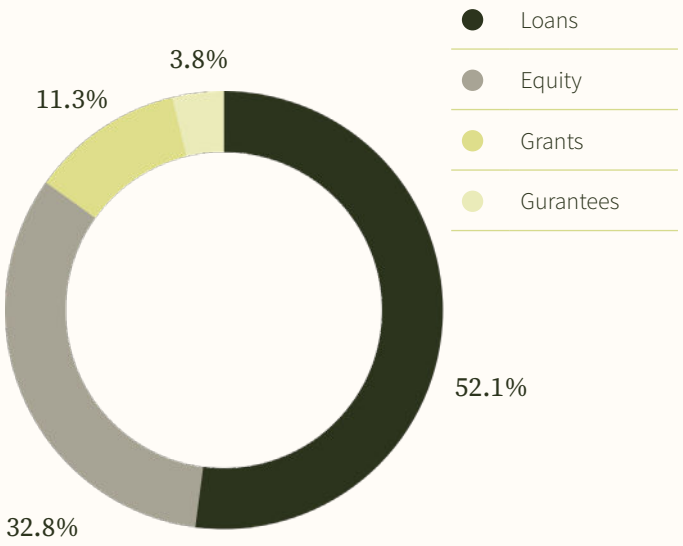
Loans account for **52.1%** of the GCF's private sector portfolio, with over **USD 3.3 billion** committed to private sector projects in the form of loans. This is consistent with the nature of the projects that private finance often seeks, which are typically large-scale and revenue-generating. Loans are typically offered at below-market interest rates or with extended repayment terms.

2. Equity is the second largest instrument:

Equity investments are the second most favoured instrument, though significantly less than loans, with approximately **USD 1.2 billion**, or around **32.8%** of the GCF's private sector portfolio, committed to private sector projects in the form of equity. These investments often take a first-loss position and are a key tool for the GCF to invest in climate-focused private equity or venture capital funds, which then on-lend or invest in smaller, riskier, or earlier-stage projects.

3. Grants and guarantees play a smaller role:

The remaining instruments, grants and guarantees, make up a smaller portion of the total commitment. Grants account for roughly **11.3%** of the GCF's commitment to private sector projects. They are typically used as a secondary instrument alongside loans and equity for technical assistance, capacity building, or to support early-stage, non-revenue-generating, or adaptation-focused components of a larger project. Guarantees typically account for a very small share, with **3.8%**. While essential for de-risking projects, they don't represent a large share of the total committed capital in nominal terms.



Key findings

The GCF often emphasises the importance of risk-sharing financial structures. This approach is consistent with the GCF's broader aim to maximise impact with minimum levels of concessionality while ensuring that 100% grant finance is targeted to the most vulnerable contexts or to projects with no viable commercial return.

While this financial discipline supports the GCF's long-term sustainability and focus on high-impact outcomes, it also indicates that the GCF is generally more suited to support larger-scale projects, particularly those with a project or programme budget above **USD 20 million**. These projects often require more complex financial structuring, combining GCF financing with other sources of capital from national governments, private partners, or other multilateral institutions. For private sector actors, especially those less familiar with this type of structuring or whom are operating at smaller scales, meeting these expectations can be challenging. Understanding the GCF's financing approach, and aligning proposals accordingly, is therefore essential for successful engagement.

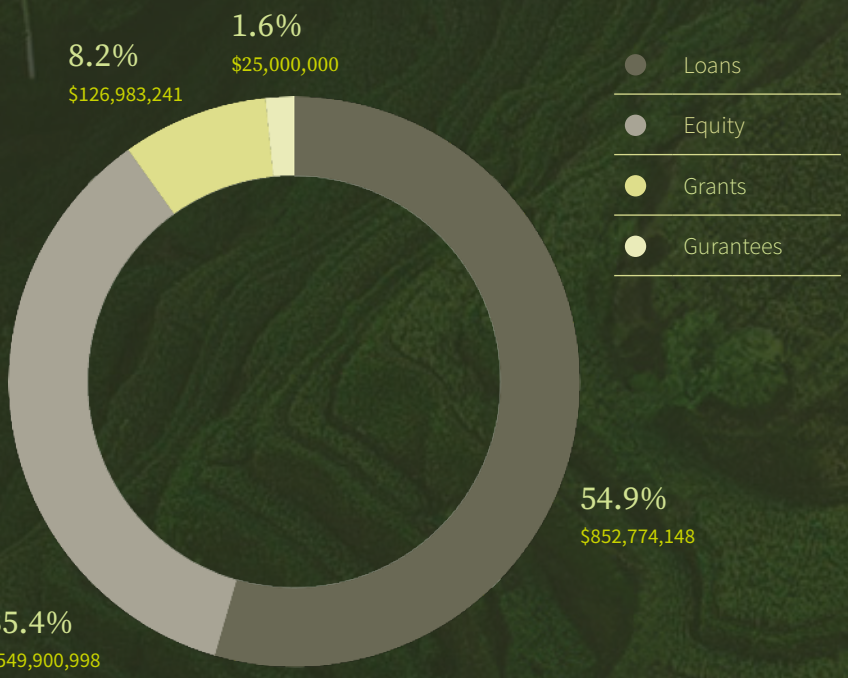
To help understand GCF investments better, on the following page is an overview of GCF approved private sector projects from January 2024 - September 2025.

2024-2025 snapshot of private sector approved projects

Between January 2024 and September 2025, the GCF approved 18 private sector projects and 54 public sector projects:

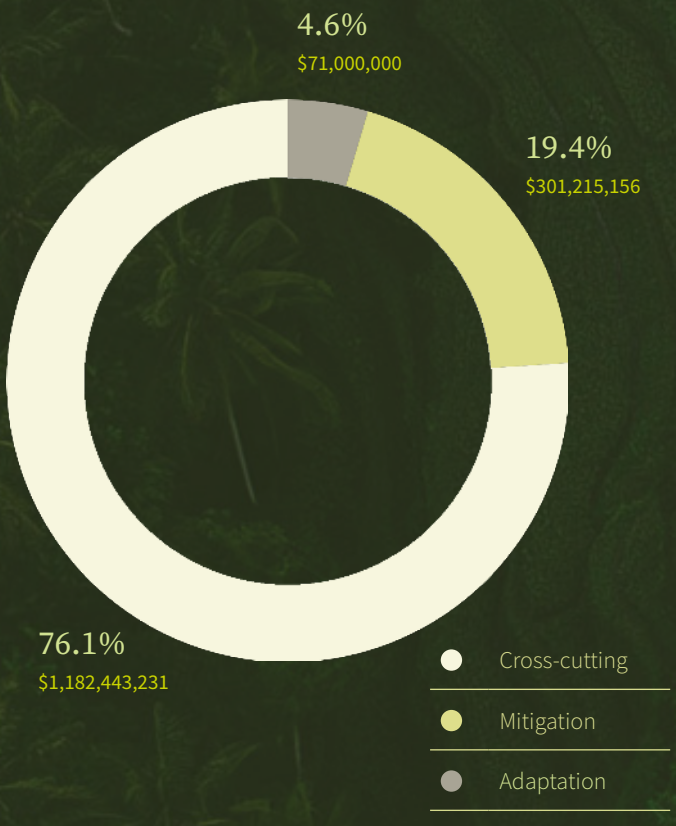
Project sizes and GCF financing

- Total project sizes ranged from approximately **USD 45.8 million** to **USD 3.8 billion**
- GCF financing in these projects ranged from **USD 9 million** up to **USD 258 million**
- GCF financing covered between **5.7%** and **51.3%** of project or programme costs
- The total GCF funding for these projects is approximately **USD 1.55 billion**



Instrument types:

The breakdown of financial instruments for private sector projects approved in 2024–2025, is consistent with trends in GCF's overall private sector portfolio:



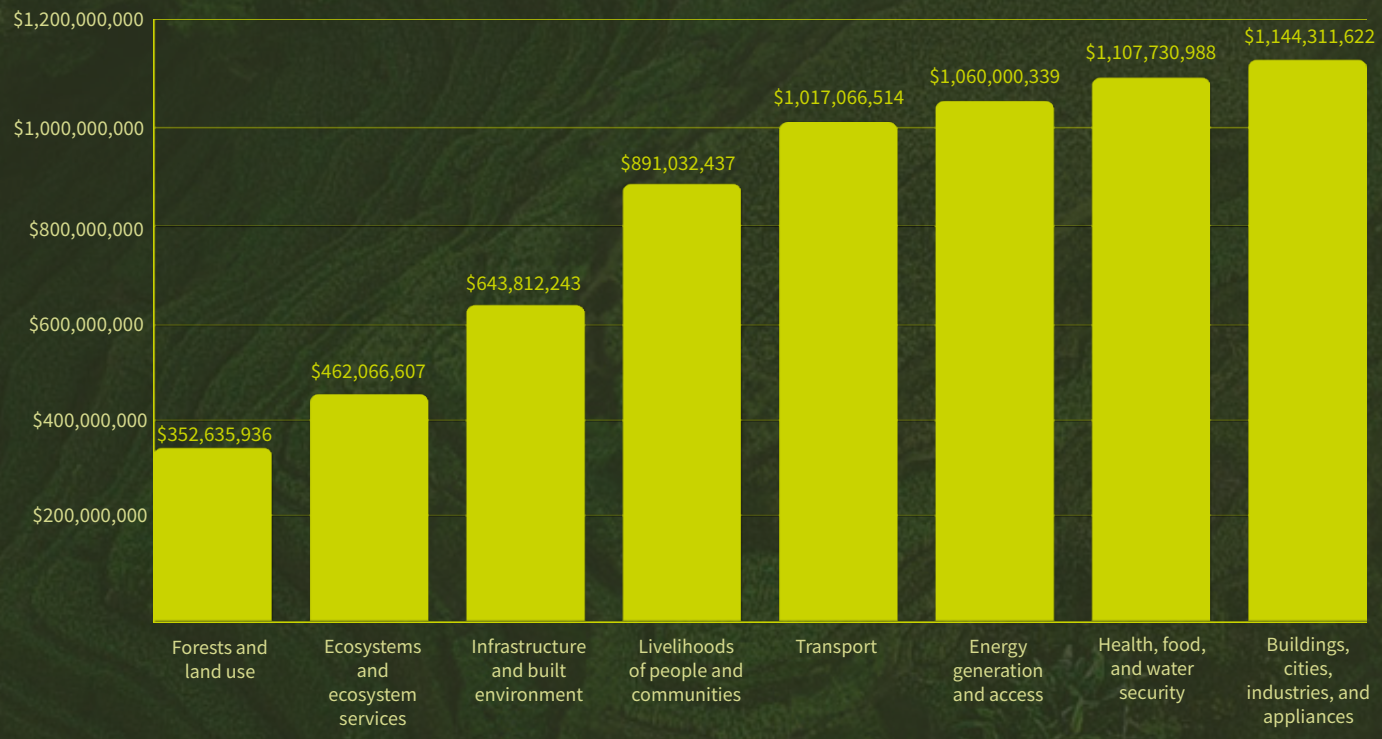
Mitigation, adaptation and cross cutting projects

The GCF's private sector portfolio has historically focused heavily on mitigation, which typically involves commercially viable, revenue-generating sectors that are best suited for debt financing. GCF's private sector project portfolio indicates that approximately **USD 746 million** has been allocated to adaptation projects, while mitigation projects have amassed approximately **USD 2.9 billion**, and cross-cutting projects have obtained **USD 2.8 billion**.

Although recent approvals indicate increased uptake of adaptation measures through cross-cutting projects, the overall trend still shows a clear tilt toward mitigation in private sector engagement. Between January 2024 and December 2025, private sector projects with a cross-cutting focus accounted for approximately **USD 1.2 billion** in total value. In contrast, mitigation-only projects totalled around **USD 301 million**, while adaptation-focused projects amounted to just **USD 71 million**. This suggests that private sector activity under the GCF continues to concentrate heavily on mitigation, where returns and business models are often more clearly defined and risk perception is lower.

Result areas

A review of approved private sector projects reveals investment across the following result areas:



Result Area	Theme
Forests and land use	Mitigation
Ecosystems and ecosystem services	Adaptation
Infrastructure and built environment	Adaptation
Livelihoods of people and communities	Adaptation
Transport	Mitigation
Energy generation and access	Mitigation
Health, food, and water security	Adaptation
Buildings, cities, industries, and appliances	Mitigation

15

15 out of the 18 approved private sector projects covered a range of result areas as opposed to just one singular result area.

There appears to be a bias towards mitigation result areas as opposed to adaptation result areas.

1.107bn

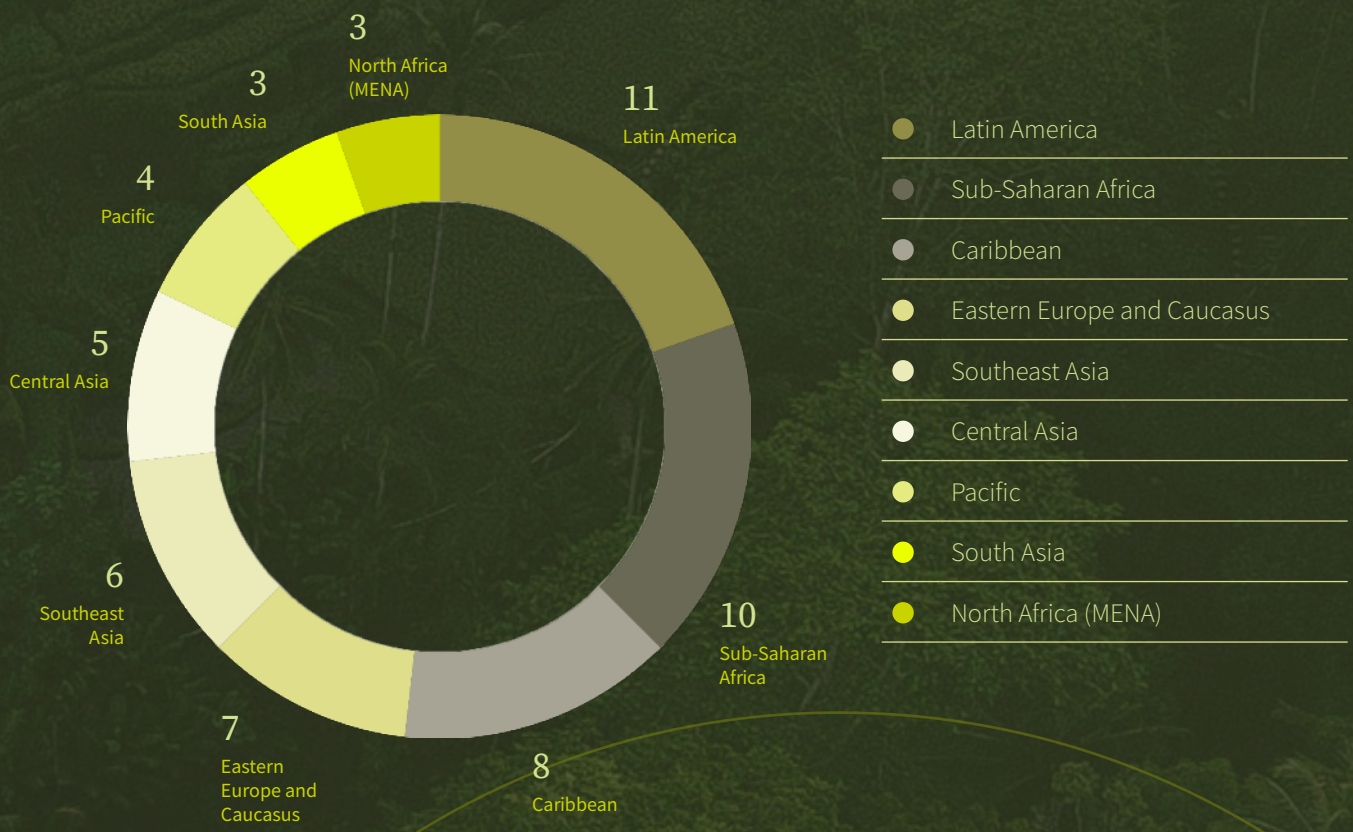
Within the adaptation theme, funding is heavily centralised, within *Health, food, and water security* receiving the USD 1.107 billion.

353m

The least-funded area, *Forests and land use* received approximately 3.2 times less financing approximately USD 353 million), than the most-funded area. This highlights a wide disparity in current strategic investment priorities.

Geographical focus

The GCF continues to prioritise scale and risk diversification by favouring large, multi-country private sector initiatives. Of the 18 approved private sector projects between January 2024 and September 2025, 10 were designed as regional or global programmes. Collectively, these projects span 57 countries, offering investors broad market exposure and diversified pipelines.



Latin America: 11 countries targeted, primarily through land use and industrial decarbonisation strategies.

Sub-Saharan Africa: 10 countries featured, reflecting strong demand for climate-smart agriculture, infrastructure, and blended finance models.

Caribbean: 8 countries included,with an emphasis on resilience and renewable energy in Small Island Developing States (SIDS).

Eastern Europe and Caucasus: 7 countries part of financial sector transformation and green finance programmes.

Southeast Asia: 6 countries targeted, including opportunities in adaptation and technology incubation.

Central Asia: 5 countries reached, mainly through regional platforms focused on energy efficiency and industrial modernisation.

South Asia: 3 countries included, with a focus on innovation and smallholder support.

Pacific: 4 island nations covered, with investments in decentralised water systems and adaptation infrastructure.

North Africa (MENA): 3 countries involved through regional climate finance platforms, often focused on water and energy security.

While the most recently approved private sector projects reflect a growing emphasis on scale, cross-border collaboration and sectoral diversification, securing GCF funding is far from straightforward. In order to reach approval, all proposals must go through the GCF's full project application and review cycles and obtain no objection letter from National Designated Authorities (NDAs). This process is designed to ensure impact and accountability, but it can present significant hurdles for private sector proponents. The next section explores the process in more detail.

GCF project lifecycle

Entry pathways for private sector engagement

For private-sector actors, there are three primary ways to apply for GCF financing. The pathway utilised depends on accreditation status, and the nature of the proposed investment. The three pathways include:

Becoming an Accredited Entity (AE)

In order to support scale, accountability, country ownership, and private sector engagement, projects are not implemented by the GCF but by a network of partner institutions known as Accredited Entities (AEs). These entities may be public or private and can operate at national, regional, or international levels. Accreditation is the main entry point to the GCF. Accredited Entities can originate, submit, and implement funding proposals directly with the GCF, acting as the primary interface throughout the project lifecycle.

How private entities use it: Multilateral development banks and impact funds, such as the Inter-American Development Bank or Acumen, have pursued accreditation to enable long-term direct engagement with the GCF and to structure climate finance vehicles that align with their broader portfolios.

Becoming an Executing Entity only

Private organisations that are not accredited cannot apply for GCF funding directly. However, they can still participate in project and programme implementation by acting as an Executing Entity (EE). In such cases, an AE retains full fiduciary responsibility for the project or programme and formally submits the funding proposal. The EE works in partnership with the AE, contributing technical, financial, or operational expertise in line with the AE's oversight.

How private entities use it: This is a common pathway for private organisations seeking to engage with the GCF pipeline but unable to pursue accreditation for various reasons. For example, private investment funds such as the SMB Climate Impact Fund often collaborate with accredited partners to co-develop and implement blended finance structures.

Project-Specific Assessment Approach (PSAA)

The PSAA pilot (2023–2026) enables non-accredited organisations to serve as both the AE and EE for a single, clearly defined project. However, to qualify, the project must be classified by the GCF as no higher than Environmental and Social (E&S) category B.

How private entities use it: Particularly attractive for specialised fund managers or developers with strong track records but no accreditation, the PSAA offers a practical entry point for first-time GCF applicants seeking to obtain climate finance.

Considering the complexity of the project preparation process and the capacity required to deliver full funding proposals, entities can request funding for proposal preparation from the GCF through the **Project Preparation Facility (PPF)**. These avenues help institutions align their proposals with GCF standards and build their capacities in the process.

Depending on the entry point, the proposal process may vary. However, in all cases, a complete funding proposal with all required annexes must be submitted for board consideration.

Key findings

Our research found that the PSAA pilot has been useful for some private sector actors, as the process has enabled them to apply for GCF funding without the delays of the accreditation process. This outcome aligns with E Co's 2022 report, in which 78% of respondents predicted that the newly approved project-specific accreditation would make it more likely for private sector actors to engage with the GCF.

Annexes

Funding proposals are submitted with a comprehensive set of mandatory annexes which include key documentation such as the NDA Designated Authority (NDA) no-objection letter (NOL), feasibility and financial analyses, detailed budgets, implementation timetables, environmental and social safeguards (ESS) disclosures, records of stakeholder consultations, gender assessments, procurement and monitoring plans, and legal due diligence.

Annexes are essential as they substantiate a proposal's compliance with GCF requirements. For instance, the NOL from the NDA is a non-negotiable annex that confirms the project's alignment with national priorities. Similarly, stakeholder engagement is critical, particularly for meeting the criteria of *Sustainable Development Potential* and *Needs of the Recipient.* The annex documenting stakeholder consultations serves as proof that diverse perspectives have informed the project design. This level of transparency is especially important for private sector projects, where civil society expects accountability and meaningful participation.

These annexes not only demonstrate compliance but also serve as core inputs into the GCF's multi-stage review process.

Review and board approval

Following the preparation of a full funding proposal, the review and approval process unfolds in three main stages:

1. Secretariat review: The GCF Secretariat conducts the first detailed review, working iteratively with the submitting entity to refine project design, risk management, and compliance with GCF investment criteria, policies, and safeguards.

This back-and-forth process often involves several rounds of comments and revisions, helping ensure that the proposal is technically sound and aligned with GCF priorities before it is passed on to the Independent Technical Advisory Panel (iTAP).

2. iTAP review: Once cleared by the Secretariat, the proposal is forwarded to iTAP, which conducts an independent technical assessment over approximately four to five weeks. The panel reviews the final proposal package, including all annexes and Secretariat assessments, to evaluate its technical quality, expected impact, and consistency with GCF investment criteria.

During this period, iTAP may send written questions to the submitting entity and, if necessary, organise brief virtual meetings to clarify key issues. It then issues a recommendation, approval, approval with conditions, or non-endorsement, that is shared with the GCF Board to inform its decision.

3. Board approval: After iTAP finalises its review, the proposal is submitted at least 21 days before a GCF Board meeting. The GCF Board, composed of members with equal representation from developed and developing countries, holds final decision-making authority over all funding proposals.

The Board deliberates based on the combined assessments of the Secretariat and iTAP. Proposals recommended for approval may be adopted as submitted or with conditions that must be met before disbursement. The iTAP's recommendation carries substantial weight in shaping the Board's discussion and ultimate decision.

Key findings

Some argue that the GCF's iterative engagement process provides value by identifying and addressing issues early. This can help reduce risks during implementation. The Secretariat's review and guidance play a particularly important role in this process, as the Secretariat works closely with proponents to help shape projects and programmes in line with GCF investment criteria. Taking into account all Secretariat feedback at this stage not only strengthens the technical quality and compliance of proposals but also maximises the likelihood of Board approval and timely implementation of projects and programmes.

However, our research found that the level of detail and limited flexibility in GCF's requirements often creates significant challenges for private sector actors. In particular, aligning the GCF's risk management expectations with the needs of institutional investors is challenging. Designing a project that satisfies both can be complex. Challenges arise during project design, legal negotiations, environmental and social safeguard reviews, and financial structuring.

A further challenge in the process is GCF's highly prescriptive approach and reported rigidity regarding the safeguards it requires. Respondents explained that this leaves little room for negotiation with private sector proponents and tends to slow down the review process. These issues are often the most demanding during the application process but also continue into implementation. Some stakeholders view the GCF as taking a more involved approach than is typical for a limited partner (LP) in equity funds, particularly in areas such as fund structuring, due diligence, and ESS categorisation.

In addition, given that the iTAP review period is limited to around four weeks, proponents have little or no opportunity to address additional comments once the proposal has been submitted for iTAP consideration. It is therefore essential to anticipate and integrate potential iTAP considerations early in the process.

Systemic barriers in GCF funding processes

Despite the steps of the GCF lifecycle being clearly defined, private investors continue to face significant procedural hurdles, including lengthy due-diligence cycles, complex documentation, and limited predictability in the review and approval timeline. These remain key constraints within the funding proposal process, particularly for private sector participants that are used to moving efficiently from concept to investment. The following section outlines other key challenges associated with GCF private sector projects.

Defining private sector projects

73

As of September 2025, the GCF reports 73 approved private sector funded activities across 100 countries.

6.43bn

USD 6.43 billion in GCF financing.

30.97bn

USD 30.97 billion in total financing.

The above figures suggest growing private sector engagement, but ambiguity around what qualifies as a private sector project casts

According to the GCF Programming Manual, a private sector project is defined as one in which "all financial resources that are provided for its implementation from financing entities are more than 50 per cent owned and / or controlled by private shareholders" (GCF, 2020, p. 28). However, this manual is no longer in circulation and is currently under review by the GCF. Meanwhile, Kalinowski (2024, p. 285) observes that "within the GCF, all projects managed by the Private Sector Facility are characterised as private sector, even if they include mostly public funding or are implemented by a public Accredited Entity (AE)."

Some projects labelled as 'private' by the GCF are, in practice, primarily funded with public resources, particularly in cases involving multilateral development banks (MDBs), whose capital is technically public (Reyes and Schalatek, 2021). Conversely, certain projects classified as 'public' may in fact primarily benefit private enterprises (Reyes and Schalatek, 2021). This definitional ambiguity presents challenges for reporting and complicates efforts to assess the true extent of private sector participation. It also raises concerns about attribution and additionality, especially in determining whether GCF resources are genuinely leveraging new private sector investment.

Key insight

At the GCF's 42nd Board meeting (B.42), four private sector projects were approved, amounting to approximately **USD 312 million**. All four (SAP054 by the Asian Development Bank (ADB), FP276 by the European Investment Bank (EIB), FP277 by the International Finance Corporation (IFC), and FP275 by the Caribbean Development Bank (CDB) were channelled through multilateral development banks (MDBs). This pattern not only highlights the dominant role of multilateral banks as private sector AEs but also reflects ongoing access challenges for smaller private sector entities. The latter concern was raised in E Co's 2022 report and echoed by respondents in our current research. In particular, there were concerns about the limited capacity, resources, and lack of information that prevent genuine private sector actors without public backing, such as SMEs, from engaging with the GCF directly.

Accreditation processes

Although private sector actors are permitted to undertake the accreditation process, which is intended to enhance private sector engagement, the process itself is highly demanding. Accreditation involves a rigorous assessment of an organisation's capacity to manage GCF funds and comply with the GCF's fiduciary standards, Environmental and Social Safeguards (ESS), and Gender Policy. Our research revealed that it can take up to six or seven years for an organisation to become accredited. For private firms, this delay can result in significant sunk costs and lost opportunities, meaning that only well-resourced financial institutions are typically able to absorb the burden and navigate the process successfully.

Key insight

Recognising the challenges associated with the accreditation process, the GCF Board introduced some measures to ease access to them. The PSAA was one of them, and as highlighted earlier in the report, it has been well received by our respondents who have been able to use it.

In addition to this, the GCF board was invited to adopt a comprehesive reform package for a new accreditation framework at its 42nd meeting (B.42). While the revised framework maintains the core standards of the original, it aims to improve efficiency by streamlining due diligence procedures, introducing a fit-for-purpose approach based on the size and risk profile of applicants, and simplifying legal arrangements. It also replaces the previous five-year re-accreditation cycle with a Monitoring and Accountability Framework that enables ongoing oversight and performance-based evaluation. Additional changes include updated fast-track pathways, clearer screening requirements, and a revised fee structure intended to reduce the administrative burden, particularly for national and private sector AEs.

One respondent highlighted that their country lacks a domestic AE. This presents serious challenges, particularly with language and translation. The respondent, from a lusophone country, noted difficulties in accessing GCF materials and guidance in their language. This language barrier creates a critical dependency on individuals fluent in Portuguese to enable officials to fully understand and engage with GCF procedures.

Key insight

When the AE works with a project proponent acting as an EE, effective coordination becomes crucial. While the GCF communicates primarily with the AE, both the AE and EE need to be actively involved throughout the entire engagement process to avoid delays and miscommunication that can arise from multi-layered information flow. A strong partnership and direct collaboration between the AE and EE is therefore essential for efficient project development and implementation.

Insights from GCF Private Investment for Climate Conference 2025 (GPIC 2025)

During the GPIC 2025 session on accreditation, panelists highlighted that reforms under the 'Efficient GCF' initiative have already improved responsiveness and shortened accreditation timelines in practice. Panellist Brady Martin (AIIB) noted that efficiency gains are linked to proactive communication and strong institutional commitment, while Panellist Jose Carlos Villena Pérez (SMB) praised GCF's flexibility and range of financial instruments. However, both emphasised the need for greater predictability in review timelines and simplified reporting. Achala Abeysinghe (GCF Secretariat) added that the GCF seeks country-driven, transparent partnerships that are co-developed with NDAs from the earliest stage.

Finally, they concluded that accreditation should not be viewed as an endpoint but rather as the beginning of a long-term partnership pathway for project origination, co-investment, and institutional learning. Through reforms, alternative access routes such as the PSAA, and a greater emphasis on collaboration, the GCF is moving toward a more inclusive, efficient, and partnership-driven accreditation model.

No-objection letter (NOL)

The mandatory NOL from national governments presents a critical administrative bottleneck. Despite its critical role in affirming country ownership and alignment with national priorities, it emerged as a recurring point of concern from our respondents, particularly for multi-country programme and project proponents.

Of the 73 funded private sector activities, over **53%** are multi-country, and as earlier highlighted, between January 2024 to September 2025, 10 of the 18 approved projects are identified as multi-country funds, facilities, or programmes. This demonstrates the private sectors prioritisation of diversifying risk and launching products with regional or global reach. Some respondents argued that this approach is essential for attracting institutional investors and crowding in additional private funding. However, in their view, the current NOL framework is designed with single-country, public sector projects in mind and does not adequately accommodate the operational models of cross-border investment vehicles.

Additionally, some respondents noted that some NDAs often lack the technical understanding of complex fund structures, which can result in delays or outright rejections. Furthermore, divergent national priorities and approval timelines, and the absence of a harmonised approach across jurisdictions have created significant challenges for private sector proponents.

Key insight

NOL was widely identified as a specific procedural hurdle within the application process. Importantly, the NOL process lies outside the GCF's direct control, as it is managed entirely by national governments. The GCF Secretariat has limited ability to intervene beyond its outreach and capacity-building efforts. To help address these systemic issues, the GCF has channelled resources through its Readiness and Preparatory Support Programme, aimed at strengthening NDA capacity, improving knowledge sharing, and building greater familiarity with GCF policies and investment modalities. However, despite these efforts, the NOL requirement remains a mandatory step, and continues to represent one of the most significant external bottlenecks in the GCF project cycle.

GCF could further help tackle the lack of clear national procedures, limited institutional budgets, and insufficient understanding of sophisticated private sector or multi-country investment structures, by opening additional readiness funding windows and accelerating targeted capacity-building support to NDAs.

Private Sector Facility (PSF)

In our research, several challenges were identified that impact the effectiveness of the PSF. Staff within the PSF were consistently praised by respondents for their high capability, however, a key issue highlighted was the absence of a clear and coherent investment priority plan. This lack of clarity presents difficulties both for private sector actors navigating the processes and internal staff seeking to provide guidance.

Furthermore, investment officers are required to coordinate across multiple departments, yet it was noted that the structure is not conducive to autonomous decision-making. This may cause delays in the progression of projects, despite the PSF's intentions.

Lastly, private sector proponents relayed that, despite the existence of the PSF, they faced challenges seeking informal consultation with the GCF prior to project submission. They did not receive meaningful feedback until a formal submission was made. This creates a 'chicken and egg' scenario in which private proponents wish to obtain feedback before applying, but are unable to do so until after they have submitted an application.

Insights from GPIC 2025

During the GPIC 2025 discussions, the GCF Secretariat confirmed that the PSF currently represents around **25%** of the GCF's total commitments, amounting to approximately **USD 3.1 billion** in approved projects. However, actual deployment and mobilisation levels remain below expectations, with private capital leverage ratios still falling short of Board targets. The Secretariat reiterated that accelerating deployment within the PSF is a strategic priority for the next programming cycle, as the GCF seeks to expand institutional investor participation and scale up blended-finance vehicles. Addressing structural inefficiencies, improving internal coordination, and clarifying investment priorities were highlighted as key steps toward achieving these goals.

Final authority of the board

The evolving allocation parameters and implementation of the 2024–2027 Strategic Plan have intensified the Board's role in shaping how projects are prioritised for approval. As the volume and complexity of submissions grow, particularly from private sector proponents, the Board faces mounting pressure to balance technical merit, geographic representation, and thematic equity. Revisions introduced to ensure balance across regions, themes, and financial instruments now require projects to demonstrate both strategic alignment and portfolio fit before reaching the Board. While these measures aim to enhance accountability and coherence, they have also extended review times and created additional layers of clearance, particularly for complex private sector proposals that must demonstrate minimum concessionality to justify GCF participation. As a result, the Board increasingly finds itself at the intersection of technical assessment and strategic resource allocation, where procedural adjustments translate into longer decision cycles and greater uncertainty for private sponsors.

Though the GCF board has been praised for its recipient–donor parity (Kalinowski, 2024), the political nature of the GCF board's role in the approval process for private sector projects was questioned in our research. A suggestion was made to delegate decision-making authority to a professional investment committee in order to reduce political interference and improve efficiency. In addition to this, a respondent encouraged the board to adopt a more business-oriented approach and reduce UNFCCC-style delays in decision-making.

These comments reflect concerns about the board's position as the final decision-making authority for all funding proposals, including those that have already undergone extensive technical assessment by the Secretariat and iTAP. While the board's oversight role is intended to ensure accountability and alignment with GCF principles, some stakeholders view the current structure as a bottleneck. In particular, the perception that political considerations can override technical merit may deter private sector engagement and undermine confidence in the predictability of the approval process.

For private sector proponents and institutional investors, predictability of decision-making is as critical as concessionality itself. The perception that political or non-technical considerations can delay or reverse projects after months of engagement risks eroding market confidence and discouraging early participation. Strengthening transparency in Board deliberations, standardising decision timelines, and reinforcing the role of technical assessments could help restore trust and encourage more private actors to bring forward ambitious proposals.

Key insight

At B.42, the Prosperete Growth Fund, a private investment vehicle submitted under the PSAA, was endorsed by both the Secretariat and iTAP. Nevertheless, the applicant withdrew the proposal before it reached the board, citing commercial concerns and the need for further stakeholder engagement. The timing and nature of these issues suggest that unresolved questions at the pre-board stage introduced sufficient uncertainty to prompt withdrawal.

This reflects how perceived risks of rejection or delay at the final approval stage can deter private sector actors from proceeding, even after receiving technical clearance. This case also illustrates how governance dynamics, rather than project quality, can determine private sector appetite for GCF engagement. Streamlining the interface between iTAP, the Secretariat, and the Board would help reduce uncertainty and make the GCF's final approval stage more investment-oriented.

Benefits of private sector collaboration with the GCF

Looking ahead, strengthening the partnership between the GCF and private sector actors will be essential to accelerate climate investment and realise the GCF's catalytic potential. While private sector actors face significant challenges with GCF processes, the GCF also offers important benefits.

Private investment in emerging markets is often constrained by several factors, including perceptions of high risk, insufficient commercial returns, a limited pipeline of bankable projects, and low investor confidence. Results from the general survey E Co. released in connection with this report revealed that **73%** of respondents identified low investor confidence as a key challenge when developing climate finance projects in emerging markets. In this context, the GCF plays a catalytic role by helping to de-risk adaptation and mitigation investments. **Through the instruments it provides, the GCF reduces financial risks for private actors, making investments in otherwise unbankable sectors more viable.**

Respondents also noted that the GCF's ability to offer financing at scale, including large investment sizes and below-market-rate capital, makes it particularly attractive to private actors. These proponents noted that they would otherwise struggle to obtain affordable, long-term finance for climate projects in emerging markets.

A key advantage of working with the GCF is its deep understanding of climate issues. This expertise helps ensure that projects are assessed and designed with a strong focus on environmental integrity and resilience. **While the GCF's processes can be demanding, they also provide reputational benefits.** Successfully navigating the GCF's due diligence and approval procedures demonstrates a high level of scrutiny and accountability, helping project proponents build credibility with other investors and stakeholders.

In addition, **GCF-supported projects can serve as replicable models. These projects demonstrate the feasibility of innovative approaches and help pave the way for scaling up and mobilising additional private finance.** This dual benefit of supporting vulnerable communities, while enabling private sector entry into new and underserved markets, makes the GCF a particularly valuable partner for actors seeking both impact and opportunity.

Forging a more cohesive way forward

Nevertheless, a clear disconnect remains between how the public and private sectors operate. This misalignment often leads to frustration, as this report highlights. Navigating the GCF system requires an understanding not only of climate finance mechanics but also of the procedural and institutional dynamics that shape access to the GCF. This underscores the value of specialised advisory firms such as E Co, which can help bridge the gap between public finance mechanisms and private sector needs.

Overcoming this disconnect also requires a shift toward a partnership-based model of engagement. Rather than viewing private sector participation as transactional, the GCF could strengthen its role as a strategic partner, one that co-creates solutions alongside investors, AEs, and NDAs. This partnership model must begin with a clearer understanding of investor priorities such as: predictable timelines; proportionate reporting requirements; transparent risk-sharing mechanisms; and commercially viable instruments. Despite an expanding private sector pipeline, deployment and mobilisation remain below the GCF's ambitions, underscoring the need for listening to and integrating investor perspectives into programme design and approval processes. This way, GCF can enhance trust, shorten approval timelines, and attract a broader base of private sector participants. In turn, this would allow GCF to more effectively meet its private sector mobilisation targets and deliver on its ambition to scale blended finance at speed.

Through E Co's extensive experience supporting private sector actors engaging with the GCF, we have identified five decisive elements that contribute to successful project development and approval:

1. Clear climate rationale: Proponents must demonstrate a strong and measurable climate impact. As the report highlights, private sector involvement has historically been stronger in mitigation due to clearer business models, however, adaptation and resilience are emerging as viable opportunities, particularly when supported by concessional finance structures.

According to the iTAP (iTAP workshop at GPIC 2025), one of the most common weaknesses observed in private sector submissions is the lack of a robust evidence base linking project activities to measurable climate benefits. Proponents are encouraged to clearly articulate the climate rationale using quantitative indicators, supported by data and national baselines, to distinguish climate impact from broader development outcomes.

2. Justification of concessionality: GCF financing must be catalytic. Proponents are expected to articulate why concessionality is necessary, whether to address first-loss risks, extend loan tenors, provide guarantees, or mobilise co-investment. This is especially relevant for adaptation projects, where revenue models are less direct or commercially attractive.

The iTAP emphasised that concessionality must be proportionate to the level of risk or transformational value created. It should not be used to enhance investor returns, but to address specific market barriers or de-risk pioneering models. Clear articulation of the crowding-in potential and expected leverage of GCF capital remains a critical determinant of iTAP endorsement.

3. Justification of additionality: GCF funded projects are required to clearly demonstrate the rationale for receiving support. This is assessed through the concept of additionality, which refers to the extent to which GCF financing enables climate outcomes that would not materialise under a business-as-usual scenario. The GCF's concessional public funds are intended to support projects that are considered too risky, too innovative, or insufficiently commercial to attract conventional public or private sector financing on their own.

In several reviews, the iTAP noted that private-sector proposals frequently struggle to substantiate financial additionality, that is, to convincingly demonstrate that the project would not proceed under business-as-usual conditions without GCF participation. Strong additionality cases are those that clearly show how GCF involvement unlocks new market segments, enables longer tenors, or supports innovations that commercial financiers are unwilling to fund alone.

4. Alignment with national priorities: Country ownership is a cornerstone of GCF operations. Alignment with NDCs must be substantiated through early engagement with NDAs. For multi-country and regional initiatives, demonstrating differentiated country-level ownership and relevance is particularly important. Proponents should document how the investment contributes to national targets and supports adaptation or mitigation pathways specific to each context.

5. Early and sustained stakeholder engagement: The most successful private sector proposals are those that initiate dialogue with AEs, NDAs, local communities and the GCF Secretariat well before concept note submission. Early engagement enables proponents to design their projects in line with GCF expectations, build stakeholder buy-in, and ensure that proposals meet both country needs and the GCF requirements.

Given the limited four-week window for iTAP review, proponents have little opportunity to revise proposals once submitted. Early and sustained engagement with the Secretariat and key stakeholders is therefore critical to ensure that all potential comments are addressed in advance, maximising the likelihood of a positive iTAP recommendation and Board approval.

Bibliography

Climate Policy Initiative. (2025). *Global landscape of climate finance 2025.* https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2025/

E Co. (2022). *GCF insight #21: Enhancing private sector investment in tackling climate change through the Green Climate Fund.* E Co. https://ecoltdgroup.com/wp-content/uploads/2024/11/GCF-insight-21.pdf

Franken, P. (n.d.). *View of turbines during sunset* (Image). Unsplash. Retrieved from https://unsplash.com/photos/view-of-turbines-during-sunset-nntAXxs4SO0

Green Climate Fund. (2019). *Green Climate Fund's private sector facility.* https://www.greenclimate.fund/sites/default/files/document/green-climate-fund-s-private-sector-facility_0.pdf

Green Climate Fund. (2020). *GCF programming manual*. https://www.greenclimate.fund/sites/default/files/document/gcf-program-ming-manual.pdf

Green Climate Fund. (2022). *Private sector strategy.* https://www.greenclimate.fund/sites/default/files/document/private-sector-strategy.pdf

Green Climate Fund. (2023). *Investment framework.* https://www.greenclimate.fund/document/investment-framework-gcf-2

Green Climate Fund. (2024). *Guidance for establishing the mitigation impact potential of GCF funded activities in support of Decision B.33/12.* https://www.greenclimate.fund/document/guidance-establishing-mitigation-impact-potential-gcf-funded-activities-support-decision

Green Climate Fund. (n.d.). *Accredited entities*. Retrieved September 5, 2025, from https://www.greenclimate.fund/about/partners/ae

Green Climate Fund. (n.d.). *Concept note screening.* Retrieved September 5, 2025, from https://www.greenclimate.fund/projects/access-funding/concept-note-screening

Green Climate Fund. (n.d.). *Home.* Retrieved October 16, 2025, from https://www.greenclimate.fund/

Green Climate Fund. (n.d.). *Private sector financing.* Retrieved September 5, 2025, from https://www.greenclimate.fund/sectors/private

Green Climate Fund. (n.d.). *Project cycle.* Retrieved September 5, 2025, from https://www.greenclimate.fund/project-cycle

Green Climate Fund. (n.d.). *Project-specific assessment approach.* Retrieved September 8, 2025, from https://www.greenclimate.fund/projects/psaa

Green Climate Fund. (n.d.). *Projects* [Data set]. https://data.greenclimate.fund/public/data/projects

Green Climate Fund. (n.d.). *Results-based management.* Retrieved September 8, 2025, from https://www.greenclimate.fund/projects/results-based-management

Green Climate Fund. (n.d.). *Simplified Approval Process.* Retrieved September 9, 2025, from https://www.greenclimate.fund/projects/sap

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

Reyes, O., & Schalatek, L. (2021). *Green Climate Fund private sector finance in focus: Briefing 1: A critical review of key trends.* Heinrich-Böll-Stiftung Washington, DC. https://us.boell.org/en/2021/10/05/green-climate-fund-private-sector-finance-focus-briefing-1-critical-review-key-trends

Wambui, R., & Cheruiyot, J. (2025). *Project-based guarantees in climate finance: Enhancing effectiveness and scale.* Finance for Development Lab. https://findevlab.org/wp-content/uploads/2025/07/FDL_External-Contribution_Project-Based-Guarantees-in-Climate-Finance_July25_FINAL.pdf

Contact

Contact us today to find out how E Co. can help you deliver success.

T: +44 20 30 120 130
E: enquiries@ecoltdgroup.com
W: www.ecoltdgroup.com

Visiting office

20 St Thomas St
London
SE1 9RS
United Kingdom

Connect with us

ecoltdgroup.com

E Co.

@ecoltdnews

Report team

Patricia Katto
AUTHOR

Sofia Bessadi
CONTRIBUTOR

Clare Wingfield
CONTRIBUTOR

Zsofia Kovacs
CONTRIBUTOR

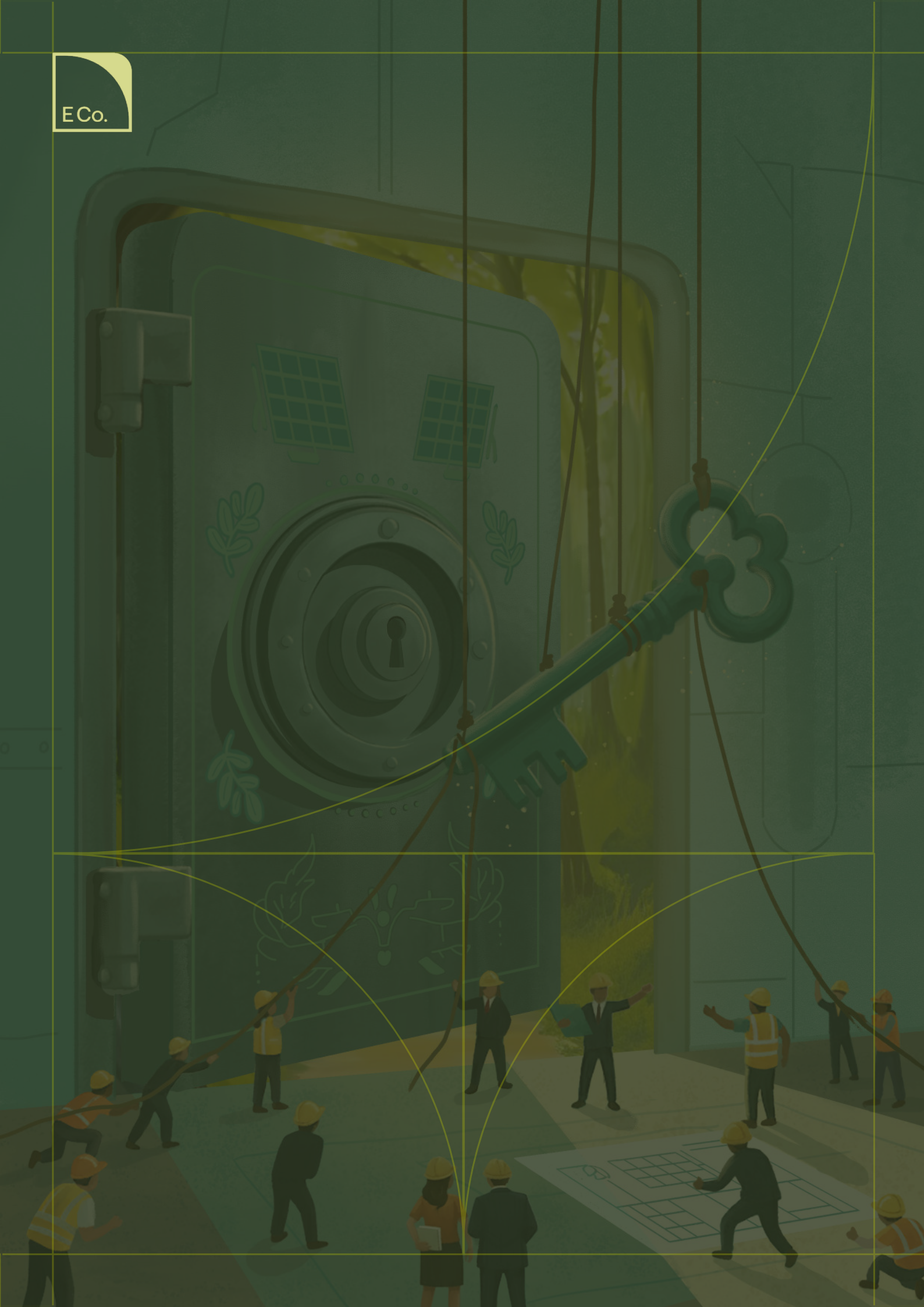
Jean-Baptiste Routier
CONTRIBUTOR

Dr Grant Ballard-Tremeer
CONTRIBUTOR

Publishing team:

Sandi Maung
DESIGNER

Mariella de Souza-Baker
SUB-EDITOR


E Co.