In spite of the COVID-19 pandemic complicating in-person processes for approving climate finance, the Green Climate Fund (GCF), now in its first replenishment phase (GCF-1, 2020-2023), is responsible for the increase in approvals in recent years, and its cumulative approvals of USD 7.4 billion, including more than USD 2.2 billion for 2020, now dwarf other major multilateral climate funds.

2020 saw climate finance approvals of USD 3.4 billion by major multilateral climate funds for 220 projects and programmes across 151 countries.
Projects for climate change mitigation took the lion’s share

USD 1.6 billion was approved by multilateral climate funds for mitigation projects in developing countries. The GCF approved over USD 1 billion, with the remainder coming from the Clean Technology Fund (CTF) dedicated private sector programme, the GEF-7 Trust Fund, and the Scaling Up Renewable Energy Program in Low-income Countries (SREP).

USD 309 million was approved for projects with REDD+ in 2020.

USD 894 million was approved for projects concurrently supporting adaptation and mitigation, or cross-cutting, showing an increasing share of such multi-purpose proposals over the last few years, especially in the GCF and the Global Environment Facility (GEF).

USD 586 million was approved for adaptation projects (at face value) in 2020.

While the GCF determines the exact amount of each project credited to the component themes, other funds do not, complicating the pursuit of ‘balance’ between adaptation and mitigation finance.

GCF accounted for 57% in 2020.
In 2020, 40% of approved adaptation funding from multilateral climate funds was directed at the agriculture, forestry and fisheries sector with a heavy focus on food security and acknowledgement of support needed for rural communities.

MULTISECTOR projects followed, illustrating the prioritisation of comprehensive, not compartmentalised, adaptation approaches and how inseparable adaptation activities are from general development and economic growth pathways.

While the Water Supply, Sanitation, and Hygiene Sector (WASH) is receiving climate finance, wider flows are dominated by large infrastructure for water resources management and water supply and sanitation (Mason et al., 2020).

Multilateral climate funds are, however, increasingly making approvals to address rural and community-scale water and sanitation adaptation challenges.
In 2020, 30 of 51 newly-approved mitigation projects from multilateral climate funds are in the energy sector, accounting for over a third of the total approval amount.

This captures renewable energy, energy efficiency, and energy generation and distribution efforts at many different scales, including decentralised and distributed, and reflects the need for energy transition to low-emission alternatives across sectors and communities in many countries.

Approvals targeting the industrial sector were close to matching energy project approval amounts in 2020, primarily as a result of two large GCF projects.

One project aims to facilitate a transformational shift in energy-intensive industry, agribusiness, and mining practices in Kazakhstan, Jordan, Tunisia, Armenia, Uzbekistan, Morocco, and Serbia.

The other project seeks to promote large-scale adoption of energy saving technologies and equipment for the textile and garment sectors of Bangladesh.
In 2020 approvals by multilateral climate funds for reducing emissions from deforestation and forest degradation, forest conservation, sustainable forest management and the enhancement of forest carbon stocks (REDD+) rose to USD 309 million. This is an increase over the previous five-year average of USD 263 million.

The GCF is responsible for 87% of the 2020 figure, approving four projects under its dedicated REDD+ results-based payments programme, bringing the total to eight projects for USD 497 million in approval amounts. This exhausts the USD 500 million envelope for the pilot programme, raising questions about its continuation and scale in the future.

These projects, not without criticism, reflect the largest efforts to date to support developing countries’ move beyond REDD+ readiness to emission reductions with payments based on verified results.
CLIMATE FINANCE TO LDCs AND SIDS
HOVERS AT AROUND A THIRD OF ALL APPROVALS

- Least developed countries (LDCs) and small-island developing states (SIDS)
- Other countries

Funding from MULTILATERAL CLIMATE FUNDS for the LDCs and SIDS

- 37% of 2020 approvals
- 30% LDCs
- 7% SIDS

Likely below the share of approvals that LDCs and SIDS SHOULD capture given their climate vulnerability and capacity constraints.

IN 2019
- Funding approved for LDCs and SIDS by multilateral climate funds was largely grant based
- 80% grants

IN 2020
- This share fell to 46%
- In light of LARGE CONCESSIONAL LOANS as part of mitigation projects approved by the GCF and CTF in LDCs and SIDS.

RING-FENCING funding for these country groups, as the GCF does for adaptation, supports their prioritisation under Article 9 of the Paris Agreement.

THESE LOANS ARE BEING PROMULGATED IN THE FACE OF COUNTRIES’ GROWING DEBT DISTRESS IN THE WAKE OF THE COVID PANDEMIC.
The number of national and regional implementing entities of multilateral climate funds has seen steady increase.

The GCF accounts for 63% of all new national and regional implementing entities accredited by multilateral climate funds since 2015.

The Adaptation Fund and GEF have also made efforts to increase the number of national and regional accredited entities.

Yet, despite there being more national and regional than international accredited entities at the GCF, only 19% of approved GCF climate finance is so far programmed through national and regional accredited entities, with just five of these direct access entities receiving nearly two thirds of that funding (GCF, 2020).
CLIMATE FINANCE READINESS FUNDS ARE SCALING UP MAINLY THROUGH THE GREEN CLIMATE FUND

The GCF and ADAPTATION FUND had collectively approved USD 286 MILLION (with the GCF providing 99% of this funding) by the end of 2020 for activities across 139 COUNTRIES and TERRITORIES to build the capacity of institutions to finance and oversee the implementation of climate action or climate finance ‘readiness’ (Adaptation Fund, 2021; GCF, 2021).

EARLY EFFORTS FOCUSED ON ACCESS TO MULTILATERAL CLIMATE FUNDS, but have since reacted to now SUPPORT PLANNING, POLICY, AND REGULATORY REFORMS TO FACILITATE WIDER ACCESS TO CLIMATE FINANCE, INCLUDING PRIVATE FINANCE FLOWS THAT SUPPORT CLIMATE ACTION.

The GEF also provides support for enabling activities but these are not earmarked as readiness.
The gender-responsiveness of climate finance remains a work in progress.

Numerous decisions by the Conference of Parties (COP) have emphasized that effective climate action requires a gender-responsive approach in Paris Agreement implementation (Schalatek, 2020).

Multilateral climate funds of the UNFCCC Financial Mechanism must include information on the integration of gender considerations in all aspects of their work in their annual reports to the COP.

Enhanced Lima Work Programme on Gender and Gender Action Plan aims for more gender responsiveness in the UNFCCC and in the implementation of the Paris Agreement and its monitoring.

Multilateral climate funds are increasingly mainstreaming gender into upstream governance and operations. However, there remains little best practice on gender-responsive budgeting for climate action. This suggests a focus on quality-at-entry – project consideration and approval – rather than on quality-in-implementation – monitoring and reporting of gender efforts and outcomes.
**Funds Still Need to Report Their Impacts More Transparently**

**Total Climate Finance Approval Figures Tell Us Little About How Effective This Finance Is**

**Actual Impacts** reported across the major multilateral climate funds in 2020 include 36 million beneficiaries of adaptation funding and 1.6 million beneficiaries of mitigation finance. Cross-cutting funding by the GCF reaches another 10 million beneficiaries. Together funds report emission reductions of 62 Mt of CO₂ annually.

**Portfolio level actual impacts not reported in comparable format**

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**However, funds are still not using the same metrics or methods to assess their impact**

- Monitoring beneficiaries of adaptation finance directly or indirectly accurately is a challenge and hard to verify, few funds are reporting gender disaggregated data, and the timeline for which emission reductions will be achieved is not clear as project duration varies widely.

**Data sourced on actual impacts from multilateral climate funds’ own documentation**
10 THINGS TO KNOW ABOUT CLIMATE FINANCE IN 2021
Charlene Watson and Liane Schalatek

REFERENCES
GCF (2020). Consideration of funding proposals. Document GCF/B.27/02/Trb.03, Figure 11. Available at: https://www.greenclimate.fund/sites/default/files/document/gcf-b27-02-rev03.pdf

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