

Green Climate Fund (GCF) Investment Criteria



The Green Climate Fund (GCF) is a critical financial mechanism under the United Nations Framework Convention on Climate Change (UNFCCC) that aims to support developing countries in their efforts to address climate change. To ensure that its investments are impactful, transformative, and aligned with the goals of the Paris Agreement, the GCF has established a set of six investment criteria that all funding proposals must meet. This brief provides a detailed overview of these criteria and their implications for project design.

1 Impact potential	2 Paradigm shift	3 Sustainable development potential
4 Responsive to recipients needs	5 Promote country ownership	6 Efficiency and effectiveness

1. Impact Potential

This criterion assesses the project's potential to contribute to the GCF's objectives and results areas, which include both mitigation (reducing greenhouse gas emissions) and adaptation (enhancing resilience to climate change impacts). The GCF expects projects to demonstrate clear and measurable impacts, taking into account factors such as the scale and intensity of climate vulnerabilities, the potential for transformational change, and the project's contribution to global climate goals.

Key Considerations:

- **Mitigation Impacts:** Quantify the project's expected greenhouse gas emission reductions or avoidance, using recognized methodologies and providing clear evidence and calculations.
- **Adaptation Impacts:** Demonstrate how the project will reduce vulnerability and enhance the resilience of communities and ecosystems to climate change impacts, using relevant indicators and metrics.
- **Gender Sensitivity:** Ensure that the project's impacts are disaggregated by gender and that it actively promotes gender equality and women's empowerment.
- **Avoidance of Lock-in:** Demonstrate how the project avoids investments in high-emission or climate-vulnerable infrastructure that could perpetuate unsustainable development pathways.

2. Paradigm Shift Potential

This criterion focuses on the project's potential to catalyse transformative change and contribute to systemic shifts towards low-emission and climate-resilient development pathways. The GCF identifies five key areas where projects can demonstrate paradigm shift potential:

- **Scaling-up and Replication:** Demonstrate the potential for the project's approach to be scaled up or replicated in other contexts, contributing to broader impact.
- **Knowledge and Learning:** Generate and disseminate knowledge and lessons learned from the project, fostering collective learning and capacity building.
- **Enabling Environment:** Contribute to the creation of an enabling environment for low-emission and climate-resilient development, including policy reforms, institutional strengthening, and private sector engagement.
- **Regulatory Frameworks and Policies:** Support the development and implementation of policies and regulations that promote climate action and sustainable development.
- **Climate-Resilient Development Pathways:** Contribute to long-term climate resilience by promoting systemic changes in key sectors and systems.

3. Sustainable Development Potential

This criterion assesses the project's broader contribution to sustainable development, beyond its climate-specific impacts. The GCF encourages projects to identify and maximise their environmental, social, and economic co-benefits, as well as their gender-sensitive impacts.

Key Considerations:

- **Environmental Co-benefits:** Identify and quantify positive impacts on air quality, water resources, biodiversity, and other environmental factors.
- **Social Co-benefits:** Demonstrate how the project will improve access to education, health, livelihoods, and other social services, particularly for vulnerable groups.
- **Economic Co-benefits:** Assess the project's contribution to economic growth, job creation, and poverty reduction.
- **Gender Sensitivity:** Ensure that the project's design and implementation actively promote gender equality and address the specific needs and vulnerabilities of women and girls.

4. Responsiveness to Recipient Needs

This criterion evaluates how well the project addresses the specific needs and priorities of the recipient country, particularly in terms of climate vulnerability and access to finance.

Key Considerations:

- **Vulnerability Assessment:** Provide a clear and detailed assessment of the country's climate vulnerabilities and the specific needs of the affected populations.
- **Alignment with National Priorities:** Demonstrate how the project aligns with the country's national climate strategies, development plans, and priorities.
- **Access to Finance:** Justify the need for GCF funding by demonstrating the lack of alternative sources of finance and the project's contribution to addressing financing gaps.

- **Institutional Capacity:** Assess the capacity of national and local institutions to implement the project and identify measures to strengthen their capacity if needed.

5. Country Ownership

This criterion emphasises the importance of national ownership and leadership in the design and implementation of GCF-funded projects.

Key Considerations:

- **National Climate Strategies:** Demonstrate how the project aligns with and supports the country's national climate strategies and action plans.
- **Stakeholder Engagement:** Ensure meaningful engagement with national designated authorities (NDAs), civil society organisations, and other relevant stakeholders throughout the project cycle.
- **Capacity Building:** Include measures to strengthen the capacity of national and local institutions to implement and manage climate projects effectively.

6. Efficiency and Effectiveness

This criterion assesses the project's economic efficiency and financial viability, ensuring that GCF resources are used effectively and sustainably.

Key Considerations:

- **Cost-Effectiveness:** Demonstrate that the project's costs are reasonable and that it delivers value for money.
- **Financial Viability:** Provide a robust financial analysis, including projected revenues and expenditures, to demonstrate the project's financial sustainability.
- **Co-financing and Leveraging:** Mobilise additional financial resources from other sources, including the private sector, to maximise the impact of GCF investments.
- **Best Practices:** Incorporate best practices and innovative approaches in project design and implementation to enhance efficiency and effectiveness.

By carefully considering and addressing these six investment criteria, project proponents can increase their chances of securing funding from the Green Climate Fund and contribute to the global effort to address climate change and promote sustainable development.

Check your knowledge



Use the questions below to test your understanding of GCF's investment criteria.

Basic Understanding

1. What is the primary purpose of the Green Climate Fund (GCF)?
2. How many investment criteria does the GCF use to evaluate funding proposals, and what is their overall aim?
3. Can you list the six investment criteria of the GCF?

Understanding Specific Criteria

1. What are the two main areas of focus within the 'Impact Potential' criterion?
2. Explain the concept of 'paradigm shift potential' in the context of GCF investments.
3. Besides climate-specific impacts, what other aspects of a project are considered under the 'Sustainable Development Potential' criterion?
4. How does the GCF assess a project's alignment with the needs and priorities of the recipient country?
5. What does 'Country Ownership' mean in terms of GCF-funded projects?
6. What factors are considered when evaluating the 'Efficiency and Effectiveness' of a project proposal?

Application and Critical Thinking

1. Provide an example of how a project might demonstrate 'paradigm shift potential' through 'scaling-up and replication'.
2. Why is it important for GCF-funded projects to avoid 'lock-in' to high-emission technologies or infrastructure?
3. How can a project demonstrate its contribution to gender equality and women's empowerment, as required by the GCF?
4. What are some ways a project can demonstrate its responsiveness to the specific climate vulnerabilities of a recipient country?
5. Why does the GCF emphasise the importance of co-financing and leveraging additional financial resources for projects?