

An Overview of Climate Finance

With a Focus on Multilateral Climate Funds

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Agenda



Introduction to RTI



Overview of Climate Finance



Climate Finance and MSD



Accessing Climate Finance



Public Climate Finance Architecture



Multilateral Climate Funds



Deep Dive into Green Climate Fund (GCF)



RTI at a Glance

RTI is an independent scientific research institute with a mission to improve the human condition by turning knowledge into practice.

We bring expertise in social and laboratory sciences combined with practical international development project implementation.

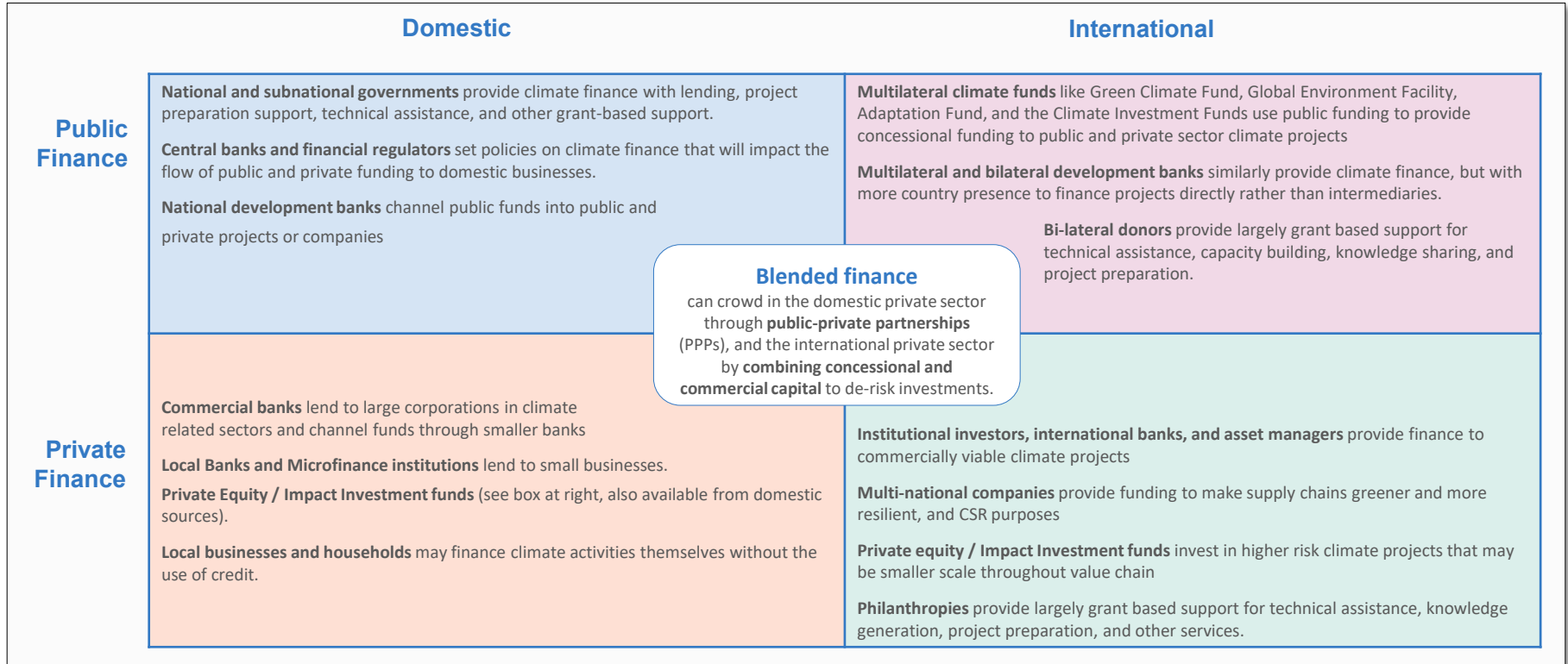
We are a global institute with experience in 150+ countries and 3,000+ projects in 2025.

Climate finance experience:

- Developing proposals to multilateral funders like GCF
- Designing blended finance facilities for impact investors
- Impact measurement and economic modelling of social and environmental costs and benefits of investments
- Implementing grant and TA facilities funded by GEF or GCF
- Technical assistance to commercialize startups

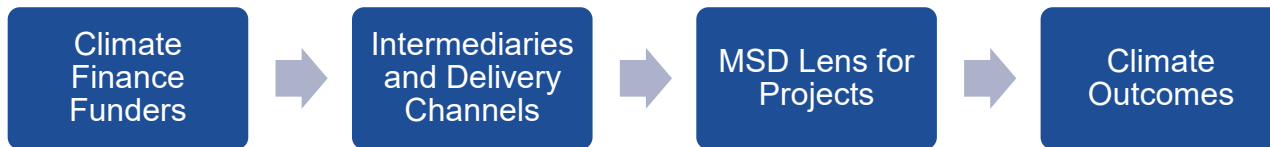
What is Climate Finance?

UNFCCC Definition: Climate finance refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change.



Climate Finance and Market Systems Development

- **Complementary Roles in Climate Action:**
Climate finance mobilizes and allocates resources for mitigation and adaptation, while MSD ensures those resources translate into lasting change by addressing market constraints, incentives, and capacities.
- **Mobilizing and Shaping Private Investment:**
Climate funds like the Green Climate Fund use blended finance and de-risking tools to crowd in private capital, while MSD strengthens market functions such as information, advisory services, and intermediaries to enable effective private sector participation.
- **From Projects to Sustainable Market Systems:**
MSD shifts focus from one-off investments to strengthening markets for climate solutions (e.g., solar, resilient agriculture), ensuring continued supply, financing, and innovation beyond individual climate finance projects.
- **Bridging Finance and Real Economy Impact:**
As climate funds operate through intermediaries, MSD connects financial flows to firms, service providers, and local institutions, ensuring uptake, scalability, and long-term, inclusive climate-resilient development outcomes.



Accessing Climate Finance



Through Local Financial Intermediaries (Banks, MFIs, Green Funds)

Small businesses access climate finance indirectly via loans or credit lines from local banks and MFIs that are capitalized or de-risked by funds like the Green Climate Fund or Climate Investment Funds.



Via Dedicated MSME / SME Investment Facilities

Targeted SME-focused vehicles (e.g., green banks or climate funds) supported by the Green Climate Fund or Global Environment Facility provide equity, concessional debt, or blended finance tailored to small businesses.



Participation in Grant and Challenge Fund Programs

Small businesses can directly apply for grants or innovation challenges funded by the Adaptation Fund, Global Environment Facility, or Fund for Responding to Loss and Damage to pilot climate solutions.



As Implementing or Supply Chain Partners in Larger Projects

SMEs participate as contractors, service providers, or suppliers within large climate projects financed by entities like the Green Climate Fund, gaining indirect access through procurement and subcontracting opportunities.



Through Technical Assistance and Capacity-Building Programs

Climate funds such as the Green Climate Fund and Climate Investment Funds support SMEs with technical assistance to build investment readiness, strengthen ESG practices, and unlock future financing opportunities.

Climate Finance Sources and Uses

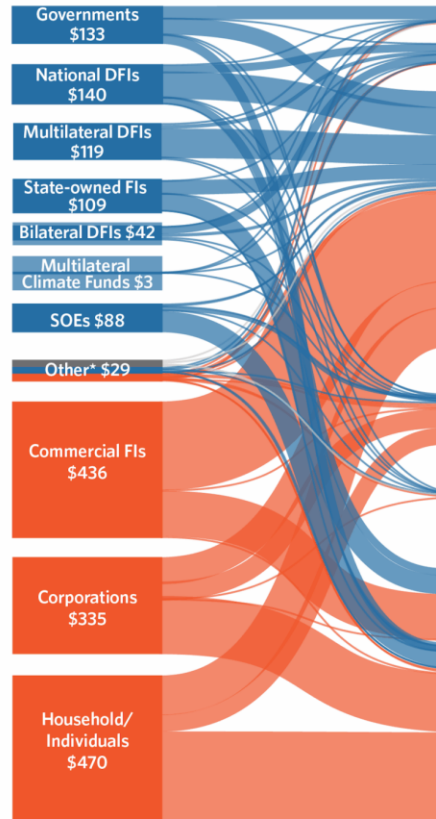
LANDSCAPE OF CLIMATE FINANCE IN 2023

Values are in USD billion



SOURCES AND INTERMEDIARIES

Which types of organizations are sources or intermediaries of capital for climate finance?



INSTRUMENTS

What mix of financial instruments is used?



USES

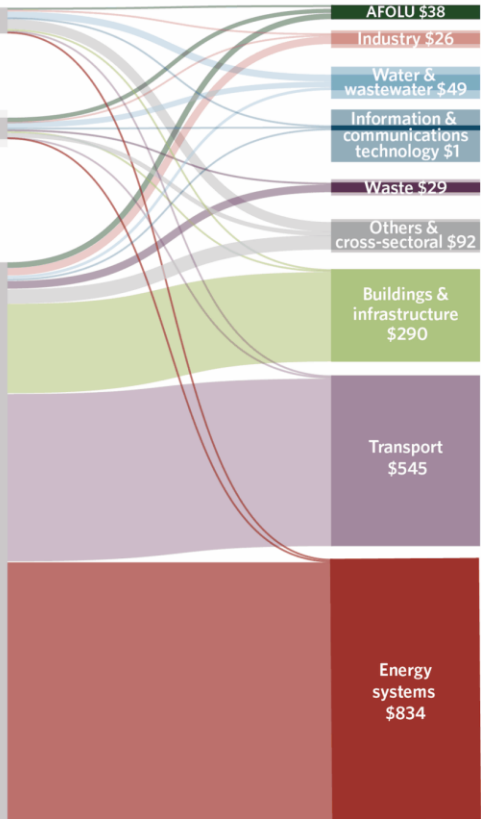
What types of activities are financed?



1.9 TRILLION USD IN 2023

SECTORS

What is the finance used for?



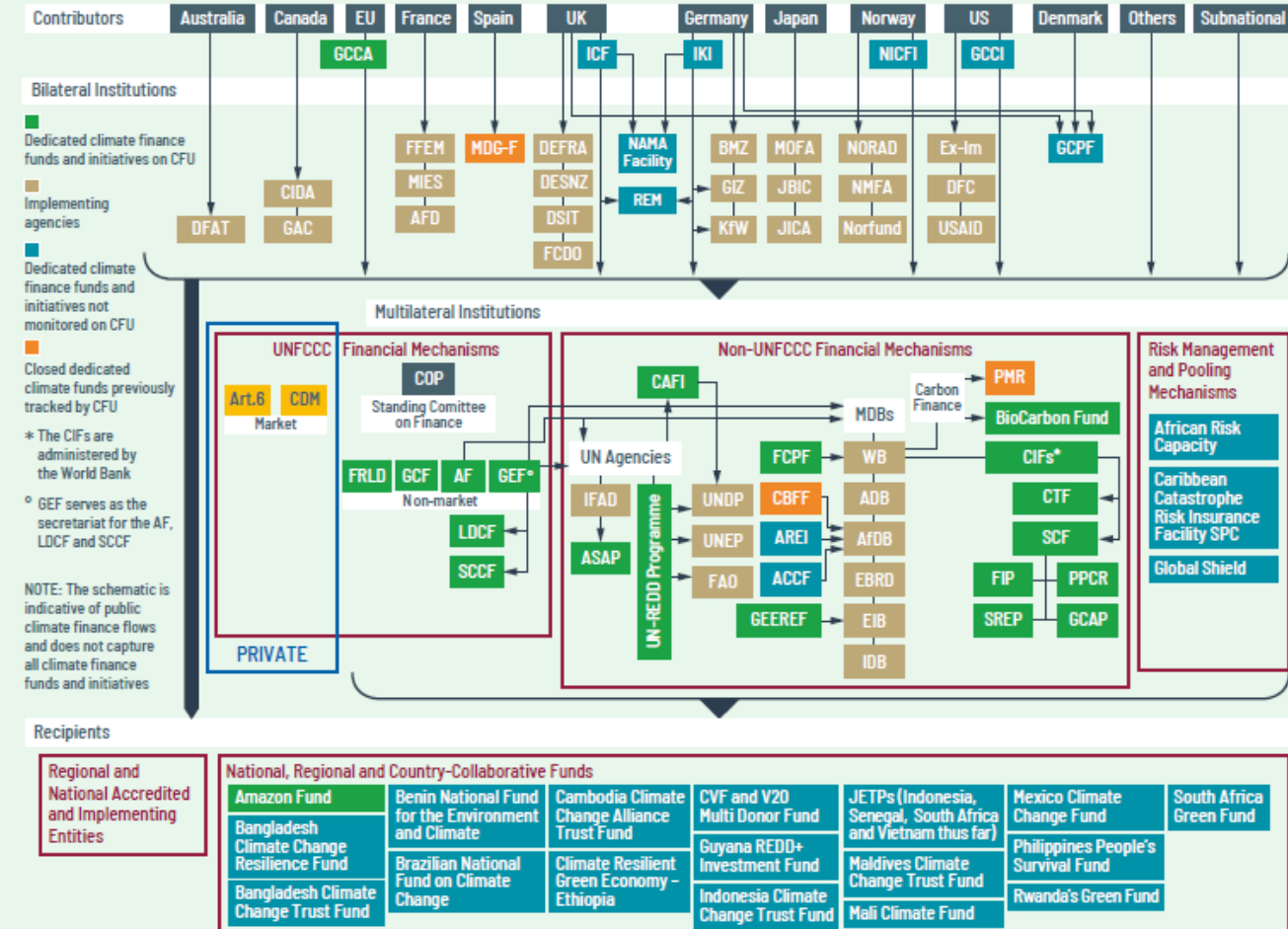
PUBLIC **PRIVATE**

Other public sources include export credit agencies and unknown public funds
 Other private sources include institutional investors, funds, philanthropies, and unknown

AFOLU stands for agriculture, forestry, other land use, and fisheries.

International Public Climate Finance Architecture

Figure 1: Global climate finance architecture



Multilateral Climate Funds

Climate Fund	Focus Areas	Access Requirements
Green Climate Fund	Operates across mitigation and adaptation sectors, including energy, transport, buildings, industry, forestry, agriculture, water systems, and climate-resilient infrastructure, with flexibility to support cross-sectoral and programmatic approaches.	Requires accreditation of implementing entities, NDA or focal point endorsement, and compliance with stringent fiduciary standards, environmental and social safeguards, gender policy, and results management frameworks aligned with IRMF.
Global Environment Facility	Covers multiple focal areas, including climate change mitigation, biodiversity, sustainable forest management, land degradation, international waters, and chemicals and waste, with increasing emphasis on integrated, cross-cutting environmental programs.	Countries access funding through accredited agencies based on eligibility and allocation under the System for Transparent Allocation of Resources (STAR), with project concepts requiring government endorsement and alignment with national priorities.
Adaptation Fund	Focuses on adaptation sectors such as water resource management, climate-resilient agriculture, coastal protection, disaster risk reduction, and community-based resilience, often emphasizing nature-based and locally driven solutions.	Enables direct access through nationally accredited entities, requires endorsement by designated authorities, and emphasizes strong technical justification of climate risks, adaptation benefits, and alignment with national adaptation priorities and plans.
Climate Investment Funds	Includes clean energy deployment through the Clean Technology Fund, as well as resilience, forestry, nature-based solutions, and just transition initiatives under the Strategic Climate Fund and newer CIF programs.	Access is exclusively through MDBs, with countries participating in jointly developed investment plans that are reviewed and endorsed by CIF Trust Fund Committees before financing is approved and mobilized.
Fund for Responding to Loss and Damage	Finances a wide range of loss and damage responses, including post-disaster recovery, reconstruction, displacement and migration support, climate data systems, and addressing gaps in national and global loss-and-damage institutional frameworks.	Countries access funding via national focal points or endorsed entities, with modalities including direct budget support, partnerships with MDBs, or entities accredited to funds like GCF, GEF, and AF, requiring country endorsement and eligibility as climate-vulnerable developing states.

Deep Dive on the Green Climate Fund

- Established by UNFCCC in 2010 to invest donor country funds into developing countries to meet climate change mitigation and adaptation goals (50/50 balance with focus on SIDS, LDCs, Africa).
- ~\$30B raised so far, primarily from OECD countries. 4-year replenishment cycles where it has historically raised ~\$10B each time. Next replenishment starts later this year.
- Works through Accredited Entities and Delivery Partners who submit proposals, and if approved by GCF's Board, implement climate programs.
- 3 Funding Windows: Funding Proposal, Readiness, and Project Preparation Facility (PPF)
- Investment themes:
 - 50/50 split for climate change mitigation and adaptation programs
 - Prioritization on SIDS, LDCs, and Africa

GCF Funding Windows

Readiness

- Readiness funding is for capacity building of governments and GCF Accredited Entities (Direct Access Entities) with a total of **\$500M** allocated to the program through 2027.
- All developing countries may request up to \$7M for climate finance capacity building.
- Direct Access Entities may request up to \$1M for institutional capacity building and pipeline development.

Project Preparation Facility (PPF)

- Accredited Entities may request up to USD **1.5M** to help develop a Funding Proposal.
- Funds can be used to perform market studies, impact assessments, legal and financial due diligence, ESS and gender studies – anything needed to develop a project and submit a Funding Proposal.

Funding Proposals

- GCF approves ~ **\$2.5B / year** in larger scale climate programs (\$10-\$500M) through its network of Accredited Entities.
- Accredited Entities may request grants, debt, equity, guarantees, etc. to fund an individual project or multi-country program.
- GCF Board meets 3-4 times/year to approve Funding Proposals

GCF Accreditation

Public, private, non-governmental

Direct Access

Developing country subnational, national and regional entities that will implement projects in developing countries only, including their own

International Access

International entities, including UN agencies, MDBs, IFIs, and regional institutions

Mandate & track record

- Alignment with Fund objectives
- At least 3 year of operations

Project/ programme size

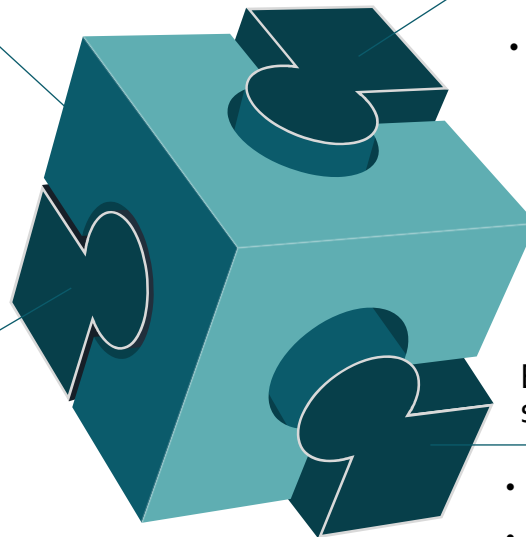
- Micro (<10mn)
- Small (10-50mn)
- Medium (50-250mn)
- Large (>250mn)

Financing modalities

- Basic
- Specialized
 - Project management
 - Grant award and/or funding allocation mechanisms
 - On-lending and/or blending (loans, equity and/or guarantees)

Environmental & social risk category

- A/I-1 (high)
- B/I-2 (medium)
- C/I-3 (minimal or no)



Project Structuring Requirements

Priority for SIDS,
LDCs, adaptation and
private sector

Additionality of GCF Funding

- Why GCF?
- Crowd-in additional financing

Climate Change Basis

- Climate impact of investment is key
- Scientific evidence to be provided

Country Driven Approach

- Aligned with NDCs
- Early country (NDA) engagement
- No-objection letter

Six Investment Criteria

1. Impact Potential
2. Paradigm Shift Potential
3. Sustainable development potential
4. Recipient needs
5. Country ownership
6. Efficiency & effectiveness

8 Results Areas

Reduced emissions:



Energy



Transport



Buildings,
Cities,
Industries



Ecosystems

Resilience:



Livelihoods of
people &
comm.



Health,
food, water
security



Forests and
land use



Infrastructure

Policy compliance

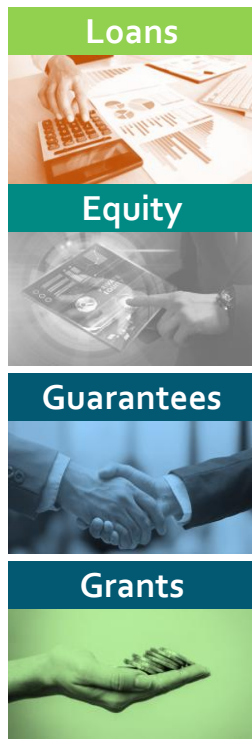
- Fiduciary standards
- Risk Management
- ESS
- M&E
- Gender
- Legal Standards

Completeness

- Feasibility study
- Financial Model
- Project Timetable
- Gender Analysis
- Environmental studies

Private Sector Facility

INSTRUMENTS



Loans

- › Flexible pricing & tenor
- › High-risk tolerance

Equity

- › Equity positions
- › Support investment incubators

Guarantees

- › Tailored guarantee instruments

Grants

- › Reimbursable grants
- › Encourage innovation



1

De-risk climate investments with minimum **concessional**ity

2

Offset risks and other impediments to climate investments

3

Encourage high impact climate investments and act as **'market maker'**

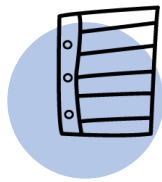
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Development of **climate compatible financial systems**

Project Approval Process



Origination



Concept Note
Submission



Funding
Proposal
Development
and Review



Board
Approval



Signature
and
Commitment



Disbursemen
t

Key Takeaways

Climate funders

Global funds like the Green Climate Fund and Climate Investment Funds mobilize concessional capital to drive mitigation and adaptation, with increasing emphasis on private sector participation and country ownership.

Climate finance answers *where capital comes from and how it is allocated*, but not necessarily how it translates into sustainable market outcomes.

MSD Lens

MSD ensures finance addresses underlying constraints—strengthening business models, supporting functions (finance, information, services), and enabling rules and incentives.

Well-structured programs combine blended finance, intermediaries, and technical assistance to create scalable, commercially viable markets for climate solutions.

Access & Delivery

Access requires alignment with national priorities, use of accredited entities or intermediaries, and compliance with fiduciary, ESS, and results frameworks.

SMEs and local actors typically engage indirectly—through financial institutions, investment facilities, TA programs, and supply chains—highlighting MSD's role in bridging funds to real-economy impact.



Thank you

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