Strengthening Collaboration to Scale Climate and Development Finance

Enhancing Partnership between Vertical Climate and Environmental Funds, Multilateral and National Development Banks

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CLIMATE POLICY INITIATIVE

Finance in Common

AFRICAN DEVELOPMENT BANK GROUP

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ABOUT CLIMATE POLICY INITIATIVE

CPI is an analysis and advisory organization with deep expertise in finance and policy. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. CPI has offices in Brazil, India, Indonesia, South Africa, the United Kingdom, and the United States.

ABOUT FINANCE IN COMMON

The Finance in Common Summit (FiCS), launched in 2020 by the World Federation of Development Finance Institutions, the Multilateral Development Banks and the International Development Finance Club, is the global movement bringing together all 536+ public development banks (PDBs) in the world—encompassing international, regional, national, subnational institutions and their partners. Its objective is to strengthen partnerships among PDBs to accelerate the convergence toward shared standards and best practices, to support banks' commitments to shift their strategies toward sustainability, and to give PDBs more visibility in global fora discussing international policy issues.

ABOUT THE AFRICAN DEVELOPMENT BANK

The African Development Bank, headquartered in Côte d'Ivoire, is an international entity established in Africa during the 1960s that supports the economic development and social progress of countries in Africa by promoting investment of public and private capital in projects and programs that aim to reduce poverty and improve living conditions. The bank has long been committed to action on climate change and green growth, and to ensuring that development across the continent drives growth that is not only economically empowering but also decarbonized, climate-friendly, environmentally sustainable, and socially inclusive.

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EXECUTIVE SUMMARY

At COP29 in Baku, countries agreed on a strengthened climate finance trajectory through the New Collective Quantified Goal (NCQG). As nations prepare new climate pledges, including Nationally Determined Contributions (NDCs), ahead of COP30 in Belém, clarity is needed on how this scaling up will occur and how public and private, as well as domestic and international finance, will transform.

The Baku to Belém Roadmap aims to guide this transition by identifying a broad set of actions and measures by all actors needed to scale up finance for climate action, amid concerns around volatile market and geopolitical conditions. Public finance actors are increasingly vital for leveraging additional resources and closing climate finance gaps. Vertical climate and environmental funds (VCEFs), multilateral development banks (MDBs), national development banks (NDBs), and the broader ecosystem of public development banks (PDBs) all contribute to development and climate goals, but differ significantly in their size, governance, mandates, and operations.

VCEFs—comprising the Global Environment Facility (GEF), the Adaptation Fund, the Climate Investment Funds (CIF), and the Green Climate Fund (GCF)—focus exclusively on climate and environment, providing primarily grant-based concessional finance through partnerships with multilateral, national, and private entities. Development finance institutions (DFIs) provide the majority of global public climate finance, of which MDBs delivered a record USD 125 billion in climate finance in 2023, combining large-scale financing—mostly as loans—with technical expertise and policy support to advance sustainable development (EIB, 2024). NDBs, a diverse group of national institutions focused on implementing national policies, can be important local intermediaries, leveraging their proximity to domestic actors and markets and their ability to provide finance in local currency to support project implementation and align international finance with national priorities. National DFIs (including both NDBs and subnational development banks) committed USD 268 billion in climate finance in 2022, demonstrating the vital importance of NDB financing in the wider landscape (CPI, 2024a).

This report examines how collaboration between VCEFs, MDBs and NDBs can scale climate finance – including from private institutions - and accelerate efforts to meet sustainable development goals. Commissioned by the G20 Sustainable Finance Working Group (SFWG), under the 2025 South African G20 Presidency, it aims to support the SFWG Priority 1 on strengthening the sustainable finance architecture. The analysis builds on the landmark 2024 Independent High-Level Expert Group Review of the VCEFs and explores how VCEFs, MDBs, and NDBs can leverage their distinct yet complementary institutional strengths to maximize their collective catalytic and transformational potential.

The report focuses on VCEFs' collaboration with MDBs and NDBs and does not cover:

- Detailed access, accreditation, or efficiency issues within VCEFs.[1]
- Climate ambition and institutional targets.
- Capitalization and resourcing challenges.
- Broader MDB-NDB cooperation.[2]

FINANCIAL COLLABORATION BETWEEN VCEFs, MDBs AND NDBs

Collaboration between these institutions is rich and varied, with strong potential to scale climate finance by building a diverse capital stack that makes the best use of each institution's risk capacity and access to concessional finance. This report studies collaboration between VCEFs and MDBs, between VCEFs and NDBs, and among all three institutions.

Financial collaboration includes exploring and implementing financial instruments to rapidly mobilize private finance at scale. Private investors often face barriers to financing climate-related projects in emerging markets and developing economies (EMDEs) due to various types of risk, spanning policy, political, currency, sovereign, credit, off-taker, liquidity, and sometimes technology factors (CPI San Giorgio Group, 2024). There is also uncertainty and unfamiliarity surrounding new markets and a lack of project pipelines. While MDBs, NDBs, and VCEFs have individually pursued efforts to better mobilize private finance through products that help private institutions better manage risks, these institutions can cooperate more effectively on this agenda, leveraging their unique strengths and capabilities. Some of the most promising instruments and forms of financial collaboration that VCEFs, MDBs and NDBs could focus on are:

- **Guarantees.** MDBs have led on guarantees to date, with VCEFs and NDBs using them only modestly. When strategically deployed, guarantees can be highly effective in supporting private finance mobilization, with larger credit guarantee facilities having the potential to leverage 6-25 times (CPI, 2024b) more financing than loans, though barriers to their broader application remain. Given that some MDBs require concessional capital to offer certain types of guarantees in some countries, VCEF-MDB collaboration could be helpful in unlocking a greater scale of highly MDB guarantees with relatively limited use of VCEF capital.
- **Equity.** Equity investment is important for project development and mobilizing additional private capital. Catalytic equity, which accepts sub-market terms to absorb early-stage risks, can be especially effective in unlocking private investment. While equity is not a core instrument for most VCEFs and MDBs, they—along with NDBs—are well-positioned to leverage their respective capabilities to scale the deployment of catalytic equity in a financially sustainable manner.

MDB-NDB financial collaboration is already extensive—exceeding USD 100 billion from 2014 to 2024 across all development areas (FERDI, 2025) and largely involving institutional lending arrangements such as on-lending. MDBs can also provide grants and guarantees to NDBs, and assist them in accessing financial resources, including from VCEFs and capital markets.

1 This issue is covered by the 2024 VCEFs Independent High-Level Expert Group (VCEF IHLEG) Review.
2 This issue is covered by the 2023 CPI & E3G paper 'Enhancing MDB-NDB Cooperation' and the paper 'Realizing the Potential of National Development Banks to Boost Sustainable Development Financing with MDB Support' by Thomas Marois, Jacob Woolford, Ali Riza Güngen, and Régis Marodon.

These and various other instruments can be used for climate co-financing to pool resources from multiple institutions and increase project scale. The average total value for VCEF-funded projects is USD 100 million with co-financing vs. USD 7 million without. Co-financing can also reduce fragmentation and lead to more effective deployment of concessional finance. It can support risk-sharing, help mobilize private finance, and leverage NDBs' local knowledge (ODI, 2020). However, while co-financing can be useful between VCEFs, MDBs and other public institutions, it is not the dominant or always necessarily most effective form of MDB-NDB engagement. Realizing benefits of co-financing is often challenging due to differing standards and criteria, lengthy approval processes, and limited capacity.

Institutions differ in their definitions of co-financing and of mobilization, demonstrating the need for harmonization in tracking methodologies. Data gaps and inconsistent reporting limit a full analysis of co-financing between VCEFs, MDBs and NDBs. That said, available *ex-ante* data from VCEFs from 2019 to 2023 provides insights on the scale and trends of co-financing and mobilization associated with VCEF projects (a detailed methodology can be found in Annex 1):[3]

- **MDBs are the biggest contributors of co-financing with VCEFs,** totaling USD 17 billion in co-financing from 2019 to 2023, providing an average of USD 107 million per co-financed project from 2019 to 2023, mostly through debt.
- **Private finance is mobilized through larger projects.** The average value of VCEF-funded projects with private sector investment was USD 135 million, compared to USD 78 million for projects that are financed only by VCEFs and other public actors.
- **Mitigation projects attracted more co-financing and mobilization than adaptation,** with every VCEF dollar leveraging five for mitigation vs. only three for adaptation. This skew could be due to stronger returns and more mature markets for mitigation, and points to a systemic investment gap for adaptation.
- **VCEF projects in middle-income countries (MICs) attract more co-financing and mobilization than those in low-income countries (LICs).** MICs received 43% of co-financing and mobilization volumes, compared to just 8% for LICs, reflecting differences in capacity, fiscal constraints and difficulty attracting private investment in some countries.

VCEFs, MDBs and NDBs can also collaborate to increase availability of local currency financing. Currency risk management is key for increasing climate investment in EMDEs, where project revenues are typically generated in local currency while financing is provided in hard currency, creating vulnerability to exchange rate fluctuations. Joint collaboration between VCEFs, MDBs and NDBs to offer more local currency financing options, alongside policy and capacity-building efforts, can help to make financing more viable and predictable for recipients and help to mobilize broader finance.

There is an opportunity to address the challenges to financial collaboration between VCEFs, MDBs and NDBs. Despite shared goals and concerted efforts, collaboration between these actors can be hindered by inefficient processes, limited feedback loops, and information asymmetries. These barriers also create substantial transaction costs for private sector entities looking to partner with VCEFs, MDBs, and NDBs, limiting the uptake of the tools these institutions offer to mobilize private finance. Our analysis identified the following barriers:

3 As this analysis has been performed using *ex ante* data, realized financing outcomes may differ from the values presented here.

- **Accreditation to VCEFs is complex and time-consuming.** The GCF has accredited the most NDBs (25 to date), with limited NDB accreditations by other VCEFs. While NDBs can access VCEF finance via MDBs, more standardized or direct options could be expanded. Private entities can be accredited, but the process is lengthy; future reforms to address this issue are being developed.
- **Project approvals and disbursements are often slow.** The GCF launched the "Efficient GCF" initiative in 2023 to speed up reviews to under nine months.
- **Diverse standards, taxonomies, and processes cause duplication and inefficiency.** Mutual reliance initiatives improve efficiency by delegating common tasks to one institution. Harmonization of key financing definitions across institutions should be pursued.
- **There is a need for due diligence interoperability**. VCEFs, MDBs and NDBs could reduce administrative burdens that slow project progress with a view to incentivize private sector engagement through harmonization or mutual recognition of their respective due diligence processes.
- **Information asymmetries make it harder for institutions to work together**. Digital solutions, including data sharing and accessible, up-to-date repositories of information on potential sources of finance and the associated requirements are needed.
- **Weak feedback mechanisms mean that lessons from collaborations are often lost or poorly documented.** Regular, light-touch feedback mechanisms including workshops and surveys could improve learning and coordination.

REALIZING THE POTENTIAL OF VCEFs, MDBs AND NDBs

This report focuses on VCEF-MDB-NDB non-financial collaboration in three key areas: (1) supporting country platforms to coordinate financing in line with national priorities, (2) collaborating on technical assistance (TA) to build capacity and prepare projects for successful implementation, and (3) enhancing the enabling environment through policies and regulations to expand and mainstream climate finance.

- **Country platforms** can be an important instrument for improving collaboration and coordination to scale climate finance. Country platforms offer an opportunity for VCEFs, MDBs, NDBs, and other key actors to coordinate support around a country-led long-term investment plan, aligned with Long Term Strategies, NDCs, and/or National Adaptation Plans (NAPs). Climate finance providers need to go beyond project-by-project investments to consider how to align with national priorities, including how to maximize the impact of limited concessional and risk-bearing capital. They must also collaborate to produce a strong bankable project pipeline, catalytic policy and regulatory changes, and innovative instruments and programs that can crowd in private capital.
- **TA provided to foster capacity building, project preparation, and policy development** can enable current and future climate finance and unlock opportunities for additional sources, including from the private sector. These tools are particularly valuable for supporting governments and organizations with insufficient capacity and technical expertise to design policies, implement climate-resilient projects, market transformation activity, integrate new climate technologies, and access funds.

- **Efforts to build an enabling environment** can address persistent challenges such as regulatory gaps, price distortions favoring fossil fuels, limited awareness of green opportunities, and policy uncertainty that impede investment. MDBs, VCEFs, and NDBs can all play distinct but complementary roles in supporting countries to shape these environments: MDBs bring technical expertise, policy-based lending, and close working relationships with governments; VCEFs provide grants and TA to countries with weaker institutional capacity; and NDBs can advise on local barriers to investment and help translate national climate plans into actionable, investable projects. The availability and access to robust data are also essential to enabling informed decision-making on climate finance. VCEFs, MDBs and NDBs need to collaborate to ensure their valuable work is being tracked, reported, and monitored, and to eliminate the data gaps that hinder progress. Working toward a coordinated approach to sharing data and knowledge exchange, as well as uniform measurement and reporting requirements, could accelerate implementation on the ground.

RECOMMENDATIONS

Potential steps that VCEFs, MDBs and NDBs could take to improve collaboration and enhance their collective climate finance provision and private capital mobilization could include the following:

Recommendation		Timeline[4]
Create a one-stop shop for information on VCEF financing	**VCEFs** should collaborate on an accessible tool that maps out their various financing windows and opportunities, with details of eligibility criteria, other access requirements, target beneficiaries, and levels of concessionality. This effort can build on the VCEFs' existing Climate Project Explorer.	Short-term
	MDBs, NDBs, and other collaborating institutions can use this one-stop shop to effectively target proposals to the right fund, program or pot of funding.	
	MDBs should also consider providing accessible and transparent information on the range of instruments they are able to provide and their windows of finance, to give governments a clearer view of the finance that is available and the access criteria that need to be met.	
Harmonize metrics and standards	**MDBs and VCEFs** should jointly identify which existing metrics on pipelines and impact best measure success and how they can be harmonized.	Short-term
	VCEFs can build on existing MDB efforts to harmonize the definitions and methodologies used for co-financing, private and domestic capital mobilization, financial leverage and rate of concessionality across institutions, with a view to report aggregated figures of their outflows.	
	MDBs and VCEFs, with NDB support, can develop and provide TA initiatives for NDBs (where requested) to develop capabilities to track and report against any harmonized metrics.	

4 These recommendations aim to foster more and better climate action by VCEFs, MDBs and NDBs by 2030, in line with international climate targets. In the table Short term = 1-2 years (by 2026-2027) and Mid-term = 3-4 years (by 2028-2029).

Recommendation		Timeline[4]
Collaborate to provide targeted programmatic support for country platforms	**VCEFs, MDBs and NDBs, with the support of national governments,** should utilize their respective strengths and work as a system and within the system to enhance country platforms, guided by country-led priorities, aligned with Long Term Strategies, NDCs, and/or National Adaptation Plans.	Short-term
	Where country platforms are already established or emerging, **MDBs, VCEFs, and the relevant NDBs** should coordinate their work to ensure strategic alignment and enable information exchange, including for mobilization of private capital, under the leadership of **national governments**.	
Pursue interoperability to simplify engagement	**VCEFs, MDBs and NDBs** should harmonize due diligence processes between and within institution types to ease private sector engagement, potentially involving or relying on existing MoUs or mutual reliance agreements between organizations, thus making approvals transferable across institutions. Throughout these efforts, ensure the highest environmental and social standards for safeguards are attained.	Short-term
	VCEFs should enable cross-recognition of accreditation across funds in specific contexts, such as when an Accredited Entity has delivered financing in a specific sector with one fund, and is seeking similar financing from a fund to which it is not yet accredited.	
Unlock the full potential of NDBs	**VCEFs** should establish dedicated funding for proposals from Accredited Entities, including MDBs, that involve co-financing or partnering with unaccredited NDBs to expand NDBs' access to VCEF funds.	Mid-term
	NDBs and national governments should work together to build a coherent "whole-of-PDB system" by mirroring the ongoing MDB roadmap to PDBs and enabling mutual recognition of procedures and standards among all actors. This includes setting out how collaboration between VCEFs and MDBs can support the delivery of this roadmap. ***Note: this recommendation is also related to the work of the International Financial Architecture Working Group of the G20.***	
Enhance knowledge sharing	**VCEFs, MDBs and NDBs** should formalize routes for sharing lessons learned and best practices from co-financing efforts to mitigate risks of delays and to avoid high transaction costs, moving forward.	Short-term
	VCEFs, MDBs and NDBs should develop and formalize exchange or secondment programs from NDBs with capacity-building needs to other DFIs, MDBs, and VCEFs, in order to develop in-house knowledge concerning climate finance solutions.	
Maintain momentum on improving the efficiency of key VCEF processes	**VCEFs** should build on recent improvements to processes for accreditation, approvals and disbursements.	Short-term
Collaborate to deliver transformational finance	**VCEFs and MDBs, with NDBs' support,** should jointly identify where financial collaboration can establish new markets in climate finance and financing SDGs, particularly for adaptation and biodiversity.	Short-term
Structure programs to allow responsiveness to private mobilization opportunities	Within programmatic structures and facilities, **VCEFs** should reserve Board approvals for program-level decisions and explore the delegation of project-by-project approvals to the Accredited Entity. This can improve flexibility and enable agile responses to fast-changing market conditions and associated investment opportunities.	Short-term

Recommendation		Timeline[4]
Explore innovative finance approaches and enhance resource efficiency	Pursue innovative instruments with the private sector taking a leading role, supported by effective partnerships between **VCEFs and MDBs**. This may include using grants and/or concessional finance from VCEFs to enable the provision of guarantees, catalytic equity financing and other innovative financing tools, where appropriate. This should ensure additionality and minimum concessionality, taking stock of the MDBs constraints.	Mid-term
	Develop innovative partnerships between VCEFs and MDBs to increase the financial leverage of VCEF resources directed toward the public sector. This could include VCEFs investing in new financial instruments created by MDBs, such as guarantees and hybrid capital.	Short-term
Reduce fragmentation in the provision of TA	**VCEFs and MDBs** should set up long-term climate finance TA programs focused on knowledge transfer **in consultation with NDBs**. These programs should be equipped with sustained funding for long-term TA and capacity building to support institutional and technical development within NDBs.	Short-term
Maximize the impact of project preparation support	**VCEFs and MDBs, with NDBs' support,** should create a streamlined pathway from project preparation support to project financing to ensure valuable pipeline opportunities move toward implementation, also through joint VCEF-MDB-NDB PPF programs.	Mid-term
	Where relevant, NDBs should be leveraged to develop a pipeline of bankable projects. This could be aided through concessional project preparation support from **VCEFs and MDBs, with the support of national governments,** looking first to existing facilities.	

CONTENTS

1. INTRODUCTION

CONTEXT

At COP29 in Baku, parties agreed on goals that defined the trajectory for climate finance for the next decade. The Baku to Belém Roadmap that will lead us to COP30 in Brazil will help to chart this course, establishing a credible path and highlighting the roles key actors could play in this transformation. Many of these actors are already considering the institutional changes they need to make to deliver this transition. The MDB Reform Roadmap and efforts of the Finance in Common Summit (FiCS) demonstrate how MDBs and NDBs, respectively, are looking within to understand how they can best contribute to global efforts to achieve climate finance goals. At COP29, a joint statement from the VCEFs set out a vision for closer collaboration amongst these funds and a goal for their finance to be delivered transparently, in line with country priorities, and making the most of institutional advantages and international partnerships and expertise (GCF, 2024).

Amidst challenging market and geopolitical conditions, the value of public finance actors and the climate action that they deliver has been drawn into sharp relief. These actors are essential in closing financing gaps, both due to their own volumes of financing, and also due to the additional financing that they leverage from other public and private actors The Vertical Climate and Environment Funds (VCEFs) are a prime example of this; though small in relative terms, these funds pack a substantial catalytic punch. The 2024 Independent High-Level Expert Group Review of the VCEFs (the 2024 VCEF IHLEG Review) sets out a comprehensive assessment of these funds and their potential, examining the role they play in the wider climate finance landscape; their ability to mobilize public and private finance; and opportunities for harmonization and improvements in how they operate. The 2024 VCEF IHLEG Review and its recommendations remain the defining work on maximizing the operational efficiency of the funds and enhancing their contributions to the wider climate finance landscape.

This report was commissioned by the G20 Sustainable Finance Working Group (SFWG) under the 2025 South African G20 Presidency to build on the 2024 VCEF IHLEG Review. The work expands the scope to cover VCEFs' collaboration with MDBs and NDBs under **the SFWG Priority 1: Strengthening the global sustainable finance architecture** (G20 SFWG, 2025). It explores financial and non-financial collaboration among VCEFs, MDBs and NDBs, with a particular focus on leveraging private climate investment, identifying challenges and opportunities that are illustrated with case studies and examples. It also provides recommendations on how these institutions can enhance collaboration and scale climate finance flows. Where possible, the research looks to identify collaboration that involves all three institution types (VCEFs, MDBs and NDBs), but occasionally examines bilateral collaboration between just two of these actor types or one actor and the private sector, and considers how this could be extended to include all relevant actors.

This paper focuses on collaboration between VCEFs, MDBs and NDBs because efforts in this space can yield a multiplier effect for greater impact. Collectively, these institutions hold a wide range of levers for increasing climate finance and tackle a broad range of critical related issues, including the cost of capital for EMDEs, the risks hindering private investment (including credit risk, currency risk and political risk), local capacity issues and technical gaps, and regulatory and

policy barriers that slow climate progress. Though these institutions vary in terms of mandate, responsibilities and structure, there is significant opportunity for improved collaboration in their areas of common focus.

While these institutions have dedicated individual climate financing efforts, this paper primarily focuses on solutions that require collaboration; that is, identifying where VCEFs, MDBs, and NDBs can achieve more together than alone. Successful collaboration between VCEFs, MDBs and NDBs can also prevent duplication and issues caused by fragmentation. Amid pressures on public finance institutions to do more with less – given the scarcity and political vulnerability of concessional finance availability – it is important that every dollar of public climate finance delivers maximum impact and leverage. Collaboration between VCEFs, MDBs and NDBs can help to ensure that this happens, ensuring that each institution's financing is complementary and additional.

Country platforms can provide an optimal structure for VCEF-MDB-NDB collaboration, promoting improved coordination of key actors under country leadership. While individual formulations vary, all country platforms aim to convene potential financiers around a common investment plan led by countries' priorities on climate and development and informed by relevant targets and plans, such as Long Term Strategies, NDCs, and/or National Adaptation Plans (NAPs). These platforms not only offer opportunities around financial collaboration; VCEFs, MDBs and NDBs can also coordinate via these structures to support or enable transformative progress on policy, capacity building, and project preparation. VCEFs, MDBs, and NDBs must embrace these opportunities for collaboration, carefully assessing how they can best leverage their respective institutional strengths to help build out and finance a pipeline of investments that will deliver against the country's stated priorities.

1.1 ROLES OF VCEFs, MDBs AND NDBs IN SCALING CLIMATE FINANCE

While VCEFs, MDBs, and NDBs all have a development focus (and a climate and environment-specific focus in the case of VCEFs), these institutions differ significantly in terms of size, governance, broad objectives, sectoral priorities, and geographic coverage. The following provides a broad summary of each institution type.

VCEFs: This paper uses the term VCEFs to refer to the Global Environment Facility (GEF), Green Climate Fund (GCF), Adaptation Fund, and Climate Investment Funds (CIF). These funds focus solely on climate and environment and deliver climate finance through other multilateral, national, and subnational entities (including MDBs and NDBs) as well as, in some cases, private sector partners. The VCEFs often provide valuable concessional resources that can help projects to become 'bankable'. While VCEFs co-finance and collaborate with a wide range of organizations, including UN agencies and national governments, and sometimes the private sector (as in the case of the GCF), this report focuses on how VCEFs interact with MDBs and NDBs.

VCEFs have, on average, over USD 4 billion to invest each year, with average annual funding of USD 2.3 billion from the GCF, USD 992 million from the GEF, USD 756 million from the CIF and USD 73 million from the Adaptation Fund (VCEF IHLEG, 2024).Grants make up a large portion

of VCEF financing from 2019 to 2023: 100% for the Adaptation Fund, 97% for the GEF, 43% for CIF, and 37% for GCF (VCEF IHLEG, 2024).

MDBs: In 2023, MDBs provided a record USD 125 billion in climate finance (EIB, 2024).[5] These institutions, with multiple country shareholders, play a key role in providing and leveraging financing and delivering TA and policy support to drive sustainable economic growth and address poverty. Tackling climate change is a substantial pillar of this work. Their importance in climate finance stems from their ability to combine large-scale financing with extensive climate and development expertise, and their partnering experience with governments and the private sector (G20 IEG, 2023a). MDBs generally provide the majority of their financing through loans, making up 63% of their financing to low- and middle-income countries in 2023 (EIB, 2024).

NDBs: NDBs are a large and relatively diverse group in terms of size, structure, and climate financing capacities. While precise mandates vary by institution, NDBs are usually state-owned or sponsored financial institutions that provide concessional and long-term finance to sectors and industries that contribute to development agendas. NDBs are responsible for a large volume of climate finance flows, with national DFIs delivering USD 268 billion in global climate finance in 2022, or 37% of public climate finance that year (CPI, 2024a). They are useful partners for VCEFs and MDBs in their function as local intermediaries, working with domestic actors, including national ministries, regulatory bodies, and local commercial banks. They can also deploy capital in domestic currency, engage local financing partners, and share understanding of the national climate finance context with VCEFs and MDBs (CPI and E3G, 2023).

1.1.1 METHODOLOGY AND SCOPE

The report is a follow-up to the 2024 VCEF IHLEG Review commissioned by the G20 Brazilian Presidency. It seeks to directly build upon and, where necessary, expand the extensive recommendations for the VCEFs detailed in that review. This work draws on both qualitative and quantitative sources of information, spanning quantitative data collection and analysis, surveys, interviews with over 15 institutions, and reviews of relevant literature and research. We have gathered and synthesized information from VCEFs, MDBs, NDBs, the private sector, and research organizations and analyzed data from VCEFs, MDBs, and NDBs. Annex 1 provides more details on the methodology.

SCOPE

This report examines collaboration among VCEFs, MDBs and NDBs, with the aim of understanding how they can work together to meet climate and development goals. This covers both financial collaboration—such as co-financing and joint efforts to mobilize private capital—and non-financial collaboration—such as coordinated efforts on TA. Some scope limitations are necessary to enable adequate focus on key areas and to avoid duplication with existing or ongoing work:

- **Access, accreditation, and efficiency issues relating to the funds:** This report does not include a detailed examination of these issues, which were largely covered in the

5 Throughout this report, MDBs refers to members of the Heads of MDBs Group: African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, Council of Europe Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Islamic Development Bank, New Development Bank and the World Bank Group.

aforementioned 2024 VCEF IHLEG review. Accreditation and some areas of efficiency are addressed only insofar as they relate to the ability of other actors, including MDBs, NDBs, and the private sector, to engage with the VCEFs on financing opportunities.

- **Climate ambition of VCEFs, MDBs, and NDBs:** While an important contextual dimension, this report does not cover respective climate commitments and ambition for climate action of VCEFs, MDBs, and NDBs.
- **Institutional resources:** The ability of VCEFs, MDBs, and NDBs to deliver on their mandates and increase their impact relies on their adequate capitalization and resourcing. There is a large body of work exploring potential routes to growing institutional resources, particularly for MDBs.[6]
- **MDB-NDB detailed interactions:** This paper focuses on the ways that VCEFs, MDBs and NDBs work together. It does not detail the rich landscape of both financial and non-financial collaboration between just MDBs and NDBs.[7]

Following this introduction (Section 1), the rest of the paper is structured as follows:

- **Section 2** explores joint financing between VCEFs, MDBs and NDBs and their mobilization of private capital.
- **Section 3** explores how non-financial forms of collaboration between VCEFs, MDBs and NDBs can maximize their potential, covering country platforms, TA (including capacity building and project preparation), and the enabling environment.
- **Section 4** provides actionable recommendations for the VCEFs, MDBs, and NDBs to enhance their collaboration and scale climate finance.

6 See, for example, the Independent Review of MDB Capital Adequacy Frameworks under the Italian and Indonesian G20 Presidencies (Expert Panel, 2023) and the 2023 MDB Independent Expert Group Review under the Indian G20 Presidency (IEG, 2023).
7 See, for example, CPI and E3G's 2023 analysis of MDB-NDB cooperation (CPI and E3G, 2023).

2. FINANCIAL COLLABORATION BETWEEN VCEFs, MDBs AND NDBs

This section addresses financial collaboration between VCEFs, MDBs and NDBs, referring to these actors working together with a focus on providing and mobilizing finance for climate projects and programs. Where possible, this seeks to identify cases of VCEFs, MDBs and NDBs working together. Where this is not possible, due either to data limitations or limited instances of VCEFs, MDBs and NDBs all financing together in one project, program, or structure, the analysis examines how NDBs can become better integrated into VCEF-MDB financing. This would enable NDBs to innovate on climate finance while leveraging their deep understanding of domestic investment needs, active project pipelines, and strong ties with local financial institutions. This logic also applies to private sector mobilization. While MDBs, NDBs, and VCEFs have individually pursued efforts to better mobilize private finance through products that help private institutions better manage risks, these institutions can work more effectively together on this agenda, leveraging their unique strengths and capabilities.

The landscape of financial collaboration between VCEFs, MDBs and NDBs is rich and varied, and cannot be captured exhaustively in this report. Rather, we highlight a number of key areas of financial collaboration and explore their potential for delivering increased volumes of high-quality climate finance, as well as their challenges and limitations. In particular, this section assesses co-financing between VCEFs, MDBs and NDBs, as well as mechanisms that support the mobilization of private capital.

2.1 CO-FINANCING

Climate co-financing occurs when two or more institutions combine financial resources for a specific climate project or purpose. Co-financing is often delivered through loans (with varying levels of concessionality), but grants and other instruments, including equity and guarantees, can also be used. VCEF-MDB-NDB climate co-financing can entail projects or programs that combine VCEF resources with financing from MDBs and NDBs, and may also involve private capital mobilization. This section covers co-financing between VCEFs, MDBs and NDBs as well as private sector investment into these co-financed projects.

Institutions differ in their definitions of co-financing and mobilization, particularly in terms of whether co-financing includes investments that have not been directly sought via the co-financiers' funding. Promoting a common understanding of what co-financing entails and closing gaps in publicly available co-financing data can facilitate improved collaboration between VCEFs, MDBs and NDBs. Shared definitions would help these institutions to navigate potential joint financing opportunities with greater clarity. Mutual terminology would also support an assessment of the role of co-financing in meeting climate goals, and an understanding of how and why these three institution types could pool and jointly deploy their climate financing. Ongoing efforts by MDBs to harmonize co-financing definitions can build clarity in this area, and should be extended to include VCEFs and NDBs in due course in order to track their overall outflows of climate finance and assess the financial leverage of their portfolios.

Table 2.1 presents the co-financing and mobilization terms adopted for this report. Financing provided by private institutions to joint financing structures is referred to as mobilization throughout this paper. While mobilization and co-financing can—and often do—occur in the same project, they are methodologically distinct and require different strategies to be effective (see Case Study 1).

Table 2.1: Common co-financing and mobilization definitions used in this report

Definition	Explanation	Sources
Joint co-financing	When funds from multiple institutions are combined in agreed proportions for a specific project or purpose, under a single contract or co-financing agreement.	Asian Development Bank and African Development Bank
Parallel financing	When funds from multiple institutions are committed for a common purpose across different projects and financing agreements.	Stakeholder interviews
Direct private mobilization	Financing provided by a private entity on commercial terms that is confirmed at the time of project approval, with a causal link between the public finance commitment and the financing provided by the private entity.	Independent High Level Expert Group's review of VCEFs (2024), and the joint reports on MDBs Climate Finance (2024).
Indirect private mobilization	Financing provided by a private entity on commercial terms that is supplied in connection with public finance for a particular project or activity, with no evidence of the public finance providers' role resulting in the financing from the private entity.	

VCEFs', MDBs' and NDBs' institutional definitions may differ in part from those outlined in this table. For example, the CIF defines the volume of co-financing as 'the total amount of resources mobilized separately from program funding that is integrated into the financial package for a project being implemented as part of the program', with co-financing coming from MDBs, governments, the private sector, bilateral agencies, and other actors.[8] Individual institutions' definitions of co-financing are detailed in Annex Table 2.2.

VCEF-MDB-NDB co-financing offers various benefits, though these can be difficult to achieve in practice. The potential benefits include:

- **Scaling up project finance:** CPI analysis of VCEF[9] co-financing data shows that VCEF-funded projects that involve co-financing are relatively large, with an average total project value of USD 100 million. In contrast, VCEF-funded projects without co-financing have an average total value of USD 7 million, funded primarily through grants.
- **Reduced fragmentation:** Co-financing should lower transaction costs for recipients and intermediaries, relative to a scenario where all co-financed components are processed and managed separately (World Bank, 2024c). However, in practice, complying with multiple standards and methodologies and navigating lengthy approval processes to enable co-financing can limit or even erase transaction cost efficiencies, particularly for large multi-country programs.

8 Definition from CIF submission.
9 This analysis only covers data from the GCF, GEF and CIF from 2019 to 2023. This does not cover data from the Adaptation Fund as it does not track or report co-financing.

- **Effective deployment of concessional finance and risk sharing:** Concessional finance from VCEFs should pursue innovative approaches with a greater risk appetite than other public actors. Within co-financing structures, this concessional VCEF finance can help MDBs and NDBs to invest in projects with transformative potential but higher risk profiles and/or limited current commercial return potential.
- **Leveraging NDB country knowledge and networks:** MDBs provide an important access route to VCEF funds for NDBs, many of which are not accredited to any VCEF (Marois et al., 2025). Bringing NDBs into VCEF-MDB co-financing leverages NDB expertise on national and subnational investment conditions and taps into their networks with local commercial institutions. However, there is limited evidence of co-financing with NDBs in practice to date (Section 2.1).
- **Private finance mobilization:** VCEF-MDB-NDB co-financing can address some of the main barriers to private climate finance (see Section 2.3.1) and manage and reduce risk for necessary investments. Co-financing can leverage private capital in various ways, including VCEFs' concessional capital; expertise and strong relationships with the private sector in MDB's private sector arms or teams; and NDBs' ability to connect with local institutions to build capacity and develop an investable pipeline (see Case Study 1). VCEFs can also enable financial innovation by leveraging their higher risk appetite and concessional capital to pilot new approaches, and combine with MDB and NDB financing to create new asset classes that mobilize broader private investment.

Case Study 1: Strengthening Bangladesh's Renewable Energy Landscape

The CIF Scaling Up Renewable Energy Program (SREP) in Bangladesh aimed to demonstrate the economic, social, and environmental viability of low-carbon energy solutions by addressing key barriers. The program focused on scaling up solar photovoltaics (PV), including both utility-scale and rooftop solar PV projects, as well as solar irrigation pumps and wind development. The Government of Bangladesh identified three main areas of focus for SREP support: i) grid-connected renewable energy; ii) off-grid solar PV; and iii) advisory support for the preparation of a municipal waste-to-energy project.

This project was financed by USD 75 million in grants from the CIF alongside commitments of USD 95 million from the Government of Bangladesh. MDBs played a significant role, contributing a total of USD 370 million, including USD 140 million from the International Development Association (IDA), USD 200 million from the World Bank, and USD 30 million from the International Finance Corporation (IFC). The private sector also invested USD 190 million in equity and debt financing. This blend of concessional and commercial financing has been crucial in transforming Bangladesh's energy landscape.

The SREP in Bangladesh primed the market for private investment and created pathways for broader climate projects. A crucial element of the program was its focus on technical TA and capacity building.

2.1.1 CURRENT VCEF-MDB-NDB CO-FINANCING

Data gaps and inconsistencies in reporting prevent full analysis of co-financing between VCEFs, MDBs and NDBs. However, it is possible to analyze financing data from VCEF projects, some of which involve co-financing from MDBs, and, in a very small number of cases, NDBs. This data analysis is supplemented with external analyses to build a more complete picture of co-financing between VCEFs, MDBs and NDBs.

CO-FINANCING AND MOBILIZATION FROM VCEFs

This section focuses on VCEF-MDB-NDB co-financing and private finance mobilization at the project level. We note that valuable interactions exist beyond this scope, including co-financing with other actors, including UN agencies, philanthropies, and national governments.

In line with the availability of co-financing data, this analysis focuses on *ex-ante* commitments from VCEFs and their co-financing institutions.[10] **It does not cover the Adaptation Fund**, which does not track co-financing. It also excludes wider environmental projects and programs funded by the GEF that extend beyond climate finance. In addition, there is likely to be variation in what is counted as co-financing across VCEFs in this data, due to the different definitions used by each institution.

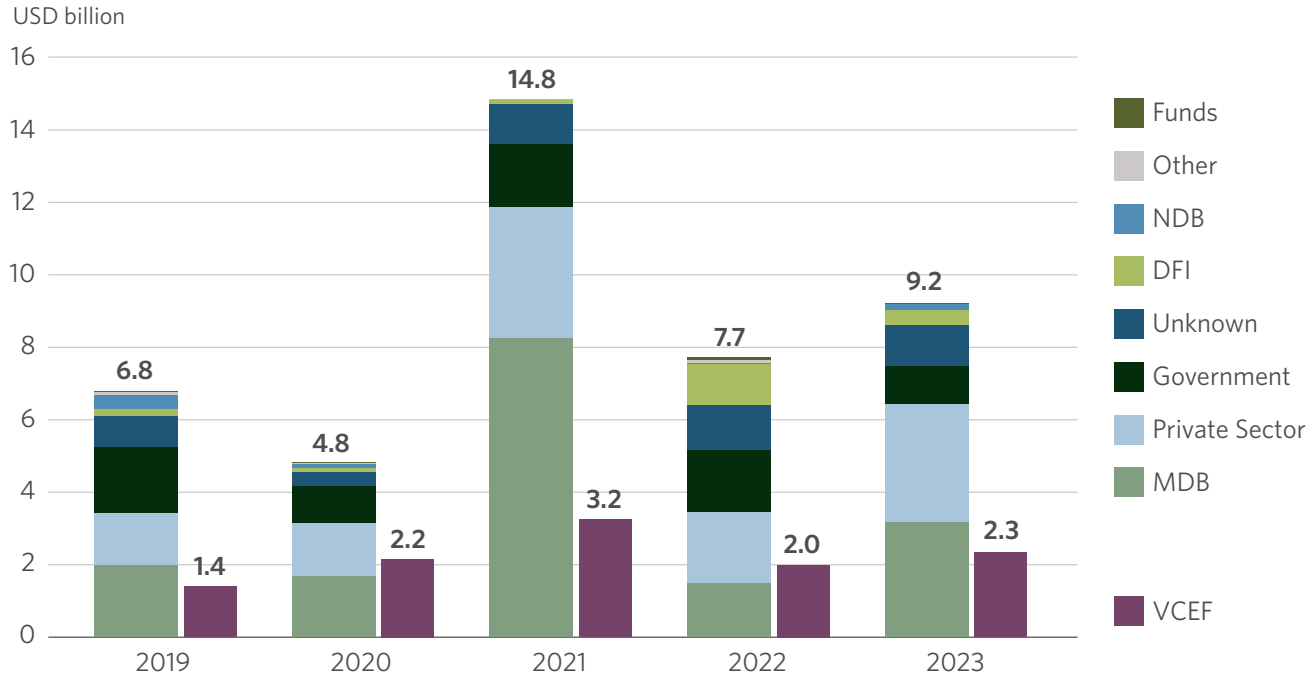
Approximately 84% of VCEF[11]-supported projects approved between 2019 and 2023 included co-financing from other public sources and/or direct mobilization[12] of private capital. MDBs contributed 38% of VCEFs' total co-financing and mobilization volumes, with the private sector providing 27% and NDBs only 2%. A further 17% was provided by governments. Overall, NDBs do not feature significantly in VCEF co-financing, and direct VCEF-NDB collaboration is rare outside of the few NDBs that are accredited to the GCF and the GEF (see Case Study 3), with the CIF exclusively financing via MDBs.

10 *Ex-ante* data represents the financing commitments made at the start of the project, pre-implementation. It is possible that actual delivered financing by the provider (*ex-post* data) will differ from the *ex ante* figures due to issues encountered during the implementation period or wider changes in the wider context.

11 For the rest of this section, VCEFs refers to the GEF, GCF and CIF only, given the lack of co-financing data for the Adaptation Fund.

12 Mobilization in this analysis refers to direct private mobilization, as defined in Table 2.1. Wider mobilization beyond finance committed by private sector entities in joint financing structures with VCEFs, MDBs and NDBs is also important, but has not been captured here.

Figure 2.1: VCEF co-financing and mobilization by source, 2019-2023 (GEF, CIF, GCF)



On average, VCEFs commit more finance to projects that involve co-financing or private finance mobilization. On average, VCEFs committed USD 20 million per project for projects that had co-financing or private finance mobilization, but provided an average of USD 7 million per project they financed alone during the same period.

MDBs play a crucial role in co-financing with VCEFs. MDBs provided the largest contribution to VCEF co-financing and mobilization flows from 2019 to 2023, making up 38% of the total – if we consider just public co-financing, it represents 60% of the total. Over this period, MDBs contributed an average of USD 107 million to each co-financed project, amounting to a total of USD 17 billion (relative to USD 11 billion in VCEF finance in the same projects). In co-financing with VCEFs, MDBs primarily used debt instruments, accounting for 50% of their total volumes over this period, while VCEFs provided 50% of their financing as debt and 35% as grants in these same projects.

The VCEFs also mobilize significant volumes of private capital. Each VCEF-supported project that included private financing between 2019 and 2023 mobilized an average of USD 56 million from the private sector. For these projects, every dollar of VCEF finance mobilized two dollars in private investment. Private actors accounted for 27% of total financing in an average project, underscoring their preference for investing in larger projects and their vital role in scaling up climate finance. This mobilized private capital was primarily provided through project-level equity instruments, which made up 46% of the total private sector volumes over this period.

Co-financing and mobilization skew toward middle-income countries (MICs) over low-income countries (LICs). Between 2019 and 2023, finance for projects in LICs represented 8% of total co-financing and mobilization volumes, compared to 43% for MICs.[13] VCEFs can leverage greater

13 The remainder of co-financing and mobilization is made up of financing for high-income countries (8%) and a large proportion of trans-regional projects (45%) that cannot be ascribed to country income categories.

volumes of co-financing and mobilization in MICs, with each VCEF dollar leveraging four in these countries, compared to three in LICs. There is also a difference in average project size, with an average project value of USD 77 million in MICs and just USD 41 million in LICs. The lower rates of co-financing and mobilization for LIC projects are likely due to difficulty in securing private finance and domestic fiscal constraints in these countries. In some cases, they may also reflect national entities' lower capacity to coordinate and mobilize with financing partners (Climate Analytics, 2021).

VCEFs' co-financing and mobilization is also skewed toward mitigation over adaptation. VCEF-funded mitigation projects attract almost double the amount of co-financing and mobilization of adaptation projects. Every VCEF dollar leverages five in co-financing for mitigation projects, but only three for adaptation. This disparity highlights a systemic challenge in attracting capital—especially private finance—to adaptation efforts. It should also be noted that project success and quality are not determined by leverage ratios; projects with low leverage may still have high transformational potential but attract lower volumes of co-financing and mobilized capital as they are creating new markets, providing proof of concept at scale, or improving resilience in the most vulnerable communities (see Case Study 2). Some VCEFs, such as the GEF, have made efforts to increase co-financing and mobilization for adaptation projects using blended finance and community-based interventions.

Case Study 2: Adaptation in the Niger River Basin

The Niger River basin has dwindling water flows and increasing aridity, with increased pressure due to recurrent droughts year after year. In 2012 the African Development Bank (AfDB) initiated the Programme for Integrated Development and Adaptation to Climate Change in the Niger Basin (PIDACC). The program aims to enhance the resilience of the people and ecosystems of the Niger River Basin through sustainable natural resource management. The GCF contributed USD 68 million (USD 58 million in grants and USD 10 million in loans), covering most of the TA grants and the development of key infrastructural interventions. The GEF contributed a USD 13 million grant to support the Niger Basin Authority in monitoring and advising the nine countries for the implementation of PIDACC. Additional contributions were made by the CIF Forest Investment Fund (USD 9 million) and the EU (USD 18 million).

Key insights

- Managing the PIDACC across countries requires substantial resources due to changing country dynamics. For example, after starting implementation, one country declined the loan component due to administrative complexities. This necessitated intensive consultations for a loan swap and modifications to legal agreements, which diverted resources and delayed implementation.
- Different VCEFs have different reporting requirements, and navigating varied requirements and processes diverts vital resources and delays the project.
- Additionally, not all countries are able to meet the conditions precedent for disbursement simultaneously, making it difficult to plan accurate disbursement schedules. This leads to implementation gaps between countries and adds more complexity to reporting.

The private sector plays an important role in both mitigation and adaptation, but its involvement is more pronounced in mitigation finance. For mitigation projects with direct mobilization, the average private sector investment is USD 67 million per project, over double the USD 32 million for adaptation projects. As mitigation projects tend to be larger, the proportion of total project value met by the private sector is roughly similar across mitigation and adaptation (25% and 29%, respectively). The modest contributions for adaptation projects highlight the challenge of attracting private investment in sectors with diffuse benefits and lower financial returns, and conversely, private sector willingness to invest larger sums in at-scale mitigation projects in more mature markets. Across both mitigation and adaptation, equity is the preferred instrument for mobilized private finance.

Case Study 3 demonstrates that various forms of financial collaboration between VCEFs, MDBs and NDBs are possible, including direct financing from VCEFs to NDBs. It also highlights the importance of NDBs in developing domestic financial markets.

Case Study 3: VCEF-NDB co-financing with EMDE commercial banks

The Climate Finance Facility (CFF), launched in 2019 by the Development Bank of Southern Africa (DBSA) in partnership with the GCF, is a strong example of VCEF-NDB collaboration. This pioneering initiative is Africa's first facility focused on private climate finance and marks the GCF's first investment in a green bank structure.

With initial capitalization of USD 110 million—USD 55 million each from the DBSA and GCF—the CFF addresses the lack of scalable, market-rate finance for climate-aligned projects that are commercially viable but considered too risky for traditional banks to fund alone. It offers targeted credit enhancements to unlock private capital, particularly from local commercial banks.

The CFF provides two key instruments: (1) tenor extensions, offering maturities of up to 15 years (beyond what commercial banks can typically provide due to regulatory constraints), and (2) subordinated debt, which assumes a junior position in the cash flow structure while sharing the same project security as senior lenders. These instruments help bridge the gap between perceived risk and bankability, enabling private investment in climate projects.

The CFF centers on risk-sharing and market-building by engaging commercial banks early in project development. This includes co-financing structures that share risk and build credibility, leveraging local banks' distribution networks, and co-creation of project pipelines. In doing so, the CFF channels capital to underfinanced sectors and strengthens local institutions' capacity to support climate investments.

The CFF offers lessons for similar VCEF-NDB partnerships, including the importance of tailoring blended finance to local market and regulatory conditions, recognizing the catalytic role of concessional capital, and ensuring a strong foundation through project pipeline development, market insights, and governance. Locating facilities within established NDBs, like the DBSA, enhances credibility and operational readiness.

Co-financing is just one form of collaboration between VCEFs, MDBs and NDBs. While valuable in certain contexts, it is not always appropriate or necessary. Some projects—particularly those in LICs or focused on adaptation—attract less co-financing and private capital. In interviews, experts emphasized that co-financing should not be pursued if it delays action or if a single entity can provide and mobilize sufficient finance to fund the opportunity. Small, stand-alone grants can also have high impacts, especially for Indigenous Peoples, Small Island Developing States (SIDS), and least-developed countries. Programs like the GEF Small Grants Program and the overall work of the Adaptation Fund illustrate how VCEFs can support vulnerable communities without co-financing.

This report focuses on VCEF collaboration with MDBs and NDBs, and does not provide an exhaustive assessment of the varied and extensive landscape of MDB-NDB financial flows. However, an overview of these interactions is provided, as understanding how MDBs and NDBs collaborate can help to elucidate what a stronger collaboration between VCEFs, MDBs and NDBs could look like in the future.

Box 2.1: MDB-NDB financial collaboration

MDBs and NDBs have a high volume of financial cooperation. Analysis by the Foundation for Studies and Research on International Development (FERDI), shows that from 2014 to 2024, nine MDBs provided over USD 100 billion to public development banks (PDBs)[14] across all development areas. As of 2024, over 40% of the annual total was allocated to the energy and environment sectors (FERDI, 2025).

Co-financing does not appear to be the primary form of MDB-NDB financial collaboration. Only three of 55 climate-related transactions analyzed from MDBs to NDBs between 2015 and 2022 involved MDB-NDB co-financing, with the remainder in the form of MDB lending to NDBs (CPI and E3G, 2023). Lending from MDBs can enhance NDBs' climate finance resources; 57% of respondents in a 2025 survey of IDFC members reported primarily funding their sustainable financing through credit from MDBs and other DFIs (Bancóldex, forthcoming).

MDBs can use VCEF resources to finance or work with NDBs, with NDBs as project executing agencies or implementation partners. An analysis of Inter-American Development Bank (IDB) projects with the GCF, CIF, and GEF found that around a quarter had NDBs or subnational development banks as main direct counterparts, representing 40% of the analyzed total project value (IDB, 2024a). As noted above, MDBs may also use VCEF financing for on-lending to NDBs, though data limitations prohibit assessment of the scale of this practice.

MDB financing is important in helping some NDBs identify long-term financial resources and access capital markets. NDBs with suboptimal credit ratings or limited access to international capital markets may face high costs of capital.[15] MDB guarantees, equity or earmarked hybrid capital can help such NDBs to access affordable financing,

14 The FERDI study analyzed flows between MDBs and PDBs, including some multi-country/regional development banks in addition to NDBs.
15 This is more common for NDBs in the Global South, as most European NDBs have adequate access to financing and therefore use MDB interactions to advance specific climate finance opportunities (Marois et al., 2025).

enabling them to lend at competitive rates (Germanwatch, 2025). Some dedicated MDB facilities provide TA to facilitate capital markets access (see Case Study 5). On the other hand, NDBs are important local intermediaries for MDBs, with superior and up-to-date market knowledge and the ability to finance smaller projects.

2.2 MOBILIZING PRIVATE CAPITAL

The magnitude of climate investment needs in this decade alone requires a transformation of private climate finance and significant, rapid scaling. With countries' limited fiscal space and increasing concerns about the future trends in donors' climate finance contributions, the focus on private finance is growing ever stronger. At the same time, private finance is increasingly interested in the investment opportunities associated with the climate transition, particularly as technological advancement drives down costs, but unlocking private investment requires addressing a range of risks and investment barriers in different markets.

Public finance institutions have a critical role here. While characteristics vary across institutions and institution types, VCEFs, MDBs and NDBs can collectively draw on: high ratings; pools of concessional finance; climate finance expertise; mandates to support market development; and close working relationships with national governments to unlock the private capital needed to close these gaps (Bhattacharya et al., 2024). **These institutions' abilities to leverage private capital can be improved through enhanced collaboration** from VCEFs, MDBs and NDBs on addressing barriers to private sector climate investment, leveraging their respective strengths to collectively bring new private investors and new markets for private climate investment into the fold.

This section sets out some of these barriers and provides deep dives into three high-potential routes for VCEF-MDB-NDB collaboration on private capital mobilization: guarantees, equity and local currency lending.

2.2.1 BARRIERS TO PRIVATE CAPITAL MOBILIZATION

Private climate finance providers are sensitive to real and perceived risks, as well as wider investment conditions and the readiness of recipients. Would-be private investors face the following barriers in climate projects in EMDEs:

- **Issues with project pipelines,** and project cycles more generally, can add costs for investors, delay processes, and prevent investments from progressing past the scoping stages. Prevalent issues include burdensome administrative processes, small project sizes, limited technical capacity, and lack of data (The Lab, 2024).
- **Risks for climate investment in EMDEs** relate to policy, political, currency, sovereign, credit, off-taker, liquidity, and sometimes technology (CPI San Giorgio Group, 2024). Such risks can be mitigated to better align investment opportunities in EMDEs within investors' risk tolerance, as dictated by their fiduciary and regulatory obligations. VCEFs, MDBs and NDBs can use concessional capital and their own risk-management capabilities to reduce and share risks in order to increase private capital mobilization.

- **Uncertainty and unfamiliarity in new markets** can lead to higher costs and concerns around project viability, affecting overall market confidence. Where markets for climate solutions are not fully developed and lack investable projects, VCEFs, MDBs and NDBs can collaborate to establish the necessary physical, digital, and regulatory infrastructure and also pilot new technologies and approaches (see Box 2.2).

Box 2.2: VCEF support for market development

Public concessional finance can be transformational in establishing new markets for climate-relevant activities and technologies, and in stimulating existing nascent markets. To this end, VCEFs' concessional resources can be deployed to frontier and early-stage sectors with high potential for climate impact, taking first-loss debt and equity positions where needed and funding essential capacity building, TA, and policy work. There is wide scope for MDBs to collaborate through co-financing or parallel financing, priming markets for other investors, including the private sector.

Market priming with concessional funds is an established practice, particularly in energy. Over 15 years ago, the CIF's Country Investment Plan for Mexico resulted in co-financing from the CIF Clean Technology Fund, the IDB, and the IFC to invest in early wind farm projects (IDB, 2011). According to expert interviews, these projects were viewed as highly risky at the time and required concessional resources for related loan agreements to be viable. This financing fostered Mexico's wind sector at a time when domestic commercial financing was difficult to secure on adequate terms, and resulted in Mexican cement manufacturer Cemex purchasing equity in a co-financed wind farm and signing electricity offtake agreements (IDB, 2009).

There is an opportunity to deploy these models of VCEF-MDB co-financing for market creation and private mobilization in sectors beyond energy, with a greater role for NDBs to enhance understanding of local investment conditions and barriers.

The rest of this section explores three high-potential solutions for addressing these barriers: guarantees, equity, and local currency lending.[16]

2.2.2 GUARANTEES

Guarantees are financial instruments that transfer specific risks—e.g., political, commercial, or currency risks—from a transaction's primary or secondary parties to an external party (CPI, 2025). This third party—e.g., an MDB, government agency, or private institution—covers a portion of a private financier's obligations to creditors or other parties if certain conditions are met, for example, a default on debt payments. Guarantees take on commercial risks that beneficiaries or creditors are unable to hold, improving financing terms, boosting investor

16 While this report focuses on these three solutions, we recognize that they are not the only instruments with high potential for private capital mobilization; other options, such as bonds and securitization measures, also exist.

confidence, and, ultimately, expanding the base of potential investors in climate projects in EMDEs (World Bank, 2023).

To date, MDBs have led the use of guarantees.[17] The VCEFs have made some limited use of these instruments, with guarantees making up 4% of the GCF's financing with MDBs[18] and minimal guarantee financing tracked from the CIF and the GEF between 2019 and 2023. The majority of tracked MDB guarantees for EMDEs were climate-agnostic rather than climate-exclusive (that is, solely for climate-related projects) (CPI, 2024b).[19] Nonetheless, the World Bank's Multilateral Investment Guarantee Agency (MIGA) has made climate change a priority area, issuing guarantees for 30 climate-related projects across 22 countries in 2024 alone, totaling USD 2.5 billion (MIGA, 2025). Moreover, in July 2024, the World Bank Group launched a consolidated Guarantee Platform, bringing together guarantee offerings from the World Bank, IFC, and MIGA to streamline access and reduce processing time. Out of 300 NDBs analyzed by the Research Initiative on Public Development Banks in 2020, at least 217 offer guarantees alongside loans (GRN PDBs, 2020). However, this figure encompasses all development portfolios and may be lower for guarantees for climate-related projects.

There is an opportunity for greater and more targeted use of guarantees by certain VCEFs, MDBs, and NDBs to crowd in additional private climate finance. Guarantee facilities have the potential to mobilize significantly more financing than loans, particularly in EMDEs (World Bank, 2024b). However, expanding guarantees requires addressing barriers to both their provision and utilization, as shown in Table 2.2.

Table 2.2: Barriers to the provision and utilization of guarantees

Barrier	Description	Solution
Complexity	Lengthy and complex guarantee application, design, and finalization processes. Fragmented product menus and a lack of information on product terms. Need to 'layer' different guarantee instruments, some of which may be narrow in focus and difficult to combine in practice.	Wholesale guarantee platforms that use standard underwriting criteria to guarantee projects against specific risks.
Cost	High costs and fees are associated with securing guarantees from DFIs, including capital charges and costs of risk management, administration, due diligence, and currency hedges.	Streamlining application and due diligence processes where possible (including through mutual reliance agreements), and small pots of funding for TA for smaller institutions.
Duration	Guarantee durations are generally capped at 10 years, which fails to cover longer-term return timelines of large-scale infrastructure or energy projects.	Aligning guarantee duration with the duration of risk exposure, where possible.

17 While MDBs are the largest providers of guarantees among entities tracked for this paper (VCEFs, MDBs and NDBs), other institutions outside of this scope have substantial guarantee provision, such as export credit agencies.
18 This figure has been submitted by the GCF.
19 While the majority of MDB guarantee offerings have, to date, been labeled as climate agnostic, MDBs' commitments to Paris-alignment should mean that all investments have considered climate aspects to some extent.

Demand for guarantees outstrips supply by some margin, due to factors including institutional capacity and the capital requirements for issuing institutions. While efforts to expand the provision of guarantees should continue, it is important to look at quality as well as quantity; there are notable opportunities for VCEFs and MDBs to work together to develop innovative solutions to address barriers to guarantees, with the aim of mobilizing private capital.

Potential VCEF-MDB collaboration on liquidity facilities is one example. Liquidity facilities, such as the one described in Case Study 4, can enhance the impact of guarantees and help support innovative financing structures with the potential to mobilize private capital that has specific risk requirements. These liquidity facilities require access to a capital pool. When a default occurs, that capital can be used to immediately compensate the lender, while the guarantor—e.g., MIGA—engages in arbitration with the defaulting borrower to recover funds. Upon successful resolution, the pool can be recapitalized with the recovered amount, enabling continued use of the facility. When this capital cannot be totally provided by a single MDB, there is an opportunity for joint MDB collaboration (as in Box 2.3) or collaboration between a VCEF (e.g., the GCF or CIF) and an MDB to finance the facility.

Case Study 4: Use of political risk insurance and liquidity facility to support investment-grade green bonds in Egypt

In 2022, MIGA and the EBRD jointly provided credit enhancement for a USD 85 million green bond issuance tranche to private institutional investors for refinancing six solar plants in Egypt's Benban Solar Park (MIGA, 2022). The bond—arranged by Mitsubishi UFJ Financial Group (MUFG) and certified by the Climate Bonds Initiative—was the first climate-certified project bond in Egypt to receive an investment-grade rating (BBB+), above Egypt's sovereign rating.

A key enabler of this rating was MIGA's USD 98 million political risk guarantee (lasting for 19 years), which provided coverage against expropriation, breach of contract, war and civil disturbance, and currency transfer restrictions. This risk protection was critical for attracting private investors unfamiliar with the Egyptian market, as it reduced the perceived country and project risk.

The guarantee was enhanced by a USD 30 million Liquidity Support Facility from the EBRD (EBRD, 2022), with implementation and TA support from the GCF. This innovative de-risking financing structure drew a new class of institutional investors to Egypt's renewables sector—helping to reduce refinancing costs, enhance the project's long-term financial viability, and share cost savings with the Egyptian government. The project also met MIGA's environmental and social performance standards, reinforcing investor confidence in its sustainability credentials.

There are many other routes to closer collaboration on guarantees between VCEFs, MDBs and, in some cases, NDBs. Partnerships that align risk-sharing roles, such as MDBs taking on front-end risks while private insurers assume later-stage liabilities, can help improve coverage and scalability, particularly in high-risk or underserved markets (CPI, 2025). The World Bank Group has also expressed strong interest in using guarantees to help NDBs access capital markets, particularly supporting NDB bond issuances to finance in-country investment platforms in

lower-income countries—an area of collaboration with both VCEFs and MDBs could significantly expand capital mobilization and local financial system development. The Green Guarantee Company (Case Study 5) provides an example of this.

Case Study 5: Combining credit enhancement and technical assistance to scale climate finance: GGC

The Green Guarantee Company (GGC) aims to mobilize global institutional capital in nascent or challenging markets by providing guarantees for green bonds with significant mitigation and/or adaptation impacts.

The GGC is supported by funding from institutions including the GCF, the UK Foreign Commonwealth & Development Office, the Nigeria Sovereign Investment Authority, and Norfund, and had also received a commitment from the US Agency for International Development (Convergence, 2024). It will guarantee loans and bonds that meet climate criteria agreed by the GCF and MUFG (the Accredited Entity).

The GGC is working with PDBs and commercial financial intermediaries in EMDEs to identify pipeline bonds and loan issuances that could benefit from credit enhancement, granting access to international capital markets that may not otherwise be available due to credit ratings (GCF submission, 2025). It also has a TA facility that supports project preparation and capacity building related to debt instruments, as well as knowledge sharing across markets to help build out a viable pipeline where they are weak.

The GGC will provide 5–20 year guarantees in hard currency, and, having secured an investment-grade credit rating, is aiming to leverage its initial USD 100 million in capital to provide up to USD 1 billion in guarantees. The GGC model is intended to be highly scalable and replicable (CPI, 2025), as well as offering faster development timelines than bespoke guarantees that are designed from scratch for each project.

2.2.3 EQUITY

There is a growing need for catalytic equity investment to support private capital mobilization for climate projects. However, public finance institutions still deploy relatively low volumes of equity investment; VCEFs, MDBs, and DFIs[20] are estimated to have deployed less than USD 3 billion in climate-related equity in 2023 (GFANZ, ACP, CPI & Wood Mackenzie, *forthcoming*). Insufficient equity can hinder a project's ability to secure debt and prevent financial structures from achieving close. While climate-related projects require various types of equity, 'catalytic equity'—which takes sub-market positions on risk, return, and/or tenor—can attract additional equity and debt, particularly at early project phases where there are higher perceived and actual risks.

While VCEFs, some MDBs and NDBs deploy equity (or provide grant financing that can be used for equity investments), it is not the central instrument used. This is in part due to MDB financing originating from a model focused on sovereign lending, and the potential risks

20 Where DFIs include NDBs as well as state-owned enterprises, bilateral DFIs, and export credit agencies.

associated with equity investments, spanning from project and financial risk to reputational and governance risks. These risks can be managed; VCEFs can leverage their higher risk tolerance, and MDBs can support VCEFs with the necessary due diligence processes needed to manage reputational and governance risks associated with these investments.

If VCEFs, MDBs and NDBs can expand their equity financing, for catalytic equity in particular, to projects or within more complex financing structures, there is significant potential for private capital mobilization. VCEFs, MDBs and NDBs can also collaborate here. This could primarily involve VCEFs providing catalytic equity that can then mobilize more traditional debt and equity financing from MDBs and the private sector. There is potential across funds to approve more projects and programs that provide finance to MDBs or NDBs to be deployed as equity to unlock wider private investment. As funds such as GEF consider increased use of non-grant instruments, growing their equity investments should be a central consideration.

2.2.4 COLLABORATION ON LOCAL CURRENCY LENDING

Currency risk is a major barrier to climate investment in EMDEs. Unlike oil and gas exports, climate projects—e.g., in energy and infrastructure—often generate revenues in local currency, while international finance is primarily denominated in hard currencies—e.g., US dollars or euros. Local-currency depreciation can, therefore, significantly increase the effective cost of servicing external debt denominated in hard currency (see Table 2.3). In addition, many climate projects require long-term financing. For example, renewable energy projects require lending that aligns with their 25–30-year lifespans to achieve the lowest levelized cost of electricity. Matching loan tenors to asset lifespans increases exposure to currency risk and raises the cost and complexity of hedging over time.

Long-term local currency loans are often not available in EMDEs, and commercial solutions to hedge FX risk can be costly or unavailable (CPI, 2024c). EMDE borrowers' lack of options for managing FX risk can translate into higher credit risk for lenders, disincentivising climate investment in these countries. Increasing local currency financing for climate investment can be a long-term endeavor, involving deepening domestic financial markets and macroeconomic policy challenges, such as maintaining adequate foreign exchange reserves, building fiscal capacity, and enhancing monetary policy credibility (OECD, 2025).

Table 2.3: Effects of currency risk

Category	Stakeholders	Challenges due to FX risk
Borrowers	Local private sector	▪ Pay high hedging costs ▪ Pay higher debt servicing costs, which creates project viability risks
	Sovereigns	▪ Use larger shares of fiscal resources for debt service, diverting resources from climate and development efforts
Lenders	Foreign investors	▪ Face credit risk when borrowers default due to local currency devaluations ▪ Require higher returns to offset risks ▪ May shift their funds to lower-risk geographies
	Local FIs (e.g., NDBs)	▪ Face credit risks when borrowers face FX risks ▪ Prefer to invest in projects that generate revenue in hard currency to support their balance of payments ▪ Reduce investment in local currency-generating climate projects

Coordinated action between VCEFs, MDBs and NDBs can help expand local currency financing and strengthening local financial markets. The following solutions demonstrate areas where these institutions could work together:

- **On-lending to NDBs:** NDBs, which tend to lend in local currency and have a strong knowledge of local market conditions and borrowers profiles (Marois et al., 2025) can be an effective partners for expanding local currency lending . While MDBs should continue their efforts to increase local-currency lending, VCEF funds can be used to mitigate FX risk for wholesale, hard-currency financing from MDBs to NDBs, which then on-lend in local currency. VCEFs can also support the structuring of blended or risk-mitigated tools and help mobilize additional capital (see Case Study 6).
- **Flexible risk assessment:** MDBs and DFIs primarily borrow and lend in hard currencies to minimize their own currency risk, often limiting engagement with local financial institutions that do not meet investment-grade credit standards. To address this, MDBs should explore more flexible risk assessment approaches tailored to local contexts, potentially supported by loss-absorbing funds from VCEFs, to enable greater on-lending to EMDE financial institutions.
- **Strengthening local financial markets:** MDBs and VCEFs can maintain and expand their support for NDB bond issuances, through technical assistance for structuring, credit enhancement, and where feasible, direct investment.
- **Knowledge sharing and policy support:** VCEFs, MDBs, and NDBs can cooperate to provide resources for policy reforms and capacity building for EMDE central banks and finance ministries to deepen domestic financial markets and strengthen macroeconomic policy frameworks. This capacity building should be prioritized not only with recipient countries, especially in least-developed countries (LDCs) and SIDS, but also among VCEFs, MDBs and NDBs themselves, through structured knowledge sharing and collaboration. Efforts such as the FiCS Financial Innovation Lab's FX Working Group and Incubator demonstrate how NDB collaboration and knowledge sharing can develop innovative blended solutions.[21]
- **Accessible hedging solutions:** Commercial FX hedges are frequently unavailable for EMDE currencies, or are only available at extremely short tenors or at high cost due to illiquidity, making climate projects less bankable. MDBs, VCEFs, NDBs, and donors can collaborate to make hedging instruments more accessible and affordable—including at longer tenors—by pooling resources, sharing risks and supporting onshore hedging facilities.

Case Study 6: MDB-government facility for managing FX risk in climate lending

The **Eco Invest Brazil** is a facility launched in 2024 by the Brazilian government, in partnership with the IDB, to support climate projects exposed to FX risk.

The facility provides support for climate projects that generate revenues in local currency and that can increase their prices in line with domestic inflation. In doing so, these projects can maintain the hard-currency value of their revenues, thereby preserving their ability to repay debt in foreign currency following a depreciation. To manage short-term FX fluctuations, projects are encouraged to use short-term currency hedging instruments

21 More information is provided on these efforts on the FiCS Innovation Lab website.

provided by local financial institutions or contribute to a hard-currency sinking fund. In the event of a large depreciation in local currency that disrupts debt servicing, the IDB provides a hard-currency credit line—mediated by the Brazilian government—to ensure continued repayment capacity. This credit line is repaid over the medium term, once the local currency stabilizes and project revenues rise in line with inflation.
The facility is housed under Brazil's National Climate Fund and complements local capital market development, while enabling projects to fund their own long-term risk management through inflation-aligned pricing strategies.

2.3 CHALLENGES AND OPPORTUNITIES FOR FINANCIAL COLLABORATION

VCEFs, MDBs, and NDBs often share financing aims, and many have collaborated to some degree in their current financing practices. However, factors including inefficient processes, inadequate feedback loops, and information asymmetries can all hinder collaboration between these institution types. There is an opportunity to build a more harmonized, streamlined landscape for financial collaboration, with greater interoperability between VCEFs, MDBs and NDBs.

2.3.1 EFFICIENT PROCESSES

ACCREDITATION

The process of becoming accredited to channel funds from VCEFs and implement projects on their behalf can be long and complex and varies from fund to fund. Streamlining these processes can reduce transaction costs and help to ensure that fund accreditation is accessible for entities that are eligible and interested.

NDB accreditation to VCEFs is rare outside of the GCF, which has accredited 25 NDBs and can provide technical support during and after the accreditation process through its Readiness and Preparatory Support Programme (Readiness Programme). The GEF and the Adaptation Fund each have a few national and regional development banks among their agencies or implementing entities, while CIF implementing entities are all MDBs.

While NDBs may access VCEF resources indirectly, such as via MDBs, there is an argument for a more direct option for valuable NDB proposals that match a fund's requirements and resource availability. Routes to addressing this issue could include creating dedicated VCEF funding windows for proposals from Accredited Entities that are partnering with NDBs, and cross-recognition of accreditation from one fund by another fund in specific financing contexts. The GCF's Project-Specific Assessment Approach also provides an option for non-accredited institutions to implement a single project with the GCF, which is valuable for entities seeking to build a track record for institutional accreditation or for those not seeking long-term partnership.

Private entities can seek GCF accreditation, offering potential to co-create innovative approaches directly with VCEFs that could, in the future, also involve MDBs and NDBs. For example, in 2023, MUFG (a GCF Accredited Entity) partnered with the GCF and FinDev

Canada on the Project GAIA platform to enable the issuance of long-term affordable loans to sub-sovereign and quasi-sovereign entities for climate action in LDCs and SIDS. Private entities undergo similar accreditation processes as public partners, which, along with approvals, interviewees from private institutions described as "long and hard," while recognizing positive developments to streamline them (including potential upcoming accreditation reform). These changes could facilitate stronger collaboration between the GCF and the private sector and foster innovation on financial instruments. This must be carefully managed to ensure that all new Accredited Entities are sufficiently aligned with fund objectives and requirements.

APPROVALS

In recent years, VCEFs have made efforts to expedite approval and disbursement processes. Nevertheless, both recipients and co-financing institutions have noted that in some cases, the duration from project conception to implementation remains lengthy, meaning that by the time a project is ready to be implemented, key parameters relating to its context have changed. Delays can stem from multiple factors, including a slow pace of processing approvals by VCEFs and delayed production of required information by implementing agencies and partners. These delays and the complexity of approval processes can pose particular issues for accredited bodies with lower institutional capacity, which could be significantly impacted by the resources required to comply with requirements.

The Efficient GCF initiative, launched in 2023, aims to speed up GCF project reviews and approval processes, with targets for concept notes and funding proposals to be ready for Board consideration within nine months of receipt. Proposed GEF improvements in this area include simplifying approvals for medium-sized projects, enhancing the GEF portal, and streamlining some monitoring and reporting requirements (GEF, 2024b).

HARMONIZATION IN PROCESSES, STANDARDS, AND TAXONOMIES

Positive developments in the qualification, quantification, and reporting of climate finance[22]—along with strong efforts to ensure the additionality of funds and avoid crowding out private investment—has led to robust processes and standards across the public finance landscape. However, many NDBs and some MDBs must comply with national or regional taxonomies that categorize climate finance. Co-financed projects can face problematic and time-consuming duplication and overlapping efforts in both *ex-ante* and *ex-post* assessments, reducing process efficiency and delaying climate finance. Where co-financing partners have longstanding working relationships and confidence in each other's standards and procedures, relaxing some requirements or simplifying arrangements could ease compliance burdens and reduce transaction costs without meaningfully impacting project integrity (see Case Study 7).

Case Study 7: Mutual Reliance Initiative between EIB, AFD, and KfW

The Mutual Reliance Initiative between the EIB, AFD, and KfW, which started in 2007, aims to make joint financing between these closely aligned institutions easier and more efficient. It delegates shared tasks in co-financed projects to one of the three institutions

22 These positive developments include efforts such as the MDB-IDFC Common Principles for Climate Finance Tracking and the VCEFs' Collaboration Platform for Climate Finance (CFCP).

in accordance with their respective sector or country expertise, designating them as lead financier, thereby avoiding unnecessary duplication. Since 2007, this initiative has financed over 90 projects, totaling around EUR 8.5 billion (EIB, 2023).

The due diligence (DD) processes associated with approvals also represent an opportunity for improvement. Divergence in DD processes between VCEFs, MDBs and NDBs can entail expensive administrative burdens for private entities trying to finance with multiple public institutions, thereby slowing private capital mobilization. To simplify private sector access, VCEFs, MDBs, and NDBs could pursue interoperability of DD processes, potentially including MoUs between organizations that render approvals from other signatory organizations' DD processes as sufficient evidence for their own organization. Future work in this area could look to map areas where key reporting and DD requirements differ across key institutions and identify opportunities for simplification.

Finally, harmonization of metrics and tracking methodologies for climate finance (including co-financing and mobilization) can yield significant improvements in collaboration and improve the ability of other organizations to productively engage with VCEFs, MDBs and NDBs. This can help to build an improved understanding, both within institutions and externally, of the financial leverage of portfolios and the concessionality being provided across the board.

MONITORING AND EVALUATION, AND KNOWLEDGE MANAGEMENT

Paying attention to 'lessons learned' is one of the simplest routes to improving collaboration, but is often overlooked. The significant VCEF-MDB-NDB financial interactions that take place each year will produce valuable feedback for all actors on what works, where unexpected bottlenecks lie, and solutions for common issues. However, these insights are often lost or inadequately captured in published evaluation documents.

In some settings, comprehensive monitoring frameworks with key performance indicators and published evaluations may address this issue. However, there are also less administratively intensive options, such as regular feedback mechanisms to assess the effectiveness of the financial collaboration and identify areas for improvement. Feedback could be conveyed through measures such as workshops at specific review points, participant surveys, and wider knowledge-sharing sessions with partners involved in similar projects or sectors.

2.3.2 INNOVATION

The Independent Experts Group reported to the Indian G20 Presidency in 2023 that "after eighty years of status quo, it is time to introduce new instruments and new investors to the MDB capital stack" (G20 IEG, 2023b). As MDBs seek to develop innovative products that align with investor needs on risk-return profiles, portfolio mix, and other criteria (MDB and DFI Taskforce on Mobilization, 2024), there is an opportunity for VCEFs and NDBs to join this innovation push. VCEFs, in particular, can help to pilot innovative approaches that MDBs and NDBs can then follow up on and scale with the private sector.

Innovations to crowd in climate investment from new investor types hold significant potential. Institutional investors like pension funds require portfolio-level solutions with stable, long-term returns. They have historically had limited ability to invest in EMDEs, with EU pension funds

allocating just 4% of their assets in low- and middle-income countries (LMICs) in 2022 (HLEG, 2024). Potential solutions include exploring capital market access for VCEFs where MDBs are financing partners (see Case Study 8 on the CIF Capital Markets Mechanism), and innovative financing structures that can unlock an investable pipeline for institutional investors (see Case Study 9 on Climate Investor One).

Case Study 8: CIF Capital Markets Mechanism

In 2024, the CIF became the first VCEF to access capital markets with the launch of the CIF Capital Markets Mechanism (CCMM), a bond issuance program that frontloads future loan reflows to expand financing for the Clean Technology Fund (CIF, 2024b). The CCMM is an innovative example of how VCEFs can leverage their balance sheets to mobilize private capital, creating funding streams that are independent of donor decisions on VCEF capitalization and can support the urgent and vital work required from VCEFs.

The first bond issuance, listed on the London Stock Exchange, raised USD 500 million and was six times oversubscribed (London Stock Exchange, 2025). Demand for the bond relates directly to the strength of Clean Technology Fund loans, which are implemented through and co-financed by six AAA-rated MDBs. This demonstrates that, working together, VCEFs and MDBs offer an investable route for the private sector outside of standard project financing settings.

Case Study 9: Climate Investor One

Climate Investor One is a blended finance facility, developed by FMO (the Dutch Entrepreneurial Development Bank) with financing from the GCF and managed by a private sector asset manager, Climate Fund Managers. Climate Investor One became effective in 2019 and established a fund that provides development loans and equity throughout a renewable energy project's lifecycle. Climate Investor One aims to address barriers to institutional capital seen in conventional financing models, offering an opportunity to invest in renewable energy in EMDEs with reduced risk.

The Development Fund within Climate Investor One aims to provide financing and project support at the development stage of projects' lifecycles. This fund has a broad mandate of costs that it can cover, including financial modeling and legal and commercial assistance. Mobilizing development capital in this way enables the Development Fund to relieve the project developers from constant efforts on fundraising, and enables a greater focus on the rate and quality of project development.

The Construction Equity Fund can provide finance for construction-phase costs projects developed with investments from the Development Fund, using GCF proceeds as well as other donor and investor funding to provide a single source of equity, mezzanine, and equity-like financing for up to 75% of the construction costs. The Construction Equity Fund has three tranches, differentiated by seniority, to cater to different risk appetites across potential investors.

Climate Investor One demonstrates how innovative structures between VCEFs and NDBs[23] can create potential for institutional investors to finance projects that sit outside of their usual investment criteria, in terms of size, risk profile, and sector. Climate Fund Managers has since replicated this structure with Climate Investor 2 for the water, sanitation and oceans sectors, Climate Investor 3 for green hydrogen, and is looking at additional opportunities.

Another potential avenue for innovation could be carbon assets created under Article 6 of the Paris Agreement. The ability to trade climate outcomes could provide revenue to make projects bankable.[24] There are complex factors to navigate in harnessing these revenues to boost climate financing from MDBs, NDBs, and the private sector. Integrating carbon revenues into climate projects requires deep expertise on structuring and careful mitigation of risks around double counting, non-delivery, and additionality, particularly when VCEF, MDB or NDB financing is being used.

Payments for the achievement of non-market outcomes under Article 6.8 are relevant in the context of VCEF-MDB-NDB collaboration, as they could, in theory, remove the need for VCEF accreditation. These payments would be made in return for services that are not suited to market-based approaches, such as services with outcomes that are difficult to measure, including those relating to collaboration, TA, and knowledge sharing. Given that payments are outcome-based—for services already provided—this would reduce the need for complex checks and agreements between institutions. Case study 10 explores the CIF-funded Adaptation Benefits Mechanism being developed by the AfDB.

Case Study 10: AfDB Adaptation Benefits Mechanism

The African Development Bank (AfDB) has taken an alternative approach to financing adaptation, through quantifying and trading non-market instruments provided for under Article 6.8. The AfDB Adaptation Benefits Mechanism that is being established aims to transparently quantify adaptation action, creating new assets that can facilitate payments for the delivery of adaptation action and raise funds for adaptation projects in EMDEs.

This mechanism has received funding from the CIF and the governments of Côte d'Ivoire and Uganda (AfDB, 2021). Non-market mechanisms can also be critical for mitigation action, such as high-integrity forest conservation (REDD+), where it is difficult to establish robust baselines and where there is a large gap in the price and cost of reducing emissions, leading developers to focus primarily on removals. Moreover, as the ability to leverage technology (including satellite monitoring) for natural asset valuations improves, non-market mechanisms under Article 6.8 will be critical in enabling more results-based finance on the back of higher natural asset valuations that go beyond carbon as the only metric.

23 FMO can be classed as an NDB or as a bilateral DFI, as it provides financing internationally.
24 Such outcomes include Internationally Transferred Mitigation Outcomes under Article 6.2 or Article 6.4 Emissions Reductions under the Paris Agreement Crediting Mechanism.

3. REALIZING THE POTENTIAL OF VCEFs, MDBs AND NDBs

VCEFs, MDBs, and NDBs can play a pivotal role in drastically narrowing climate financing gaps within this decade. As key pillars of the public finance architecture, they hold great potential and responsibility to drive public and private climate finance and to ensure optimal use of these flows. This section addresses VCEF-MDB-NDB collaboration in the following areas:

- **Support for country platforms** as an optimal structure for coordinating financing, including with private sector investment, led by country priorities.
- **Collaboration on TA, including capacity building and project preparation** to ensure that financing can be successfully implemented and to widen the scope of actors and settings able to absorb climate finance.
- **Enhancing the enabling environment** through policies and regulations to mainstream and grow climate finance.

3.1 COORDINATION ON COUNTRY PLATFORMS

Country platforms have emerged as a key mechanism for EMDE governments to advance their climate transition by fostering collaboration among development partners based on a shared national strategic vision and priorities (ODI, 2024). The 2024 VCEF IHLEG recommended that VCEFs enhance their transformational impact by working together to support country platforms (VCEF IHLEG, 2024), and this impact can be furthered by their working with other key institutions in tandem. These voluntary country-led mechanisms could serve as a powerful instrument to strengthen collaboration between VCEFs, MDBs, and NDBs by promoting a more integrated, programmatic approach toward financing national climate transitions.

Country platforms have been applied across various development areas, and their potential to accelerate climate action has gained traction since 2021 (IHLEG, 2024). Examples include the Just Energy Transition Partnerships (South Africa, Indonesia, Senegal, and Viet Nam) and platforms in Bangladesh (ODI, 2024), Egypt (Egypt MIC, 2023a), and Brazil (Government of Brazil, 2024). While energy transition has been the initial focus of many, country platforms have been evolving to address other areas, including adaptation, resilience, and nature-based solutions.

There is no universal definition of a country platform, yet they share some common characteristics. These principles require that country platforms are: country-led, driven by country priorities, involve multiple development partners led by a coordinating/collaboration group, have a clearly defined vision for unlocking climate progress through coordinated and programmatic financing, and can incorporate private finance mobilization (ODI, 2024). Alignment with countries' Long-Term Strategies, NDCs, and National Adaptation Plans and regionally-owned initiatives is also a critical element. Some VCEF, MDB, and NDB initiatives resemble these structures, such as MDB-led coordination efforts to address countries' climate finance needs and CIF investment plans – yet country platforms can be distinguished by their level of both country ownership and country leadership.

Given that country platforms involve both international and domestic actors, with catalytic grant capital, debt, and local lending, there is a clear role for VCEFs, MDBs, and NDBs (where present) to contribute. Each of these institutions forms a critical component of the financing mix needed to deliver on country platform ambitions. There is no specific formulation for success, but where it is possible to have these institutions involved, it is essential that each leverages its financial, operational, and technical capabilities to support the country government and maximize total financing. Stronger coordination among MDBs, VCEFs, and NDBs can enhance country platforms' ability to mobilize additional finance, including from private sources, by more effectively aligning and leveraging existing climate finance resources (ODI, 2025).

3.1.1 ROLES OF VCEFs, MDBs, AND NDBs IN COUNTRY PLATFORMS

VCEFs, MDBs, and NDBs have differentiated, overlapping, and complementary roles in supporting national governments to develop and deliver country platforms. Delivering on country platform ambitions requires stronger and more complementary roles across key institutions: MDBs can leverage their balance sheets to crowd in a broader range of actors; VCEFs are critical in shaping early-stage program design, setting up institutional arrangements, and filling gaps in grant and concessional finance to activate the full financing stack; and NDBs can take on a more central role in program design, project preparation, domestic currency lending, and coordinating local actors. These institutions can work with national governments and regional organizations to mobilize private finance institutions and philanthropies to deliver on the shared climate vision for the target country. Potential VCEF, MDB, and NDB roles in country platforms are detailed below.[25]

ROLES OF VCEFs

- **Using catalytic concessional finance** to de-risk projects, reduce investment costs, and mobilize further funding. For example:
    - The CIF provided Egypt's Nexus for Water, Food and Energy program (NWFE) with a grant of up to USD 44 million, which is considered catalytic (Egypt MIC, 2023b).
- **Supporting early-stage country program design**, institutional arrangements, and investment and policy framework assessments. For example:
    - The CIF provided the South Africa Just Energy Transition Partnership (JET-P) Secretariat with technical support for investment framework development (CIF, 2022a).
- **Leveraging strengths of different VCEFs**—the GEF in environmental integration, the Adaptation Fund in vulnerable communities, the CIF in-country program approaches, and the GCF in pioneering scalable finance models and or supporting the governance structure of country platforms.
- **Improving systemic collaboration to facilitate joint monitoring, evaluation, and reporting**, including a cross-fund readiness facility for streamlined support and TA.

25 All of the roles outlined below should be undertaken at the request of, and under the guidance of, the host country leading the country platform.

- **Enhancing responsiveness and innovation by developing mechanisms to learn from best practices,** replicate successful approaches, and align VCEF efforts with broader MDB and G20-led financial architecture reforms.

ROLES OF MDBs[26]

- **Providing adequate, additional, and predictable financing** by developing investment plans and bankable project pipelines, and leveraging MDB resources to attract private capital and de-risk investments through guarantees and blended finance.
- **Supporting national government-led coordination** by bringing together stakeholders, including private actors and development partners. This includes participation in national multi-stakeholder platforms, fostering public-private partnerships (PPPs), and supporting whole-of-government coordination to integrate climate action across sectors. For example:
    - The NWFE was led by a national committee headed by Egypt's Prime Minister and composed of relevant ministries and national entities. Each sector priority was coordinated and delivered by a designated MDB—e.g., EBRD led on energy, AfDB on water (ODI, 2024).
- **Providing analytical and financial support for policy and regulatory reforms** to unlock finance and to improve the enabling environment to achieve country platform objectives. For example:
    - For Indonesia's JET-P, the World Bank led the Policy Working Group to analyze policy enablers and provide recommendations for power sector decarbonization, including policy reforms and regulatory frameworks (Indonesia JETP, 2023).
- **Ensuring that country platform investment plans are fit-for-purpose**, programmatic, and support decision-making on the financial instrument and source appropriate for each type of project.
- **Providing institutional and technical support** for governments to sustain strong implementation over country platform life cycles. This could include strengthening local capacity for data collection or assisting national institutions in designing, financing, and implementing investment plans. For example:
    - For the Bangladesh Climate and Development Partnership (BCDP), the ADB and World Bank proposed a project preparation facility (PPF) to improve project bankability and scale private investment (ODI, 2024).
- **Supporting transparency and accountability** by inputting into nationally designed results-based frameworks to track progress, facilitate knowledge sharing, and ensure stakeholder engagement to build trust surrounding climate action.

26 Many of the roles for MDBs are also outlined in the MDBs' 2024Statement of Common Understanding on Country Platforms for Climate Action.

ROLES OF NDBs

- **Strengthening local capacity** via analytical support and/or TA for program design, developing bankable project pipelines, and supporting investment plans aligned with national climate goals.
- **Mobilizing domestic resources** by issuing green bonds, providing concessional loans, and offering credit guarantees to attract private investment and ensure financial sustainability.
- **Facilitating national stakeholder coordination** by acting as intermediaries, establishing multi-stakeholder platforms and fostering PPPs to align efforts and scale up investment at the national level. For example, BNDES, supported by the GCF, is the Brazil country platform's Secretariat (see Case Study 11).
- **Creating an enabling environment by advising policy reforms** (e.g., fossil fuel subsidies, carbon pricing) and long-term strategies and sector plans.

VCEF-MDB-NDB collaboration through country platforms has two advantages:

1. **As described above, there are areas where VCEF, MDB, and NDB expertise and capacities overlap.** For example, MDBs and NDBs are well-placed to strengthen local capacity, and VCEFs and MDBs are both positioned to fill climate finance gaps and mobilize private capital. Via country platforms, these actors can coordinate with each other, other donors, and the country's government to ensure efforts are targeted efficiently in line with each actor's overall capacity, including financing capabilities and institutional expertise.
2. **Deploying the distinct but complementary institutional strengths of VCEFs, MDBs, and NDBs can leverage additional finance into country platforms**. These institutions can build on bilateral donor funding through risk-sharing and boosting investor confidence through the long-term vision provided by country platforms, ensuring efficient and maximized leveraged public financing. NDBs can provide valuable insights on domestic project pipelines, local barriers, and capacity gaps, and provide financing in local currency. MDBs utilize their extensive experience with country programs to advise on coordinating financing across multiple sources, considering each country's specific international climate financing background and historic ability to mobilize private capital. MDBs are also crucial in offering a range of financing instruments and helping to develop innovative solutions where appropriate. Lastly, VCEFs can be instrumental in country platforms through financing of highly additional, transformational opportunities that require concessional capital, particularly when it comes to de-risking, TA, and capacity building.

NDBs are not always present or sufficiently resourced to perform the roles in country platforms set out above. Where NDBs are not present, regional development banks can sometimes step in, though some of these institutions are more similar in function and local operations to MDBs. Subnational development banks may also play a similar role to NDBs, but may require capacity-building resources to do so. VCEFs and MDBs, led by national governments, should consider how to effectively support domestic DFIs to comprehensively engage with country platforms, when needed.

Case Study 11: Brazil Climate & Ecological Transformation Investment Platform (BIP)

The Brazil Climate & Ecological Transformation Investment Platform (BIP), launched in October 2024, aims to advance the country's ambitious development and climate objectives (Government of Brazil, 2024). Anchored in the G20 Reference Framework for country platforms, the BIP stands out for its multisectoral approach, emphasis on finance, and strong stakeholder connectivity.

The BIP structure is supported by a collaborative model between a VCEF and an NDB. BNDES is being supported in its role as BIP secretariat with funding from sources including private philanthropy, the BNDES budget, and the GCF Readiness Program. This enhances Brazil's capacity to mobilize and deploy climate finance efficiently.

The platform aims to bring together the VCEFs, MDBs, and several DFIs with private financial institutions to unlock investment in major climate projects. BNDES's deep expertise in financing local economic and social development can help ensure the platform's alignment with national priorities while maintaining strong governance and project management. By coordinating day-to-day operations, engaging stakeholders, and facilitating financial mobilization, BNDES plays a crucial role in bridging international climate finance with local investment opportunities.

3.2 VCEF-MDB-NDB APPROACHES AND COLLABORATION FOR TECHNICAL ASSISTANCE

Targeting capacity-building support where it is most needed – particularly Small Island Developing States and Least Developed Countries - will require efficient collaboration across all international finance actors. Given that VCEFs, MDBs, and NDBs are all already engaged in some kind of TA, which includes capacity building and/or project preparation practices, strengthening and streamlining this collaboration is a key area for joint action.

TA that fosters capacity building, project preparation, and policy development can enable current and future climate financing and create potential for additional sources, including from the private sector (for more details on policy and regulation support, see Section 3.3).[27] These tools are particularly valuable for governments and organizations with insufficient capacity and technical expertise to design policies, implement climate-resilient projects, integrate new climate technologies, and access funds.

All these types of non-financing support can promote more efficient use of resources, stronger climate and energy governance, and effective implementation of climate policies and strategies. This can address the call of the G20 Technical Assistance Action Plan to make climate transition pathways technically feasible and points to a lack of capacity across policy design, implementation, and accountability mechanisms and the development and assessment of bankable projects (G20 SFWG, 2023).

27 For the purposes of this report, technical assistance (TA) involves the provision of grants and in-kind resources to support governments' and other parties' development strategies. Support can include capacity building, project preparation, and broader activities such as policy and regulatory environment development and knowledge transfer to improve decision-making and implementation (CPI, 2015). The working definitions of the terms technical assistance, capacity building, and project preparation support used for this report are presented in Annex Table 2.2.3.

Capacity building and project preparation support can be applied to a range of contexts. Collaboration between VCEFs, MDBs and NDBs in these areas could be particularly effective in tackling the following challenges:

- **Developing investable project pipelines**: There is a persistent lack of investable climate-resilient and infrastructure projects, in part because these projects demand expertise across climate, finance, and project structuring. While many MDBs, NDBs, and VCEFs support project preparation, their efforts are often fragmented, leading to potential overlaps and duplication of work across institutions.
- **Unlocking private finance mobilization**: The lack of a project pipeline that responds to private investors' specific bankability requests poses a significant barrier to scaling up climate investment. VCEF-MDB-NDB collaboration on PPFs can help to address these issues and make investing in climate projects easier for the private sector and other co-financiers by connecting early-stage project development with investors.
- **Developing new climate technology:** Innovative climate financing often involves asking businesses and communities to do something new; to adopt a new technology, to switch to climate-friendly practices, to navigate new (and improved) infrastructure, to engage with a new financial instrument. The institutions and individuals engaging in novel areas and practices may need help and guidance to navigate them. NDBs are well-placed to identify and highlight capacity gaps, and MDBs and VCEFs can deploy relatively small yet effective flows, usually as grants or concessional loans, to address these and enable project success.
- **Support implementation:** The benefits of upstream support can only be realized if climate projects are implemented well. Issues with implementation stem from several factors, including delays in vital processes, difficulties coordinating relevant actors, and insufficient capacity in implementing institutions. Capacity building can be vital to ensuring that projects with finance committed from VCEFs, MDBs, and NDBs moves past the approval stage to deliver meaningful results.
- **Capacity-building gaps to develop financial structures:** There is insufficient capacity within public and private institutions, including smaller NDBs and businesses, to design and implement financial structures such as co-financing for climate projects. Building this capacity through TA is essential in order to expand collaboration and financial transactions among institutions.
- **Strengthening formal information-sharing channels and knowledge exchange** among MDBs, VCEFs, and NDBs on TA and capacity-building efforts can help to prevent duplication of efforts and inefficiencies. Establishing concrete pathways to help these institutions navigate each other's processes and standards would enable more seamless collaboration and strengthen interoperability. Interviewed stakeholders highlighted that greater information sharing on systems, as well as informal exchanges such as teach-ins and webinars, would be useful starting points.
- **Leveraging enabling policy and regulation** to foster climate action (see Section 3.3).

More generally, collaboration between VCEFs, MDBs and NDBs can help to prioritize and strategically deploy the scarce resources that are available for TA.

Case Study 12: Greening national and subnational banks for Paris alignment

In 2023, the Inter-American Development Bank (IDB) approved a technical cooperation project to support NDBs in addressing challenges and bottlenecks to delivering climate finance. Launched with EUR 19 million in funding from the German Federal Ministry for Economic Affairs and Climate Action (BMWK), the facility aims to align public financial institutions with the Paris Agreement and their Nationally Determined Contributions (NDCs). Specifically, it seeks to support NDBs and their networks of local financial institutions in integrating Paris alignment into their strategies and operations, incentivize institutional reforms and emissions reductions through a performance-based payment mechanism, and pilot innovative financial structures to enhance private capital mobilization for climate investment (IDB, 2023).

Structurally, the facility is divided into two main components: a Technical Advisory Program that delivers targeted support for institutional Paris alignment, and a catalytic investment arm that deploys Performance-Based Payments and investment grants to incentivize high-impact, climate-aligned activities. The facility's design acknowledges key barriers smaller NDBs face, including limited institutional capacity, challenges in translating climate commitments into actionable lending practices, and difficulties in mobilizing private sector investment.

By tying financial incentives to clear and measurable progress on institutional reforms and climate outcomes, the facility creates stronger incentives for meaningful transformation. It also acknowledges that aligning institutions with the Paris Agreement is inherently complex and context-specific, requiring tailored TA rather than standardized solutions.

3.2.1 VCEF-MDB-NDB INDIVIDUAL EFFORTS ON TA

TA can catalyze additional funds, with estimates of a multiplier of fifteen for every dollar of TA funding (CPI, 2015). VCEFs often directly fund TA – with VCEF TA funding often targeted at capacity building and/or project preparation (Table 3.1)- though this makes up a small fraction of their overall financing. For example, the GCF Readiness and Preparatory Support Programme has provided more than USD 600 million to countries to strengthen institutional capacities and strategic frameworks, build programming capabilities, and enhance monitoring, learning, and knowledge sharing. In addition, the GCF has approved USD 57 million through its PPF, which targets direct access entities' micro- to small-scale proposals. In 2023, the CIF TA Facility approved USD 34 million to accelerate clean energy investments. The Adaptation Fund Board had approved 49 readiness projects as of June 2024, with a total value of USD 2.1 million.

Table 3.1: TA funding from VCEFs

VCEF	TA support	Total VCEF funding
GCF	USD 1.3 billion for Readiness and project preparation as of December 2023 (GCF, 2023)	USD 18.5 billion as of December 2023 (GCF, 2023)
CIF	USD 41.5 million for the Technical Assistance Facility[28] in 2023 (CIF, 2024a)	USD 7.4 billion in 2023 (CIF, 2024a)
GEF	USD 68 million for the Project Preparation Grant as of April 2025[29]	USD 8.6 billion in 2023 (GEF, 2024c) and USD 3.6 billion as of April 2025 under GEF-8 cycle (GEF, 2024a)
Adaptation Fund	USD 2.13 million (as of June 2024, cumulative) for the Readiness Programme [30] (AF, 2024)	USD 1.2 billion (as of June 2024, cumulative) (AF, 2024)

MDBs also provide funding for TA for capacity building, project preparation, and policy development purposes. In 2023 alone, they provided approximately USD 1.9 billion for TA just for adaptation, of which USD 1.8 billion went to low- and middle-income economies and USD 60 million to high-income economies. Most of the funding for institutional capacity support and TA went to sub-Saharan Africa and Latin America and the Caribbean (EIB, 2024). This much larger volume of TA funding as compared to VCEFs, a deeper regional expertise, and potentially closer relationships with the entities receiving the TA, positions MDBs as key partners in the delivery of TA.

NDBs can act as intermediaries to facilitate TA and capacity building exchanges between VCEFs and MDBs and local actors, as well as being recipients themselves. Interviews with NDBs suggest that TA is a central tenet of NDB relationships with MDBs, particularly for those in the Global South (Marois et al., 2025). This TA usually comes in the form of direct knowledge sharing or grants for NDBs and their customers to upskill in various areas relating to green finance. NDBs can also help to identify prime sectors and projects for PPFs and support their implementation, considering their existing networks with local firms and actors.

NDBs appear to provide TA and capacity-building services, but with a limited amount of associated tracked financing. A 2024 IDFC survey of PDBs found that while 71% of respondents provided 'non-financial services' relating to sustainable development (including TA and project structuring support), 86% spent less than 2% of their relevant annual budgets[31] on such services.

While separate TA initiatives from VCEFs, MDBs and NDBs can be complementary in certain sectors and geographies (Case Study 13), more can be done to foster collaboration. Better cooperation between these institutions can ensure that scarce TA resources are used as effectively as possible, as detailed in the section below.

28 Due to the lack of publicly available data, it is not clear what the total amount of TA provided in 2023 was.
29 Figures provided by GEF. GEF programmes and projects integrate institutional and policy support into their design. There is no separate budget or approved amount allocated specifically for TA.
30 Due to the lack of publicly available data, it is not clear what the total amount of TA provided in 2023 was.
31 The budget in reference is a member's non-operating expenses and other operating expenses budget.

Case Study 13: Unlocking climate investment in Latin America through VCEF-MDB cooperation on TA

Latin America and the Caribbean is estimated to have a climate investment gap of around USD 1 trillion between 2021 and 2030 (IIGCC, 2022). Investment in low-carbon infrastructure is needed, but the use of green bonds to finance sustainable infrastructure is limited by a lack of bankable projects, credit risk, capacity gaps, and policy issues.

In 2023, the CIF signed off on a TA Facility focused on unlocking institutional investors' participation in green bond markets and direct investment in Brazil, Colombia, Mexico, and Peru. CIF provided USD 420,000 to the IDB to assess the institutional investor base and bottlenecks in the focus countries to identify solutions to increase these investors' participation in green or sustainable bonds, and support regulators in moving toward frameworks that will enable these aims.

In another example, the World Bank's Public-Private Infrastructure Advisory Facility's Climate Resilience & Environmental Sustainability Technical Advisory supported Colombia's National Development Finance Corporation to identify priority sectors, barriers to investment, and strategies to overcome those challenges, as well as how to integrate climate mitigation and adaptation co-benefits into its investment strategy (PPIAF, 2021).

3.2.2 COLLABORATION BETWEEN VCEFs, MDBs AND NDBs ON TA

VCEFs, MDBs, and NDBs' institutional knowledge can be leveraged to deliver climate finance more effectively. However, the necessary expertise in climate, development finance, and country-specific conditions is often scattered across different actors, leading to a fragmented TA landscape. A 2024 Global Capacity Building Coalition survey found that 75% of surveyed financial institutions in EMDEs reported difficulties in accessing relevant TA and capacity-building resources (Bloomberg Philanthropies, 2024). Despite the wealth of expertise within MDBs, VCEFs, and NDBs, collaboration remains limited; no single organization has a comprehensive overview, and little aggregated evidence exists on how these institutions coordinate their efforts.

Collaboration between VCEFs, MDBs, and NDBs on TA, capacity building, project preparation, and knowledge exchange can increase efficiency and reduce fragmentation. It can also ensure available expertise is leveraged as effectively as possible to support the successful implementation of these institutions' financing efforts, and, where possible, to mobilize private capital. The following models of collaboration could be leveraged:

COLLABORATION ON PROJECT PREPARATION BETWEEN VCEFS, MDBS AND NDBS

PPFs can take various forms, but generally provide funding to support projects or companies in improving the commercial viability of their product or business model (CPI and GCA, 2021). Greater collaboration between VCEFs, MDBs and NDBs on PPFs provides an opportunity for well-funded and targeted facilities that are supported with local knowledge. More specifically, supporting PPFs within NDBs can leverage the deep knowledge of local barriers, investment conditions, and capacity constraints, along with strong relationships with key local institutions.

An example of a PPF within an NDB is the Blue Co Caribbean Umbrella Coordination Programme which supports project preparation, regional coordination, and direct financing for blue economy development in the Caribbean. Managed by the Caribbean Development Bank and financed through a PPF grant from the GCF, Blue Co allows non-accredited NDBs, like the Bahamas Development Bank, to access project preparation support for a highly relevant sector, as well as small-scale, concessional funding appropriate for projects in smaller economies (CDB, 2023).

VCEFs, MDBs and NDBs should collaborate to enhance synergies in project preparation support. Concessional resources for project preparation are clearly limited, and misalignment on how this support is delivered can result in fragmented or duplicative efforts.

- **Grants for project preparation** are sometimes offered with conditions or characteristics that limit their effectiveness. For example, resources are frequently untied to specific projects, misaligned with project development timelines, or restricted to particular sectors, causing a lack of adequate and timely project preparation support (WB, 2024). Another example is how some VECFs might impose financial caps, such as the USD 30 million annual grant limit under the CIF's Clean Technology Fund introduced for risk management purposes. This can constrain grant disbursement and limit the flexibility needed to meet national governments' (TA) requirements. A more adaptive, pipeline-responsive financial policy that is better aligned with MDBs and NDBs' delivery model can support TA-dependent projects in a timely and efficient manner (CIF, 2024c).
- Stronger coordination between the concessional finance available from VCEFs and MDBs for project preparation would significantly improve the efficiency and effectiveness of project preparation efforts.

A new World Bank initiative, the International Development Association Grant Facility for Project Preparation, announced in 2024, aims to provide grant funding for the poorest countries to help underdeveloped projects earlier in the preparation phase, to lead to higher project quality and more bankable proposals. This structure is being proposed in response to a request for MDBs to increase investment for project preparation facilities (IDA, 2024). Considering that VCEFs have the ability to provide similar offerings, grants, or highly concessional funding to the most climate-vulnerable countries, the World Bank, VCEFs, and NDBs have an opportunity to leverage lessons learned from the bank's new initiative to replicate across funding sources.

Case study 14: Rwanda Green Investment Facility

The Government of Rwanda is pursuing several measures for low-carbon and climate-resilient growth and development consistent with its national development plans and commitment under the Paris Agreement. In 2020, the government pledged to raise 11 USD billion to deliver on its NDC goals (Republic of Rwanda, 2021). The setting up, capitalization and operationalization of a green bank facility is seen as one of the key vehicles that can help achieve the NDC targets.

The Rwanda Green Investment Facility (RGIF) was approved by the GCF Board in October 2023. RGIF will operate through two financing facilities to support the reduction of the risks associated with private sector projects in climate change mitigation and adaptation in Rwanda. AfDB is acting as Accredited Entity for the project, with Rwandan ministries and institutions (including the Banque Rwandaise de Développement (BRD)) acting as

Executing Entities. The GCF is contributing 43 USD million, split into 13 USD million in grants and 30 USD million for the credit facility. Almost 100 USD million in co-financing (in the form of grants, loans and guarantees) is expected to come from DANIDA, FCDO, AFD, EIB, BRD, SIDA and the AfDB, demonstrating a wide co-financing arrangement across VCEFs, MDBs, NDBs and bilateral development agencies.

A PPF will offer grants and reimbursable grants enhance the feasibility of climate projects, while the credit facility operated by BRD will provide concessional loans directly to green projects as well as guarantee support. The PPF of the RGIF is a dedicated facility that provides reimbursable and non-reimbursable grants to support early-stage project development and improve the bankability of eligible projects. The purpose of the PPF is to help projects transition "from feasibility to bankability" and assist projects to secure commercial finance through the finance arm of the RGIF and other financiers. With grant money often in limited supply, PPF funds are intended to provide "catalytic" funding at an early stage for transactions that may otherwise be too risky or complex to pursue.

IMPROVED UNDERSTANDING: DATA, KNOWLEDGE SHARING AND INFORMATION EXCHANGE

Improved sharing of relevant experiences and lessons learned between VCEFs, MDBs and NDBs offers significant potential to boost capacity and erode information asymmetries that are holding back innovation. MDBs have valuable experience with climate finance instruments geared toward private finance mobilization as well as experience in tracking both volumes of climate financing and results of climate financing, which is valuable and worthwhile for all institutions. NDBs, on the other hand, can contribute dynamic insight of local financing needs, barriers and opportunities to make sure VCEF and MDB financing is well-tailored to domestic circumstances.

This does not need to start from scratch, as there are existing channels and fora for knowledge sharing between VCEFs, MDBs and NDBs. However, these should be assessed to see what works, with the most effective approaches being scaled up as appropriate to ensure that all interested institutions can participate and learn. Options that instill lasting knowledge and skill-share in an organization, such as personnel exchange or secondment programs, should be prioritized, especially for increasing capacity for smaller NDBs.

Accessible and robust data is an essential enabler of well-informed climate finance decision-making. As well as harmonizing across definitions and methodologies for tracking, monitoring and reporting, VCEFs, MDBs and NDBs need to collaborate to ensure the valuable data collected in these exercises is adequately shared. Working toward a coordinated approach to sharing data could accelerate implementation on the ground and improve the quality of future opportunities and proposals.

ACCESSIBILITY AND PREDICTABILITY OF TA RESOURCES

VCEFs, MDBs, and NDBs can collaborate on ensuring that TA resources are accessible and predictable, both for inter-institutional TA and for TA resources being requested by external parties such as developers and local implementing institutions.

Available resources can be difficult to identify, and once identified, it is not always straightforward for potential recipients to understand their eligibility for specific types of TA. As with co-financing, well-designed digital tools that can simplify this landscape can be valuable. An example of this is the Global Capacity Building Coalition's Knowledge Hub, which provides a one-stop shop for publicly available climate finance capacity-building resources for financial institutions in EMDEs.

VCEFS, MDBs, and NDBs could also collaborate to set up long-term climate finance TA units focused on knowledge transfer for NDBs. To ensure predictability for the institutions involved, these units should be equipped with sustained funding for long-term TA and capacity building to support institutional and technical development within NDBs.

3.3 ENHANCING THE ENABLING ENVIRONMENT

An enabling environment is essential for catalyzing and scaling climate finance from public and, particularly, private sources. This encompasses policies (laws and regulations), incentives, standards, information, and institutions to encourage or facilitate investment. This also includes both price-based and non-price-based interventions (for example, carbon pricing; command-and-control standards) to overcome market failures inhibiting or disincentivizing climate investment.

Various policy tools can support the development of an enabling environment that is more prone to climate action. Supply-side interventions include grants, subsidies, preferential tax treatment, and regulatory change. Demand-side support includes public procurement schemes, advanced market commitments, and consumer tax credits (TF CLIMA, 2024).

Fostering enabling environments in EMDEs can unlock private climate finance at greater pace and scale. Various countries are yet to regulate high-emitting or non-resilient activities, which could shift private businesses toward climate-aligned activities. Price externalities and subsidies create an uneven playing field for mitigation solutions *vis-à-vis* fossil fuels. Private actors also often lack awareness and information on viable green activities. Uncertainty over regulations and technology costs is also particularly high in hard-to-abate sectors such as industry, aviation, and shipping, and for adaptation and resilience activities, where proof of concept may be lacking (ODI, 2023).

MDBs, VCEFs, and NDBs all have roles to play in crafting enabling environments for climate action in recipient countries. Working with recipient country governments upstream to improve or implement conducive policy and regulatory reform will help to unlock additional private investment downstream, in combination with midstream efforts to build the pipeline of bankable projects (see Section 3.2). Precisely how MDBs, VCEFs and NDBs can contribute to improving the enabling environment is dependent on the particular actor in question and the toolkit afforded by their particular mandate and financial or operating model. Elucidating who currently does what, and how, can help clarify options for more collaboration to maximize the efficiency and effectiveness of upstream policy work.

- **MDBs can harness their broad technical expertise, financing instruments, convening power, and existing government relationships to encourage and guide climate-positive policy and regulatory reform**. For example, MDBs already have a track record supporting the development of Long-Term Strategies (LTSs) with a view to informing shorter-term climate action plans including NDCs and NAPs (World Bank, 2024a). In this regard, MDBs have directly engaged with and supported client country ministries to formulate and work toward delivering LTS-related activities (World Bank, 2024a). LTSs send clear market signals and crystallize the suite of investments and policies to deliver on climate goals. In addition to guiding planning, some MDBs have also used policy-based lending—of over USD 10 billion in 2023 alone—to directly support developments that improve enabling environments for climate action (EIB, 2024). Policy-based lending offers direct budgetary support in exchange for pre-agreed policy actions or reform, which can include climate-positive measures. To date, MDBs have focused these operations in countries with relatively higher incomes and the capacity to execute on the stipulated policy measures (IDB, 2024b).
- **VCEFs bring grants, concessional funding, and direct TA to kickstart the policy push to create enabling environments for climate investment.** The CIF's Technical Assistance Facility mostly provides upstream support for enabling environments, such as CTF and SREP which work with line ministries and regulators to facilitate new clean energy technologies (CIF, 2022b). The GCF Readiness Programme also strengthens institutional and regulatory frameworks through small grants (Valverde et al., 2022). The VCEFs can further target grants and TA for countries with particularly weak enabling environments, helping them to initiate climate-related policies that would not otherwise be fostered, given governments' lack of resources or conflicting priorities.
- **NDBs can leverage their proximity to national governments to help influence, and in turn benefit from, climate-positive policies and regulatory reforms.** NDBs tend to be integrated into the policy process of national governments to different degrees and can act as both advocates and agents of policy change, facilitating government-led agendas (ODI, 2020). Complementing the top-down work of MDBs, NDBs are well-placed to assist governments in translating climate plans (NDCs; NAPs) into investable activities, providing a bottom-up perspective that leverages their local knowledge and sector-specific expertise (ODI, 2020). NDBs also have a unique role in terms of subnational engagement with municipal governments. They may assist municipalities to develop long-term, climate-smart planning (often in relation to infrastructure projects) (CCFLA, 2020).

Case Study 15: Providing TA for regulatory and policy development supporting climate finance

Supported by a grant from the GFS TA Program, the Central Bank of Kenya (CBK) recently released the Kenya Green Finance Taxonomy and Climate Risk Disclosure Framework. The taxonomy and framework are part of ongoing efforts from the CBK to integrate climate considerations into the bank's and the banking sector's activities, and to drive climate-related investments. The taxonomy draws on Kenya's NDCs around adaptation and mitigation, with room to integrate other objectives like biodiversity in subsequent editions. The framework aims to provide greater transparency for investors and other stakeholders to support more investments in climate-related sectors and transitions to resilient practices (Central Bank of Kenya, 2025).

Options for more and better collaboration will depend on the specific recipient country and the existing levels and forms of policy support received from MDBs, VCEFs and NDBs. Evidently, there is already some overlap in the kinds of upstream policy work these actors provide and options for collaboration depend on the existing work in a particular recipient country, and the extent to which (and in what ways) the enabling environment is lacking. One option in relation to policy-based lending by MDBs, is to include a component stipulating the design of a climate-related mandate for NDBs, thereby ensuring the NDB works in coherence with national climate goals (Germanwatch, 2025).

In countries with strong NDBs, the focus should be on more—and more targeted—coordination with MDBs to jointly mainstream climate-related considerations into public administration and infrastructure planning, joining forces to support the national government (Germanwatch, 2025). In countries where NDBs are not fully embedded in economic development planning, MDBs, through their existing country-level dialogues and government relationships, can push to ensure NDBs have a seat at the table and are co-creators of policy planning and regulatory reform.

Ultimately, country platforms—with domestic government stakeholders at its center—can help coordinate efforts on upstream policy support among the MDBs, VCEFs, and NDBs. This can help to better clarify who can help with what, and what still needs to be done, in order to enable climate action at the scale and pace needed (see also Section 3.1).

RECOMMENDATIONS

Priority efforts to improve collaboration between VCEFs, MDBs and NDBs to enhance their collective climate finance provision and their private capital mobilization could include the following.

Recommendation		Link to previous G20 Recommendations	Timeline[32]
Create a one-stop shop for information on VCEF financing	**VCEFs** should collaborate on an accessible tool that maps out their various financing windows and opportunities, with details of eligibility criteria, other access requirements, target beneficiaries, and levels of concessionality. This effort can build on the VCEFs' existing Climate Project Explorer.	**Brazil VCEF IHLEG, 2024:** Review the full range of concessional climate finance entities and streams within the global finance architecture to identify opportunities to enhance the effectiveness and efficiency of this system.	Short-term
	MDBs, NDBs, and other collaborating institutions can use this one-stop shop to effectively target proposals to the right fund, program or pot of funding.		
	MDBs should also consider providing accessible and transparent information on the range of instruments they are able to provide and their windows of finance, to give governments a clearer view of the finance that is available and the access criteria that need to be met.		
Harmonize metrics and standards	**MDBs and VCEFs** should jointly identify which existing metrics on pipelines and impact best measure success and how they can be harmonized.	**Brazil VCEF IHLEG, 2024:** Enable systematic exchanges across Funds at the operational level and formalize joint working groups for regular progress updates on reform and performance, including on pipelines and impact metrics. **Indonesia, 2022:** *Rec 6*: Relevant international organizations should coordinate their efforts…including by supporting efforts to improve comparability, transparency, and broad-based access to tools, technologies and methodologies. *Rec 14*: Cooperation between MDBs, bilateral DFIs, TA providers, country authorities, and international organizations to develop comparable indicators or tools.	Short-term
	VCEFs can build on existing MDB efforts to harmonize the definitions and methodologies used for co-financing, private and domestic capital mobilization, financial leverage and rate of concessionality across institutions, with a view to report aggregated figures of their outflows.		
	MDBs and VCEFs, with NDB support, can develop and provide TA initiatives for NDBs (where requested) to develop capabilities to track and report against any harmonized metrics.		

32 These recommendations aim to foster more and better climate action by VCEFs, MDBs and NDBs by 2030, in line with international climate targets. In the table Short term = 1-2 years (by 2026-2027) and Mid-term = 3-4 years (by 2028-2029).

Recommendation		Link to previous G20 Recommendations	Timeline[32]
Collaborate to provide targeted programmatic support for country platforms	**VCEFs, MDBs and NDBs, with the support of national governments,** should utilize their respective strengths and work as a system and within the system to enhance country platforms, guided by country-led priorities, aligned with Long Term Strategies, NDCs, and/or National Adaptation Plans.	**Brazil VCEF IHLEG, 2024:** The VCEFs should enhance their transformational impact by working as a system to support country-driven platforms and their related investment pipelines. [Various actions are also detailed to facilitate this programmatic support]. **India, 2023**: *Rec 3*: MDB finance should be leveraged for financing sustainability-aligned projects that are tailored to the needs of various countries, including by catalyzing private capital flows to make more social impact investment projects commercially viable, where appropriate.	Short-term
	Where country platforms are already established or emerging, **MDBs, VCEFs, and the relevant NDBs** should coordinate their work to ensure strategic alignment and enable information exchange, including for mobilization of private capital, under the leadership of **national governments**.		
Pursue interoperability to simplify engagement	**VCEFs, MDBs and NDBs** should harmonize due diligence processes between and within institution types to ease private sector engagement, potentially involving or relying on existing MoUs or mutual reliance agreements between organizations, thus making approvals transferrable across institutions. Throughout these efforts, ensure the highest environmental and social standards for safeguards are attained.	**Brazil VCEF IHLEG, 2024:** Harmonize standards and procedures required of all projects, taking account of work on MDB reform, develop joint guidance on policy compliance, and increase alignment between project approval processes and templates to enable and incentivize the development of joint/parallel initiatives that leverage the comparative advantages of each fund.	Short-term
	VCEFs should enable cross-recognition of accreditation across funds in specific contexts, such as when an Accredited Entity has delivered financing in a specific sector with one fund, and is seeking similar financing from a fund to which it is not yet accredited.		
Unlock the full potential of NDBs	**VCEFs** should establish dedicated funding for proposals from Accredited Entities, including MDBs, that involve co-financing or partnering with unaccredited NDBs to expand NDBs' access to VCEF funds.	n/a	Mid-term
	NDBs and national governments should work together to build a coherent "whole-of-PDB system" by mirroring the ongoing MDB roadmap to PDBs and enabling mutual recognition of procedures and standards among all actors. This includes setting out how collaboration between VCEFs and MDBs can support the delivery of this roadmap. ***Note: this recommendation is also related to the work of the International Financial Architecture Working Group of the G20.***		

Recommendation		Link to previous G20 Recommendations	Timeline[32]
Enhance knowledge sharing	**VCEFs, MDBs and NDBs** should formalize routes for sharing lessons learned and best practices from co-financing efforts to mitigate risks of delays and to avoid high transaction costs, moving forward.	n/a	Short-term
	VCEFs, MDBs and NDBs should develop and formalize exchange or secondment programs from NDBs with capacity-building needs to other DFIs, MDBs, and VCEFs, in order to develop in-house knowledge concerning climate finance solutions.		
Maintain momentum on improving the efficiency of key VCEF processes	**VCEFs** should build on recent improvements to processes for accreditation, approvals and disbursements.	**Brazil VCEF IHLEG, 2024:** Building on work to date, VCEFs should engage in a time-bound process to enhance the effectiveness and efficiency of their systems and procedures.	Short-term
Collaborate to deliver transformational finance	**VCEFs and MDBs, with NDBs' support,** should jointly identify where financial collaboration can establish new markets in climate finance and financing SDGs, particularly for adaptation and biodiversity.	n/a	Short-term
Structure programs to allow responsiveness to private mobilization opportunities	Within programmatic structures and facilities, **VCEFs** should reserve Board approvals for program-level decisions and explore the delegation of project-by-project approvals to the Accredited Entity. This can improve flexibility and enable agile responses to fast-changing market conditions and associated investment opportunities.	**Brazil VCEF IHLEG, 2024:** Ensure the flexibility of existing funds, including the VCEFs, to adapt to evolving needs and challenges in terms of financial instruments, application of finance, risk-bearing capacity, and operational efficiencies.	Short-term
Explore innovative finance approaches and enhance resource efficiency	Pursue innovative instruments with the private sector taking a leading role, supported by effective partnerships between **VCEFs and MDBs**. This may include using grants and/or concessional finance from VCEFs to enable the provision of guarantees, catalytic equity financing and other innovative financing tools, where appropriate. This should ensure additionality and minimum concessionality, taking stock of the MDBs constraints.	**Italy, 2021:** *Rec 1*: MDBs should increasingly diversify the type of financing instruments used for climate finance, with a view to achieving a more balanced mix between investments, loans, and other instruments. These include grants, policy-based lending, guarantees, and other lines of credit. *Rec 2*: MDBs should scale up their de-risking facilities for crowding in private finance. **Indonesia, 2022**: *Rec 13*: Explore alternative sustainable finance mechanisms, such as serving as cornerstone investors for sustainable or transition projects or organizing demonstration projects in developing countries to support the generation of an investable SDG- or Paris-aligned pipeline.	Mid-term

	Recommendation	Link to previous G20 Recommendations	Timeline[32]
	Develop innovative partnerships between VCEFs and MDBs to increase the financial leverage of VCEF resources directed toward the public sector. This could include VCEFs investing in new financial instruments created by MDBs, such as guarantees and hybrid capital.	**India, 2023**: *Rec 3*: Providers of public finance should create frameworks, instruments and innovative incentive mechanisms, including structured finance instruments, to steer effort toward mobilizing private capital to finance climate projects. *Rec 5*: MDBs, DFIs, and other development banks should consider scaling up, as appropriate, and while retaining adequate risk management, emerging innovative risk-sharing mechanisms. *Rec 8*: MDBs, DFIs, and other development banks should explore applying active risk management approaches to climate projects and expanding and customizing guarantee instruments.	Short-term
Reduce fragmentation in the provision of TA	**VCEFs and MDBs** should set up long-term climate finance TA programs focused on knowledge transfer **in consultation with NDBs**. These programs should be equipped with sustained funding for long-term TA and capacity building to support institutional and technical development within NDBs.	**Indonesia, 2022**: *Rec 12*: MDBs, TA providers, and international organizations can focus on capacity-building programs that address the development of sustainability alignment approaches, sustainable finance policies and regulation (including disclosure requirements), verification services, ESG rating methodologies, policy incentives, green finance product development, and application of fintech tools to sustainable finance. **India, 2023** (G20 Technical Assistance Action Plan): *Rec 4*: Relevant International Organizations, regional and international fora, MDBs, DFIs, and other development banks should encourage and support the development of a well-coordinated international network of capacity-building service providers to help scale up their efforts, foster exchange of best practices, develop higher-quality contents for global usage, and better connect content providers with countries and audiences in need.	Short-term
Maximize the impact of project preparation support	**VCEFs and MDBs, with NDBs' support,** should create a streamlined pathway from project preparation support to project financing to ensure valuable pipeline opportunities move toward implementation, also through joint VCEF-MDB-NDB PPF programs. Where relevant, NDBs should be leveraged to develop a pipeline of bankable projects. This could be aided through concessional project preparation support from **VCEFs and MDBs, with the support of national governments,** looking first to existing facilities.	**Brazil VCEF IHLEG, 2024:** Enhance project preparation support, particularly for early-stage infrastructure projects.	Mid-term

ANNEX 1: METHODOLOGY

QUANTITATIVE DATA

This report gathered data from VCEFs to assess co-financing and mobilization volumes. This exercise focused on the CIF, GEF and GCF, as the Adaptation Fund does not collect data on co-financing. It also excludes wider environmental projects and programs funded by the GEF that extend beyond climate finance. In addition, there is likely to be variation in what is counted as co-financing across VCEFs in this data, due to the different definitions used by each institution.

The process conducted to build the database presented in the analysis in Section 2 can be broadly divided into the stages of collection, extraction, validation, cleaning, and standardization. Due to data availability, *ex ante* climate finance data has been used here.

DATA COLLECTION

The collection phase involved the gathering of project-level data from the aforementioned VCEFs and supplementing missing variables (such as sector, instrument or project name) from relevant project documentation (such as project approval PDFs). At a minimum, the objective was to collect data on 1) institution type, 2) instrument, and 3) financing value for each instance of an institution providing co-financing or private sector investment.

The data was obtained directly from the respective VCEFs through either a data request or from publicly available data. Due to the need for timeliness and a consolidated dataset, any resulting data gaps following collection of project-level data from the VCEFs were addressed through a web scraping exercise, primarily encompassing general project characteristics and funding documentation.

EXTRACTION

The extraction phase encompassed the retrieval of specific data points out of project funding documentation that were missing from the collection efforts. It was carried out through a combination of keyword searching with machine learning methods.

The documentation used for extraction corresponds to the publicly available resources from VCEFs' websites.[33] The predominantly consistent format that VCEFs follow for funding documentation was used to pull out the relevant section of the text with co-financing information by searching for keywords. Then, a large language machine learning model (GPT) enhanced with retrieval augmented generation (RAG) was prompted to extract the data through calls to OpenAI's API.

33 Funding documents at the approved stage of the project cycle were chosen given that funds earnmarked by the VCEFs were actually secured for the projects at that stage of the process. The documents of reference were "CEO Approved" financing for GEF, "Approved funding proposal" for GCF

VALIDATION

Validation efforts were largely focused on co-financing data extracted from project documentation. In these cases, a two-step manual review process was employed to validate machine learning extraction. Extracted co-financing results were validated across three dimensions, namely, co-financing institution name, amount, and value per financial instrument.

CLEANING AND STANDARDIZATION

The processing stage encompassed taxonomy mapping, standardization, and cleaning to build a consolidated dataset. Taxonomy mapping consisted in normalizing the data to match CPI's taxonomy regarding regions, sectors, instruments, and institution types (CPI, 2023). The data was reformatted to match specific data needs of the project. Namely, transregional projects were associated to the region of the world they covered, or were left as transregional if they targeted more than one region.

Special emphasis was put on institution identification. Through a combination of desk research and cross-referencing to a database of PDBs, institutions were categorized according to their type. These categories are "MDB", "VCEF", "National/Subnational Development Bank", "Private Sector"[34] "DFI"[35], "Government", "Funds", "Other VCEF"[36], "Other",[37] "Unknown".

LIMITATIONS

Although a machine learning approach is deemed optimal given the timeline and volume of project documentation files to process, this method entails a degree of statistical error or hallucination. Furthermore, the resulting output also relies on how complete and accurate the data provided and extracted is.

QUALITATIVE DATA

In addition to the quantitave data collection exercise detailed above, this report also made extensive use of other research methods, including:

- Desk-based research, covering relevant reports, academic articles and project documentation from in-scope institutions.
- Expert interviews with VCEFs, MDBs, NDBs, private sector institutions, research organizations and other relevant actors.
- Collaboration with authors of relevant work being produced in tandem with this report, including FERDI, the IDFC and Thomas Marois.

34 including private third sector organizations, corporations, commercial financial institutions, and institutional investors
35 including bilateral DFIs, and DFIs
36 VCEFs that co-financed another VCEF's project
37 including state-owned enterprises, state-owned financial institutions, and public third sector organizations

ANNEX 2: DEFINITIONS

Table A2.1: Definitions of entity types

Term	Definition
Vertical climate and environment funds (VCEFs)	Specialized multilateral funds dedicated to financing climate and environmental projects. The VCEFs covered by this paper are: the Global Environment Facility (GEF), the Adaptation Fund, the Climate Investment Funds (CIF), and the Green Climate Fund (GCF) (IHELG, 2024c).
Multilateral development banks (MDBs)	International institutions—global or regional—that provide financing for development. MDBs pool resources from and are collectively governed by multiple countries. They use their government-provided capital and strong credit ratings to raise additional finance from global capital markets. Examples include the World Bank Group, African Development Bank, Asian Development Bank, and Inter-American Development Bank.
National development banks (NDBs)	Also often referred to as national Development Finance Institutions (DFIs), NDBs include public banks, policy banks, or promotional banks, are 'any type of financial institution that a national government fully or partially owns or controls and has been given an explicit legal mandate to reach socioeconomic goals in a region, sector, or market segment' (CCFLA, 2025).
Public development banks (PDBs)	Publicly initiated financial institutions with an explicit mandate to advance public policy objectives. They are government-backed banks set up to finance development projects and goals, rather than to maximize profits. PDBs are often referred to interchangeably with DFIs, emphasizing their developmental mission and financing role. According to the ownership structure, PDB umbrella encompasses multinational, initiated and owned by entities from more than two countries; national, created and owned by a central government (or national public entities), or private sectors in rare cases; and subnational, established and owned by a local government entity or jointly by several local governments (Xu et al., 2021).

The common co-financing and mobilization terms adopted for the purposes of this report are laid out in Section 2.1 (Table 2.1). The table below provides further context by outlining the differentiated co-financing definitions for different VCEFs, MDBs, and NDBs.

Table A2.2: Co-financing definitions from a subset of VCEFs, MDBs and NDBs

Actor	Co-financing definition
GEF	Financing that is additional to GEF Project Financing, and that supports the implementation of a GEF-financed project or program and the achievement of its objective(s).
GCF	Broken down into public finance and private finance: financial resources other than GCF proceeds that are provided to implement Funded Activities from (i) bodies with ≥50% public ownership, and (ii) bodies that are ≥50% owned/controlled by private shareholders, respectively.
CIF	Financial resources contributed by external partners, with co-financing amounts quantified based on figures provided by implementing partners at the time of project approval, with no requirement for evidence of causality.
Joint MDB Group	The volume of financial resources invested by other public and private external parties alongside the MDBs for climate change mitigation and adaptation activities.
IDB	The IDB furnishes part of the resources needed by the project and assumes responsibility for the analysis and supervision of the project, as well as the administration of the joint financing.

Actor	Co-financing definition
WBG	Any arrangement where resources are pooled with those from a third party (co-financier) to jointly finance World Bank projects or programs that are led by the International Bank for Reconstruction and Development or IDA. Private finance mobilization is defined separately.
BOAD	Joint financing of a project by the bank with other financial partners, apart from the borrower.
CAF	Jointly meet the borrowing needs of a client with other institution(s). Co-financing can be structured: (i) under a single loan agreement, or (ii) by separate agreements, with an agreement between creditors.

The table below outlines other relevant terms referred to in this report.

Table A2.3: Other relevant terms

Term	Definition
On-lending	Equivalent to relending in connection with new money loans. The funds are recorded as a deposit by the central bank, but the foreign bank and the contractual borrower (usually the central bank) agree that the loan proceeds will be made available to a third party in the country of the borrower. This can also include providing equity or guarantees to other entities. (Government of Nepal, 2017).
Concessional finance	Finance provided by public financial institutions at below-market rates or with other preferential conditions. This term does not represent a single mechanism or type of financial support but comprises a range of products offered on preferential terms such as lower or zero interest rates, longer tenors, and repayment grace periods.
Non-financial collaboration	Partnerships and cooperative efforts that do not involve direct funding but instead focus on sharing resources like knowledge, expertise, data, or coordination capacity (UNDP, 2019).
Capacity building[38]	The long-term process of enhancing the skills, knowledge, tools, and institutional structures necessary for improving the performance of individuals, organizations, and systems. It fosters long-term sustainability by strengthening technical expertise, policy and regulatory frameworks, financial management, project development, and governance structures. This process spans multiple levels of education, training, networking, and knowledge sharing and learning.
Technical assistance (TA)[39]	TA provides immediate expertise to address specific challenges, such as targeted advisory services, specialized training, and expert guidance. It includes policy development, institutional strengthening, knowledge transfer to improve decision-making and implementation, and project preparation.
Project preparation support	Provides assistance to the initial phase of a project that involves defining objectives, assessing feasibility, planning resources, identifying risks, and establishing a structured framework to ensure successful execution.

38 The definition of capacity building draws from definitions from the UN and weADAPT.
39 The definitions for TA, and project preparation support draw from those of CPI, the AfDB, and the Institute of Development Studies.

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