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Beyond Tripling: The Role of UNFCCC Climate Funds in Delivering the NCQG

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1. UNFCCC climate funds and the NCQG

At COP29 in Baku, the adoption of the New Collective Quantified Goal (NCQG) on climate finance marked a significant evolution from the previous USD 100 billion annual commitment. The NCQG sets a new target of USD 300 billion per year by 2035, with an overarching ambition to mobilise USD 1.3 trillion annually for developing countries. A key paragraph in the decision underscores that a larger share of climate finance should flow through the UNFCCC climate funds, highlighting their central role in delivering accessible, equitable and accountable support to developing

countries. Historically, these funds have constituted a small fraction of international climate finance – only about 1.5% in 2022[1,2,3]. Despite the rather low share in international climate finance, they are valued for providing direct access to developing country institutions and offering a higher proportion of grants and highly concessional financing.

Accordingly, the NCQG decision highlights not only the volumes of finance the UNFCCC funds disburse, but also emphasises the qualitative dimensions. These include improved access to finance, particularly for Least Developed Countries (LDCs) and Small Island Developing States (SIDS), and greater harmonisation across institutions to reduce complexity and increase coherence. Strengthening and scaling the role of these funds is essential to realising the NCQG in a way that is effective, equitable and responsive to the realities on the ground.

This policy brief analyses the NCQG commitment to at least triple annual outflows from UNFCCC climate funds by 2030 (from 2022 levels) and to significantly increase their share in delivering the USD 300 billion climate finance goal for 2035. It reviews past trends in the share of climate finance delivered through those funds, alongside total and individual fund outflows. It offers potential interpretations of the NCQG targets and their timeframes, and considers collective vs. individual fund approaches, the inclusion of the Fund for Responding to Loss and Damage (FrLD), and implications for adaptation finance. The brief examines institutional, policy, resource mobilisation and demand factors affecting each fund's potential approaches towards increasing outflows while safeguarding qualitative objectives such as equity and direct access. It also assesses how these funds contribute to mobilising public and private finance, both directly and indirectly, towards the USD 1.3 trillion goal. Finally, it offers recommendations with a view to the Baku to Belem Roadmap and ensuring that the UNFCCC fund-related commitments in the NCQG decision are interpreted in a way that maximises their transformative potential.

Overview of relevant paragraphs in the NCQG decision text that speak to multilateral climate funds:

13. *Recognizes that* ***multilateral climate funds****, including the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund,* ***are key in supporting developing country Parties*** *and encourages Parties to work through the governing bodies on which they serve to continue enhancing climate finance, including with respect to coherence, complementarity and access;*

16. *Decides that a significant increase of public resources should be provided through the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund and also* ***decides to pursue efforts to at least triple annual outflows from those Funds from 2022 levels by 2030 at the latest with a view to significantly scaling up the share of finance delivered through them*** *in delivering on the goal [300 billion target] contained in paragraph 8 above;*

24. ***Calls on multilateral climate funds****, including the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund,* ***to strengthen their efforts to enhance access and promote effectiveness****, including by, as appropriate:*

- ***(a)*** *Scaling up and prioritizing* ***direct access****;*
- ***(b)*** *Simplifying and harmonizing application pre-approval and post-approval requirements and disbursement processes;*
- ***(c)*** *Establishing flexible information requirements;*
- ***(d)*** *Promoting programmatic approaches;*
- ***(e)*** *Streamlining reporting requirements;*

1 Based on own calculations with numbers from the SCF Biennial Assessment and OECD (2024).
2 OECD (2024), Climate Finance Provided and Mobilised by Developed Countries in 2013-2022, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, https://doi.org/10.1787/19150727-en
3 UNFCCC Standing Committee on Finance (2024). Sixth Biennial Assessment and Overview of Climate Finance Flows. https://unfccc.int/sites/default/files/resource/UNFCCC_BA6_Report_Web_Apr2025.pdf?download

Why only UNFCCC funds?

Paragraphs 13 and 24 of the NCQG decision refer broadly to multilateral climate funds, which may include entities not governed by the UNFCCC, for example, the Climate Investment Funds. In contrast, paragraph 16 – the primary focus of this policy brief – specifically addresses the UNFCCC climate funds. Consequently, this brief concentrates on those funds uniquely governed under the UNFCCC framework: the operating entities of the Financial Mechanism, including the Green Climate Fund (GCF), the Global Environment Facility (GEF), and the FrLD, as well as the Adaptation Fund (AF), the Least Developed Countries Fund (LDCF), and the Special Climate Change Fund (SCCF), which, while not part of the Financial Mechanism, are explicitly mentioned in the decision. These funds are uniquely governed under the UNFCCC framework and directly reflect the principles and priorities set out in the NCQG decision. They are designed to address the specific needs of vulnerable countries and are subject to common standards of transparency, accountability and inclusiveness.

2. Outflow ambition and increased delivery share: Intrinsically linked under the NCQG

This section analyses how the NCQG's two quantitative targets – which aim to at least triple UNFCCC climate fund outflows by 2030 and significantly increasing their share in overall climate finance – are interconnected, and examines the implications for financing trends beyond 2030, all in the context of shrinking Official Development Assistance (ODA) and growing needs to finance mitigation, adaptation, and responding to loss and damage

2.1 Delivery share of UNFCCC climate funds in times of shrinking ODA finance

Climate and development finance are often treated as separate policy areas, yet they draw from the same limited pool of public resources and serve overlapping goals. When the UNFCCC was adopted, it clearly stipulated that climate finance should be *new and additional* to traditional development finance. In practice, however, a significant share of reported climate finance is counted as part of ODA – without being additional to the long-standing 0.7% GNI commitment for ODA – which remains unmet by many contributors. As pressure on public budgets grows in many developed countries, there is an increasing risk that climate finance will be further squeezed as part of broader development budget cuts.

This dynamic also affects contributions to UNFCCC climate funds, which are typically sourced from countries' development cooperation budgets and hence reflected in ODA reporting. In times of shrinking ODA budgets, contributions to these multilateral climate funds may be deprioritised or reduced. This would be a problematic trend, particularly in light of the commitment under the NCQG to significantly scale up both the quantity of finance and the share delivered through UNFCCC funds (paragraph 16 of the NCQG decision). The current ambition to *at least triple* fund outflows will not be achievable without significant and predictable contributions from developed countries.

Moreover, a continued reliance on bilateral channels to deliver climate finance poses risks for developing countries, especially the most vulnerable. Recent geopolitical developments have shown how quickly bilateral development cooperation – including climate finance – can be suspended or redirected, leaving recipient countries and communities without critical support. In contrast, multilateral climate funds offer more stability, as they pool resources from multiple contributors and apply governance structures that insulate them from abrupt political shifts in individual donor countries. They also embody a commitment to strong multilateralism – a principle that is increasingly under pressure in the current geopolitical climate – and demonstrate that collective, rules-based approaches remain both possible and effective. Accordingly, scaling up finance through UNFCCC climate funds – even, and especially, in fiscally constrained times – would help buffer recipient countries against such shocks and support a more predictable and equitable climate finance architecture.

The multilateral climate funds also offer a potential upside – the opportunity to achieve more with the available resources. Due to their ability to pool funds, take on larger risks, and to pioneer transformative approaches, they can effectively mobilise private and public co-financing.[4] Several of them have also established innovative ways to access

4 Methodological constraints limit the comparability between funds and with other sources of public climate finance, as to their exact mobilization capacity (see UNFCCC (2024) Sixth Biennial Assessment Report).

non-contributor funding. The Adaptation Fund, for example, can receive private donations and will also eventually receive a share of proceeds from the Article 6 implementation. Other innovative ways to raise funds are also under consideration – for instance, by accessing capital markets or by receiving funds raised through solidarity levies. In addition, the Climate Investment Funds (CIF) mobilises private capital through capital markets; a mechanism that the GCF is also currently considering. As to the potential of levies, the GCF proactively offered to handle the revenues collected through the IMO net-zero framework;[5] however, a decision was taken to establish a dedicated IMO Net-Zero Fund. Multiple climate funds have also indicated an interest in channelling the funds to be collected by coalitions associated with the Global Solidarity Levies Task Force (GSLTF). The first coalition under the GSLTF focuses on premium aviation air travel.

2.2 Two intrinsically linked UNFCCC climate fund targets and their implications for outflows in 2030–2035

This section explores the relationship between two key elements of the NCQG decision text: the target *to at least triple outflows* from UNFCCC climate funds by 2030, and the commitment to *significantly scale up the share of climate finance* delivered through these funds – in the context of the USD 300 billion per year climate finance goal by 2035.

It is important to understand that these are not two separate or unrelated targets. The NCQG decision clearly links the target to triple outflows to the broader goal of significantly increasing the role of UNFCCC funds in delivering overall climate finance. However, the linkage is complex, as the targets refer to different timeframes: the "goal to at least triple outflows" is set for 2030, while the scaling up of the share of finance through UNFCCC funds is tied to the 2035 "at least USD 300 billion" target.

This has important implications. A mere tripling of outflows by 2030, followed by stagnation until 2035, would do little more than technically meet the tripling target – without, however, contributing to a significantly scaled up share of climate finance delivered through these climate funds. Whether it could satisfy the condition of a significant increase depends on a couple of assumptions: i) whether the reference share is 2022, or whether the share is relative to USD 100 billion; and ii) how much the share would need to increase by to be significant. Assuming the reference share is 2022, the share of climate finance flowing through the UNFCCC climate funds would still have increased, as the total climate finance would less than triple - from USD 115.9 billion to USD 300 billion. However, the increase in the share would be minimal – from 1.5% (see section below) to 1.74% – meaning it would hardly qualify as a significant increase. Assuming the USD 100 billion goal as a reference value for the share and a linear increase towards the USD 300 billion target, the share of climate finance would temporarily increase until 2030 but revert to its original 2022 level by 2035. Hence, in neither of these scenarios would the second condition for achieving the goal be met. Accordingly, for the share to genuinely and significantly increase, as mandated by the NCQG, outflows from the UNFCCC funds would need to continue growing well beyond the tripling benchmark, particularly during the period from 2030 to 2035.

At the same time, this short-term tripling target for 2030 – set five years ahead of the broader 2035 goal – clearly signals the urgency and importance that negotiators place on scaling up climate finance through UNFCCC climate funds. This strong early commitment reflects a clear recognition that these funds must play a central role in the climate finance architecture, providing momentum for sustained growth beyond 2030. This is why this policy brief considers not only the 2030 outflow target, but also implications for the UNFCCC funds' outflows for the 2030–2035 timeframe.

3. The share of climate finance channelled through UNFCCC funds

This section reviews how the share of climate finance channelled through UNFCCC funds has evolved over time and what this trajectory implies in terms of significantly scaling it up in the future.

Between 2015 and 2021, climate finance channelled through the UNFCCC climate funds grew from slightly above 500 million USD to 3.3 billion, until a strong decline to 1.7 billion was

5 Zaki, N. (2025). High Seas, High Stakes: Pricing Shipping Emissions for Climate Finance. https://www.germanwatch.org/de/93262

witnessed in 2022 (see graph 1). Between 2013 and 2021, UNFCCC climate fund outflows had a compound annual growth rate of 24%; by including the year 2022, the rate fell to 12%. The annual outflows translate to a share of the total climate finance provided and mobilised by developed to developing countries of about only 1-3.7% of climate finance in the years between 2013 and 2022. The reference year for at least tripling outflows, i.e. 2022, had the lowest nominal UNFCCC climate funds outflows since 2017, indicating that 2022 turned out to be a highly unambitious choice for the tripling commitment. In terms of the share, it had not been this low since 2014. This eleventh-hour decision at COP29 to take 2022 as a reference year turned out to be an unfortunate choice.

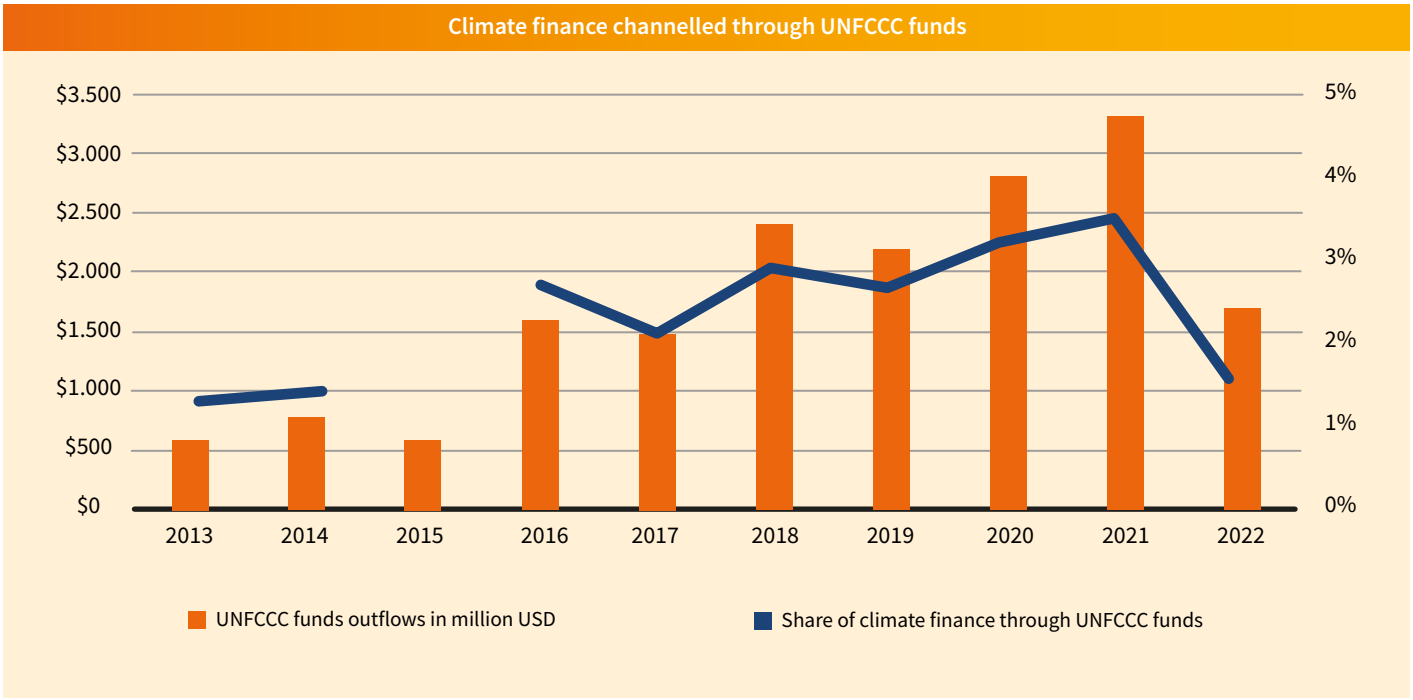

Figure 1: Total outflows and share of climate finance channelled through UNFCCC funds. Source: Own illustration based on data from SCF Biennial Assessment and OECD (2024).[6]

Hence, it is important to place the tripling decision within the context of significantly scaling up the share of climate finance delivered through UNFCCC funds. Interestingly, the NCQG decision does not specify a reference year for this part of the mandate. This avoids anchoring the target to a year with a temporary dip – as was the case for the reference year for tripling outflows – while the general trend has been an upward one.

At the same time, the phrase "to significantly scale up" is inherently vague and open to multiple interpretations, which introduces uncertainty regarding the ambition and expectations attached to this target. At a minimum, it could imply a consolidation of the long-term positive trajectory with fluctuations, including tolerating occasional yearly declines. A more optimistic interpretation would view "significantly scaling up" as a call for a much stronger and steeper increase in the share of climate finance to be channelled through UNFCCC funds. This would suggest not only accelerating the current upward trend but also substantially increasing the current growth rate and expanding the capacity, reach and impact of these funds to play a more dominant role in international climate finance flows.

Excluding the outlier reference year 2022, outflows from UNFCCC climate funds have grown by 24% annually. This is nearly 10% higher than the roughly 14.7% necessary to triple outflows by 2030. This shows that a continuation of the underlying long-term trend should enable a growth in

6 The gap in time series in 2015 represents a gap for mobilised private finance. This results from the implementation of enhanced measurement methods by the OECD. Therefore, there is no grand total for climate finance provided and mobilised in 2015.

outflow that is significantly higher than the tripling figure in the reference year. Hence, the mandate to significantly scale up in finance provided through the UNFCCC funds and to at least triple them clearly indicates that the ultimate goal is to significantly exceed a tripling of the 2022 outflows.

4. Unpacking the target of at least tripling outflow

This chapter first explores different scenarios for interpreting the NCQG's target to at least triple outflows collectively across all UNFCCC climate funds versus individually for each, and reviews past outflow trends of individual funds to assess the 2022 baseline. It then examines how the target could drive a substantial increase in adaptation finance, before analysing the resource mobilisation, policy and demand-related implications and opportunities for the AF, GCF, GEF and FrLD in their efforts to increase outflows.

4.1 A collective target for all UNFCCC climate funds or individual fund targets?

The NCQG decision does not specify whether the target to at least triple outflow applies individually to each UNFCCC climate fund or collectively across all funds. Yet this distinction carries important implications, risks and opportunities, especially when considering the different sizes and roles of the funds involved. Accordingly, it is worth examining the different readings and their implications.

A key point in this discussion is the disparity in fund outflows in the base year 2022. While the GCF, for example, had comparatively high outflows in 2022, the AF's outflows in 2022 and in general tend to be low compared to the GCF outflows. These differences in baseline volumes create both risks and opportunities when applying a collective tripling target.

If the target to at least triple is understood as a collective goal, small positive and negative divergences from the nominal tripling may have very different impacts with regard to the individual fund's achievement of tripling – i.e., if the collective target is reached but the contribution of a smaller fund (such as the AF or LDCF) is larger than its individual tripling and the contribution of a larger fund (like the GCF) is reduced by the same nominal amount, the impact on the respective funds is very different. As Table 1 illustrates, a shift of just USD 50 million from Fund A to Fund B results in Fund B exceeding the tripling benchmark, while Fund A faces a negligible impact. The average percentage of the tripling target achieved across all funds also increases above 100%, exemplifying the significant impact on the smaller funds. However, the reverse also holds true. That is, if the larger fund increases its outflows beyond the tripling target while the contribution of smaller funds drops. This highlights the risks of a collective interpretation if smaller funds are deprioritised.

Opportunity and Risk Scenario for smaller Funds under a collective interpretation of the at least tripling outflow target

			Opportunity Scenario		Risk Scenario	
Fund x	Outflows in 2022	Tripled Outflows	-/+ USD 50 million	% of individual at least tripling goal reached	-/+ USD 50 million	% of individual at least tripling goal reached
A	1,500 million USD	4,500 million USD	– 50 million = 4,450 million USD	99%	+ 50 million = 4,550 million USD	101%
B	110 million USD	330 million USD	+ 50 million = 380 million USD	115%	- 50 million = 280 million USD	85%
C	500 million USD	1,500 million USD	-	100%	-	100%
				Average: 104.6%		**Average: 95.3%**

These dynamics emphasise that the interpretation of the target to at least triple outflow – whether collective or individual – is decisive in shaping future resource flows across the funds. A collective approach creates flexibility and opportunities to strengthen smaller funds with a clear niche, such as those that promote adaptation or direct access, thereby helping to deliver on the qualitative elements of the NCQG decision. It could also allow such funds to grow well beyond tripling their outflows, and would enhance their visibility and role within the finance architecture. At the same time, a collective approach bears significant risks: if smaller funds are deprioritised, they could fall far short of the target of at least tripling, raising concerns of equity and visibility, and potentially undermining confidence in the overall target. By contrast, an individual approach provides a clear and predictable mandate: it ensures that each fund – apart from the FrLD, which had no base-year outflows – would at least triple, and reduces uncertainty for their future role. While the 'at least' language makes tripling a minimum rather than a cap, treating it as a fixed target could reduce flexibility – limiting the ability of smaller UNFCCC funds to grow beyond that threshold. This would constitute a considerable disadvantage given their potential to fill critical gaps in the climate finance landscape.

As per Decision 1/CP28, the FrLD is officially part of the UNFCCC's Financial Mechanism. By extension, the NCQG decision to pursue efforts to at least triple annual outflows from 2022 levels by 2030 should include the FrLD alongside other funds, as it references the Financial Mechanism without exception. At the same time, paragraph 16 of the NCQG relates the target to at least triple to paragraph 8, which only refers to the context of mitigation and adaptation action. This would challenge the inclusion of funding for the FrLD as part of the mandate to at least triple outflows. However, the USD 100 billion commitment was also made "in the context of meaningful mitigation actions" and nonetheless included adaptation finance. Accordingly, paragraph 8 does not limit climate finance to mitigation and adaptation, and by extension paragraph 16 can also include the FrLD.

While tripling zero outflows from the FrLD's base year of 2022 would mathematically remain zero, this can be interpreted optimistically: the "at least" phrasing allows for increases from zero to positive outflows to count as progress towards the tripling target. This opens up space for recognising the FrLD's future scaling up within the broader collective tripling ambition.

Building on the conclusion of section 3, it is prudent to assume that the outflows should more than triple by 2030. This flexibility is important, as it can accommodate the inclusion of the FrLD, which had no outflows in the 2022 reference year, and it also permits smaller funds to increase their outflows well beyond a simple tripling without negatively impacting the ability of larger funds to meet their individual targets to at least triple.

4.2 Past annual outflows from individual UNFCCC funds

For the purpose of this analysis, annual outflows from a UNFCCC climate fund are defined as the total funding volume of project and programme proposals approved within the given year, excluding readiness support, administrative expenses and other operational costs of the fund's secretariats. This definition focuses on the core mandate of these funds: delivering climate finance directly to implementing entities for mitigation, adaptation and cross-cutting interventions. By excluding readiness and administrative costs – which, while essential, do not themselves represent finance reaching projects on the ground – this measure provides a clearer and more comparable indicator of a fund's disbursement capacity, operational efficiency and tangible contribution to climate action.

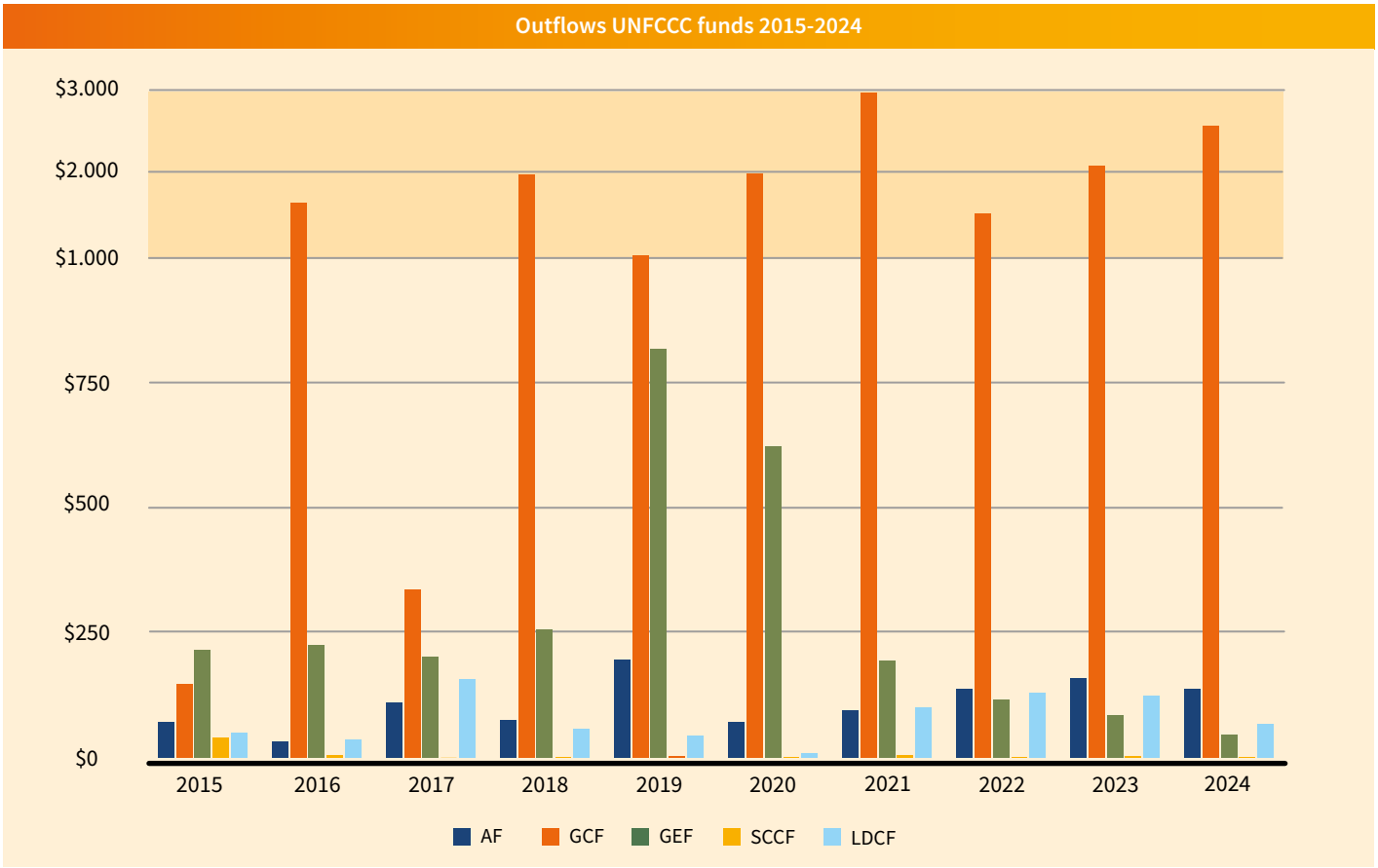

Figure 2: Outflows of individual UNFCCC funds for 2015–2024. Source: Own illustration based on data from World Bank, GCF and Climate Funds Update

Proceeding from the observation in section 3 that 2022 was the lowest outflow year since 2017 and thus an unfortunate choice as the point of reference for the target to at least triple, a closer look at the individual UNFCCC climate funds further illustrates the challenges of anchoring ambition in a single year. For all funds, there are earlier years in which annual outflows were significantly higher than in 2022, with particularly stark fluctuations in the case of the GCF, which saw a marked drop in outflows in that year. This goes to show that outflows of individual funds do not follow a steady growth trajectory but are subject to considerable volatility, reflecting the cyclical nature of project pipelines, replenishment schedules and approval processes. Referring to any particular base year therefore has important implications: while it may simplify target-setting, it risks locking in a level of ambition that does not reflect longer-term trends or the real disbursement potential of the funds. A single common base year, as chosen under the NCQG, aids comparability and signals system-wide ambition, whereas a theoretical approach of fund-specific base years would better reflect the fact that different funds' outflows peak in different years. It must be noted, however, that this would pose challenges for consistency and comparability. Since 2022 was a year of rather low outflows compared to previous years, using it as the base year effectively weakens the benchmark and risks diluting the transformative potential of the commitment to at least triple outflows.

4.3 The target of at least tripling outflow and an increase in adaptation finance

The NCQG decision text highlights with concern the gap between climate finance flows and the actual needs, particularly for adaptation in developing country Parties. It acknowledges the "increasing costs to adapt to the adverse effects of climate change" and, in this context, stresses the need for public and grant-based resources and highly concessional finance – especially for adaptation and for responding to loss and damage in developing countries that are particularly vulnerable and face significant capacity constraints, such as LDCs and SIDS. In light of this, the NCQG explicitly recognises the need to dramatically scale up adaptation

finance. Thus, the target of at least tripling outflow should be interpreted in a way that reflects these adaptation finance priorities and actively contributes to closing the adaptation finance gap.

This raises the question of how to ensure that adaptation finance increases substantially as part of the target of at least tripling outflows and the broader effort to channel more climate finance through UNFCCC funds. Multilateral climate funds generally provide a higher share in grant-based adaptation finance than other channels such as bilateral climate finance, finance channelled through multilateral development banks (MDBs) or private mobilised finance.[7] This means that at least tripling the outflows of these funds and significantly increasing the share of climate finance delivered through them would, by itself, help to contribute towards increasing the share of grant-based adaptation finance and to scale up adaptation finance as outlined in the NCQG.

The AF, SCCF and LDCF focus exclusively on adaptation and resilience-building activities. The GCF supports both mitigation and adaptation, including cross-cutting projects, and has a formal commitment to allocate 50% of its funding to adaptation. In practice, however, only around 48% of its finance goes to adaptation.[8] Interestingly, when the GCF was established, a significant share of new multilateral adaptation finance was to flow through the fund. The GEF primarily finances mitigation projects through its climate change focal area. And yet, some GEF projects to some extent indirectly address adaptation through the multiple-benefits framework and as part of project co-benefits.[9]

In this context, and in line with the analysis in sections 4.1, contributor countries should prioritise strengthening those UNFCCC climate funds that focus primarily on adaptation and resilience – such as the AF, LDCF, and SCCF – while at the same time ensuring that other funds, including the GCF, deliver on and surpass their adaptation allocation commitments. Implementing the target of at least tripling outflow in this way would also maximise progress towards the NCQG's qualitative objectives, particularly the urgent need to scale adaptation finance.

4.4 Key factors influencing the potential of UNFCCC funds to scale outflows

This section examines the potential challenges UNFCCC climate funds may face in increasing their financial outflows, focusing on three key dimensions: resource mobilisation, institutional policies and processes, and project demand. By analysing these factors, we assess how they affect the AF, GCF, GEF and FrLD in their efforts to increase disbursements. The discussion highlights both structural constraints – primarily linked to resource mobilisation – and potential levers for scaling up climate finance effectively, while ensuring that the qualitative characteristics of the funds are maintained, as reflected in the qualitative elements of the NCQG decision.

i. Adaptation Fund

The AF was established under the Kyoto Protocol to finance concrete adaptation projects and programmes in developing countries. The AF, which is currently transitioning to operate exclusively under the Paris Agreement, has been a pioneer in developing innovative financing modalities such as Direct Access and Enhanced Direct Access. It remains the only climate fund that allocates 50% of its resources specifically to entities accessing funds through Direct Access mechanisms. It is uniquely governed by a Board with a developing country majority and focuses on delivering grants that cover the full cost of adaptation, with a strong emphasis on supporting communities most vulnerable to impacts of the climate crisis. These features have positioned the AF as a key vehicle for channelling grant-based finance, while also advancing country ownership and institutional strengthening in recipient countries.

Impact of resource mobilisation on outflows

The AF's ability to significantly scale up its outflows is fundamentally constrained by the predictability and stability of its resources. At present, the Fund relies almost entirely on annual voluntary contributions from donor countries, making it more vulnerable than other funds to political shifts and budget cuts to ODA. While additional resources are expected from a mandatory 5% share of proceeds from the mechanism

7 UNFCCC Standing Committee on Finance (2024). Sixth Biennial Assessment and Overview of Climate Finance Flows. https://unfccc.int/sites/default/files/resource/UNFCCC_BA6_Report_Web_Apr2025.pdf?download.
8 GCF (2025). Status of the GCF Resources, Portfolio and Pipeline. https://www.greenclimate.fund/sites/default/files/document/10-status-gcf-resources-portfolio-and-pipeline-gcf-b42-inf09.pdf
9 GEF IEO (2018). Evaluation of the Multiple Benefits of GEF Support through Its Multifocal Area Portfolio https://www.gefieo.org/content/dam/partners/ieo/docs/mgr/eval/multiple-benefits-2016-v1.pdf

under the Paris Agreement's Article 6.4 as well as potential voluntary contributions under Art. 6.2, these revenues are unlikely to materialise before 2026 and are inherently unstable, as they are vulnerable to market fluctuations, variable demand and external shocks. Such volatility means they cannot serve as a reliable basis for long-term planning or for taking the strategic steps required to at least triple outflows by 2030. Scaling up high-quality adaptation finance, as delivered by the AF, requires sustained, predictable funding flows to develop and implement larger project pipelines, strengthen direct access and deepen engagement with vulnerable communities. Without a replenishment mechanism or another form of guaranteed multi-year funding commitment, the AF will continue to face structural constraints in meeting the target of at least tripling outflow set as part of the NCQG decision.

The AF's recent resource mobilisation experience also illustrates the scale of the challenge. In both 2023 and 2024, donor countries fell short of meeting the AF's self-determined resource mobilisation targets, underscoring the difficulty of relying on unpredictable annual pledges. For 2025, the Board has shifted from setting an annual target to adopting a minimum resource mobilisation floor. To realistically support the target of at least tripling outflow, these floors will need to rise significantly over time and, crucially, be achieved in practice. The level of these funding floors reflects careful negotiation within the Adaptation Fund Board, where developed countries often hesitate to support higher targets due to concerns about their achievability. This caution is further reinforced by the Board's previous experience with unmet funding goals. Predictable, multi-year contributions from donor countries are therefore essential, as they provide the stability the AF needs to plan and scale its operations. Without such predictability – and without floors that are both ambitious and actually delivered – the AF is likely to remain structurally constrained in scaling up its outflows to the levels envisioned under the NCQG decision.

The AF needs to continue its efforts to increase voluntary contributions from existing contributors. Comparing contributions to the AF based on fair share assumptions shows that many of many countries contribute irregularly or in small amounts.[10] There are also developed countries such as Australia that have not yet contributed at all to the AF. Furthermore, the AF could actively seek contributions by non-traditional contributors and reflect that approach in its resource mobilisation strategy. So far, Qatar and South Korea have been the only non-traditional contributors. However, potential non-traditional contributors might not want to decrease the pressure on traditional contributors and take away responsibility from them in meeting the AF's minimum floors for resource mobilisation. New incentive structures for non-traditional contributors such as conditional contributions could thus be an interesting option to look into for the AF. This could for example translate into contributions from non-traditional donors that are contingent on developed countries meeting minimum funding thresholds.

Impact of AF policies and processes on outflows

Certain AF policies and processes – such as the country resource cap, the 50% allocation for direct access entities, maximum project size and the dedicated envelope for regional projects – directly influence the pace and scale of outflows. These limits are, at their core, a product of the AF's overall resource constraints. They are not simply technical ceilings, but measures designed to ensure equitable access to AF resources among countries and to safeguard key qualitative features of the AF's mandate, particularly the strengthening of direct access. At its 44th meeting in April 2025, the AF Board took important steps consistent with the target of at least tripling outflows, raising the country cap from USD 20 million to USD 40 million. The AF Board also increased the maximum size for single-country projects from USD 10 million to USD 25 million, and for regional projects from USD 15 million to USD 30 million. These changes aim to allow more ambitious proposals and larger-scale impacts, while still retaining safeguards such as the 50% allocation for direct access and the dedicated envelope for regional projects. The presence of a waitlist – particularly for proposals from multilateral implementing entities and regional proposals – means that the way that approvals are sequenced continues to be shaped by these safeguards. While such measures can slow disbursement in the short term, they are essential to ensuring that the outflows are scaled up under the NCQG in a way that maintains its qualitative elements such as strengthening country ownership.

10 Germanwatch (2025). A Struggling Climate Fund: Germany's Role in Strengthening the Adaptation Fund. https://www.germanclimatefinance.de/2025/03/12/a-struggling-climate-fund-germanys-role-in-strengthening-the-adaptation-fund/

Impact of demand for projects on outflows

The AF has consistently experienced high demand for its funding, which is a key reason why limits such as the country resource cap, the dedicated envelope for regional projects and the ceiling of a maximum of two national implementing entities (NIEs) per country were introduced in the first place. These measures, while important for managing scarce resources and ensuring equitable access, also act as constraints to potential demand. In fact, there are countries where more than two institutions would be interested in becoming NIEs and could, in principle, meet accreditation standards to directly access AF funding, but are effectively limited by the maximum number of NIEs per country. And there are NIEs who have been accredited, but have not necessarily moved on to present projects. By shifting more focus of its readiness support towards project formulation, the AF could enable NIEs to expand the project pipeline. In summary, the full potential pipeline of proposals is partially suppressed by the Fund's current policy framework – frameworks that, in turn, are shaped by resource availability.

At its Board meeting in April 2025, the decision to double the country cap and significantly increase project size limits is a crucial step towards scaling up outflows but will not generate an immediate surge in proposals. Such policy changes take time to generate new proposals: they need to be communicated to eligible institutions, who then must go through their own planning, design and submission processes. This time lag is particularly challenging for NIEs, which often have more limited institutional capacity compared to multilateral implementing entities such as UN agencies, which are able to react much faster to such newly created opportunities under the AF.

Lack of demand, however, will not be a problem for the AF in terms of achieving the target to at least triple outflows. On the contrary, demand already far exceeds available resources. As of 13 August 2025, the total value of technically eligible proposals in the pipeline was about USD 889 million covering submissions from the previous 18 months that had not yet been approved as full proposals by the Board. This figure clearly shows that scaling up outflows will depend far more on unlocking and sustaining higher levels of resource mobilisation than on stimulating demand. In that regard, the relatively low self-determined resource mobilisation targets (now minimum floors) have been a limiting factor. Those targets (now minimum floors) do not reflect either needs or the pipeline but rather reflect a pessimistic outlook concerning potential contributions. In doing so, the AF fosters an environment of tempered expectations from the outset.

ii. Green Climate Fund

The GCF is the principal multilateral financing mechanism of the UNFCCC, designed to deliver climate finance at scale with a strong emphasis on country ownership, equity and accountability. As the largest dedicated climate fund, the GCF has mobilised significant resources and created an innovative framework for supporting transformative climate action in developing countries. However, the Fund's disbursement capacity remains shaped, and at times constrained, by the interlinked dynamics of its resource mobilisation model, institutional policies and the maturity of its project pipeline. These features, while ensuring the GCF's unique role as a UNFCCC fund, also influence the pace at which outflows can be increased

Impact of resource mobilisation on outflows

The GCF's approach to resource mobilisation is based on periodic replenishments. Contributions to the replenishments have come predominantly from developed country public budgets, complemented by some contributions from regions, cities and developing countries. The GCF can thus prioritise grants and highly concessional finance, especially for adaptation and for countries and communities that are least able to attract commercial or blended finance. Moreover, the GCF is able to take on projects with higher risk profiles. This model has enabled the GCF to reach country partners and project types that are typically not served by traditional development finance institutions or private financiers. Despite its strengths, the replenishment model has important limitations, especially when it comes to scaling outflows quickly. It can lead to unpredictability in the pledged amounts, delayed payments or the lack of such pledges altogether, or to reduced ambition between replenishment rounds. Furthermore, the GCF cannot quickly expand its financing envelope in response to urgent needs or rising demand from countries, because it lacks tools to raise additional capital outside of scheduled

replenishments. To meet the ambition of at least tripling annual outflows, resource mobilisation must be both predictable and scalable. This can be pursued by securing more ambitious pledges within replenishment cycles while also broadening and diversifying the contributor base. Multiple non-traditional contributors have contributed to the GCF across the initial resource mobilisation and the two replenishments, indicating their firm commitment to the GCF. Some of the wealthiest and largest emitters among non-traditional contributors have not pledged to the GCF yet, however – despite the fact that this would strongly elevate the pressure on traditional contributors to maintain and increase their contributions. Moreover, subnational players could play a larger role as well. Members of the Under2 coalition have indicated their support for solidarity levies to increase international climate finance.[11] Their awareness of the needs and willingness to contribute places them in a prime position to contribute to the GCF, particularly in those cases where national governments have fallen short of delivering on their pledges.

The aforementioned limitations to the replenishment cycle have fuelled discussion on whether the GCF should evolve to add capital market access to its replenishment base. In theory, leveraging via long-duration bonds (e.g. 50-100 years) or other market instruments could significantly frontload resources, enabling the Fund to approve and disburse a higher volume of projects and programmes, which would support the ambition to at least triple annual outflows. However, this approach carries significant risks that must be addressed upfront. Leveraging via the capital markets introduces incentives that could steer the GCF toward more "bankable" projects, potentially at the expense of those with low financial returns but high climate or social value, particularly in LDCs and SIDS. Repayment structures could also draw concessional public resources as credit enhancements, indirectly constraining the GCF's ability to provide grant-based support for adaptation, readiness and capacity building. In addition, while replenishment-based financing remains accountable to governments and stakeholders under the UNFCCC framework, capital market borrowing introduces accountability to investors, potentially altering governance incentives and prioritisation criteria.

Given these trade-offs, any move towards capital markets should be designed with caution and should be seen as a complement to, and not a replacement of, replenishment-based funding. At that, safeguards would be essential, e.g. clear-fencing grant and concessional resources for the most vulnerable, governance protections to maintain country ownership and a deliberate focus on ensuring that higher outflows do not erode the GCF's equity mandate. In this light, scalability should be understood as more than financial leverage. It must also preserve the qualitative strengths that make the GCF unique: its ability to take risks, finance transformative action in underserved contexts and align with both the principles of the UNFCCC and qualitative elements in the NCQG decision.

Impact of GCF policies and processes on outflows

The GCF's institutional design is rooted in equity and accountability. Its governance and programming principles reflect its unique mandate to deliver climate finance equitably – transparently and in alignment with country needs. Its consensus-based decision process for policies ensures legitimacy and balance between developed and developing countries, though this inclusive approach can extend decision-making timelines.

Allocation policies, such as the 50:50 balance between mitigation and adaptation and dedicated targets for LDCs, SIDS, and Africa, ensure equity but limit the flexibility to respond dynamically to shifts in demand or opportunity. Robust safeguards, such as environmental and social standards, gender policies and fiduciary requirements, help ensure the integrity and long-term sustainability of investments. These processes, while essential, increase the time and capacity needed to prepare and implement projects, especially for less experienced national entities. These policies are not flaws but deliberate choices. They are intentional features designed to ensure that finance flows to the right places for the right reasons, while prioritising equity, accountability and transformation – as core features of the GCF's identity as a UNFCCC fund – and not speed alone. However, achieving the ambition of at least tripling annual outflows will require enhancing efficiency within existing policy frameworks – through measures such as streamlining approval processes, applying

11 Under2 Coalition (2025). States and Regions Call for International Carbon Pricing. www.theclimategroup.org/our-work/press/states-and-regions-call-international-carbon-pricing

differentiated review requirements based on project size and risk, and expanding readiness support to accelerate project development.

Tripling will also require sufficient programming capacity. In the absence of adequate staffing, the Secretariat might become a bottleneck in terms of dealing with increased demand and larger project pipelines. A likely positive development is the decision to establish a regional presence. While the impact is not known yet, regionalisation facilitates the work between GCF staff and their developing country counterparts. This more direct exchange and support should particularly benefit NDAs and DAEs, especially in the preparation of project pipelines.

Impact of demand for projects on outflows

The GCF has contributed substantially towards catalysing project pipelines in developing countries by building capacity and by generating project concepts, particularly those with limited access to other climate finance channels. Many countries have developed GCF country programmes – even with varying quality and varying strength in the project pipeline. Thanks to its readiness and preparatory support programmes, the Fund strengthens institutional capacity, and by doing so it enables countries to develop robust, transformational proposals. In this regard, the GCF has achieved significant growth in the number and quality of proposals, especially from LDCs, SIDS and African states. In fact, the cumulative GCF pipeline as of 31 May 2025 comprises 182 concept notes requesting USD 10.7 billion in GCF financing and 85 funding proposals requesting USD 5.3 billion in GCF funding.

To at least triple its annual outflows, the Fund should continue accelerating the speed at which strong proposals enter the approval pipeline. Strengthening regional presence, streamlining review processes for small and low-risk proposals without undermining environmental and social safeguards, and accelerating support for direct access entities would not only maintain equity and ownership, but also further expand the pool of ready-to-approve projects and thus directly enable higher and more sustained and equitable outflows year on year.

iii. Global Environment Facility (including SCCF and LDCF)

The GEF was established in 1991 to fund projects in developing countries that protect the environment and promote environmentally sustainable development. It serves as a financial mechanism under the UNFCCC but also other multilateral environmental agreements, including for example the Convention on Biological Diversity (CBD) and the United Nations Convention to Combat Desertification (UNCCD). Consequently, the GEF serves several environmental topics, including biodiversity loss, chemicals and waste, climate change, international waters and land degradation.

Given its early inception, the GEF differs quite significantly in its governance structure. Unlike the other funds, the GEF is operated by council decisions and not by a board. The executive director has the authority to approve projects. What is more, the GEF has more commonly received contributions from a wide array of countries – both traditional and non-traditional contributors in the UNFCCC sense.

Impact of resource mobilisation on outflows

The GEF's primary resource base presents donor replenishments via several trust funds that are administered by the World Bank. Resource mobilisation is organised in replenishment cycles that occur every four years. For each replenishment cycle, donor countries negotiate replenishment targets. This is based on the GEF Secretariat's suggested funding envelope that is informed by guidance provided by the Conference of Parties (COP) of each of the conventions the GEF serves. In addition to negotiating the overall replenishment target, donor countries also negotiate how to distribute resources across focal areas. Individual pledges by donor countries are then structured to meet the set target. Although not binding, burden sharing for financial contributions is agreed among donors, and is informed by historic precedents and economic capacity.

The GEF-7 and GEF-8 replenishment cycles reached their replenishment targets, and the target for GEF-8 was 30% higher than for GEF-7. While this resource mobilisation model has been effective in predictable resource mobilisation for the last two replenishment cycles, resource mobilisation has so far never exceeded the replenishment targets. Consequently, the negotiated target and burden-sharing arrangements de-facto

cap the pledged contributions and inflows of resources by donors. Contributions above the agreed shares are usually a response to indications that other donors' pledges fall below agreed shares, aiming to reach the replenishment target but not exceed it. Increasing the GEF's resource mobilisation is directly linked to the negotiation of the replenishment target among donors, limiting the GEF's ability to quickly raise its resources and outflows.

Besides the donor replenishment pledged for replenishment cycles, the GEF's funding draws on funds carried over from previous replenishment cycles, which present the second-largest resource for replenishment cycles. This includes unallocated resources received by the GEF but also includes pledges that have not been received as well as received payments from donor countries. Investment income generated through investments made by the World Bank presents another resource. Reflows from non-grant financing are small since the GEF is designed to provide primarily grant-based financing.

As noted above, while the GEF receives funding through channels beyond regular replenishments, overall, the level of contributor inflows largely determines the scale of its outflows. Accordingly, the first premise for tripling outflows from the GEF by 2030 is that donor countries triple their pledges – not taking into consideration the thematic areas. A new replenishment cycle, GEF-9, will start in July 2026 and run until June 2030, this effectively means that donor countries need to commit to tripling the overall envelope as well as their pledges now to set the baseline for programming resources and tripling outflows.

Secondly, the GEF could prepare for innovative approaches to increase its available resources. Polluters are increasingly coming under pressure to pay up for the damage they are causing. Once established, these innovative sources of finance could provide a relevant, additional source of finance. The GEF should look into what measures would be needed to be eligible to receive these funds. Moreover, while the GEF replenishment cycle provides predictability, it should also be considered for additional intra-replenishment cycle contributions. One idea could be to tie additional contributions to important milestones within the UNFCCC, such as the Global Stocktake. Enhanced ambition or the lack thereof would translate into intra-cycle contributions.

In theory, the SIDS and LDCs have two dedicated funds that also provide potential benefits. However, the SCCF's and the LDCF's outflows in 2022 were extremely low. The SCCF has predominantly provided support in drawing up reports and in formulating national adaptation plans (NAPs), while the LDCF has focused on adaptation measures. Neither fund follows the GEF replenishment cycle but instead relies on voluntary contributions from donors. Given the extremely low baselines, any contributions would go towards more than tripling the outflows. Those most vulnerable to the impacts of climate change would particularly benefit from the increased outflows of those two dedicated funds.

Impact of GEF, SCCF and LDCF policies and processes on outflows

Disbursement of GEF financing to countries and projects is based on funding allocations. First, the programming of resources across the three focal areas biodiversity, climate change and land degradation is carried out at fund level. Then, allocations of funding in the focal areas biodiversity, climate change and land degradation to individual countries are determined through the Policy for the System of Transparent Allocation of Resources (STAR). The amounts available at the fund level for initial allocation to countries through STAR include focal area set-asides. Focal area set-asides are portions of the funding in a given focal area of the GEF that are reserved outside the direct country allocations. Those set-asides are used for other global, regional, or enabling activities. In GEF-8, the initial allocations are USD 1,919 million (USD 1,453 million excluding the focal area set-asides) for biodiversity, USD 852 million (USD 524 million) for climate change, and USD 618 million (USD 458 million) for land degradation.

The STAR for determining country allocations is based on a country score that is obtained from a combination of indices with different weights that take into account: *a)* the GDP of recipient countries, *b)* their performance with regards to implementing GEF projects on the one hand, and their commitment to put in place environmental policy and institutional frameworks as well as their governance and financial

management on the other hand, *c)* the potential impact across the issue areas global biodiversity loss, climate change and land degradation based on assessments of current status and comparison to the global scale. The country score is then compared to the total of all country scores to determine each country's share of allocable resources for the replenishment period. To ensure that small countries such as LDCs and SIDS, which are more likely to have lower country scores, can access finance, the STAR policy sets floors for these countries that apply to a replenishment cycle of four years (USD 4 million for biodiversity, USD 2 million for climate change, USD 2 million for land degradation). The floors of non-LDC and non-SIDS developing countries are set at lower levels (USD 3 million for biodiversity, USD 1 million for climate change, USD 1 million for land degradation).

The second premise for tripling outflows from the GEF by 2030 under the NCQG is that these outflows be directed to projects that address climate change. In past replenishment cycles, the allocations to the climate change focal area have been trending downwards, as donors questioned the GEF's additionality in the fund ecosystem – particularly in consideration of the fact that the GEF also has to respond to multiple other conventions. At the same time, this factor may enhance the fund's appeal, as its multi-focal area approach allows it to address multiple priority areas simultaneously. Notably, since GEF-8, full flexibility has been introduced, meaning that recipient countries can utilise resources across the allocations specific to their focal area without restrictions. Consequently, restrictions in the allocations that can be utilised for climate action (as well as other environmental challenges) have been lifted. While this enhanced flexibility allows countries to programme resources based on their specific needs, it also reduces the predictability of thematic resource allocations and limits the ability to consistently scale up climate-related outflows.

Impact of demand for projects on outflows

While utilization rates of country allocations and set-asides are not a perfect proxy for demand, they do offer insight into potential barriers affecting the uptake of GEF funding—particularly for climate-related projects. Overall utilization of GEF-6 STAR resources, including set-asides, stood at 64 percent. Climate change allocations showed the lowest uptake at 61 percent, compared to 67 percent for biodiversity and 69 percent for land degradation. Notably, climate change set-asides had a particularly low utilization rate of just 46 percent, suggesting that demand for GEF climate funding may be hindered by systemic bottlenecks despite strong global interest in climate action.[12] However, more detailed information on how many project concepts are stalled or delayed and the reasons behind these delays would provide valuable insight into unmet demand. While overall utilization rates under GEF-7 have improved compared to GEF-6, the climate change mitigation focal area still recorded the lowest utilization among all focal areas.[13] LDCs demonstrated particularly strong uptake in GEF-7, with the highest STAR utilization rate at 94 percent. SIDS also made notable progress, increasing their utilization from 65 percent in 2020 to 89 percent in 2021, reflecting both rising demand and improved capacity to access GEF funding.[14] The enhanced flexibility introduced under GEF-8 may help boost overall utilization rates, although its specific impact on climate change funding remains to be seen. At the GEF Council meeting in June 2025, For the LDCF and SCCF (climate adaptation), there were technically cleared proposals that could not be included in Work Programs due to limited funding. That signals unmet demand even when proposals are ready.[15] Council members, particularly from LDCs, have expressed concern about this gap between funding demand and supply.

Unlike other funds, the GEF does not have a well-established direct access model. In fact, the GEF has a considerably low number of implementing entities. A pilot approach was introduced for direct access entities, but it did not lead to the establishment of direct access modalities. Increasing the number of implementing entities, including direct access ones in particular, could potentially increase the pipeline of projects to be implemented under the GEF.

iv. Fund for responding to Loss & Damage

The FrLD is the most recent addition to the UNFCCC's financial mechanism. In 2022, the Fund did not yet have any outflows. Accordingly, whether the Fund would benefit from the tripling mandate depends on the mandate's interpretation as

12 GEF IEO (2018). Evaluation of the GEF' System for Transparent Allocation of Resources (STAR) 2017. https://www.gefieo.org/content/dam/partners/ieo/docs/mgr/eval/star-2017.pdf
13 GEF (2021). GEF Corporate Scorecard December 2021. https://www.thegef.org/sites/default/files/documents/2021-12/GEF_Corporate_Scorecard_December_2021_12.pdf
14 Ibid.
15 IISD Earth Negotiations Bulletin (2025). Summary report, 2–6 June 2025, 69th Meeting of the GEF Council. https://enb.iisd.org/global-environment-facility-council-meeting-69-summary

described above. Given its recent establishment, many of the Fund's policies are still under development. This constitutes an opportunity to learn from the experiences of the other UNFCCC funds.

Impact of resource mobilisation on outflows

To date, the Fund has only had an initial resource mobilisation with pledges made at the opening plenary of COP28 in Dubai. These pledges were made in immediate response to the historic 2/CMA4 decision, "Funding arrangements for responding to loss and damage associated with the adverse effects of climate, including a focus on addressing loss and damage".

The same decision determines that the Fund will have a periodic replenishment every four years, akin to the GEF and the GCF. It further established that the Fund should be able to receive contributions from a wide variety of sources. As the Board is currently developing the resource mobilisation policy, it is important to showing this openness to a wide variety of sources, by ensuring the FrLD can receive payments not only from parties, but also from companies, philanthropy and individuals – like the AF, which can receive donations from individuals. Importantly, the FrLD should also stand ready to receive funds subject to the polluter pays principle – whether through multilaterally established processes like the one currently taking place at the IMO or through national efforts like those advanced by the Global Solidarity Levies Task Force. The latter option is likely to yield results faster than the multilateral sources.

Unlike other funds, the FrLD does not have an obligation for developed countries to contribute. It merely urges them to contribute to loss and damage and invites them to make initial contributions for the Fund to commence its operations. Developed countries alongside the United Arab Emirates have responded to this call. However, it makes the FrLD vulnerable to political shifts in contributor countries as its mandate does not include a formal obligation.

Impact of policies and processes on outflows

According to the underlying mandate, the FrLD will develop a resource allocation system to avoid a concentration of funds in individual countries and to ensure a response to the impacts of climate change. LDCs and SIDS are to have guaranteed funds through a minimum percentage allocation floor. These provisions equally build on the experiences of the other funds in allocating their resources, while also considering the uniqueness of responding to loss and damage. It will remain to be seen how these policies impact the effective outflows.
Direct access is to play a strong role in the FrLD. Compared to other funds, it goes a step further by offering direct access for local communities. It will be crucial for the FrLD to learn from other funds how to best implement direct access to ensure rapid and efficient outflows.

Impact of demand for projects on outflows

Given the rapidly intensifying impacts of climate change, it is likely that demand will outstrip the Fund's available resources from the outset.

5. The role of UNFCCC climate funds in leveraging the USD 1.3 trillion

The NCQG includes a wider target of enabling financial flows to developing countries of at least USD 1.3 trillion by 2035. It goes beyond the target of at least USD 300 billion by incorporating the financial flows to developing countries by all actors and both public and private sources. Accordingly, the USD 1.3 trillion encompass the USD 300 billion but provide a wider perspective, recognising developing countries' significantly larger investment needs. The UNFCCC climate funds can play an important role in meeting the NCQG's USD 1.3 trillion annual target by 2035, not only by scaling up their own outflows, but also by catalysing additional public and private finance for climate action in developing countries, both directly and indirectly.

Paragraph 7 in NCQG decision text

*7. Calls on **all actors** to work together to enable the scaling up of financing to developing country Parties for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035*;

Paragraph 7 of the NCQG decision text calls on all actors to work together to scale up financing for developing country Parties from all public and private sources to *at least* USD 1.3 trillion per year by 2035. This target also implicitly includes the UNFCCC climate funds, given their role as central actors in the international climate finance architecture. The key question, therefore, is how these funds can contribute towards leveraging additional public and private flows at the scale required.

Acting as a System to Maximise Impact - Collaboration as a Catalyst

The Funds excel through their unique strengths in facilitating systemic change, helping to create new markets for climate-relevant technologies, and building capacity on the ground.[16] They achieve this by partnering with other public actors, reducing the cost of capital through a diverse set of financial instruments with different risk profiles, enabling investments by utilising their higher risk appetite, creating enabling environments and building project pipelines. In this way, the Funds play an important catalytic role and enable, among other things, the mobilisation of private finance.[17]

The UNFCCC climate funds partner with different development finance institutions – multilateral, bilateral, regional or sub-regional – as well as non-finance oriented public partners. By combining their respective tools, areas of expertise and risk-absorption capacity, these actors can maximise their leverage and effectiveness. Ultimately, this enhanced collaboration can significantly contribute to reaching the set target of USD 1.3 trillion. Suggested measures to enhance collaboration include harmonising the access requirements – also reflected in the NCQG decision – of co-financing and tracking methodologies, of due diligence requirements, and by recognising other funds' accreditation of entities.[18] These could be reflected in the Baku to Belém Roadmap.

Further, with the different financial instruments, set-ups and focuses outlined above, the Funds could ideally cooperate in a more systematic manner. To further enhance their impact, the Funds should therefore operate more as a system, not only with other funds but also with other development finance institutions and contributors. There has been focus recently on enhancing the collaboration between UNFCCC climate funds, multilateral development banks and – most importantly – national development banks (NDBs). NDBs could benefit from cooperation through financial backing and knowledge transfer, while at the same time contributing their local knowledge to build project pipelines.[19] The concepts of functioning more effectively as a system and enhancing collaboration across institutional levels feature very prominently in country platforms. However, these principles should apply more broadly, regardless of whether a country has established a dedicated platform.

Directly Mobilised Private Co-finance

Evidently, one key way to contribute to the USD 1.3 trillion would be to directly mobilise private co-finance as well. The UNFCCC funds have driven financial innovation to find new ways to directly mobilise private finance. Projects that exemplify these efforts are a debt-for-climate swap in Barbados that the GCF supported, in which higher-interest debt was swapped for lower-interest debt, allowing Barbados to invest in a more resilient water infrastructure. In addition, the GCF has provided equity to a newly established Green Guarantee Company with the goal of providing guarantees on climate bonds and loans in order to increase finance from international investors. Among the beneficiaries are Trinidad & Tobago, Rwanda and Gabon, showcasing that international investments can be mobilised for SIDS and LDCs if concessional finance is available. A third example for innovation that originated from the GEF, which enabled a wildlife conservation bond to protect rhinos in South Africa's Eastern Cape province. In short, the higher the rhino growth rate, the higher the investors' return. Summing up, with a larger risk appetite, the Funds have the capacity to innovate and pilot financial models that can later be replicated by other actors to further increase financial flows. Efforts to innovate financially should continue – with a clear intent to benefit in particular those most vulnerable to climate change. In particular, this could involve directly mobilising private co-finance from domestic financial institutions that provide microcredits to support small-scale community projects.

16 G20 Independent High-Level Expert Group (2024). Accelerating Sustainable Finance for Emerging Markets and Developing Economies: Independent Review of the Vertical Climate and Environmental Funds. https://g20sfwg.org/wp-content/uploads/2024/10/G20-IHLEG-VCEF-Review.pdf

17 Bhattacharya A, Songwe V, Soubeyran E and Stern N (2024). Raising Ambition and Accelerating Delivery of Climate Finance. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science. https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2024/11/Raising-ambition-and-accelerating-delivery-of-climate-finance_Third-IHLEG-report.pdf

18 G20 Independent High-Level Expert Group (2024). Accelerating Sustainable Finance for Emerging Markets and Developing Economies: Independent Review of the Vertical Climate and Environmental Funds. https://g20sfwg.org/wp-content/uploads/2024/10/G20-IHLEG-VCEF-Review.pdf

19 CPI (2025). Strengthening collaboration to scale climate and development finance.

The Important role of Indirectly Mobilised Private Finance

When it comes to private finance, however, discussions should not only focus narrowly on *directly* mobilised flows – for example, private co-financing of specific projects. This overlooks the significant role UNFCCC funds can play in *indirectly* mobilising private climate action, particularly from micro, small and medium-sized enterprises (MSMEs) in developing countries. Research shows that, regardless of whether projects include a private co-financing component or use specific financial instruments (e.g. grants, loans, guarantees, equity), funds such as the GCF and the AF can help address market imperfections that block private investment in adaptation.[20]

These market imperfections fall into three categories: (1) positive externalities, (2) incomplete or asymmetric information, and (3) imperfect financial markets.[21] GCF and AF adaptation projects address all three, with the most frequent interventions targeting information asymmetries, followed by imperfect financial markets and, to a smaller extent, positive externalities.[22] By removing these barriers, the Funds create enabling environments that stimulate MSMEs' own adaptation investments – an essential but often under-recognised part of the pathway for scaling finance towards the USD 1.3 trillion target. This means that even grant-only funds such as the AF, which do not pursue private co-financing, can play a critical role in indirectly mobilising private adaptation finance through well-designed barrier-removal projects. Also more generally, it has been shown that the Funds' grant financing generates significant co-financing. One of all the Funds' greatest strengths lies in creating enabling environments by removing barriers to investment such as filling policy, institutional or capacity gaps, and thereby indirectly mobilising significant private finance. While not all mobilised finance will count towards the USD 1.3 trillion as not all mobilised financial flows will be cross-border, the Funds will likely enable significant finance mobilisation without necessarily being measured and attributed to the Funds.

Limitations of private finance for supporting adaptation, loss and damage and just transition

While these efforts should continue, it is important to maintain balance, recognising that private finance has limitations – particularly in supporting adaptation, loss and damage and financing a just transition. This holds particularly true for SIDS and LDCs. It is therefore important that the UNFCCC climate funds are not uniquely pushed towards mobilising more and more private climate finance but have sufficient resources at their disposal to respond to the abovementioned needs. Accordingly, the third IHLEG report – which was the first to suggest that a total of USD 1.3 trillion would need to flow to developing countries (except China) by 2025 – highlighted both the aforementioned role of UNFCCC climate funds in catalysing funds as well as the importance of providing sufficient resources to the FrLD. Acknowledging that responding to loss & damage will require public funds, they emphasise the need to significantly increasing the funds available to the FrLD. Accordingly, the 1.3 trillion USD – and with it the Baku to Belém Roadmap to 1.3 trillion – should make sure to highlight the increase in UNFCCC outflows beyond tripling up to 2035, and elevate the role of public finance inflows to the funds, including the FrLD.

6. Conclusions

This policy brief has clearly laid out the importance of the UNFCCC climate funds to support countries in responding to the climate crisis. Furthermore, it has made clear that even a conservative reading of the decision merits an increase in climate finance outflows beyond the tripling target, emphasising the "at least" formulation in the decision:

- In times of ODA uncertainty, scaling up finance through UNFCCC climate funds is vital, as their pooled resources and multilateral governance can better absorb shocks from individual donor suspensions, ensuring a more predictable and equitable climate finance architecture.

20 Germanwatch (2022). Mobilising climate adaptation investments from the private sector in developing countries. Analysis of barriers for local private sector engagement in multilateral climate funds' adaptation projects. https://www.germanwatch.org/sites/default/files/final_policy_brief_20220730-2021-1505-gw.pdf

21 Pauw, W.P. et al. (2021). A focus on market imperfections can help governments to mobilize private investments in adaptation, Climate and Development, DOI: 10.1080/17565529.2021.1885337.

22 Germanwatch (2022). Mobilising climate adaptation investments from the private sector in developing countries. Analysis of barriers for local private sector engagement in multilateral climate funds' adaptation projects. https://www.germanwatch.org/sites/default/files/final_policy_brief_20220730-2021-1505-gw.pdf

- The target of at least tripling outflows by 2030 and the goal to significantly increase the share of climate finance delivered through UNFCCC funds are intrinsically linked and should be pursued as mutually reinforcing objectives.

- To significantly increase their share in delivering climate finance by 2035, UNFCCC climate funds must not only meet the 2030 target of "at least tripling" outflows, but should sustain strong growth throughout 2030–2035, ensuring continued momentum towards the NCQG's USD 300 billion goal.

- Whether the target of at least tripling outflows is applied collectively across all UNFCCC climate funds or individually to each fund has significant implications: a collective approach offers flexibility to boost smaller niche funds well beyond the tripling goal, but may also lead to them being given less priority; an individual approach provides clarity and predictability for each fund's growth, but limits the scope for smaller funds to expand faster.

- The FrLD, as part of the UNFCCC Financial Mechanism, should be included in the tripling mandate despite having no 2022 outflows; the "at least" formulation allows early increases from zero to be recognised as progress, creating space for its rapid scale-up within the collective ambition.

- Annual outflows of individual UNFCCC funds fluctuate widely, with many funds achieving much higher levels in years before 2022, highlighting the risk that a single low base year fails to reflect their true potential. Basing the target to at least triple outflows in 2022, which witnessed unusually low outflows of individual funds, sets an artificially low benchmark thus reducing the ambition and transformative potential of the commitment.

The different climate funds all have the potential to increase their outflows. Given the existing shortfall in adaptation and loss and damage finance, particular emphasis should be placed on finding ways to rapidly increase both of these through the respective funds:

- Prioritising and scaling up UNFCCC funds with a primary adaptation mandate (such as the AF, SCCF and LDCF), while ensuring other funds meet and exceed adaptation allocation commitments, is essential for implementing the target of at least tripling outflows in line with the NCQG's call for increased public, grant-based and highly concessional finance – and to scale up adaptation finance generally.

- AF: Meeting the "at least tripling" target will require increased, predictable, multi-year contributions to the AF, enabling the Fund to significantly scale up by lifting resource-driven limits, such as the country cap or the number of NIEs per country, so that strong existing demand can translate into an expanded pipeline and much higher adaptation outflows

- GCF: The GCF's ability to at least triple annual outflows hinges on three interconnected factors: securing predictable and scalable resources, streamlining policies and processes without undermining safeguards, and strengthening the readiness and diversity of this project pipeline. While the replenishment-based model ensures equity and grant support for the most vulnerable, it limits rapid scaling; capital market access could complement this by frontloading resources, but only if carefully designed to protect the Fund's mandate and focus. Efficiency gains in governance and review processes, paired with targeted support to accelerate direct access and mature more proposals, would convert growing demand into approvals more quickly. Together, these measures can boost both the volume and equity of outflows, reinforcing the GCF's role as a transformational climate finance mechanism under the UNFCCC.

- GEF: The GEF is well positioned to increase its attractiveness to contributors through its multi-focal area approach. While the enhanced flexibility under GEF-8 allows countries to allocate resources more freely across focal areas, it also reduces predictability for scaling up climate change projects. To meaningfully increase climate-related outflows by 2030, the GEF will need to strengthen incentives and policy signals for climate-focused programming, expand direct access to diversify its implementing base, and align replenishment negotiations with a clearer climate ambition.

- FrLD: The FrLD's potential to meaningfully contribute to the at least tripling outflows target will depend on the scale and reliability of inflows. Establishing a diversified resource mobilisation framework that attracts public, private, and innovative sources—including those grounded in the polluter-pays principle—will be key. Equally important are clear allocation rules and streamlined direct and local access procedures to enable rapid and equitable disbursement, particularly for LDCs and SIDS.

The Funds have significant untapped potential with regard to operating in a more collaborative, systemic way to maximise their respective comparative advantages. If implemented, the Funds can contribute not only to meeting the USD 300 billion target but also the USD 1.3 target. The Baku to Belém Roadmap should include clear recommendations – both quantitatively and qualitatively:

- The Baku to Belém Roadmap should explicitly recognise the important role of UNFCCC climate funds in indirectly mobilising private finance through barrier-removal and enabling-environment projects. By addressing market imperfections, even grant-based funds covering the full cost of adaptation, such as the Adaptation Fund, can catalyse private investment, particularly from MSMEs in developing countries.

- UNFCCC climate funds should further enhance their collaboration with national development finance institutions to maximise their potential impact.

- UNFCCC climate funds should proactively position themselves to receive innovative sources of finance – for example, from solidarity levies – to expand their pool of highly concessional resources. Such new sources should complement, not replace, continued and increased contributions from traditional donors.

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