Global Climate Partnership Fund ("GCPF")

Annual Review – January to December 2024

Department for Energy Security & Net Zero

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Section A: Summary & Overview

Title: Global Climate Partnership Fund (GCPF)		
Programme Value £ (full life) **£54.54m** *(£48.54m CDEL, £6.00m RDEL)*		**Review period** 1 Jan 2024 – 31 Dec 2024
Programme Code GB-GOV-13-ICF-0011-GCPF	**Programme start date** 1 December 2013	**Programme end date** GCPF operates in perpetuity

Summary of Programme Performance

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Overall Output Score	**A**	**A+**	**A**	**A**	**B**	**A**	**A**	**A+**	**A**
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Major	Moderate

Link to Business Case:	https://devtracker.dfid.gov.uk/projects/GB-GOV-13-ICF-0011-GCPF/documents
Link to Logframe:	https://devtracker.dfid.gov.uk/projects/GB-GOV-13-ICF-0011-GCPF/documents
Link to previous Annual Review (if appropriate)	https://devtracker.dfid.gov.uk/projects/GB-GOV-13-ICF-0011-GCPF/documents

Description of programme

Programme overview

The Global Climate Partnership Fund ("GCPF", or "the Fund") is a public-private partnership, that seeks to mobilise investment flows in energy efficiency and renewable energy projects in developing and emerging markets, with the aim to reduce energy and greenhouse gas ("GHG") emissions by at least 20%.[1]

DESNZ has funded two elements of GCPF (each described in following sections) through three historic transactions:

Table 1: *Summary of DESNZ funding provided to GCPF*

Fund element	Value	Transactions
Investment	£48.54m (CDEL)	£30.00m (Dec. 2013) £18.54m (Jan. 2018)
Technical Assistance Facility (TAF)	£ 6.00m (RDEL)	£ 6.00m (Dec. 2016)

[1] As of 2023, GCPF was operating in 35 countries. A summary is provided in Annex 1

Investment

GCPF primarily operates by providing debt finance via local Financial Institutions ("FIs"), with capital provided alongside technical assistance and capacity building.[2] There is also a proportion of the portfolio (16.5%) used for Climate Infrastructure Investments ("CIIs") – the new description for what were previously termed 'direct investments' – in eligible Energy Service Companies, renewable energy companies, and energy efficiency service and supply companies that serve the market in target countries.[3]

UK International Climate Finance ("ICF"), via the Department for Energy Security and Net Zero ("DESNZ"), has invested £48.54m (valued at $72.1m) in the Junior 'first loss' tranche of the Fund alongside other Junior shareholders, who as a shareholding class have invested $180m. This first loss funding has attracted $480m from other funding sources (see Table 2). This first loss tranche acts as risk cushion for other investors, improving the return-risk profile of climate investors and leading to an increase in private sector and other climate finance flows. The Fund composition is summarised in Table 2:

Table 2: *Summary composition of the Fund (Paid in Capital)*

Tranche	***Paid-in-Capital ($m)***	***Proportion of Fund***	***Description***
Junior equity	180	27%	De-risk and absorb any potential losses and are made up of the Governments of the UK, Germany, and Denmark.
Mezzanine equity	72	11%	Provide the debt layer and are made up of Development Finance Institutions, such as KfW, who invest their own money and receive a variable interest rate in return.
Senior equity	209	32%	Development banks, such as IFC, and other private investors who receive a fixed return.
Notes	199	30%	Private sector institutional investors who also receive a fixed return.
Total	**660**		

The theory of the Fund anticipates public funds invested into GCPF should catalyse additional finance from the private sector and Development Financial Institutions ("DFIs") by acting as a risk cushion for these investors, as any losses or loan defaults are borne by the Junior equity tranche first, followed by Mezzanine and then Senior debt. As is conventional for a tiered fund, in this case made up of three distinct layers of capital, payment of returns to investors follows a waterfall principle: the Notes are paid first, followed by Senior equity, Mezzanine, and Junior.

The DESNZ CDEL commitment (£48.54m/$72.1m) represents 10.93% of the total capital subscribed by the investors, which has been fully disbursed by GCPF. DESNZ, on behalf of the UK, holds 40% of the Junior equity shares.[4] Table 3 (below) summarises subscribed capital by investor.

[2] Financial Institutions include local commercial banks, leasing companies and other entities which finance or are committed to financing projects of the final beneficiary.
[3] Direct Investments include corporate lending (debt), project finance and equity (capped at 5% of the Fund's NAV).
[4] 2024 Q4 Shareholders Quarterly Report (pg.8).

Table 3: *Summary of subscribed capital by investor*

Investor (all Notes investors are Private)	*Subscribed Capital (%)*	Investor Type	Tranche
KfW (BMWK)	[COMMERCIAL]	Public	Junior equity
DESNZ	[COMMERCIAL]	Public	Junior equity
Danida	[COMMERCIAL]	Public	Junior equity
IFC	[COMMERCIAL]	Public	Mezzanine
KfW	[COMMERCIAL]	Public	Mezzanine
OeEB	[COMMERCIAL]	Public	Mezzanine / Senior equity
EIB	[COMMERCIAL]	Public	Senior equity
FMO	[COMMERCIAL]	Public	Senior equity
EIC	[COMMERCIAL]	Private	Notes
ASN	[COMMERCIAL]	Private	Notes
ÄVWL	[COMMERCIAL]	Private	Notes
Sparkasse Bremen	[COMMERCIAL]	Private	Notes
responsibility AG	[COMMERCIAL]	Private	Notes
Total	100		

By the end of 2024, private investors (all of whom have subscribed only to Notes) represented 29.23% of total committed investment in the Fund (a decrease from 33.15% in 2023). The private sector's share of the Fund was reduced largely because there was a 3.83% increase to the proportion of DFI shares between Q4 2023 and 2024 (see Section B). Levels of private sector investment seen in this reporting period continue to be lower than targets set in previous business plans.[5] This should improve over the longer term, as GCPF has set a strategic objective in its 2025-7 Business Plan to increase the share of private capital to 45% by 2030, through a combination of Fund restructuring and relaxation of the risk ratios (see below), leading to increased investment in the Notes. In 2024, the Fund received a Moody's A3 rating for the Notes.[6] GCPF anticipates this rating will demonstrate the Fund is a low-risk investment able to generate returns despite operating in challenging environments.

Continued DFI investment in the Senior shareholding was essential for the Fund to maintain compliance with Risk Ratio 3 ("RR3"). The Fund's three Risk Ratios set limits on the proportion of each investor type within the overall shareholder mix (see Table 4). RR1 ensures sufficient first-loss equity, which is a key factor in attracting private investors. RR3, meanwhile, restricts the level of private investment permitted without additional public funding. At the end of 2024, GCPF complied with all three Net Asset Value ("NAV") related risk ratios.

Table 4: *GCPF Risk Ratio thresholds and status*

Risk Ratio:	*Threshold (%)*	*Q4 2023 (%)*	*Q4 2024 (%)*
Risk Ratio 1: Junior NAV / Total Fund Size	> 12.5	19.95	22.45
Risk Ratio 2: (Junior + Mezz. NAVs) / Total Fund Size	> 25	31.29	34.07
Risk Ratio 3: (Junior + Mezz. + Senior NAVs) / Total Fund Size	> 62.5	64.23	67.83

[5] For example, GCPF set a target of 32-33% private investment in the 2023-5 Business Plan.

[6] An A3 rating indicates the Fund has a 'superior' or 'strong' ability to repay. Further Information at https://www.moodys.com/sites/products/productattachments/ap075378_1_1408_ki.pdf

In this reporting period, the share of private investment declined as GCPF increased DFI capital to create a greater RR3 buffer. This approach reduces the risk of breaching RR3 and positions the Fund to raise further private capital in future periods. Despite strong demand from private investors for the Notes – supported by the Moody's rating and attractive spreads – actual private sector investment was constrained by the need to remain within these risk parameters, resulting in the Fund declining some private investment opportunities in 2024.

Technical Assistance

The Technical Assistance Facility ("TAF") aims to support development and building capability in setting up and establishing a green lending portfolio. They also support Partner Institutions ("PIs") - a term used to refer to both FIs and CIIs - to comply with stringent GCPF requirements for investments (e.g., implementing environmental and social management systems ("ESMS") across the whole of the PI), funding market assessments, green finance training and Partner Institution peer-learning events to disseminate and enable knowledge transfer.

In 2016, DESNZ committed £6m RDEL to the TAF as a grant of additional money which was made to boost the number of Technical Assistance projects over a four-year period (2017 – 2019/2020). This funding was fully allocated by the last quarter of 2023, with COVID delays limiting GCPF's ability to organise projects. Therefore, given this funding has been used, the UK is no longer a direct contributor to the TAF and, instead, it is now funded by BMWK via KfW and by a periodic allocation of the Fund's net profit (via the waterfall mechanism). Given the reduction to DESNZ's Official Development Assistance ("ODA") budget allocation and the TAF having adequate funds for the year ahead, the UK is not pursuing to directly fund the TAF over the medium term.[7]

In this reporting period, following the FY23 Annual Review recommendation, the UK has reviewed the value of including milestones against the TAF within the GCPF Logframe. Given the importance of the TAF as an element of the Fund's offering to PIs, and as a core part of the Fund's ToC, and the indirect funding and governance the UK continues to provide via the waterfall mechanism, it was felt that the TAF should remain a milestone in the Logframe.

Summary of progress and supporting narrative for the overall score

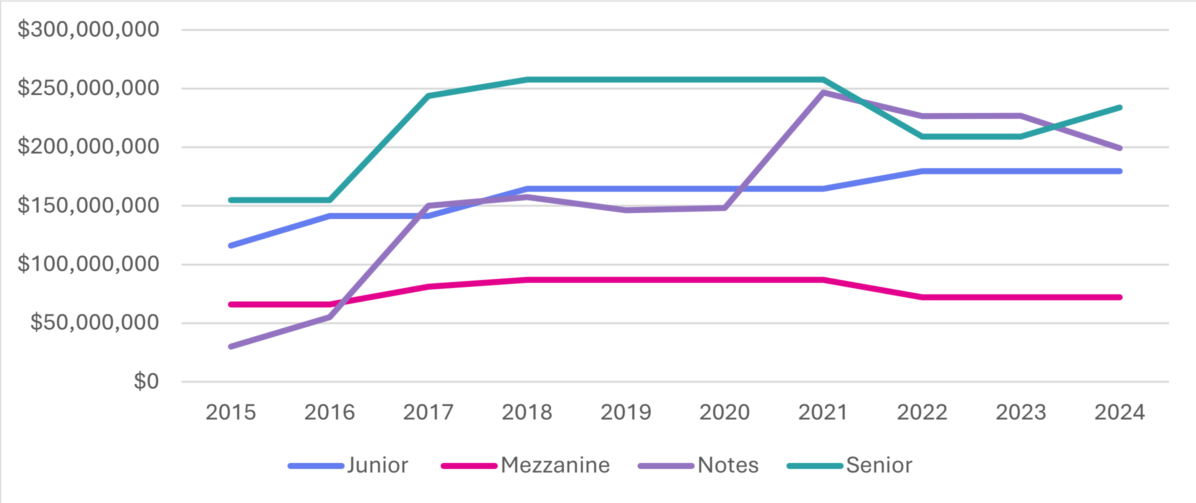
Investment

Since DESNZ's initial investment, the cumulative value of investment into the fund has grown from \$207m in Q4 2013 (prior to DESNZ investment) to \$684m in Q4 2024, a compound annual growth rate ("CAGR") of 11.48% over the 11-year period.

Figure 1 illustrates how the Fund's capital has grown since 2015. DESNZ is satisfied with how GCPF continues to grow and maintain its funding base over time, either by renewing investor commitments or by bringing in new investors.

[7] GCPF Audited Financial Statement as of 31 December 2024 (pg. 37).

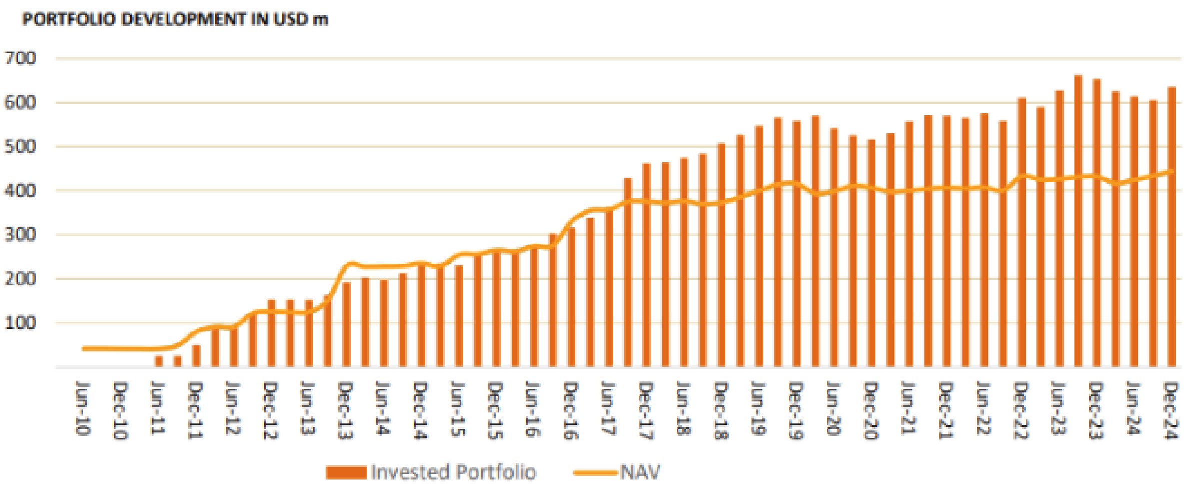
***Figure 1**: Investment by shareholder type (since 2015)*



On the asset side (i.e. the invested portfolio) there have been high levels of repayments from PIs in the reporting period, increasing from $112m in 2023 to $138m in 2024. For the Fund's asset base to grow, disbursements need to exceed repayments and any gap in liquidity needs to be covered by new funding. During 2024, the Fund disbursed $139.9m (and added eight new PIs), ending the year with a portfolio of $635.4m invested across 65 PIs.

A high level of PI repayments will impact the growth of the Fund's invested portfolio. Figure 2 illustrates this effect in the early part of 2024, with a rebound later that year. As part of the 2023 Annual Review, the delivery partner proposed a modest growth-rate target of 5%, which was not achieved in this reporting period. Growth is projected to be uneven year-on-year, with growth impacted by the short tenor of loans to PIs. This has meant that high levels of repayments were received during 2024 and are expected to remain so into 2025. However, as outlined in GCPF's latest Business Plan, the Fund expects there to be fewer repayments in 2026. In addition, GCPF is seeking to counteract an increased level of disbursements, by issuing larger-ticket loans.

***Figure 2:** Portfolio NAV since launch*



These high repayments, the highest seen in the Fund's history, can be seen as positive, as they demonstrate investment turnover is occurring, climate mitigation measures are being installed, and returns are being generated. However, over the longer-term GCPF will need to maintain a strong investment pipeline to deliver its growth ambition.

GCPF managed FI-level risk well in this reporting period. International Financial Reporting Standard ("IFRS") 9, which is a standard for managing the accounting of financial instruments, mandates recognition of impairment losses on a forward-looking basis, thereby recognising them ahead of a potential credit loss by quantifying these losses as the Fund's Expected Credit Losses ("ECLs"). GCPF were able to reduce the overall ECL proportion from 9.05% to 5.2% of the total disbursed portfolio (the lowest percentage since 2019), which was the result of the Fund working to reduce exposure of investments that have experienced a deterioration of credit.

The funding profile of GCPF remains long-term, with 90% of funding commitments having a remaining maturity of at least 5 years and 31% with a remaining maturity of at least 10 years.[8]

Technical Assistance Facility

The £6m TAF funding provided by DESNZ was fully absorbed in 2023, meaning UK funding for the TAF is now provided indirectly via the waterfall mechanism, rather than through contributions made directly to TAF. As a result, since October 2023, the UK no longer has a nominated member sitting on the Technical Assistance Committee ("TAC") Board, meaning the UK is less able to shape the TAF's priorities outside of the Fund's shareholder meetings. This situation is expected to remain for the foreseeable future, as the TAF does not require further financial support for the next two years and funding via the waterfall should move the TAF onto a more sustainable funding footing that obviates the need for direct funding.[9]

In 2024, the TAF was not provided with any additional funding as it was deemed it had sufficient funding for its pipeline of activities as evidenced by delivery of 42 technical assistance ("TA") projects (substantially overachieving the target of 23).

Adaptation Pilot

In 2024, GCPF informed shareholders of their intention to expand the Fund's scope to include climate adaptation (now approved by shareholders and incorporated into the Issue Document in June 2025). The adaptation element will be introduced gradually, starting with between 2 – 3 countries per year in the first two years (commencing in 2025 following ratification into the Fund's Issue Document), focusing on agriculture, construction and water treatment. This is expected to result in up to 20% of the total FI portfolio ($50m–$65m by 2029) enabling action on both mitigation and adaptation. This has been integrated into the Fund's Issue Document, with any changes to the Fund's eligibility requirements to be announced when finalised.

Relevant KPI milestones will be introduced by GCPF in 2026, and it is recommended that DESNZ consider introducing these into the current Logframe.

[8] GCPF Audited Financial Statements as of 31 December 2024 (pg. 5).
[9] GCPF Audited Financial Statement as of 31 December 2023 (pg. 41).

Summary

Tables 5 and 6 present the range of Indicators by which GCPF is judged, with the DESNZ assessment providing a 'A' rating overall for GCPF for the reporting period.

This is an assessment that calculates a score based on the Output Indicators, and was impacted by the missed Output 1 Indicators, with analysis provided throughout about how the invested portfolio has not grown because of high repayments and exits by PIs in this period.

There are concerns over how the Fund's structure is limiting the levels of private investment into the Fund. As mentioned, this because RR3 requires the Fund to alternate between raising Senior debt shares and Notes. In 2024, as per GCPF's business plans, GCPF raised more DFI capital, which will allow it to raise more private capital in the period thereafter (starting in 2026). DESNZ is satisfied that there is private investment potential, but there are limitations on how much GCPF can raise without first needing to balance this with other shareholdings.

Table 5: *Impact and Outcome Indicators 2024*

Impact & Outcome Indicator	Target	Achieved
Impact Indicator 1: Evidence of Transformational Impact	4	4
Outcome 1: Mobilised private finance for green energy products		
Outcome Indicator 1.1: Annual CO_2 emissions reductions achieved (tCO_2/year)	1,250,000	1,121,128
Outcome Indicator 1.2: Cumulative annual energy efficiency savings (MWh/yr) of loans disbursed since inception of the fund	>20%	34%
Outcome Indicator 1.3: Total % of Notes and Shares of which from private investors	>33%	29.15%
Outcome Indicator 1.4: Increased capacity and capability of PIs to develop green lending and/or green projects	At least 70% of the TAF	73% of FIs met their on-lending targets.

Table 6: *Output Indicators 2024*

Indicator	Rating	Weighting
Output Indicator 1: GCPF investments in partner institutions and growth of portfolio	B	40%
Output Indicator 2: GCPF attracts private investment at the Fund level	A+	40%
Output Indicator 3: Partner institutions develop their capacity and capabilities for green lending and/or green projects	A+	20%

Recommendations

Progress against recommendations from the last review

***Table 7**: Progress against recommendations from the last review*

Recommendation	***Progress***
As a Fund capitalised by multiple shareholders, DESNZ is keen to collaborate with other shareholders on the case for, design of, and funding for an external Independent Evaluation. This recommendation is to advise, by December 2024, on the feasibility of conducting this evaluation.	***Completed.*** DESNZ engaged with fellow shareholders on the possibility of co-funding a new Independent Evaluation, which was not successful. Following an options appraisal, given budgetary constraints, it was decided that DESNZ will commence an Internal Evaluation or analysis paper in 2025.
DESNZ to conduct an options appraisal paper on its future involvement with GCPF. This will lead to better understanding of how DESNZ will position itself as a shareholder going forward (and its level of resource) and if any further funding will be appropriate.	***Completed.*** DESNZ drafted the options appraisal paper on its future involvement with GCPF. Given the cuts to the ODA budget, and the changes outlined in the Spending Review, it was deemed that DESNZ could not commit to more funding until ICF's budget allocation was better understood. However, DESNZ will continue to review its budgetary position as further details emerge.
DESNZ will conduct a review of the current Logframe, including whether there are appropriate indicators to assess the quality of Fund delivery.	***Partially completed – to be rolled over until the next period.*** The adaptation 'bucket' will lead to new Indicators; therefore, it was appropriate to roll this over and allow for integration of new adaptation targets into the Logframe, alongside any potential other changes to pre-existing Indicators.
DESNZ to consider whether to continue to assess delivery of Output 3, given DESNZ no longer directly funds the TAF, or has a seat of TAC.	***Completed.*** DESNZ will continue to track the TAF activities over the next period. Although the TAF is no longer directly funded by DESNZ, this element of the Fund is still vital to its overall structure and the ToC.

Major lessons and recommendations for the year ahead

Table 8: *Major lessons and recommendations for the year ahead*

ID	Lesson learned	Recommendation	Deadline
1	GCPF informed shareholders in 2024 of their intention to expand the Fund's scope to include climate adaptation in emerging countries. These countries are vulnerable to climate impacts and need to bridge the growing adaptation finance gap for developing countries, with the flow of capital needing to double its current rate.	This is a new adaptation element of the Fund (added to Issue Document in June 2025), and the programme team should engage GCPF to develop Logframe Indicators, taking into consideration that this work is in its pilot phase.	February 2026

Section B: Theory of Change ("ToC") & Progress towards Outcomes

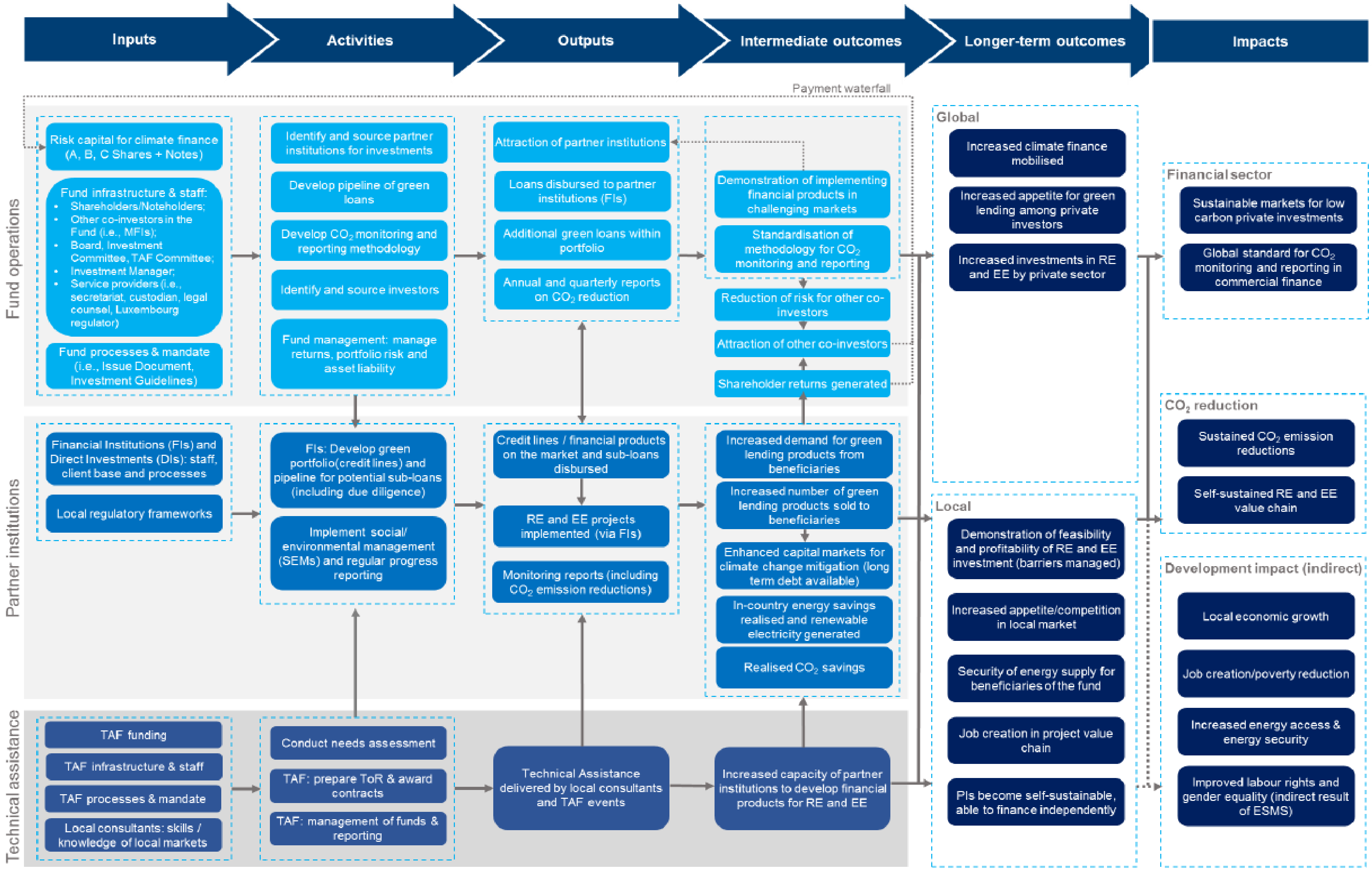
Summarise the programme's theory of change, including any changes to outcome and impact indicators from the original business case.

The programme's ToC is illustrated overleaf and shows how public funding in the form of ODA is used to attract other finance. As described above, it attracts other finance by de-risking investments, improving the return-risk profile, which leads to an increase in private sector and other climate finance flows that demonstrate the viability of low carbon projects. Alongside this, providing TA to PIs builds knowledge, awareness, and systems to develop and offer appropriate products to the market. Combining these components leads institutions to offer financial products for SMEs and households and subsequently increase the uptake of energy efficiency measures and renewable energy. Together, these outputs and outcomes contribute to developing sustainable markets for investing in low carbon technologies in developing countries that do not require public sector funding.

Describe the programme's contributions to the overall DESNZ ICF Theory of Change so far

GCPF is delivered by engaging PIs directly to improve the regulatory or policy environments in their respective countries, as opposed to engaging with governments. This means that, when comparing GCPF's ToC with ICF's, GCPF's ToC activities are contributing at the 'programming' level (as opposed to the 'cross-cutting' level). GCPF is successful at contributing to:

- programming to leverage private investment at scale by removing barriers to financing low-carbon projects, and
- providing technical assistance and capacity building to accelerate climate mitigation.


Inputs
Activities
Outputs
Intermediate outcomes
Longer-term outcomes
Impacts
Payment waterfall
Fund operations
Partner institutions
Technical assistance
Risk capital for climate finance (A, B, C Shares + Notes)
Fund infrastructure & staff:
Shareholders/Noteholders;
Other co-investors in the Fund (i.e., MFIs);
Board, Investment Committee, TAF Committee;
Investment Manager;
Service providers (i.e., secretariat, custodian, legal counsel, Luxembourg regulator)
Fund processes & mandate (i.e., Issue Document, Investment Guidelines)
Identify and source partner institutions for investments
Develop pipeline of green loans
Develop CO_2 monitoring and reporting methodology
Identify and source investors
Fund management: manage returns, portfolio risk and asset liability
Attraction of partner institutions
Loans disbursed to partner institutions (FIs)
Additional green loans within portfolio
Annual and quarterly reports on CO_2 reduction
Demonstration of implementing financial products in challenging markets
Standardisation of methodology for CO_2 monitoring and reporting
Reduction of risk for other co-investors
Attraction of other co-investors
Shareholder returns generated
Global
Increased climate finance mobilised
Increased appetite for green lending among private investors
Increased investments in RE and EE by private sector
Financial sector
Sustainable markets for low carbon private investments
Global standard for CO_2 monitoring and reporting in commercial finance
Financial Institutions (FIs) and Direct Investments (DIs): staff, client base and processes
Local regulatory frameworks
FIs: Develop green portfolio(credit lines) and pipeline for potential sub-loans (including due diligence)
Implement social/ environmental management (SEMs) and regular progress reporting
Credit lines / financial products on the market and sub-loans disbursed
RE and EE projects implemented (via FIs)
Monitoring reports (including CO_2 emission reductions)
Increased demand for green lending products from beneficiaries
Increased number of green lending products sold to beneficiaries
Enhanced capital markets for climate change mitigation (long term debt available)
In-country energy savings realised and renewable electricity generated
Realised CO_2 savings
CO_2 reduction
Sustained CO_2 emission reductions
Self-sustained RE and EE value chain
Local
Demonstration of feasibility and profitability of RE and EE investment (barriers managed)
Increased appetite/competition in local market
Security of energy supply for beneficiaries of the fund
Job creation in project value chain
PIs become self-sustainable, able to finance independently
Development impact (indirect)
Local economic growth
Job creation/poverty reduction
Increased energy access & energy security
Improved labour rights and gender equality (indirect result of ESMS)
TAF funding
TAF infrastructure & staff
TAF processes & mandate
Local consultants: skills / knowledge of local markets
Conduct needs assessment
TAF: prepare ToR & award contracts
TAF: management of funds & reporting
Technical Assistance delivered by local consultants and TAF events
Increased capacity of partner institutions to develop financial products for RE and EE

Log

Describe where the programme is on/off track to contribute to the expected outcomes and impact. What action is planned in the year ahead?

For the Outcome Indicators, GCPF met 2 out of 4 Indicators milestones in 2024, with Outcome Indicators 1.1 ('Annual CO_2 Emissions achieved) and 1.3. ('Total % of notes and shares of which from private investors') missed. With regards to 1.1, the 2024-2026 Business Plan includes an initiative to make the CO_2 reporting process more efficient, and rA are due to review the Fund's Carbon Framework, both of which could lead to an improvement against this Indicator. This is due in 2025, with GCPF highlighting that an initial audit will provide opportunities to streamline the Fund's Carbon Impact requirements.[10]

With regards to 1.3, as discussed later in this review, the levels of private sector investment (as a proportion of the Fund) declined due to high levels of repayment and expiry of private sector tranches that were then replaced by a new investment from a DFI. This may be an issue of timing, but will need to be kept under review to ensure that the private sector levels don't continue to drop.

This annual review will also be reporting on two Impact indicators which inform the primary impact statement:

- Contribute to developing sustainable markets for investments to support renewable energy and energy efficiency projects in developing countries that deliver associated emissions savings and developmental benefits.

Impact Indicator 1: Transformational Change (KPI 15)

Key Performance Indicator ("KPI") 15 ("Extent to which ICF intervention is likely to have a transformational impact") is an indicator all ICF programmes must report against and is particularly useful for determining the effectiveness of TA programmes. This methodology was updated in December 2022 to provide rubric statements that matched the transformational change ToC within ICF and to better capture long-term change through GCPF, to provide better use of data available to DESNZ, and to avoid reliance on the 2018 evaluation.

As part of the annual results collection process in March 2025, DESNZ found partial evidence that transformation is likely to occur (score 16 out of 24) as a result of DESNZ contributions to the GCPF. This judgement is on the basis the Fund continues to be additional in fulfilling a need for small tickets to Tier Two Banks, as demonstrated by the continued growth in PIs.

The total size of the portfolio fell in 2024, driven by lower levels of disbursements and higher repayments than in 2023, as opposed to a lack of interest from FIs, but the level of disbursements is still high relative to previous reporting periods. It is, therefore, believed that GCPF is still disbursing effectively. As will be noted in this review, GCPF intend to counter high levels of repayments by pursuing higher ticket investments and by increasing the tenor of investments.

Impact Indicator 2: Development benefits

Development benefits are considered an indirect impact of GCPF, demonstrated through the contribution of low carbon projects to local economic growth via increased affordable energy access and security for the end beneficiaries of the Fund. Further potential indirect impacts are improved labour rights, gender equality and job creation. The 2018 Mid-Term Evaluation concluded early signs of success for the Fund on development, as follow:

[10] GCPF 2025 – 2027 Business Plan (pg. 10)

- With regards to local economic growth, evidence tentatively points to projects that show evidence of limited additionality. However, the green loans are considered to provide better conditions to end beneficiaries, resulting in money savings or more favourable terms that increases the chances of successful implementation of the project or technology. A number of PIs noted that without GCPF on-lending, projects would have been financed at a much slower rate and therefore outcomes for end beneficiaries would have taken longer to be realised.
- There are also signs that green loans have led to poverty reduction. In the case of energy efficiency technologies, it reduced costs and enabled higher output, helping to reduce poverty. An example is the case of drip irrigation. This technology increases income of farmers, leading to a better economic position.
- Development of a green loan product by a PI is often combined with the development of overarching sustainable policies. For example, improved labour rights and gender equality. For some PIs this may include safeguarding checks among end beneficiaries to ensure they are not in breach of the law (demonstrated by providing the required permits and licences) before receiving sub-loans. These requirements, imposed by GCPF, translate into an additional resource burden faced by PIs.
- Renewable Energy funded projects have also contributed to increases in the power supply within country. For example, when delivered to the national grid, more electricity is available to power economic growth. When stand-alone, the reliability of an operation or production facility is increased.

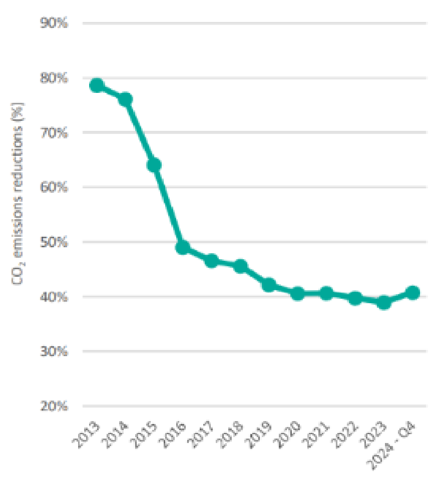
The evaluation was conducted in 2018, so these statements may be outdated and, given that DESNZ will not be pursuing an Impact Evaluation, it will be necessary to periodically request further information of how the Fund is delivering these developmental benefits.

Outcome indicator 1.1: Annual CO2 emissions reductions achieved (tCO2/year).

The Fund had a milestone target in 2024 to achieve 1,250,000 tCO2/year, but missed the milestone by achieving 1,121,128tCO_2/year (89.7%). To note, this target applied only to GCPF-relevant credit lines and the Investment Manager, responsAbility Investments AG, assume an average lifetime of 22 years when estimating the GHG savings brought about by the fund.

GCPF assesses an investment against a baseline at the time of investment and then regularly throughout the investment's life. This dynamic approach to assessing CO2 savings helps to assess the wider market environment, supports FIs to identify suitable technologies, and improves the credibility of reported results. GCPF reports a decreasing trend in average cumulative CO_2 emissions reductions from energy efficiency projects since 2012, with the Fund having achieved savings of 41% in 2024, illustrated by Figure 3.

Figure 3: *Average Cumulative CO2 Emission Reductions*



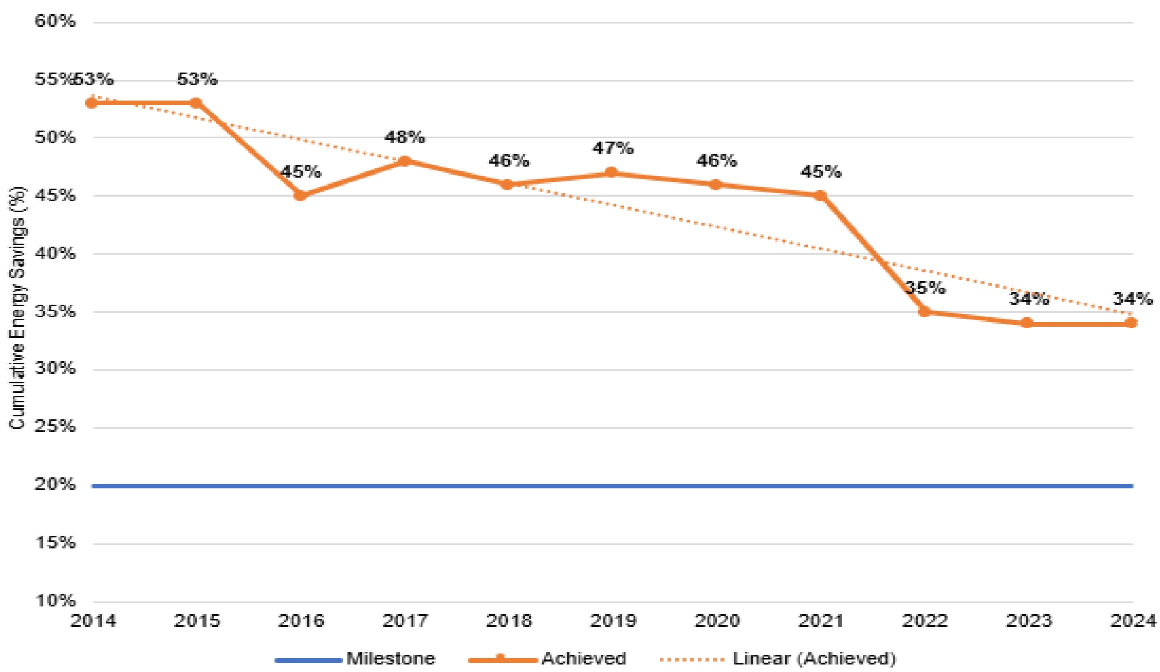
The fall in cumulative CO_2 emissions is seen as energy sectors become greener and the baseline improves over time. This means energy efficiency improvements and support to renewable power generation will no longer deliver at the same level of emissions reduction relative to the baseline position as they did in the early years of the Fund.

Furthermore, GCPF continues to search for new country opportunities that will help to support the Fund's impact, and expects to assess opportunities in countries such as Benin, Tajikistan and the Philippines in 2025.[11]

Outcome indicator 1.2: Cumulative annual energy efficiency savings (MWh/yr) of loans disbursed since inception of the Fund.

The energy saving requirement for the Fund is at least 20%, and this year the Fund achieved 34% cumulative annual energy efficiency savings (MWh/yr) of loans disbursed (since inception of the Fund). This has remained consistent with the previous year and continues a trend of lower energy efficiency saving per investment since 2014 (see Figure 4). As mentioned above, the Fund finds it more difficult to achieve the higher levels of savings relative to the early years of the programme. GCPF will now seek opportunities in newer countries, which is work intensive, but has the potential to result in higher impact and better results.

Figure 4: *Cumulative annual energy efficiency savings (MWh/yr) of loans disbursed since inception*



[11] GCPF Business Plan 2025 – 2027 (pg. 5)

Outcome indicator 1.3: Total % of notes and shares of which from private investors.

In 2024, the share of private investment into the Fund, at 29.23%, is below target. This fall from last year (33.15%) is outside of the projections/targets of GCPF's forecasts in the 2023-5 business plan (33.12%) which accounted for the drawdown of the Notes and the stabilisation of private sector investment. This drawdown of the Notes did occur in 2024 (resulting in a reduction of $27m) which, when coupled with a $25m increase in funding by a DFI to the Senior debt trance, has resulted in DFIs having a higher proportion of the Fund than the private sector. This relatively small decrease shows the impact of timing, as GCPF are operating within the limitations of RR3, which has required them to raise further investment into the non-private tranches (i.e. not into the Notes) before they are able to raise further private capital into the notes in 2026.

It should also be noted that geopolitical and macroeconomic issues remained in 2024 and are likely to continue into 2025, particularly with high global interest rates and inflationary pressures continuing to pose a challenge to both advanced & emerging economies. In April 2024, the International Monetary Fund ("IMF") forecasted global GDP growth to be at 3.3% in 2024 and 2025, which is similar to the previous forecast but below the historical average of 3.7%. However, in emerging markets and developing economies, this is expected to broadly match 2024, at 4.2% and 4.3% for 2025 and 2026 respectively. Despite these issues, GCPF highlights that the PIs remain resilient to the challenging global market, and it continues to proactively tailor its investment strategy to the constantly evolving financial landscape.[12]

In 2024, GCPF have cited that they still see a strong demand from private sector investors for the Notes, which are capped at a maximum of 37.5% of the Total Fund Size due to RR3. It is anticipated that levels of private sector investment within the Notes will increase, because of the tranche receiving its first-ever rating from Moody's at A3 (judging it to be stable), which may incentivise further investment. However, the importance is recognised of maintaining compliance with RR3, and GCPF have noted that they expect to raise further Notes in 2026.

Outcome indicator 1.4: Increased capacity and capability of Partner Institutions to develop green lending and/or green projects.

The amount of on-lending has increased from $1,168m (Q4 2023) to $1,333m (Q4 2024). GCPF demonstrated evidence of progress against this outcome indicator, with 73% of FIs meeting their on-lending targets at the end of the year (against a target of at least 70%), a slight increase from the previous reporting period (71%). This was likely due to GCPF increasing their capacity, allowing the Fund to grow sustainably alongside the growth in CII numbers. This should be improved further once the upgrade to their Sub-Loan reporting tool (CO2rA) has been finalised, which will improve monitorisation of FI on-lending, and will provide a rating to the Climate Advisory Specialists, enabling them to better understand the level of support required from individual PIs.

Has the Logframe been updated since the last review?

There were no updates to the Logframe made for this reporting period.

Justify whether the programme should continue, based on its own merits and in the context of the wider portfolio.

Based on the performance in this reporting period, ToC and value for money assessments, DESNZ considers that the programme should continue.

[12] GCPF Business Plan 2025 – 2027 (pg. 5)

Section C: Detailed Output Scoring (Outputs 1 – 3)

Output Title	**GCPF investments in partner institutions and growth of portfolio**		
Output number:	1	Output Score:	**B**
Impact weighting (%):	40%	Weighting revised since last AR?	No
Risk rating	Major	Risk revised since last AR?	No

Indicator(s)	**Milestone(s) for this review**	**Progress**
1.1 Total Net Portfolio value (net of provisions, renewals and non-renewed repayments)	$617.6m	**$601.6m** (Milestone was not met by $16m (2.5%)). **Outputs moderately did not meet expectations**
1.2 Net increase in number of partner institutions (CII and FI)	6	**4** (8 new PIs (2 new CIIs and 6 new FIs). 4 FIs left the Fund.) **Outputs moderately did not meet expectations.**

Output 1: summary and supporting narrative for the score

Indicator 1.1 <u>Total Net Portfolio value (net of provisions, renewals and non-renewed repayments):</u>

As of 31 December 2024, the net portfolio value was $601.6m, which missed this year's milestone of $617.6m by $16m (2.5% of milestone target). This was impacted by the size of portfolio decreasing throughout the first three quarters of 2024, which did not return to the levels seen at the end of 2023. As highlighted previously, this was driven by lower-than expected disbursements, which were lower over this period by $22.2m versus the year prior, because of lower investment activity to both FIs and CIIs. The net portfolio was also impacted by the higher repayments, which were $25.2m higher than in 2023, and was higher than expected due to a $15m prepayment from an investment that the Fund proactively initiated due to risk management purposes).

Repayments demonstrate that the Fund is receiving returns and generating FI and CII churn, but this needs to be supplemented by an increased demand for green lending products (as stated in the ToC).

GCPF's 2025-2027 Business Plan aims to add 10 PIs annually. However, the Fund notes repayments are scheduled to be high, with $147.5m due in 2025, $87.6m in 2026, and $143.6m in 2027. They intend to counter this by increasing disbursements to between $175m–$185m per year over this period. Although it is positive to see ambition, as increased demand is vital to the Fund's growth, this level of disbursements will need to see an increase to an amount not seen in the Fund over previous reporting periods. On the volume side, GCPF intend to achieve this by increasing the disbursement targets as follows:

Table 9: *FI & CII annual disbursement targets for the next four reporting periods.*

	2024	2025	2026	2027
FI Annual Disbursement Targets	$135m	$140m	$145m	$150m
CII Annual Disbursement Targets	$25m	$30m	$30m	$30m
Total	$160	$170m	$175m	$180m

For the FI investments, part of this will be achieved by exploring slightly larger volumes (an increase of $5m-$10m max) with FIs that are systemic and/or well-rated and capable of on-lending larger volumes. To reduce the concentration of repayments in future years, the Fund will gradually extend the weighted-average maturity of the FI portfolio from 2.9 years to 4.0 years for FIs and 3.1 years to 5.0 years for CII, subject to satisfactory risk profiles. Furthermore, on the pricing side (with regards to assets), GCPF deployed $15-20m in higher-spread (>425bps) FI transactions in India, $15m in subordinated debt at spreads >550bps (primarily via FIs in Latin America), and achieved a spread of 420-440bps for the $35m deployed via CIIs.

Indicator 1.2 Net increase in number of partner institutions: FIs & CIIs:

Information on the new additions can be found below:

Table 10: *Summary of new additions to GCPF's invested portfolio in 2024*

Companies	***PI Type***	***Subsector***	***Country***	***GCPF Investment to PIs ($m)***
[COMMERCIAL]	CII	Logistics	Nigeria	1.0
[COMMERCIAL]	CII	Renewable Energy	Viet Nam	2.8
[COMMERCIAL]	FI	SME Bank/NBFI	Nicaragua	10.0
[COMMERCIAL]	FI	MFI	Brazil	6.8
[COMMERCIAL]	FI	MFI	Turkey	25.0
[COMMERCIAL]	FI	MFI	Cote D'Ivoire	10.0
[COMMERCIAL]	FI	Transport	India	3.0
[COMMERCIAL]	FI	MFI	Paraguay	5.0
			Total	***63.6***

GCPF invested in six new FIs and two new CIIs in 2024, with four PIs leaving the programme, for reasons including price expectations, the deterioration in the operating environment, and due to a FI's tight capital management practices and underwriting weaknesses which reduced resilience to unexpected shock. This resulted in an overall net increase of four PIs in this reporting period, missing the target for a net increase of six.

Changes, and planned changes to this output following this review

No material changes as part of this review.

Output Title	**GCPF attracts private investment at the Fund level**		
Output number:	2	Output Score:	***A+***
Impact weighting (%):	40%	Weighting revised since last AR?	No
Risk rating	Moderate	Risk revised since last AR?	No

Indicator(s)	**Milestone(s) for this review**	**Progress**
2.1 Annual additional private sector subscriptions to GCPF, including renewals	$35m	$36m **Outputs moderately exceeded expectations**

Output 2: summary and supporting narrative for the score

In 2024, additional private sector subscriptions reached $36m, moderately exceeding the milestone of $35m. This was largely driven by the issuance of Notes to an existing Senior noteholder. This level of annual additional private sector subscriptions is an improvement on the previous year ($26m), which missed a $30m target.

GCPF notes strong appetite among existing Noteholders for renewals. Following Moody's 'A3' rating in 2024, there is expectation of attracting additional private sector investors.

To improve the balance between private investment and risk, GCPF has stated there is an opportunity to reduce the Fund's WACC by amending the capital structure to enable the Fund to potentially increase the share of the Notes.

It is further noted that while Notes are the primary source of private sector investment in the Fund, quasi-public investors can buy Notes, and over the reporting period a DFI investment in the Senior debt has arrested the trend of reducing RR3 headroom.

Changes, and planned changes to this output following this review

No material changes as part of this review.

Output Title	**Partner institutions develop their capacity and capabilities for green lending and/or green projects**		
Output number:	3	Output Score:	***A+***
Impact weighting (%):	20%	Weighting revised since last AR?	No
Risk rating	Low	Risk revised since last AR?	No

Indicator(s)	**Milestone(s) for this review**	**Progress**
3.1. Annual number of capacity-building activities delivered.	23	42 **Outputs substantially exceeded expectation**
3.2. PI on-lending target volume missed (%)	≤7%	6.07% **Outputs moderately exceeded expectation**

Output 3: summary and supporting narrative for the score

The TAF provided assistance in eleven countries in 2024 (including through three global projects). To date, it has supported 47 organisations (an increase of 8 in comparison to 2023). The TAF remains well capitalised, and in January 2024, the Board decided to not allocate additional waterfall contributions, which remains the case as of January 2025.[13] This is despite a large increase in the number of Technical Assistance activities in 2024, with 42 projects delivered, compared to 11 in 2023.

In terms of on-lending, the Fund continued to see high repayments over this period. These continued levels of lending were deemed as manageable by GCPF, with the Fund's Climate Advisory Specialists ("CAS") active across the Fund's countries, helping FIs achieve this target.

Changes, and planned changes to this output following this review

As mentioned in Section A, GCPF will be including adaptation for some new activities and delivery should be monitored. As noted in the recommendations section, it is expected that a new Indicator will be added to this Output that will enable DESNZ to monitor the effectiveness of FIs at disbursing sub-loans to adaptation projects.

[13] GCPF Audited Financial Statement as of 31 December 2023 (pg. 37)

Section D: Project Performance Not Captured By Outputs

In 2023, there was a shareholder vote on the levels of alignment with the EU's Taxonomy for Sustainable Activities, with the intention of lowering this alignment from 15% to 0%. This change was predominantly driven because of the global nature of the Fund, with varying regulations across the programme countries that differ from those of the EU.

Additionally, there were sectors (such as agriculture activities) that were not covered under the Taxonomy and, therefore, this change would allow for a greater spread of activities in under-invested sectors. The percentage of investments aligned with the EU Taxonomy did fall to 11.9 % in 2024, from 12.7% in 2023; however, this change was primarily driven by investment that had previously been EU Taxonomy-aligned dropping out of the portfolio.

The number of activities that were classed as not sustainable did reduced slightly from 5.6% to 5.2%; however, where activities were classed as not sustainable, this related to investments into hedging or other money market instruments, or where there was insufficient data available. A small number of investments were sustainable at the time of investment but are no longer classed as sustainable. GCPF is in the process of exiting these investments.[14]

[14] GCPF Audited Financial Statement as of 31 December 2023 (pg. 81)

Section E: Risks

Overall risk rating: ***Moderate***

Prominent programme risks are outlined below:

Description	Risk Response Description	Residual Risk Rating
Failure to attract further investment impacts growth ambition and targets for private sector investment	The Fund is not currently meeting its target proportion of private finance, though this is understood to be a timing matter as noted in this review and is expected to improve in future reviews. However, growth of the Fund generally, and ability to meet private finance demand is constrained by RR3. Reform of RR3 is understood to be under consideration, with change likely to reduce the risk rating in future reviews. to It is also anticipated that the Notes' 'A3' rating from Moody's will have a positive impact on the level of private sector investment, but GCPF will need to balance the need for private investment with being able to maintain this rating.	Major (expected to reduce subject to timing issue unwinding)
Investment decisions lead to unsustainable losses, reducing the value of the Fund and ability to deliver its objectives	GCPF has decision-making authority over its investments. The majority of losses to date have been driven by 'significant events', related to PIs entering administration and the adoption of IFRS 9 in 2018. In 2024, GCPF reduced their exposure to Expected Credit Losses (from ~9% in early 2024 to 5.20% by Q4). Fraud risk remains ever present. In 2024, GCPF identified two instances of suspected criminal behaviour committed by individuals with links to projects that have received investment. GCPF has exited one of these investments, showing the Fund's ongoing commitment to risk management.	Moderate
Outdated structure harms the longer-term sustainability and impact of the Fund	DESNZ views the current Fund structure as outdated, particularly regarding the high cost of the Mezzanine tranche, which erodes the longer-term sustainability of the Fund and the value and impact of DESNZ's junior equity investment. The junior shareholders proposal for Fund modernisation was not approved when voted on by shareholders, and DESNZ will continue to work collaboratively with the Board, shareholders, and the Investment Manager on alternative approaches.	Major

GCPF's traditional markets and sectors are becoming transformed, new markets are challenging and could impact GCPF growth ambition	As the global climate transition gathers pace, the role for GCPF as a market-opener in some markets and sectors is reduced. The Fund will need to continue to explore new markets and sectors where its work is additional and impactful. Action in this regard is evidenced by the Fund's proposal to offer support to adaptation activities that align with its core mission. This move into new markets and sectors that are at an earlier stage of climate transition can be resource intensive and sits in constructive tension with the growth ambitions of the Fund. It is vital that GCPF maintains its eligibility criteria while recognising there's competition for quality projects and this could lead to an increase of sub-optimal projects in GCPF if growth is pursued, which could negatively impact preservation of DESNZ's junior capital.	Major

Overview of risk management

DESNZ monitors and updates its perception of the Fund's risks using evidence from the Fund's outputs (for example, quarterly shareholder and financial statement documents) which are used to routinely update the Project Delivery Plan. As shareholders, DESNZ can raise any risk queries to the Investment Managers at either ad hoc or shareholder meetings. DESNZ engages regularly with the Board, both bilaterally and in shareholder meetings.

GCPF's risk management policy defines the framework of the Fund's risk management system. The Fund's risk management is performed under the overall responsibility of the Board of Directors while the day-to-day risk management is performed by the Fund's Investment Manager. The in-house risk management team of the Investment Manager is separate from the portfolio management and closely monitors all processes. The Investment Manager is an asset manager subject to Swiss and Luxembourg regulations.

The Board of Directors is responsible for:

i) Approving the risk management policy,
ii) Approving remedial measures as appropriate,
iii) Ensuring compliance with the Fund's risk limits,
iv) Periodically reviewing the effectiveness of the risk management system and
v) Approving risk measurement methods including but not limited to, exposure limits and rating methodologies that serve as inputs to the IFRS 9 impairment model.

DESNZ's investment into GCPF is equity and the investment sits on DESNZs' balance sheet. Despite being equity, DESNZs' investment (Junior, mostly lossmaking shares with few options for later being sold) is more akin to a grant. Central DESNZ Finance are updated quarterly with the reported Net Asset Value of DESNZs' shares. If the shares lose value, this requires Annually Managed Expenditure (non-departmental government expenditure) budget cover.

GCPF continues to be proactive in monitoring and responding quickly to emerging risks in the portfolio and communicates this in a timely manner. Their specialists operate from offices in Switzerland, India, Viet Nam, Georgia, Kenya and Peru, enabling them to become a trusted partners to FIs and providing on the ground support.

As a shareholder, DESNZ does not make, and is not responsible for, investment decisions. These are the responsibility of the Investment Committee, overseen by the Board.

DESNZ is able to raise concerns over the direction of the Fund through engaging the UK-nominated board member, the Board as a whole, other shareholders, and the Investment Manager. Engagement can, and does occur with all parties on bilateral and plenary basis, and in both ad-hoc and recurring meetings. Oliver Griffiths is the UK-nominated Board Director, who has served on the Board since 2023.

Section F: Programme Management: Delivery, VfM, Commercial & Financial Performance

Summarise the performance of partners and DESNZ, notably on commercial and financial issues, and including consideration of VfM.

Delivery against planned timeframe

There is no end date to the Fund or to DESNZ's investment. Delivery is monitored against a Logframe that aligns to GCPF's Business Plan targets.

Performance of partnership

DESNZ is an active shareholder that aims to engage positively and constructively with GCPF's Board, Investment Manager, and with other shareholders. DESNZ is updated quarterly on Fund performance in shareholder calls and through their high-quality regular reportage from the Investment Manager. Proposed changes to the Fund structure and Issue Document are subject to discussion and affirmative votes by shareholders.

Asset Monitoring and Control

DESNZ has a relatively high level of confidence over safeguarding of assets. This confidence stems from GCPF's independent compliance review every three years, the process of engagement with the Investment Manager as part of these annual reviews, and quarterly share values for DESNZ investments provided by the Investment Manager.

Financial performance

DESNZ's commitment is fully invested into GCPF. This annual review assesses GCPF against the 4 Es framework (economy, efficiency, effectiveness and equity).

Economy

The Investment Manager's fees are paid from revenue the Fund makes, prior to returns being paid to shareholders. Therefore, fees are indirectly paid from the DESNZ (and other shareholder) returns. The 2018 evaluation of GCPF benchmarked the Investment Manager's fees against other industry segments and found them to be reasonable.

The TAF is managed by a team of five who manage procurement of consultants, quality assessment, and follow up. They have demonstrated to the TA Committee that fees are negotiated to a reasonable minimum as a matter of course, as well as through its own operations such as in-sourcing event management as well as the team drawing on colleagues to reduce consultancy fees and reducing banking fees.

No new contribution to the TAF is expected as new governance changes (whereby the TAF better benefits from the waterfall model of GCPF) means that the Facility is on track to become fully independent of direct donor contributions. The effects of these changes will need to be monitored, as the changes to the waterfall were in the final quarter of 2023; however, the previous two audited financial statements have stated there is enough funding available to cover TAF activities for the next two reporting periods.

Efficiency

DESNZ judges GCPF to be efficient in delivering outputs. In 2024, $1,333m worth of cumulative sub-loans have been disbursed since the inception of the Fund, with this figure rising year-on-year as 73% of GCPF's PIs had met their on-lending targets. GCPF did see a reduction to the level of disbursements to PIs, from $157.8m in 2023 to $139m in 2024, although this was only a small relative to the performance throughout the programme.

In 2023, the UK alongside its junior shareholder peers made a proposal to all shareholders to restructure the waterfall payment with the aim of making GCPF more efficient at the Fund-level by capping the dividends of the Mezzanine shareholders for the benefit of the whole Fund. This would have improved the sustainability and efficiency of GCPF, lessening the need for regular public funding contributions to the junior tranche in future.

Although the junior shareholder proposal was not carried forward as proposed, there was some improvement in returns to the junior tranche – which are then recapitalised into the Fund for the benefit of the Fund and all shareholders – for example, the NAV of the DESNZ investment increased from $49.7m to $54.6m in the reporting period, though this is partially due to the high level of repayments relative to disbursement in the period.

The TAF continues to provide GCPF with a comparative advantage in an increasingly competitive green lending market. The reporting period saw significant in-person activity, which has aligned with the re-prioritisation of PIs towards technical assistance work. The TAF is particularly relevant to the efficiency of the Fund given its tight eligibility requirements.

Effectiveness

DESNZ judges GCPF to be effective if it is successfully encouraging new FIs to come forward to receive funding and if new investors are investing into the Fund.

The KPI 15 assessment methodology judges ‘evidence of effectiveness’ against

a) GCPF’s portfolio expands to continue supporting PIs with their transition,
b) GCPF managing operational risk well, and
c) GCPF meeting Business Plan targets for emissions reductions and energy savings.

Based on application of this methodology, GCPF met all targets in 2024.

Cost effectiveness:

DESNZ assesses that the Fund continues to demonstrate cost effectiveness. Although the Fund is currently in a period with higher levels of investment maturities and repayments than seen previously, and these are having an impact on headline output results, the underlying business remains sound and there is a clear recognition that these results are a snapshot in time that is expected to improve over the coming reporting periods.

With regards to emissions reductions, although these have failed to meet their targets year-on-year since 2021, the amount of CO_2 reductions across the programme is continuing, with total expected lifetime emission reductions (adjusted with additionality) increasing from 15.6m to 16.1m (2.8% year-on-year increase).

Equity

GCPF ensures minimum safeguards and processes are in place to prevent unlawful discrimination and to advance equality of opportunity. GCPF does this on two levels, at the level of the PI and at the project level. To meet GCPF’s ESMS requirements, PIs must develop favourable management practices for labour and working conditions to achieve good worker management relationship, fair treatment, non-discrimination and equal opportunity, safe and healthy work environments. GCPF requires compliance with local regulation and with IFC Performance Standards and EHS Guidelines, as well as with other international frameworks regarding non-discrimination and adequate management of human rights issues such as the UN Guiding Principles on Business and Human Rights and the International Labour Organisation (“ILO”) Declaration on Fundamental Principles and Rights at Work.

At the project level, the Investment Manager requires and reviews project-specific documentation (permits, HR policies, environmental licenses, environmental impact assessments, etc.) to approve sub-loans being reported to GCPF. The extent of documentation required varies with the sub loan's size, tenor and risk category, in line with the GCPF ESMS. Project-specific information may be updated and monitored on an annual basis if required. TA activities also cover environmental and social risk management.

To ensure compliance GCPF requires the following reporting:

a) Annual environmental and social questionnaire,
b) Annual environmental and social compliance certificate, and
c) Periodic project-specific environmental and social monitoring audits, as required.

Paris alignment

DESNZ assesses that the Fund shows alignment with the Paris Agreement. This is reflected in the Fund's Issue Document, which states that the delivery partner must ensure that the Fund's activities align with warming targets (i.e. article 2).

Table 11: *DESNZ Paris Alignment Exercise.*

Paris alignment pillar	***Description of activity***
How have you taken a proportional approach to climate and environment risk assurance?	A Climate and Environmental Risk Assurance assessment was undertaken based on internal guidance. This resulted in a major climate and environment risk to the programme based on the global nature of the Fund and the diversity of potential climate change risks faced from in the countries that have received investment. This is expected, and GCPF's 2024-26 Business Plan includes plans to improve risk assessment procedures over the next two years, and have plans to capture more risks captured from projects of all sizes.
How have you taken a proportional approach to using shadow carbon pricing?	Shadow carbon pricing sensitivity analysis was included in the assumptions of the 2013 Business Case.
Does the programme adhere to HMG's fossil fuel policy?	Yes. The Fund does not finance overseas fossil fuels and so, adheres to the HMG's fossil fuel policy.
Are you ensuring the programme does not undermine impacted countries climate plans?	Yes. The Fund supports ODA countries to meet their climate goals.

Date of last narrative financial report	31 December 2024
Date of last audited annual statement	31 December 2024

Annex 1: Portfolio Projects invested in by GCPF (as of 31st December 2024)

Country	***# of FIs***	***# of CIIs***	***Country***	***# of FIs***	***# of CIIs***
Armenia	2	0	Mongolia	2	0
Azerbaijan	1	0	Nepal	1	0
Bangladesh	2	0	Nicaragua	1	0
Botswana	1	2	Nigeria		1
Brazil	1	0	Panama	2	0
Cambodia	1	0	Paraguay	1	0
China	2	0	Panama	1	0
Colombia	1	0	Peru	1	0
Costa Rica	1	0	Regional Pan-Africa	0	1
Cote D'Ivoire	1	0	South Africa	0	1
Ecuador	2	0	Sri Lanka	1	0
El Salvador	1	0	Tanzania	1	1
Guatemala	1	0	Thailand	0	4
Georgia	3	0	Turkey	1	0
Honduras	1	0	United Arab Emirates	0	1
India	7	0	Uganda	0	1
Kenya	0	1	Uzbekistan	3	0
Mexico	1	0	Viet Nam	3	5

Total FIs	47
Total CIIs	18