



# Recommendations and Tools for optimal Green Climate Fund (GCF) access for SMEs

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## Abbreviations

<b>AE</b>	Accredited Entity	<b>GCF</b>	Green Climate Fund
<b>AFD</b>	Agence Française de Développement	<b>IAE</b>	International Access Entity
<b>AML</b>	Anti Money-Laundering	<b>IDCOL</b>	Industrial Development Corporation Limited
<b>BB</b>	Bangladesh Bank	<b>KYC</b>	Know Your Customer
<b>CCA</b>	Climate Change Adaptation	<b>LDC</b>	Least Developed Country
<b>CFT</b>	Countering the Financing of Terrorism	<b>NDA</b>	National Designated Authority
<b>CSO</b>	Civil Society Organisation	<b>PSAA</b>	Project-Specific Accreditation Approach
<b>DAE</b>	Direct Access Entity	<b>PKSF</b>	Palli Karma-Sahayak Foundation
<b>DRR</b>	Disaster Risk Reduction	<b>SIDS</b>	Small Island Developing States
<b>EE</b>	Executing Entity	<b>VCEF</b>	Vertical Climate and Environmental Fund
<b>ERD</b>	Economic Relations Division		
<b>FP</b>	Funding Proposal		

# Executive Summary & Key Recommendations

## Objective of the Report

The objective of this report is to formulate strategic recommendations and tools for optimal Green Climate Fund (GCF) Access for SMEs in Bangladesh.

## Green and Climate Finance and SMEs

Green and Climate finance is a critical enabling tool for developing country actors in addressing a range of developmental challenges caused and/or exacerbated by climate change, yet access remains difficult.<sup>1</sup> Highlighting this, global climate finance averaged almost USD 1.3 trillion in 2022-2023, but less than 3% reached or flowed within the least developed countries, and, excluding China, only 15% went to emerging and developing economies. Furthermore, the ten countries most affected by climate change from 2000 to 2019 received less than 2% of total climate finance in 2023.<sup>2</sup>

Green finance is a component of sustainable finance that focuses on achieving environmental outcomes, whereas climate finance is a subset specifically aimed at mitigation and adaptation initiatives. In practice, green finance channels funds towards commonly recognised sustainable development objectives, including climate change mitigation and adaptation, sustainable use and protection of water and marine resources, a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. Green finance is delivered through bank lending, micro credit, guarantees, insurance, and capital market products such as green bonds, with the overarching aim of increasing financial flows from public, private and not-for-profit actors to environmental priorities while managing environmental and social risks.

As pressure to leverage scarce donor resources intensifies in an environment of reducing climate finance availability, private sector solutions and the utilisation of the local financial network in developing countries are becoming more prominent options. This, however, raises issues of access to finance more generally, as access to finance is a precondition for access to climate finance, where it is channelled through local financial institutions.

## Reaching vulnerable sectors

This is a particularly prominent issue for those in vulnerable sectors like agribusiness, tourism, textiles, cottage, small manufacturing, fisheries, and food processing, which are highly exposed to climate extremes such as floods, cyclones, and landslides. This physical exposure is exacerbated by limited SME adaptive capacity, due to poor technical knowledge, lack of access to green and climate finance and a lack of access to financing and planning tools<sup>3</sup> needed for Climate Change Adaptation (CCA) or Disaster Risk Reduction (DRR).

<sup>1</sup>[Transparency International Bangladesh](#)

<sup>2</sup>[CPI \(2023\) Landscape of Climate Finance](#)

<sup>3</sup>[OECD SME and Entrepreneurship Papers | OECD](#)

These vulnerabilities are more pronounced in SMEs located in rural or high-risk areas (such as coastal areas) and among women-led businesses, which face additional hurdles due to gender-based financial exclusion. As a result, SMEs struggle to access the capital, technology, and advisory services needed to strengthen their climate resilience and contribute meaningfully to mitigation efforts.

Considering the specific challenges and opportunities for broadening access to green and climate finance to the most vulnerable is therefore an important element in enhancing access overall. While this needs to be reflected in project development and appraisal, it also needs to be considered in the development and reform of national systems and rules, to ensure that there are no undue barriers to access created by these.

To address these issues, this report focuses on the existing GCF global best practices and also discusses the challenges faced by SMEs in accessing both finance in general and green and climate finance. Drawing on those learnings, this report then proposes significant recommendations aimed at strengthening the enabling environment for SMEs to access green and climate finance, while aligning with global best practices and national priorities. The recommendations outlined in the report span regulatory, financial, and capacity development domains. They include supporting the accreditation of private GCF Direct Access Entities (DAEs), expanding the remit of institutions like Industrial Development Corporation Limited (IDCOL) and Palli Karma-Sahayak Foundation (PKSF) to include SMEs, and reducing the time lag between GCF proposal approval and fund disbursement. Capacity building for NDAs and DAEs is emphasised alongside the development of a guarantee scheme to facilitate access to green finance. The report also advocates for forming a dedicated climate finance steering group, crafting comprehensive sectoral solutions, and digitalising business documentation such as trade licenses and environmental permits. Further recommendations involve integrating sustainable finance into SME policy, establishing a Green Bonds policy, expanding rooftop solar connections, and setting sustainability targets for corporates to drive environmental accountability.

## **SME challenges in Bangladesh**

Many SMEs, including informal micro-enterprises, cottage industries, and those in particularly vulnerable sectors such as agribusiness and tourism, are highly exposed to climate extremes such as floods, cyclones, and landslides. This physical exposure is exacerbated by limited SME adaptive capacity, due to poor technical knowledge, lack of access to climate finance and a lack of access to financing and planning tools needed for CCA or DRR. These vulnerabilities are more pronounced in SMEs located in rural or high-risk areas (such as coastal areas) and among women-led businesses, which face additional hurdles due to gender-based financial exclusion.

At the same time, SMEs in Bangladesh face numerous challenges in accessing climate finance, despite their crucial role as one of the primary drivers of economic growth and their disproportionate vulnerability to the effects of climate change.

As a result of these challenges, SMEs struggle to access the capital, technology, and advisory services necessary to enhance their climate resilience and make meaningful contributions to mitigation efforts. Specific barriers include:

- Systemic barriers in obtaining finance, including high perceived risks, low familiarity with banking procedures, high requirement of paperworks, and insufficient support from financial institutions, especially in underserved regions.
- Gender gaps in financial access, which is exacerbated by low digital inclusion and weak institutional support, further limit women entrepreneurs' participation.
- Lack of SME-focused climate finance facilities, while some multilateral climate finance operations could support SMEs in Bangladesh, more generally, there have been delays in project development, limited incentives for international agencies to focus on SME-specific solutions, and a lack of focus on developing and delivering climate finance projects targeting SMEs.
- Specific weakness in the GCF ecosystem in Bangladesh, which needs to be addressed in parallel to systemic access-to-finance issues in order to ensure SME access to climate finance.
- Limited technical capacity among SMEs hinders their ability to transition to greener operations. Targeted support and capacity-building initiatives are crucial for enabling access to green and climate finance.
- Lack of targeted incentives for small enterprises to adopt sustainable practices remains a significant barrier to accelerating their green transition.
- Restricted access to international climate finance, such as funding from the GCF, poses a major challenge. Stringent requirements—such as complex documentation, strong climate rationale, and strict environmental and social safeguards—are often difficult for SMEs to meet, limiting their participation in such programmes.<sup>4</sup>
- Limited capacity within financial institutions hinders effective green financing. Many bank personnel lack adequate training to identify and document green loans. As green financing must be flagged at the loan origination stage—based on clear criteria and guidance from branch risk management—this knowledge gap often results in missed opportunities, as loans not initially marked as green cannot be reclassified later.

## The GCF in Bangladesh

The Economic Relations Division (ERD) of the Ministry of Finance is the National Designated Authority (NDA) for the GCF. Two DAEs are accredited in Bangladesh, PKSF and IDCOL, both of which are government institutions. Structurally, this puts Bangladesh into a strong position, as an NDA based in the Ministry of Finance is likely more powerful and closely connected to finance than one in a Ministry of Environment, and two DAEs should be able to develop projects focused specifically on national challenges more easily than, e.g., international AEs can.

Nevertheless, while Bangladesh has several operating GCF projects, the experience has, on the whole, been challenging, with delays in the implementation of projects, as well as in the approval of projects proposed by the DAEs.

<sup>4</sup> [Accessing climate finance from GCF & GEF: Hurdles and way forward. \(The Financial Express, 2022\)](#)

Furthermore, the focus of the approved GCF projects in Bangladesh is not on SMEs, but rather on sectors dominated by corporates, as well as micro/cottage enterprises. SMEs therefore fall into a gap, where they maybe able to access green and climate finance if their operations are aligned with the design of a specific project, such as the World Bank’s Global Clean Cooking Program, but are otherwise not specifically catered for as a group, because there is no equivalent to e.g. Agence Française de Développement’s (AFD) Transforming Financial Systems for Climate program or XacBank’s SME Business Loan Program for GHG Emission Reduction operating in Bangladesh. This leaves a clear gap in serving an important segment of the economy with climate finance.

## Key recommendations

The creation of an SME-focused program will be a critical step in enhancing access to climate finance for this target group in Bangladesh. To ensure that such a program is responsive to the specific needs and circumstances, it should preferably be delivered by a DAE or by an International Access Entity (IAE), but focused on Bangladesh, rather than as a subset of a regional program. The recommendations below have been developed to enable Bangladesh to build on this fundamental premise.

Table 1: Key Recommendations

Group	Recommendation
Regulatory	<p><b>Support to the accreditation of private GCF DAEs</b> will broaden the scope and flexibility of finance provision to SMEs in Bangladesh and avoid boundary/cliff-edge issues that exist with the currently accredited DAEs, while reducing reliance on development partners who are international AEs to the GCF. This recommendation applies in particular to the ERD, which is in the driver’s seat on the accreditation of additional entities under either the institutional or the Project-Specific Accreditation Approaches (PSAAs), through the need to endorse the accreditation requests.</p>
	<p><b>Expansion of the remit of IDCOL and/or PKSF to include SMEs.</b> This will enable institutions to also focus on SMEs, which currently sit in a gap between corporates, primarily supported by IDCOL, and micro/cottage industries, supported by PKSF. The gap is maybe best illustrated by the typical loan sizes, which differ widely between the two institutions. IDCOL loans range mostly between Tk1.5-3.5bn, while IDCOL average loans range between Tk0.026mn and Tk0.177mn, depending on the facility.<sup>5</sup></p>

<sup>5</sup> [IDCOL Annual Report 2023 and PKSF Annual Report 2023](#)

Group	Recommendation
Financial	<p><b>Development of a guarantee scheme to support access to green finance.</b> This will reduce both the perceived and actual risk of lending to SMEs. It will minimise funding costs for SMEs that are already bankable, increasing their opportunity to use debt finance for growth, while expanding the range of SMEs that can be financed into a group of SMEs currently considered too risky for bank finance. Overall, such a scheme could create a wider reach of much-needed debt finance, which would also help address structural issues in Bangladesh's economy. In the first instance, such a guarantee scheme could provide a bridge for the Green Fund refinancing scheme by the Bangladesh Bank (BB), thereby overcoming the risks and costs associated with the delay between a loan being issued and it being refinanced. IDCOL and/or PKSF could implement such a scheme and apply to GCF for concessional finance support.</p>
	<p><b>Development of a Green Fund scheme for microfinance lending.</b> The Green Fund scheme for bank loans has been successful, despite some design issues. It has brought down the overall cost of green lending for bank-issued loans. Given the relatively much higher cost for micro-finance loans, a similar scheme could be beneficial for SMEs that cannot access bank finance. IDCOL and/or PKSF could implement such a scheme and apply to GCF for concessional finance support.</p>
	<p><b>Development of a grant scheme for most vulnerable SMEs.</b> For at least some highly vulnerable SMEs, it will most likely be impossible to ever access debt finance at a reasonable cost. To address the vulnerabilities of these SMEs, it will be necessary to implement grant schemes, ideally tied closely to their physical exposure to climate risk, to help them develop the levels of resilience needed to resist the impacts of the climate crisis. IDCOL and/or PKSF could implement such a scheme and apply to GCF for concessional finance support.</p>
	<p><b>Development of comprehensive sectoral solutions.</b> These solutions will be driven by finance but need to include technical and regulatory measures. They are of high importance for highly exposed and complex sectors, e.g. for agricultural value chains.</p> <p>Models exist in GCF projects in other countries on how these solutions can be designed. They can be combined with, e.g. guarantee schemes for higher impact. IDCOL and/or PKSF could implement such a scheme and apply to GCF for concessional finance support, while ERD could integrate this into Readiness to support line ministry activities.</p>

# 1 Introduction

## The role of SMEs and Climate Finance

In Bangladesh, SMEs contribute 25% of the GDP, account for 80% of industrial businesses, and employ over 30 million people, including a significant proportion of youth and rural workers.<sup>6,7</sup> Approximately 60-65% of SMEs operate outside metropolitan centres, forming the backbone of rural economies and contributing to local employment and income generation. Despite their economic significance, 87% of SME jobs are informal, offering little job security and often minimal contributions to exports.<sup>8</sup>

While Bangladesh allocates approximately \$1.2 billion annually to tackle climate change impacts through green and climate finance, the estimated financing need to adequately address its climate vulnerabilities is significantly higher—around \$8.5 billion per year.<sup>9</sup> This challenge is further exacerbated for groups of the population and sectors of the economy who are considered the most vulnerable, who are struggling to access green and climate finance even more.<sup>10</sup>

Green and climate finance offers a transformative opportunity to address these vulnerabilities by enabling SMEs to adopt sustainable practices that enhance productivity, competitiveness, and climate resilience. For instance, financing solutions such as solar energy systems, energy-efficient machinery, and waste management technologies can help SMEs reduce operational costs, improve environmental compliance, and contribute to Bangladesh's commitment to achieving 40% renewable energy generation by 2041.<sup>11</sup>

As pressure to increase leverage, scarce donor resources intensify in an environment of reducing green and climate finance availability, private sector solutions and the utilisation of the local financial network in developing countries are becoming more prominent options. This, however, raises issues of access to finance more generally, as access to finance is a precondition for access to climate finance, where it is channelled through local financial institutions.

## GCF governance in Bangladesh

The ERD of the Ministry of Finance is the NDA for the GCF. Two Direct Access Entities (DAEs) are accredited in Bangladesh, PKSF and IDCOL, both of which are government institutions. Structurally, this puts Bangladesh in a strong position, as an NDA based in the Ministry of Finance is likely more powerful and closely connected to finance than one in a Ministry of Environment. Additionally, two DAEs should be able to develop projects focused specifically on national challenges more easily than, for example, international AEs can.

Nevertheless, while Bangladesh has several operating GCF projects, the experience has, on the whole, been challenging, with delays in the implementation of projects, as well as in the approval of projects proposed by the DAEs.

<sup>6</sup> [Need for accessible green financing for SMEs emphasised | The Business Standard](#)

<sup>7</sup> [Green Finance Development in Bangladesh: The Role of Private Commercial Banks \(PCBs\)](#)

<sup>8</sup> [Empowering green growth through sustainable finance in Bangladesh | Asian Banking & Finance](#)

<sup>9</sup> [TBS News - The gap in climate finance](#)

<sup>10</sup> [DW.com \(2024\)](#)

<sup>11</sup> [Mujib Plan 2022-41](#)



## 2 Challenges and Barriers in accessing GCF

### GCF barriers

In 2024, the Circle of Finance Ministers undertook a review of access challenges faced by countries wishing to utilise climate finance from the four Vertical Climate and Environmental Funds (VCEFs). The barriers identified were broken into four major areas, aligned with the project cycle of the VCEFs.

Table 2: Key Barriers for accessing the GCF by Stage of the Project Cycle

Stage	Barriers
Accreditation	<ul style="list-style-type: none"> <li>• <b>Accreditation bottlenecks:</b> In 2023, an average of 25 months elapsed between application submission and Board approval.</li> <li>• <b>Demanding Application Process:</b> Direct Access Entities have reported that applications are time-consuming and require complex information. Many GCF direct access entities have not been able to graduate from accreditation to programming in a reasonable time frame.<sup>12</sup></li> </ul>
Project Approval	<ul style="list-style-type: none"> <li>• <b>Lengthy Project Approval Process:</b> The process from Funding Proposal (FP) submission to Board approval takes a median of 240 days for a public sector project.</li> <li>• <b>Vulnerable countries disproportionately impacted by process length:</b> The entire approval process takes the longest for Least Developed Countries (LDCs) (688 days), followed by African States and Small Island Developing States (SIDS) (538 days), compared to 501 days for other eligible countries.</li> </ul>
Disbursement	<ul style="list-style-type: none"> <li>• <b>Lengthy disbursement period:</b> In 2023, the project life cycle is considered costly by most GCF AEs and for energy sector projects, it takes, on average, 2.5 years from concept to first disbursement. This is particularly concerning given that disbursement time is expected to be shorter for energy projects. Internal processes are key drivers for the lengthy cycle.<sup>13</sup></li> </ul>

Stage	Barriers
Project Implementation	<ul style="list-style-type: none"> <li>• <b>Lack of flexibility</b> relative to policy requirements, particularly for DAEs, which report a failure or insufficient capacity to consider the local context and capacity.</li> <li>• <b>Undifferentiated reporting requirements by type of entity.</b> Reporting relies heavily on the capacities of AEs, which are highly variable. The same risk management standards are applied regardless of project type. The often more limited capacity of DAEs can result in weak results monitoring and learning, making impact measurement and learning difficult.<sup>14</sup></li> <li>• <b>Co-financing and sustainability risks:</b> DAEs are more likely to mobilise domestic co-financing (35 per cent) compared to international co-financing (14 per cent), and National DAEs are expected to mobilise a higher share of their co-financing (67 per cent) domestically than regional DAEs. domestic sources are more likely not to materialise and threaten project scope and sustainability.<sup>15</sup></li> </ul>
Throughout the project cycle	<ul style="list-style-type: none"> <li>• <b>Complex procedures and documentation:</b> Due to GCF's focus on fiduciary standards at accreditation and the high transaction costs associated with accreditation and project design and approval, well-resourced international institutions and financial mechanisms have been two main categories of AE's in GCF's history. GCF's multi-layer approval, procurement, and reporting procedures can overwhelm smaller agencies.<sup>16</sup></li> </ul>

## Ongoing GCF reforms

Ongoing GCF reforms to accelerate programming and support DAEs and project-specific accreditation will help Bangladesh's SMEs to access climate finance. ERD, as the NDA, as well as other relevant government stakeholders, should support these moves by GCF management. The creation of GCF regional offices in particular could lead to enhanced working-level ties, which can benefit Bangladesh.

## National barriers

Access barriers are also present at the national level in Bangladesh. Some key barriers are set out below.

Table 3: National Barriers in Bangladesh

Theme	Barriers
Financial Barriers	<ul style="list-style-type: none"> <li>• <b>Need for local currency finance:</b> Exchange-rate risk is a considerable burden for SMEs who are less likely to have access to revenue in multiple currencies. Where GCF loan recipients need to repay the loan with interest in foreign currency, this increases their external debt burden and transaction costs. Hedging is often unavailable.<sup>17</sup></li> <li>• <b>Fiduciary and financial management risk:</b> Weak financial reporting and audit systems at local levels (especially for adaptation projects executed through NGOs and local government institutions).</li> </ul>

<sup>15</sup> GCF country programme, Bangladesh (GCF, 2018).

<sup>16</sup> *ibid.*

<sup>17</sup> Accessing Green Climate Fund (GCF) for Vulnerable Countries like Bangladesh: Governance Challenges and Way Forward (Transparency International, 2024).

Theme	Barriers
<p>Institutional and Capacity Barriers</p>	<ul style="list-style-type: none"> <li>• <b>Limited capacity within financial institutions hinders effective green financing.</b> Many bank personnel lack adequate training to identify and document green loans. As green financing must be flagged at the loan origination stage—based on clear criteria and guidance from branch risk management—this knowledge gap often results in missed opportunities, as loans not initially marked as green cannot be reclassified later.</li> <li>• <b>Limited national institutional capacity:</b> Although Bangladesh has two DAEs (PKSF and IDCOL), fiduciary and M&amp;E capacities remain constrained. The DAEs require additional capacity, staff and systems for fiduciary management, environmental and social safeguards (ESS), and M&amp;E. For instance, PKSF's Extended Community Climate Change Project-Drought (ECCCP-Drought) project reported high staff turnover and significant reporting backlogs, which slowed down project implementation. This translates into a more limited impact; Bangladeshi DAEs are delivering only 5.3 per cent benefits in the adaptation sector (in terms of beneficiaries) and 1.5 per cent benefits (reduction of carbon emission) in the mitigation sector<sup>18</sup></li> </ul>
<p>Data and Knowledge Barriers</p>	<ul style="list-style-type: none"> <li>• <b>Lack of accessibility of climate data:</b> Bangladesh faces a lack of historical data, which further complicates the ability to project climate impacts, develop baseline climate-resilience indicators and make accurate assumptions in funding proposals and conduct accurate evaluations. SMEs especially struggle to access or produce the necessary climate data to support their case and reach the eligibility criteria for the GCF.<sup>19</sup></li> </ul>
<p>Governance and Coordination Barriers</p>	<ul style="list-style-type: none"> <li>• <b>Weak coordination among ministries and agencies:</b> Climate projects require inter-ministerial collaboration (ERD, MoEFCC, Planning Commission), and independent evaluations have revealed that the NDA lacks coordination with relevant ministries, the private sector, and other key stakeholders in the planning of GCF initiatives.<sup>20</sup></li> </ul> <p>This lack of coordination trickles down to the local level, and community engagement and grievance redress mechanisms (GRM) are often insufficiently resourced</p>
<p>Physical and Climate Risks</p>	<ul style="list-style-type: none"> <li>• <b>Climate &amp; disaster risk to infrastructure investments:</b> Cyclones, floods, and sea-level rise can physically damage project assets (e.g., embankments, roads) and delay implementation of infrastructure projects.</li> </ul>

<sup>18</sup> GCF country programme, Bangladesh (GCF, 2018).

<sup>19</sup> *ibid.*

<sup>20</sup> Accessing Green Climate Fund (GCF) for Vulnerable Countries like Bangladesh: Governance Challenges and Way Forward (Transparency International, 2024).



## 3 GCF Global Best Practices

### GCF Climate Finance for SMEs

The GCF's overarching objective regarding SME projects is to "promoting a paradigm shift towards low-emission and climate-resilient development" by financing SMEs that fit within national climate priorities and the GCF's own key result areas. SMEs can benefit significantly from GCF's concessional financing, accessed through GCF Accredited Entities (AEs) or their Executing Entities (EEs). The GCF supports SMEs as part of its mission to drive a shift toward low-emission, climate-resilient development, aligning with both national climate priorities and the GCF's key result areas. GCF delivers finance through AEs, which blend GCF grants and concessional loans with other sources to lower financing costs for SMEs. These AEs may operate directly or through EEs such as local banks, funds, or government programs.

There is a wide range of GCF projects that directly or indirectly support SMEs. The GCF MSME Pilot Program was the fund's primary tool for mobilising climate finance for SMEs. Established in 2016, the SME Pilot Program consisted of three programmes and allocated a total of USD 200 million. The program earmarked USD20 million per FP for credit lines and risk-sharing facilities established across Africa, Asia, and South America, aiming to enhance SME access to finance by supporting them with more concessional financing terms for climate-smart investments. Since the end of this program, several GCF programs have been approved that are outside the SME Pilot Program but are nevertheless focused on SMEs, none of which are in Bangladesh. However, while other programs, including those in Bangladesh, have the potential to support SMEs, even though they may not be directly targeted at them.

### GCF SME Finance

Learning from the experiences and designs of these projects will put Bangladesh in a strong position to design programs and projects that support SME access to green and climate finance within the country. Projects of particular interest in this regard are being implemented in India (FP241), Mongolia (FP028), and Vietnam (FP071). There are also three regional projects from AFD, EBRD and DBSA. The AFD and EBRD regional projects are among the largest single projects ever approved by the GCF. The learnings from those projects and GCF best practices have informed the development of the recommendations in this report. An analysis of GCF SME-focused projects can help identify a number of best practices, as outlined below.

- **Fast rate of disbursement.** A faster rate of disbursement reflects the speed and efficiency with which allocated funds are distributed to target beneficiaries, minimising delays that could further hinder business operations and growth.
- **Financial mobilisation ratio.** Financial mobilisation ratios refer to the amount of mobilised private finance per dollar of official development assistance or other official flows intended to provide financial additionality to private sector projects. Projects with larger ratios, i.e. those which mobilise more private finance per dollar, can also be considered more effective for a number of indicative reasons, including high confidence from co-financiers, strong partnerships between involved institutions, greater scalability of the project, and alignment with market priorities and trends. **Direct Access.** Direct access through a national DAE is likely to provide a speedier disbursement, bypasses the multilateral finance institutions, and provides a more direct link for the GCF to get closer to SMEs.
- **Use of local financial sector,** which has key relationships with SMEs and their clients, with successful operations likely to rely to a substantial extent on these relationships. This has multiple benefits, providing access to SME clients that are usually impossible for MDBs, IFIs, and national development banks to acquire, and secondly, that lending dedicated to climate finance will likely deliver impacts at the level of the final beneficiary, but also transform the internal processes and upgrade the capacity of the participating financial institutions.
- **Local currency finance,** which is essential in ensuring SMEs are not exposed to exchange rate risk, particularly when they do not have access to revenue streams in multiple currencies. Here, volatile exchange rates create the risk of significant and unaffordable increases in local currency required to meet loan repayment obligations. It can be inferred from the extremely low disbursement rate of 6% for GCF FP098 (DBSA Climate Finance Facility), is that local projects are unwilling to take on loans bearing such risk and therefore will not participate in such projects.
- **Integrated technical assistance** is required to upgrade the capacity of both SMEs as final beneficiaries and local financial institutions as intermediaries. In both cases, the ability to assess and design climate finance investments, understand their financial characteristics, and effectively monitor them is critical.

## Structures & financial instruments

GCF funding is provided through AEs. These access the GCF to utilise concessional and grant resources from the GCF to blend with other financial resources, such as their own capital resources, and/or other funds mobilised from commercial, development partner, and government resources, thereby bringing down the overall cost of finance for the final beneficiary.

To channel funding to SMEs, AEs can either provide funding directly or utilise an Executing Entity (EE), such as a local bank or non-banking financial institution, a fund, or the government. Typically, this is done by on-lending the blended resources to other financial institutions, or through dedicated financial mechanisms to support SME projects, such as credit or equity funds, or government programs.

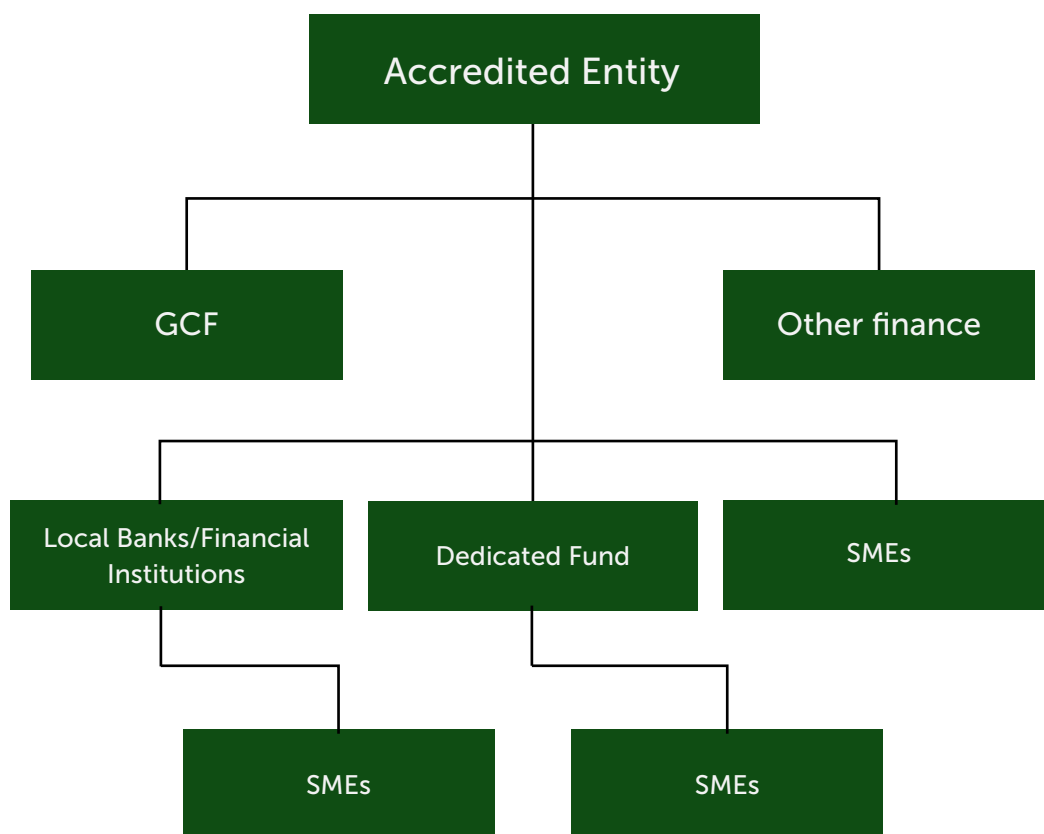


Figure 1: GCF Financing Structures for SMEs

Through these channels, AEs can deliver climate finance to SMEs in various financial instruments. Examples include:

- **Funds (credit and equity)** specifically established to provide finance to SMEs;
- **Credit lines on concessional terms** where GCF resources are channelled through financial intermediaries. These credit lines can be direct, administered by the accredited entity acting as the executing entity directly to end beneficiaries, or indirect, channelled through institutions such as local commercial banks or nonbanking financial institutions acting as EEs, which then lend to end beneficiaries.
- **Guarantees and subordinated debt** provided to local banks and non-banking financial institutions to reduce the risk of lending to SMEs, thereby either encouraging to lend to clients previously considered too risky, and/or to reduce the pricing of the loans;
- **Grants**, typically for technical assistance purposes, which have been available to both EEs and SME's capacity building and research and development initiatives – in many cases, these grants support the implementation of the credit lines, rather than the final beneficiaries such as SMEs; and
- **Credit enhancements** such as tenor extensions or lowered collateral requirements, to make the loans more attractive.

# 4 Enhancing SME Green and Climate Finance in Bangladesh

## National action

While Bangladesh has done well in accessing climate finance and has a strong ecosystem supporting access to climate finance, this has not been evenly spread across sectors, and a significant gap exists in providing climate finance to SMEs. National policies and reforms in Bangladesh, e.g. digitalisation of business documentation or the development of Green Bond policies and frameworks, will also support access to climate finance, as they will make it easier for DAEs to comply with GCF rules related to, e.g. co-financing or Anti Money-Laundering (AML)/Countering the Financing of Terrorism (CFT). These reforms should therefore be prioritised as well within the wider framework of strengthening climate finance access.

To address this gap and enable SMEs to access finance more generally, and to strengthen and focus the climate finance environment in Bangladesh so that it can direct climate finance to SMEs in the country, will require action at all levels. The following section sets out recommended actions across four axes:

- **Institutional reforms;**
- **Regulatory change;**
- **Financial recommendations; and**
- **Enhanced capacity building**

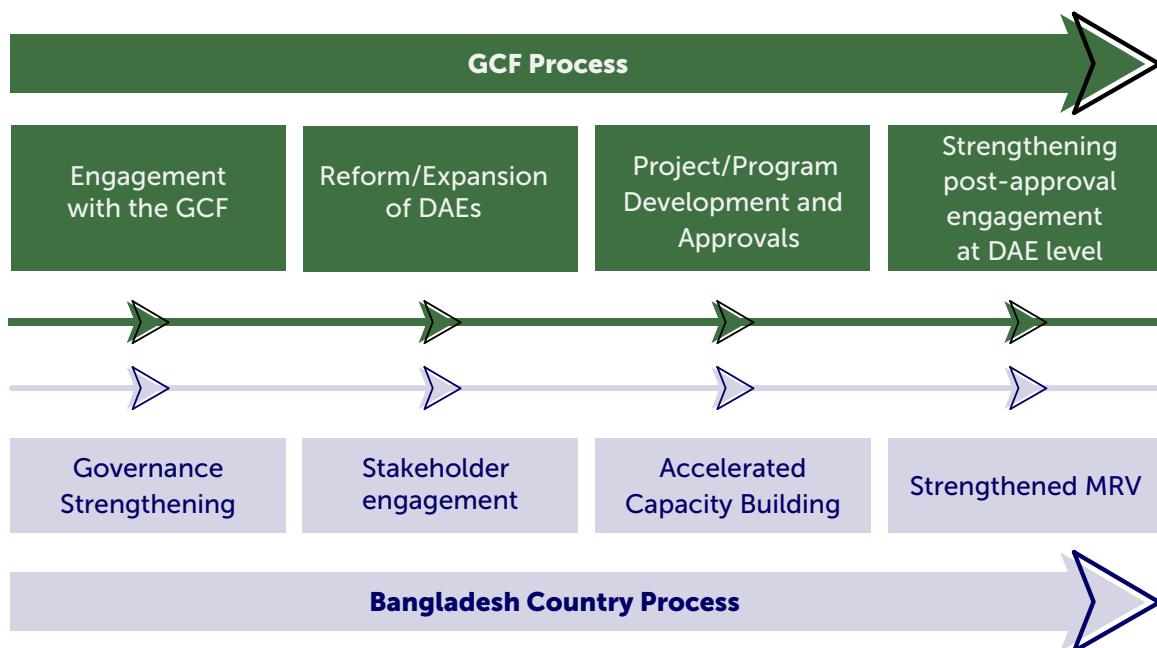
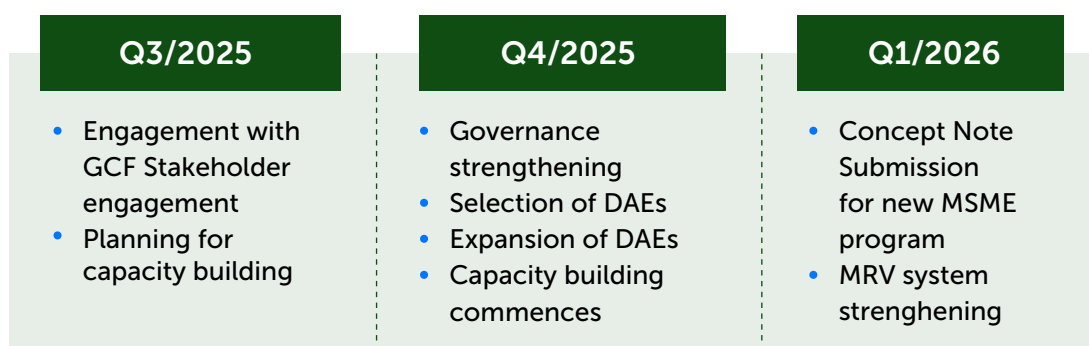


Figure 2: Enhancing Access to Climate Finance for SMEs

The action plan for Bangladesh, as set out in Annex 1, is comprehensive and complex. In addition to the recommendations mentioned above, implementation needs to be guided by a revised approach to governance, capacity building and engagement with development partners, including the GCF. Two processes need to run in parallel, as set out in Figure 2 below, with the individual actions explained in detail below.

There is urgency to the need to engage, as Bangladesh is estimated to already lose 1-2% of GDP per annum to climate impacts,<sup>21</sup> while climate finance access remains complex and lengthy, delays in creating the enabling environment for climate finance at all levels feed through into delays in approvals and implementation of climate finance, meaning that loss of GDP continues unabated. Figure 3 above sets out a suggested timeline for the processes.

Figure 3: Proposed New GCF Project Timeline and intermediary steps



## Institutional Reforms

### Strengthening Governance

Implementing the action plan across departments and stakeholders will require central direction and monitoring. This is likely to be facilitated by the establishment of a dedicated steering group under the direction of a government institution, such as BB or the SME Foundation. Key stakeholders, both from within and without the government, will need to be represented in the group.

Under the leadership of ERD, the group will have to be able to allocate responsibility and resources to actors tasked with the implementation of specific actions and/or clear their applications for climate finance from vertical environmental funds, such as the Adaptation Fund and the GEF, for capacity-building, regulatory work and piloting, and the GCF for scaling up proven models.

Placing the group within higher levels of government, such as the Ministry of Finance, will reduce institutional friction and eliminate the potential for boundary issues to develop that could impact its functioning. Governance should incorporate stakeholder participation as an integral mechanism, and activities should continue to evolve in response to market feedback and the results of monitoring and evaluation.

<sup>21</sup> Finance Today, 25 May 2025, 'Climate Disasters Erode 1-2% of Bangladesh's GDP'

The governance of climate finance in Bangladesh could be strengthened through the formation of a steering/advisory group with members from different public & private stakeholders, tasked with allocating responsibility and resources to entities that can implement specific actions in support of accessing climate finance from the GCF and other vertical funds.

This could include clearing DAE applications for climate finance from vertical environmental funds, such as the Adaptation Fund and the GEF, for capacity-building, regulatory work and piloting, and the GCF for scaling up proven models. Such a group would need to be placed within higher levels of government, such as the Ministry of Finance, to minimise institutional friction and eliminate the potential for boundary issues that could impact its functioning.

## **Enabling the NDA and DAEs**

The expansion of SME climate finance will need to be directly supported by the GCF NDA, the ERD. ERD could consider a variety of approaches to addressing the situation, including allocating support to DAEs and line ministries through, for example, GCF Readiness, working with IAEs to bring forward SME-focused GCF funding projects, and/or promoting the accreditation of new private sector DAEs with a clear SME focus.

Closer coordinated governance would also provide an opportunity to foster closer cooperation between the two DAEs in Bangladesh, and potentially lead to the creation of integrated support programs with GCF finance. This would help prevent cliff-edge situations in support and provide a more overall efficient and effective delivery of climate finance to the key clients of the two DAEs.

Furthermore, the accreditation of additional DAEs, also through the PSAA, would broaden options for SME climate finance in Bangladesh.

## **Strengthening GCF engagement**

A high-level engagement plan with the GCF could also support progress with Bangladesh's access to GCF funding. With the new GCF structure, Bangladesh is in a good position to take advantage of a stronger regional focus at the GCF. Engagement should happen at a high level (Additional Secretary/GCF Deputy ED) to ensure that the needs and priorities of Bangladesh are fully understood. This needs to be sustained regularly. Key stakeholders such as DAEs or representatives of the private sector and/or CSOs targeted for operations need to be included in this process as appropriate.

## **Enabling stakeholder participation**

A robust, formalised stakeholder participation mechanism is crucial to ensuring the relevance of the action plan and its continued evolution in response to changing commercial and industrial landscapes. This should include key actors from government, development partners, the SME sector, banks, and Civil Society Organisations (CSOs), and it should have the ability to actively advise key stakeholders on the actions required to enhance financial flows in support of climate to SMEs.

## Regulatory change

### **Accreditation of private GCF DAEs**

Support to the accreditation of private GCF DAEs will broaden the scope and flexibility of finance provision to SMEs in Bangladesh and avoid boundary/cliff-edge issues that exist with the currently accredited DAEs, while reducing reliance on development partners who are international AEs to the GCF. This recommendation applies in particular to the ERD, which is in the driver's seat on the accreditation of additional entities under either the institutional or the PSAAs, through the need to endorse the accreditation requests.

### **Improving Monitoring and Reporting**

The above-mentioned GCF engagement plan will need to be accompanied by a clear monitoring and reporting framework, based on the timelines, milestones and target dates agreed in the plan and observed through the governance group. This will also make it possible to integrate it with future climate policy-based loans (PBLs) by integrating the actions into the PBL monitoring framework.

The establishment of a comprehensive MRV system will require an upgrade to BB's systems, which are currently hindered by manual and insufficiently detailed reporting.

### **Expansion of the remit of IDCOL and/or PKSF to include SMEs**

This will enable institutions to also focus on SMEs, which currently sit in a gap between corporates, primarily supported by IDCOL, and micro/cottage industries, supported by PKSF.

## Financial instruments

### **Development of a guarantee scheme to support access to green finance**

This will reduce both the perceived and real risk of lending to SMEs. It will minimise funding cost for SMEs that are already bankable, increasing their opportunity to use debt finance for growth, while expanding the range of SMEs that can be financed into a group of SMEs currently considered too risky for bank finance. Overall, such a scheme could create a broader reach of much-needed debt finance, which would also help address structural issues in Bangladesh's economy. In the first instance, such a guarantee scheme could provide a bridge for the Green Fund refinancing scheme by BB, thereby overcoming the risks and costs caused by the delay between a loan being issued and it being refinanced. IDCOL and/or PKSF could implement such a scheme and apply to GCF for concessional finance support.

### **Development of the Green Fund scheme for microfinance lending**

The Green Fund scheme for bank loans has been successful, despite some design issues. It has brought down the overall cost of green lending for bank-issued loans. Given the relatively much higher cost for micro-finance loans, a similar scheme could be beneficial for SMEs that cannot access bank finance. IDCOL and/or PKSF could implement such a scheme and apply to GCF for concessional finance support.

### **Development of a grant scheme for the most vulnerable SMEs**

For at least some highly vulnerable SMEs, it will most likely be impossible to ever access debt finance at a reasonable cost. To address the vulnerabilities of these SMEs, it will be necessary to implement grant schemes, ideally tied closely to their physical exposure to climate risk, to help them develop the levels of resilience needed to resist the impacts of the climate crisis. IDCOL and/or PKSF could implement such a scheme and apply to GCF for concessional finance support

### **Development of comprehensive sectoral solutions**

These solutions will be driven by finance but need to include technical and regulatory measures. They are of high importance for highly exposed and complex sectors, e.g. for agricultural value chains. Models exist in GCF projects in other countries on how these solutions can be designed. They can be combined with, e.g. guarantee schemes for a higher impact. IDCOL and/or PKSF could implement such a scheme and apply to GCF for concessional finance support, while ERD could integrate this into Readiness to support line ministry activities.

## **Enhanced capacity building**

### **Creation of cluster-based common facilities to enhance business, environmental/climate performance.**

Bangladesh has several clusters in which SMEs conducting similar activities operate in close geographic proximity. This aligns with economic theory and offers multiple advantages, including the ability to share critical backbone facilities, reduce funding costs, benefit from government support, and access trained staff. These clusters can be used as the locus of technical and financial assistance by focusing support activities on the industry ecosystem within a particular cluster. Banks can also utilise this approach to train loan officers in understanding these clusters and their financing needs and particularities more effectively. Such an approach will reduce funding costs and capacity requirements for support to specific sectors, while increasing awareness of green financing in the targeted industries. IDCOL and/or PKSF could support such a scheme and apply to GCF or other donors for grant finance support.

### **Targeted business capacity training focused on climate vulnerabilities.**

This is of higher relevance for Group 3 SMEs, which are likely to have reasonable financial capacity. These SMEs are, however, likely to lack a deeper understanding of energy matters and the potential for energy efficiency and the use of renewable energy or circular economy approaches in their production activities. Utilising cluster-based approaches, targeted training in these areas could strengthen the pipeline of green and sustainable climate projects in these SMEs. IDCOL and/or PKSF could implement such a scheme and apply to GCF or other donors for grant finance support.



### **Support to DAEs in GCF programming**

This will increase the speed and scope of DAEs' ability to add additional projects at a faster pace. The ability to generate new GCF projects has been a significant barrier to increased climate finance being channelled through DAEs. Providing Bangladesh's DAEs with the capacity to develop and implement projects would address this. This would be the responsibility of ERD, which can access Readiness finance to support GCF programming.

### **Accelerated Capacity Building**

The GCF engagement plan will need to be implemented under the leadership of the NDA and will rely on staff who have a thorough understanding of GCF requirements for success. This will require a comprehensive training program, focused on growing capacity to better understand the requirements of the GCF in relation to project/program preparation and execution, and gain the ability to reliably support DAEs in the conceptualisation and development of program/project proposals. This capacity will become more important if additional DAEs are submitted for accreditation, thereby broadening the ability to reach SMEs with climate finance. A first step has been made in this regard during the project-supported workshops at the end of May 2025. This can be taken further by introducing an expanded training program for key staff, including ideation workshops for concept notes, and in-depth training for a better understanding of GCF processes and expectations.



# 5 International Best Practice

The following table outlines mitigation measures in other countries, which allow for learning from international examples.

Table 4: Mitigation measures in other countries

International Example	Mitigation Strategy	Mechanism overview
<b>Fiji</b> <sup>22</sup>	<b>National coordination platforms under NDA</b>	Fiji's NDA Secretariat established a Climate Finance Coordination Mechanism that meets quarterly to align GCF, UNDP, and ADB pipelines, ensuring complementarity across adaptation projects. This enhances cross-ministerial communication, reduces project overlaps, and aligns climate financing priorities.
<b>India</b> <sup>23,24</sup>	<b>Mobilising private co-financing and de-risking instruments</b>	India's Tata Cleantech & NABARD Projects used blended instruments to attract USD 250M private co-finance for renewables and green MSMEs. The project blends concessional GCF finance to mobilise private capital at an unprecedented scale using guarantees, subordinated loans, or first-loss facilities.
<b>Peru</b>	<b>Strengthening gender and community engagement mechanisms</b>	Peru's Amazon Eco Bio Business gender action plan successfully included innovative measures such as gender budgeting element and women-led grievance redress committees to address gender gaps in the target regions. These mitigation measures led to an increase in participation of women farmers by 45% in stakeholder engagement processes over the project life cycle. <sup>25</sup>
<b>Senegal</b>	<b>Building project pipeline readiness at the local level</b>	Senegal's Centre de Suivi Écologique (CSE) used readiness funding to develop climate-resilient agriculture proposals, later approved by GCF. This includes the 'Upscaling "Naatangué" integrated family and village farms for a resilient agriculture in Senegal' project. This funding allowed early pipeline preparation, which ensured technically sound and bankable proposals ready for GCF submission. <sup>26</sup>
<b>Rwanda</b>	<b>Capacity building for DAEs and NDAs</b>	FONERWA, Rwanda's green development fund, in collaboration with Rwanda's Ministry of Environment, focused specifically on capacity building for GCF access and programming throughout the country using GCF readiness. Capacity building activities included strengthening fiduciary standards, procurement, ESS, and results-based management systems to ensure efficient project delivery and compliance.

<sup>22</sup> [Enhancing Direct Access to Climate Finance in Fiji – Phase 2. \(GCF, 2022\)](#)

<sup>23</sup> [Line of Credit for Solar rooftop segment for commercial, industrial and residential housing sectors. \(GCF\)](#)

<sup>24</sup> [India: Tata Cleantech Sustainable Infrastructure On-Lending Facility. \(AIIB\)](#)

<sup>25</sup> [Peruvian Amazon Eco Bio Business Facility \(Amazon EBBF\) Funding Proposal \(GCF, 2022\)](#)

<sup>26</sup> [Disparities in access to climate finance \(ABT, 2025\)](#)

# Annexes

## Annex 1: Action Plan

The implementation of the recommendations falls across a wide range of government actors and other stakeholders. It is a multifaceted endeavour that will require policy, regulatory and capacity-building and investment actions. Table 2 below provides a framework to organise the implementation of these recommendations.

Table 5: Implementing Recommendations – Action Plan <sup>27</sup>

Recommendation	Target Group	Expected Impact	Timeframe	Responsible	Status	Priority
<b>Regulatory</b>						
<b>Digitalisation of business documentation, e.g. trade licenses, environmental permits</b>	Informal businesses, micro/cottage SMEs that are highly vulnerable	Faster Access to required documents. Ease of passing Know Your Customer (KYC) AML/CFT tests.	Several years to design and establish systems	Government	n/a	High
<b>Development of a Green Bonds policy</b>	Financial institutions, corporates	Easing of access to green finance in international capital markets. Ease of providing cofinance for GCF projects.	2-3 years	BSEC, BB, MoF	n/a	Medium
<b>Support to the accreditation of private GCF DAEs</b>	Private banks	Wider access to GCF finance for SMEs	2-3 years	Ministry of Environment	n/a	High
<b>Creation of a GCF/ VCEF steering group</b>	Government	Enhanced coordination within the government, leading to improved prioritisation	2 years	ERD	n/a	High

<sup>27</sup> SME Statistics. (SME Foundation, n.d.)

Recommendation	Target Group	Expected Impact	Timeframe	Responsible	Status	Priority
<b>Financial</b>						
<b>Development of a guarantee scheme to support access to green finance</b>	Smaller SMEs with access to bank funding. Smaller SMEs with access to microfinance.	Reduced the cost of green finance, wider the reach of green finance schemes	1-2 years	BB, GCF Direct and International AEs, Development Partners	Under consideration	High
<b>Increased ease of climate loan processing</b>	Private banks	Reduced processing burden will increase access to finance and enable full integration of climate considerations	2-3 years	BB	Under consideration	High
<b>Development of the Green Fund scheme for microfinance lending</b>	Rural, smaller, and vulnerable (Group 1 (priority) and 2) SMEs without access to finance/ access only to microfinance	Reduced cost of green finance, wider reach of green schemes to new client classes	1-2 years	BB	Under consideration	High
<b>Development of a grant scheme for the most vulnerable SMEs, supported by GCF</b>	Highly vulnerable SMEs in Group 1, in particular micro-/cottage	Increased resilience	1-2 years	BB, GCF AEs, Government	n/a	High
<b>Development of comprehensive sectoral solutions, e.g., for the agricultural value chains</b>	Rural Group 1 (priority) and 2 SMEs engaged in processing/trading agricultural products	Value addition in agriculture, reduced losses in processing/transport, reduced environmental impacts, strengthened rural areas	1-2 years	Ministry of Agriculture, GCF, AEs	n/a	Medium

Recommendation	Target Group	Expected Impact	Timeframe	Responsible	Status	Priority
<b>Capacity Building</b>						
<b>Creation of cluster-based common facilities to enhance environmental/ and climate performance of Group 1 enterprises</b>	Larger Group 1 SMEs with production capacities	Increased capacity to manage environmental impacts, including climate and a better understanding of resilience risks	1-2 years	SME Foundation, Trade Associations and Development Partners	Under consideration	Medium
<b>Targeted business capacity training focused on climate vulnerabilities</b>	Groups 1 (priority) and 2	Better understanding of business opportunities, reduced resilience risks	1-2 years	SME Foundation, Trade Associations, CSOs, Development Partners	n/a	High
<b>Support to NDA in GCF programming</b>	NDA	Improved understanding of GCF processes in the NDA would help accelerate programming	1 year	NDA, Development Partners	Started	High
<b>Support to DAEs in GCF programming</b>	DAEs	DAEs are struggling with GCF project processing delays and challenges	1 year	NDA, Development Partners	n/a	High
<b>High-level GCF engagement</b>	GCF/NDA	Better understanding at GCF of Bangladesh's needs and priorities, leading to better flow of projects and programs	2 years	ERD	n/a	High

## Annex 2: Methodology

To assess the current state of readiness, barriers, and ease of GCF financing for SMEs in general and in Bangladesh in particular, research was undertaken along four axes of investigation.

- 1. Stakeholder Research.** This research involved engaging with NDA, DAEs, IEs, other impact investors, development organisations, SMEs, climate-focused entrepreneurs, regulators, and policymakers etc. It was conducted online, through email, and in person.
- 2. Document review.** This covered relevant reports on access to climate finance, including the most recent G20 report, reports on SME access to finance, and reports specific to the case of Bangladesh, as well as a review of SME-focused GCF projects.
- 3. Best Practice Analysis and Peer comparison.** Case study research of three peer countries that have successfully raised climate finance for SMEs. This focused on the route chosen, as well as the experience that these countries have had with making climate finance available. Research was conducted through interviews and the analysis of documents, including GCF funding proposals and annual progress reports, as well as higher-level studies by UNEP-FI, think tanks, and CSOs.
- 4. Regulatory review.** This involved reviewing existing guidelines and procedures related to grants, loans, guarantees, and equity, as well as the relationship between Bangladesh and the GCF.



## Annex 3: Existing GCF projects in Bangladesh

The following table outlines the existing project landscape in Bangladesh.

Table 6: Existing GCF projects in Bangladesh

Project Code	Project Name	Project Summary	Executing Entity	Project Value (USD)
FP004	<b>Climate Resilient Infrastructure Mainstreaming (CRIM)</b>	Aims to integrate climate resilience into infrastructure planning by constructing 45 new cyclone shelters, renovating 20 existing ones, and building 80 km of access roads.	KfW	81.0
FP069	<b>Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change induced salinity</b>	This project is projected to reduce the adverse impacts to agricultural livelihoods that are freshwater dependent, and to address the availability and quality of drinking water in vulnerable coastal communities. This community-based approach in planning and managing climate-resilient water supply targets the highly vulnerable, specifically women and girls.	UNDP	33.0
FP070	<b>Global Clean Cooking Program</b>	The project will provide technical assistance to support partner organizations and local entrepreneurs to produce improved cook stoves, raise awareness, and carry out research and development of the stoves.	IBRD IDA	40.0
FP150	<b>Promoting private sector investment through large scale adoption of energy saving technologies and equipment for Textile and Readymade Garment (RMG) sectors of Bangladesh</b>	The Programme provides an integrated package of concessional financing for textile and RMG manufacturers, and technical assistance to create an enabling environment and ultimately to reduce 14.5 million tonnes of carbon dioxide equivalent (MtCO <sub>2</sub> eq) in emissions. This is facilitated through capacity building, awareness raising, policy development and support in loan disbursement, monitoring and evaluation of the programme parameters.	IDCOL	340.5

Project Code	Project Name	Project Summary	Executing Entity	Project Value (USD)
FP177	<b>Cooling Facility Multiple Country Project</b>	It will focus on regulation and policy, technical assistance and financing to address and help remove barriers to the development of sustainable cooling investments. Planned measures include financing for investments in innovative, climate-friendly cooling technologies and systems, and creating an enabling environment by strengthening institutional, policy and regulatory frameworks and building capacity of key stakeholders in technologies, business models and cooling project appraisal and implementation.	IBRD IDA	879.8
FP190	<b>Climate Investor Two Multiple Country Project</b>	Climate Investor Two (CI2) is a fund that aims to support the private sector to develop and construct climate-resilient infrastructure projects in developing countries in the water, sanitation, and ocean sectors – areas which usually do not attract interest from the private sector.	FMO	880.0
FP206	<b>Resilient Homestead and Livelihood support to the vulnerable coastal people of Bangladesh (RHL)</b>	The primary goal of the RHL project is to enhance the climate resilience of the vulnerable coastal communities of Bangladesh. The project will attain this goal by financing the development of climate-resilient housing and livelihood technologies while raising knowledge and awareness about the impacts of climate change. The project will build climate-resilient homesteads through the establishment of new, climate-resilient building codes. It will also develop adaptive livelihood options for highly vulnerable and women-headed households – fostering a safer and more resilient future for homes in coastal areas.	PKSF	50.0

Project Code	Project Name	Project Summary	Executing Entity	Project Value (USD)
FP276	<b>GCF's investment into the Global Green Bond Initiative (GGBI) (previously known as Green and Resilience Debt Platform (GRDP) Multiple Country Project</b>	This project scales up access to climate finance in low- and middle-income countries by developing green bond markets that mobilize investment in low-emission development. It supports GCF's strategic goal of mobilizing private finance through innovative, market-based instruments.	EIB	693.6
SAP008	<b>Extended Community Climate Change Project-Flood (ECCCP-Flood)</b>	This project focuses on community-led and gender-sensitive adaptation. Based in five flood-prone districts, it will prioritise female-led households. It is based on consultative adaptation models which have already proved to be successful.	PKSF	13.3
SAP026	<b>Extended Community Climate Change Project-Drought (ECCCP-Drought)</b>	The project improves local institutional and technical capacities for the improvement of water planning and governance. In addition to this, the project will provide much needed infrastructure maintenance and provide more water access point for drinking purposes to reduce the burden of women in the region.	PKSF	30.0

# Recommendations and Tools for optimal Green Climate Fund (GCF) access for SMEs

Many SMEs face significant barriers in accessing finance, as they often encounter challenging financing conditions, including higher interest rates and collateral requirements, compared to larger corporations. This is particularly true for green finance, as SMEs typically have lower capacity to tackle challenges beyond their core business operations—such as integrating environmental considerations, measuring their environmental impact, and reporting on sustainability performance. This puts SMEs at a relative disadvantage compared to larger enterprises in accessing finance in general, and green or climate finance in particular.

To address this issue, under the A2GF programme, UNCDF has conducted primary and secondary research to understand the existing barriers for SMEs in accessing Green Climate Fund (GCF) and have developed strategic recommendations to address these issues. A number of obstacles prevent SMEs in Bangladesh from accessing finance in general and also green & climate finance.

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