



**Third G20 Sustainable Finance Working Group Meeting
12-13 June 2025 | Cape Town, South Africa**

**Side Event - Implementation of the Independent High-Level Expert Group (IHLEG)
Review of the Vertical Climate and Environmental Funds (VCEF)**

CO-CHAIRS' SUMMARY

This side event was organized for reviewing the implementation of the 2024 IHLEG review recommendations. Brazil, invited to provide opening remarks, underscored the persistent challenges faced by developing countries in accessing and utilising climate finance. Moreover, it called attention to procedural complexities, the need for greater country ownership, and the importance of aligning international funding processes with national strategies.

The Green Climate Fund (GCF), Adaptation Fund, and Climate Investment Funds (CIFs) each gave inputs on their efforts in advancing the IHLEG recommendations. In this context, they also recalled how their joint Action Plan on Complementarity and Coherence can contribute to the implementation of the IHLEG recommendations. Furthermore, they noted the relevance to continue increasing cooperation among VCEFs and between VCEFs, MDBs, NDBs and PDBs, also in light of the outcomes of the NCQG. In particular:

- The GCF described its broad and diversified network of implementing partners and the steps undertaken to increase direct access and empower national entities, citing improvements in accreditation, project readiness support, and the simplification of funding proposals. GCF plans reforms including readiness program, accreditation framework and enhanced regional presence, and its “50 by 30” vision to mobilize climate finance.
- The Adaptation Fund highlighted its country-driven programming and strategic use of grant-based resources, stressing flexibility in supporting both project and capacity-building needs for locally led adaptation, and its readiness to innovate on access modalities. It recognized the need for more accredited national entities and highlights its fast track of GCF accredited entities.

The CIF highlighted its delivery model through MDBs, via country led platforms. It is shifting to more structured and intentional collaboration and shared lessons from deploying concessional finance at scale, particularly through programmatic approaches that leverage co-financing and partnerships. The CIF highlighted that capital market programs can be a game changer to mobilize private sector finance.

Member broadly welcomed progress. Some members flagged the need to involve governing boards of the VCEFs to send the right messages to implement the IHLEG recommendations.

The update from VCEFs was followed by 2 roundtable discussions, which brought together forward-looking perspectives from development banks, VCEFs, and SFWG members. Participants stressed the importance of coordination among institutions to reduce duplication, maximise synergies, and ensure that VCEFs specific mandates can efficiently complement each other in line with their specific role and additionality in the global sustainable finance architecture. Key issues included the need to speed up and clarify operational procedures for timely deployment of funds upon project approval; the importance of the collaboration between VCEFs, MDBs, NDBs to increase leverage capacity and of flexibly using financing instruments including the risk-sharing instruments such as hybrid capital, guarantees and equities for private sector mobilization; foster greater inclusion of local actors.

The roundtable also highlighted the importance of tailored support, knowledge management and data sharing besides funding from VCEFs, and improved monitoring, reporting and verification to build institutional capacity in vulnerable and low-income countries. The roundtable also allowed sharing of specific experiences in relation to how country-driven programming and platforms can support investment planning to implement national strategies and priorities.

In closing, the Presidency and Co-Chairs reaffirmed the need to align international climate finance more closely with national priorities and to accelerate reforms that simplify access, mobilise additional resources, and foster collaboration across sectors and stakeholders.