



**SOUTH
CENTRE**



CLIMATE FINANCE READINESS

Brief E-book by the South Centre

February 2019



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In the last years, governments around the world have set collective climate and sustainable development goals that go far beyond previous agreements and commitments in terms of scope and ambition.

There is clear synergies between the three independently adopted but deeply inter-related milestones of 2015: the 2030 Development Agenda including the SDGs, the Addis Ababa Action Agenda and the Paris Agreement.

2015 MILESTONES

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17 goals on boosting economic growth, reducing poverty, protecting the environment, and taking strong action on climate change. It is estimated that implementing the SDGs will require approximately **\$3 trillion dollars, per year.**

New global financing framework to mobilise resources for sustainable development. The **AAAA** re-affirms the commitment made by developed countries to provide **\$100 billion in climate finance, per year by 2020, to developing countries.**

Unprecedented goals for climate change based on individual country plan called **(Intended) Nationally Determined Contribution (INDC)**. The total cost for the implementation of INDCs is estimated to be **\$ 4484 Billion per year** for the period of 2020 to 2030.

ABOUT THIS BRIEF

The global landscape of climate finance is highly fragmented and complex involving multiple pathways, actors, institutions and instruments. Funds provided by developed countries to developing countries for climate adaptation and mitigation actions, are channelled through various multilateral funds – both within and outside the scope of the operating entities of the UNFCCC's financial mechanism.

Developing countries indisputably need climate finance to flow at sufficient scale and in a timely manner. While the options and possibilities for countries to access climate finance are expected to increase, with a multitude of funding channels; this can also make the process even more complicated and confusing. Which funds to turn to? For which activities? At what costs? These are a few of the many questions that climate change decision-makers must contend with. Each fund is administered with complicated rules and procedures, which makes it very challenging for developing countries to navigate in seeking to fund their domestic climate actions. There is currently no 'one-stop-shop' to provide useful and quick answers.

The Climate Finance Readiness E-book is a series of short briefs prepared by the South Centre to provide developing countries with a «help desk» to access and to more effectively and efficiently utilise the complex web of climate finance information available to them. This brief will be updated periodically and will have different geographical focus, with the current edition on Africa. The South Centre welcomes questions, comments and suggestions for this series of briefs to continuously improve its help desk function on Climate finance.

ABOUT THE SOUTH CENTRE

The South Centre is the intergovernmental organisation of developing countries that provides research, analysis and policy support to developing countries for collective and individual action in the international arena.

The South Centre embodies an understanding, from a South perspective, of the new and emerging issues, and the challenges and opportunities they pose for the South.

We do our best to ensure that the data we release is complete, accurate and useful. However, challenges were encountered in the collection of some climate finance data, as there is limited access to data, and available data are in some cases inconsistent with each other.

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WHAT IS CLIMATE FINANCE?

Although there is no internationally agreed definition of the term climate finance, this brief typically refers to the new and additional financial resources provided by developed countries to support developing countries' efforts to mitigate and adapt to the impacts of climate variability and climate change. It is a commitment agreed to by developed countries under the UNFCCC and re-affirmed in the [Paris Agreement \(Article 9\)](#).

WHO PROVIDES CLIMATE FINANCE?

The UNFCCC specifies the nature and scope of climate finance as flows from developed countries to finance climate related policies, projects and programmes, including for technology transfer and development, in developing countries. Thereby, the Convention states that developed countries [\(Annex II Parties\)](#) shall provide financial assistance to developing countries to enable them to address climate change and adapt to its adverse effects [\(Article 4.3 and 4.4\)](#).

HOW MUCH CLIMATE FINANCE IS FLOWING GLOBALLY?

Climate finance flows can be classified based on several dimensions, including the sources, instruments, disbursement channels, recipients and end uses. There is contestation about how the following estimations are measured, what is counted and whether all of it is new and additional funding or recycled from development finance.

USD 45 and 49 billion of public climate finance flowed from developed to developing countries in 2015 and 2016 respectively, according to the estimations of the UNFCCC Standing Committee on Finance.

Of these amounts only about **USD 0.6 billion in 2015 and USD 1.6 billion in 2016** flowed through the operating entities of the UNFCCC. A significant portion of this flow occurred through bilateral channels and multilateral development banks.

A significant portion of the **USD \$100 billion per year** promised by developed countries, is expected to flow through the Green Climate Fund, the newly created financial mechanism of the UNFCCC.

The 2015 Paris Agreement re-affirmed the commitment of developed country Parties to mobilise the USD 100 billion per year by 2020 (Cancun 2010), extending this to the year 2025 and making the \$ 100 billion a floor from which to scale up climate finance.



click on this icon to access source

WHAT ARE SOME KEY FUNDS?

click on the Funds to access their Websites



MITIGATION \$

GCF - Green Climate Fund

GEF- Global Environment Facility

Clean Technology Fund (Under
Climate Investment Fund - CIFs)

Scaling Up Renewable Energy in
Low Income countries Program(CIFs)

Forest Investment Program (CIFs)



ADAPTATION \$

GCF - Green Climate Fund

Adaptation Fund (UNFCCC)

Least Developed Countries Fund
(UNFCCC)

Pilot Program for Climate
Resilience (PPCR, under the CIFs)



MITIGATION

1.1
TRILLION-USD

About USD1.1 trillion
needed annually for
low carbon transition in
developing countries.

Source: Oxfam - Breaking the Standoff: Post-2020
Climate Finance in the Paris Agreement

HOW MUCH IS NEEDED?

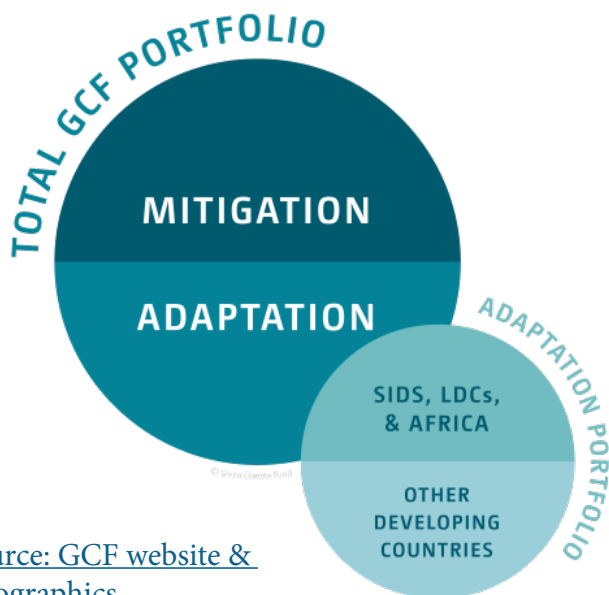
280
-500
BILLION-USD

Between USD280-500 billion
extra needed annually
by 2050 for
ADAPTATION
globally in the context of
global temperature
rises within 2°C/3.6°F.

Source: The Adaptation Finance Gap Report 2016.
United Nations Environment Programme (UNEP),
Nairobi, Kenya

WHAT IS THE GREEN CLIMATE FUND?

The GCF - Green Climate Fund is the newest UNFCCC Fund and is expected to become the main multilateral financing mechanism for the support of climate action in developing countries. Since 2015, it has approved **USD 4.6 billion for 93 projects** (as of February 2019). With the principle of country ownership and direct access at its core, the GCF aspires to be an innovative and transformative financing mechanism. As of February 2019, USD 10.3 billion has been legally committed to the GCF via signed agreements.



Source: [GCF website](#) & [Infographics](#)

WHAT DOES THE GCF FUND?

Half of GCF funds are supposed to go toward adaptation, and half are supposed to go toward mitigation. The Fund's Board has also established a floor of 50% for adaptation activities for LDCs, SIDs and African States. This is a positive sign for equity in the distribution of climate finance, in which adaptation actions remain under-funded. As of February 2019, 39% of the project funding is intended for mitigation, 25% for adaptation and 36% fall into both areas.

WHO CAN ACCESS GCF FUNDING?

All developing countries are eligible to receive GCF funds. The Fund has two modalities to channel finance:

- i) direct access through national institutions or sub-national ; and
- ii) international through MDBs, UN or international NGOs and the international private sector.

Countries have chosen to use either modality or both modalities simultaneously.

WHAT IS DIRECT ACCESS AND WHY IS IT IMPORTANT?

Direct Access and Country Ownership are two important principles of the GCF.

Many international funds require recipient countries to use intermediary institutions – often multilateral institutions– to manage the received funding. Direct access allows national institutions from countries to access financial resources directly from the Fund without passing through an intermediary institution. In order for national institutions to gain direct access to finance from the GCF, countries need to put in place certain institutional arrangements. Most importantly, countries need to establish a National Designated Authority (NDA), or focal points who will select institutions to be accredited as a direct access entity by the GCF.



ESTABLISH A NATIONAL DESIGNATED AUTHORITY - NDA

NDAs are government institutions that serve as the primary interface between each country and the Fund. They develop work programmes, oversee and endorse proposals and provide broad strategic oversight of the GCF's activities in the country. There are at least three important functions of the NDA which are: to establish a no-objection procedure for the approval of project proposals; to ensure coordination between national priorities and GCF projects through multi-stakeholder consultations and to create country project pipeline for GCF funds.

TYPES OF NDAs COUNTRIES HAVE NOMINATED

Ministries of Environment, Natural Resources, Energy, Agriculture and other closely related sectors

Ministries of Finance, Economy, Public Investment, Development cooperation & other related sectors

Public Environment Protection Agencies, Climate Change Divisions, Departments and/or Commissions

ACCREDIT DIRECT ACCESS ENTITIES- AE

The GCF funds projects through AE which may be national, regional, or international, as long as they meet the standards of the Fund. Furthermore, they may be public or private, including NGOs. AE are accredited according to size and environmental and social risks of the projects they can implement: Micro, Small, Medium and Large and, Risk categories A, B or C.

TYPES OF NATIONAL AEs COUNTRIES HAVE ACCREDITED

Ministry of Finance/Environment (e.g. Ethiopia, Rwanda, Argentina)

Public Environmental Agencies (e.g. Kenya, South Africa, Senegal)

National Development Banks, National Banks & National Funds (e.g. South Africa, India, Namibia)

Private Banks and Companies (e.g. Bangladesh, Mongolia)



WHAT IS GCF READINESS?

It is a preparatory and support programme which has the main purpose of facilitating the building and strengthening of national institutions in developing countries, in order to enable those countries to implement projects on their own. It provides resources for strengthening the institutional capacities of NDAs and national AEs. It also assists countries in undertaking adaptation planning and in developing strategic frameworks to engage stakeholders, to mobilize the private sector and to develop a pipeline of projects.

HOW MUCH IS READINESS SUPPORT?

The Readiness Support Programme provides up to USD **1 million per country per year** for all readiness activities (except for adaptation planning). There is a USD 300,000 limit to help establish and strengthen a NDA, and within that amount a maximum of USD 100,000 can be used for NDA-led stakeholder meetings. An additional, one-time, **USD 3 million** per country is available for the formulation of National Adaptation Plans (NAPs) and/or other adaptation planning processes.

IN WHICH AREAS ARE COUNTRIES BUILDING CAPACITY?

- Identifying & strengthening their NDA to coordinate country engagement with the GCF
- Coordinating all stakeholders, and enhancing flow of information between them
- Training people in government, civil society and the private sector on climate issues
- Identifying & preparing institutions to meet GCF's requirements for direct access to the Fund
- Getting a head start on project or program proposals for a speedy submission to the GCF
- Formulating national adaptation plans and other adaptation planning processes
- Keeping track of how and where climate funding is flowing
- Developing policies that incentivize investment in climate-friendly sectors
- Understand and work with GCF's environmental and social safeguards
- Support the establishment of national climate funds

1 MILLION
per year

for

**ALL READINESS
ACTIVITIES**

except
Adaptation
Planning

HOW MANY COUNTRIES HAVE READINESS PROJECTS?

As of January 2019, and since the launch of the Readiness Support Programme, the GCF has approved **233 requests from 121 countries**. Of the 233 readiness projects approved, **186 (80 %) have received disbursements**, and entered the implementation stage. Total disbursements amount to **USD 44 million**. 13 projects have completed their activities. For the completed requests, 12 of the 13 have been provided to support countries with accreditation for potential entities through technical assistance and 1 as a grant.

300 000
per year

for

**NDA
SUPPORT**

comprised
in the
1 Million

HOW ARE COUNTRIES BENEFITTING FROM READINESS?

GCF allocated USD 190 million up until May 2018 to the Readiness Program, out of which USD 99.7 million had been committed to readiness activities. So far three quarters of eligible countries have accessed readiness support and grants.

A key outcome of readiness support is to enable NDAs to engage the stakeholders in their countries to conduct dialogues and consultations. **103 projects** are expecting this outcome from the completion of the activities.

Another key expected outcome is the development of country programmes and pipelines of projects/programmes.

A third outcome of readiness support is to enable support for direct access entities in the accreditation process and beyond. **26 direct access entities** are receiving technical support through PricewaterhouseCoopers to identify gap and develop action plans for accreditation. **8 proposals** have been submitted by the Accredited Direct Access Entities (AE), directly aimed at improving their capacities.

Another outcome of readiness support is the establishment of transparent and efficient no-objection procedures in countries. **112 proposals** support the establishment of such a procedure.

A fifth outcome that countries are expected to realize from readiness support is the mobilization of private-sector finance for climate action in their countries.

And finally, 50 national adaptation planning proposals have been submitted, of which 15 were approved and another 7 are in the final stage of the approval process.

3 MILLION
once

for

**ADAPTATION
PLANNING**

and
related
processes



SOUTH CENTRE

AS A READINESS DELIVERY PARTNER

WHAT IS A DELIVERY PARTNER?

A Delivery Partner is an institution selected by the NDA to implement readiness activities. Delivery partners provide services such as: development of readiness request proposals; implementation and supervision; fiduciary management; progress reporting; and project completion and evaluation. A delivery partner is NOT an Accredited Entity - AE. The scope of work of a delivery partner is limited to implementing readiness activities and supporting countries through its expertise to access Climate Finance. Whereas an AE is accredited to carry out a range of activities including developing and submitting funding proposals and overseeing the management and implementation of projects and programmes.

WHAT THE SOUTH CENTRE OFFERS

The South Centre offers to its developing country Partners:

- Greater ownership and direction of their allocated readiness and preparatory support funding from the GCF.
- Pathways to better integration of climate finance from multiple sources into efficient national climate change plans
- Strengthen and develop adaptation planning processes
- Strengthen institutional policy research capacities so that the NDA or focal points can effectively fulfil its role
- Opportunities to extract lessons learned from other countries & disseminate relevant information



HOW THE SOUTH CENTRE'S WORKS ON READINESS

PILLAR 1

Strengthening of NDAs- AEs and Coordination Mechanisms

- Conduct an institutional gap analysis
- Build the capacity of AE and NDA
- Raise awareness on GCF & accreditation process
- Establish multi-stakeholder efficient coordination mechanisms

PILLAR 2

Development of Strategic Frameworks and Country Programmes

- Identify programmes for potential funding by the GCF
- Enable a pipeline of projects
- Establish a national fund
- Support Private Sector and other stakeholders Mobilization

PILLAR 3

Support to Adaptation Planning Processes

- Policy research and review of national adaptation plans & INDCs
- Formulate or refine national adaptation plans
- Review and refine NDCs strategy and implementation

STEP-BY- STEP

PROJECT PREPARATION



1. NDA & South Centre-SC initial meetings and exchanges
2. Capacity & Needs Assessment
3. Project Proposal Developed
4. NDA & SC jointly submit Proposal to the GCF



PROPOSAL SUBMISSION



1. SC undergoes a financial management assessment by GCF
2. SC responds to GCF's queries on the proposal if any, and revises proposal until approval



APPROVAL

1. Grant agreement signed between SC & GCF
2. First disbursement of Funds



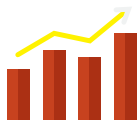
IMPLEMENTATION



1. Implementation with the agreed work plan and budget
2. SC regularly reports to GCF
3. SC proposes revisions to the work plan, as needed



COMPLETION & EVALUATION



1. SC submits Completion & evaluation report to the GCF
2. SC-NDA jointly take stock of progress, and agree on next steps.



OUR APPROACH



FOCUS ON SOUTH EXPERTIZE
by prioritizing national capacities and other South expertise in project development & implementation



FACILITATE SOUTH-SOUTH COOPERATION

by establishing mechanisms to enable exchange of experiences between countries



MAXIMIZE READINESS RESULTS

through a tailored country-specific approach aligned with other readiness activities, national climate and sustainable development plans

STATE OF PLAY- February 2019

GCF PORTFOLIO & READINESS SUPPORT

GCF Project Distribution by region

102 Projects Total

- 40 in Asia-Pacific
- 43 in Africa
- 22 in LATAM & Caribbean
- 6 in Eastern Europe

GCF Projects by Entity Type

- 76% - International Entities
- 9% - Regional Entities
- 15% - National Entities

GCF Projects by thematic area

- 39% - Mitigation
- 25% - Adaptation
- 36% - Cross-cutting

Accredited Entities

15% of existing projects have a national Accredited Entity- AE

NDA

99% of developing countries have designated an NDA

Type of Accredited Entities-AEs

75 Total Number of AEs

- 34 - International
- 11 - Direct access (regional)
- 30 - Direct access (national)

Readiness Projects

192 Approved Projects

- in 111 countries
- for USD 190 M total
- USD 23 M disbursed so far

Readiness Area Requests

- 103 - NDA Support
- 112 - No objection procedure
- 34 - AE Support
- 50 - Adaptation Planning



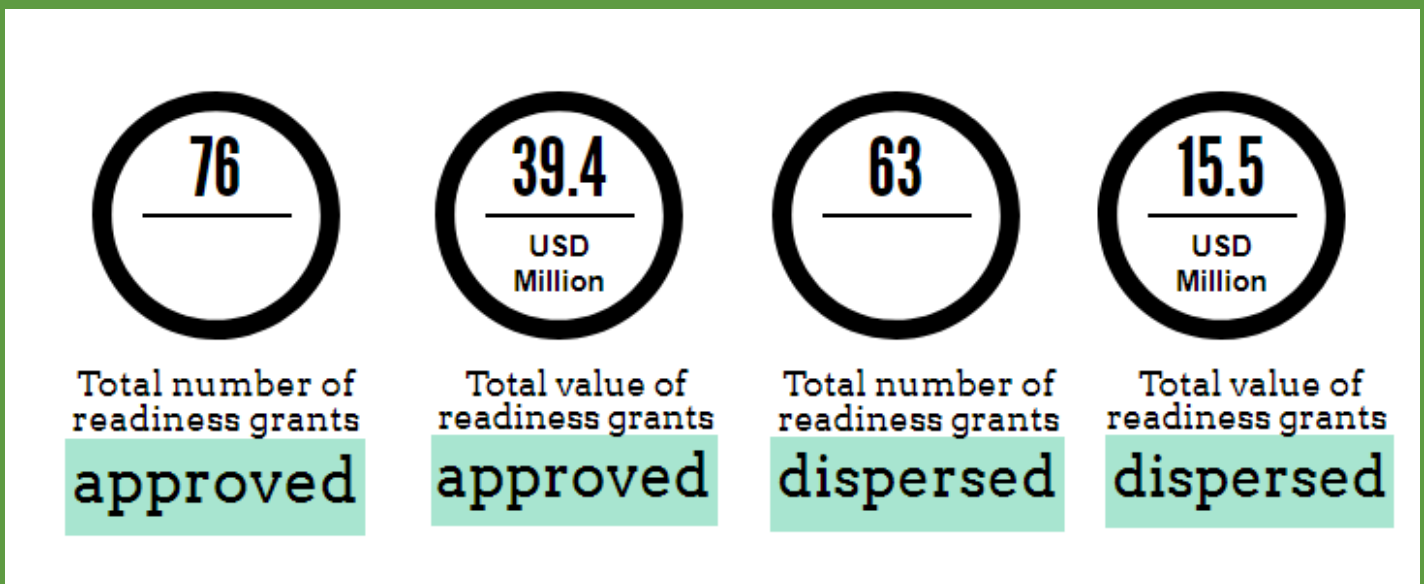
SPOTLIGHT ON AFRICA

AFRICAN COUNTRIES WITH DIRECT ACCESS ENTITIES

1. **Ethiopia** - Ministry of Finance and Economic Cooperation
2. **Kenya**- National Environment Management Authority
3. **Morocco** - Agency for Agricultural Development (ADA)
Morocco - CDG Capital S.A
4. **Namibia**- Environmental Investment Fund
5. **Rwanda**- Ministry of Natural Ressources
6. **Senegal**- Centre de Suivi Ecologique (CSE)
7. **South Africa** -South African National Biodiversity Institute

All African Countries
have a
National Designated
Authority -NDA

READINESS RESULTS AND ACTIVITIES IN AFRICA



Source: [GCF website](#)

Country Programmes

Nigeria has successfully defined its country needs in its readiness proposal with the support of the GCF. Liberia and Chad have held workshops upon which draft country programmes were produced. Djibouti performed a stock-taking of existing policies and institutional frameworks to support its country programme. Senegal has also conducted a validation workshop to discuss, analyze and facilitate its initial country programme.

National stakeholders engagement processes

- Côte d'Ivoire planned its first training session with relevant stakeholders to inform on GCF modalities and how to access climate finance. The NDA team of Mauritania was consulted and informed on the

GCF procedures and relevant stakeholders were to be briefed during information workshops all over the country.

- Stakeholders have been informed and trained on climate finance and project design in Senegal and Togo.

Establishment of no-objection procedures

Gabon has defined a no-objection procedure and Senegal has worked on its draft version in 2018. Tunisia has had consultations with its national partners who validated the country's draft no-objection procedure. Morocco had completed the draft no-objection procedure, but decided to refine the NOP. With the use of the readiness grant, Morocco revised its NOP and worked on the final version in 2018.

Private-sector engagement and mobilization

Morocco had some dedicated meetings with private sector partners and banks to ensure strong mobilization. The country's NDA has evaluated strategies to collaborate with the private sector, including micro, small and medium sized enterprises. The readiness programme of Mauritius assessed innovative financial mechanisms with the support of the country's private sector actors.

Direct Access Entities accreditation support

Among other countries, Sierra Leone and Tunisia were supported in the accreditation process as part of the readiness programme. Sierra Leone nominated its Environmental Protection Agency for accreditation. It was assisted in conducting a gap assessment and in defining recommendations supported by action plans that would facilitate the next steps in the accreditation process and ultimately maximize the prospects for the Agency to receive accreditation. In order to build capacity in and knowledge about the accreditation process, Tunisia held an information event for the country's nominated entities.

National Adaptation Planning

The GCF assists developing countries in formulating and implementing National Adaptation Planning (NAP) processes. 7 of the 19 approved adaptation planning proposals were submitted by African countries, namely Democratic Republic of Congo, eSwatini (formerly Swaziland), Kenya, Liberia, Mauritania, Niger and Zimbabwe. Liberia has for instance received support as part of the readiness programme to strengthen institutional frameworks and enhance coordination in the implementation process of the country's NAP. Zimbabwe is assisted in building capacity of relevant stakeholders and widening the knowledge base for the formulation and implementation of the NAP process. Another 36 readiness proposals in the area of NAP were under review and resubmission in 2018, of which 19 were handed in by African countries.



10 USEFUL LINKS FROM GCF'S WEBSITE

1. [Readiness Guidebook](#) for detailed information on the application process to Readiness Support
2. [Readiness State of Play](#) for key figures on Readiness - Updated regularly
3. [Progress report](#) on Readiness Support Programme for detailed information : June 2018
4. [GCF Accreditation](#) Self-Assessment Tool for entities wishing to get GCF accreditation
5. [GCF Project Portfolio](#) for key figures on GCF Projects - Updated regularly
6. [Guidelines](#) for Enhanced Country Ownership and Country Drivenness
7. [Guide](#) on the process of bringing a project proposal to GCF
8. [Access to](#) the Approved Projects and Programmes of the GCF
9. [PPF](#)-GCF's Project Preparation Facility
10. [Entity Directory](#) - for a comprehensive list of Accredited Entities

LINKS TO KEY CLIMATE FUNDS

1. [GEF](#)- Global Environment Facility
2. [Adaptation Fund](#) (UNFCCC)
3. [Clean Technology Fund](#) (Under Climate Investment Fund - CIFs)
4. [SREP](#) - Scaling Up Renewable Energy in Low Income countries Program(CIFs)
5. [Forest Investment Program](#) (CIFs)
6. [Least Developed Countries Fund](#) (UNFCCC)
7. [PPCR](#) - Pilot Program for Climate Resilience (CIFs)

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- [**Independent Evaluation of the Green Climate Fund's Readiness and Preparatory Support Programme \(RPSP\) Final Report \(GCF, 2019\)**](#)
- [**Green Climate Fund**](#)
- [**Approach and scope for providing support to adaptation activities \(GCF, 2018\)**](#)

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