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In-session workshop on long-term climate finance in 2017

Summary report by the secretariat

Summary

This report contains a summary of the in-session workshop on long-term climate finance held in conjunction with the forty-sixth sessions of the subsidiary bodies and organized by the secretariat at the request of the Conference of the Parties. In line with decision 7/CP.22, the workshop focused on articulating and translating needs identified in country-driven processes into projects and programmes, roles of policies and enabling environments for mitigation and adaptation finance, and facilitating enhanced access.

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I. Introduction

A. Mandate and objectives

1. The Conference of the Parties (COP), by decision 5/CP.20, requested the secretariat to organize annual in-session workshops on long-term climate finance through to 2020 and to prepare a summary report on the workshops for annual consideration by the COP and the biennial high-level ministerial dialogues on climate finance.[1]

2. Furthermore, at the request of the COP by the same decision, the secretariat prepared a compilation and synthesis of the biennial submissions of developed country Parties on their updated strategies and approaches for scaling up climate finance from 2014 to 2020,[2] to inform the in-session workshops referred to in paragraph 1 above.[3]

3. According to decision 7/CP.22, the in-session workshops on long-term climate finance in 2017 and 2018, with a view to scaling up climate finance for mitigation and adaptation, were to focus on experience and lessons learned in relation to:

(a) Articulating and translating needs identified in country-driven processes into projects and programmes;

(b) Roles of policies and enabling environments for mitigation and adaptation finance;

(c) Facilitating enhanced access.

4. The main objective of the 2017 and 2018 in-session workshops is to facilitate technical and action-oriented discussions on the topics referred to in paragraph 3 above and to generate concrete findings and conclusions to be considered by the COP. The outcomes will also inform the deliberations of the high-level ministerial dialogue on climate finance in 2018. In particular, the 2017 in-session workshop was aimed at:

(a) Understanding how climate finance needs identified and assessed by developing countries can be articulated and translated into projects and programmes, including through international cooperation;

(b) Identifying steps and actions that can be undertaken to improve access to climate finance;

(c) Achieving greater clarity on the policy and regulatory environment needed to scale up climate finance.

B. Scope of the report

5. Chapter II of this report provides information on the preparatory activities for and proceedings of the in-session workshop on long-term climate finance held in 2017 (hereinafter referred to as the workshop). Chapter III contains a summary of the key findings and messages from the workshop and chapters IV and V provide detailed summaries of the discussions that took place during the two main workshop segments.

II. Preparatory activities and proceedings

A. Preparatory activities

6. The secretariat conducted informal consultations with members of the various negotiating groups in April 2017 and organized a webinar on 19 April 2017 to gather views and ideas on the design of the workshop programme. The webinar was open to all Parties

[1] Decision 5/CP.20, paragraph 12.
[2] FCCC/CP/2017/INF.1.
[3] Decision 5/CP.20, paragraph 11.

and observers and organized in two runs to accommodate participants from different time zones. Around 25 participants joined in the two webinar runs.

7. Following the informal consultations and the webinar, the secretariat prepared a provisional programme for the workshop in consultation with the workshop co-facilitators. The final programme can be accessed on the dedicated web page.[4]

B. Proceedings

8. The workshop was held on 15 May 2017 in Bonn in conjunction with the forty-sixth sessions of the subsidiary bodies and was open to all Parties and observer organizations attending the sessions.

9. The workshop was opened with remarks from the UNFCCC Executive Secretary, Ms. Patricia Espinosa, and a representative of the COP 22 Presidency, Mr. Aziz Mekouar,. Following those remarks and a short introduction by the workshop co-facilitators, Ms. Janine Felson (Belize) and Mr. Stefan Schwager (Switzerland), the workshop was divided into two main segments focusing on climate finance needs and access to climate finance of developing countries, respectively.

10. Following a scene-setting presentation in each segment, the programme centred around country case study discussions showcasing best practices, experience and lessons learned related to the topic of each segment, and generating important insights for the in-depth discussions that took place during the subsequent breakout group sessions. In addition, plenary discussions provided space for further expert inputs, reflection on the key issues discussed and the identification of concrete actions and next steps to be taken with regard to the workshop topics.

11. The workshop programme, speaker biographies, presentation slides and audio recordings are available on the dedicated web page.[5]

III. Key findings and messages

12. The workshop took place at a critical juncture, with countries embarking on turning their nationally determined contributions (NDCs) into clear investment strategies, programmes and projects, and the private sector playing an increasing role in implementing and funding the actions identified by developing countries. In her opening remarks, the Executive Secretary highlighted the importance of moving from policy frameworks to the specifics, given that finance will not flow unless the right frameworks are in place and unless there are concrete programmes, projects and investment opportunities.

13. Although progress has been made with regard to articulating climate finance needs through various reporting channels, the assessment of those needs remains a challenge owing to insufficient detail or inconsistencies in reporting. Conducting further assessments of existing NDCs and enhancing the granularity of climate finance information in future NDCs were identified as priority areas for action.

14. Participants discussed whether institutionalizing national climate finance assessments in developing countries as a regular exercise could help increase understanding of their needs. The Pacific Climate Change Financing Assessment Framework and the United Nations Development Programme (UNDP) development finance assessments were mentioned as examples of good practice.

15. In terms of immediate support needs for translating climate finance needs into action, developing countries especially highlighted the need for further guidance and support with regard to formulating financial plans and developing project pipelines for NDCs.

[4] http://www.unfccc.int/10290.

[5] As footnote 4 above.

16. With regard to accessing climate finance, participants noted that it will require continued efforts from the multilateral climate funds to simplify the accreditation procedures and access modalities, to enhance the readiness of recipient countries, including adequate institutional capacities and financial governance and management systems, and to improve communication between the funds and recipient countries. Furthermore, it was noted that there is a need to enhance the role of national designated authorities (NDAs) or focal points of the different funds to ensure greater country ownership and coherence.

17. It was emphasized that providers of international support should build their efforts on existing national systems and institutional knowledge, assist countries across the whole project cycle (preparation, delivery, implementation and evaluation), target their support to countries' needs and enhance coordination at the country level.

18. Factors positively influencing the accreditation process identified at the workshop include the active steering of the process by the national implementing entity (NIE) applicant, good coordination between the applicant and the NDA, fast-track accreditation eligibility, readiness support and South–South knowledge exchange.

19. On private finance, participants noted the importance of enabling policy and regulatory frameworks and highlighted that opportunities for business are still not being sufficiently identified and communicated, particularly in the case of adaptation finance. Participants suggested that engagement with the private sector could be enhanced, for example by reaching out to a consortium of businesses rather than individual actors. The need to develop and harmonize climate-related standards, for example for green bonds, was also discussed. Further, it was noted that the multilateral climate funds need to better articulate their comparative advantages and what support they can offer to the private sector.

20. The workshop identified cross-cutting challenges and priorities, including the need for a different approach to capacity-building focused on strengthening institutional capacities to ensure that knowledge is sustained and capacity can be retained in the recipient countries after the intervention or project has ended. Participants identified gaps in capacity-building and technical assistance for the development of policies, policy frameworks and project pipelines.

21. The lack of communication among relevant stakeholders is another hurdle that needs to be overcome if recipient countries are to successfully translate their needs into action and improve their access to finance. In this regard, participants highlighted the urgent need for a 'whole-of-government' approach both horizontally, across sectors and institutions, and vertically, from local to national, to enhance coordination across all relevant actors and build the necessary buy-in for climate finance related policies and measures. The need to improve engagement with non-government stakeholders, such as the private sector and civil society, in order to enhance the translation of identified financial needs into action and to improve access to climate finance was stressed.

22. At the same time, donors need to strengthen coordination to enhance complementarity and avoid overburdening the administrations of recipient countries. The multilateral climate funds need to improve their communication with recipient countries and accredited entities to ensure their policies and procedures are fully understood.

23. Country ownership and leadership were considered vital by all participants, as was the need for national champions to steer processes, coordinate efforts and align policies.

24. On the basis of the above-described findings, the following **key messages** can be distilled for consideration at COP 23:

(a) Efforts are needed to further assess existing NDCs and to improve the granularity of climate finance information in future NDCs in order to enhance the assessment of developing countries' climate finance needs;

(b) Developing countries could consider:

(i) Institutionalizing national climate finance assessments as a regular exercise to help increase understanding of their needs;

(ii) Assigning a greater role to NDAs or focal points of the different climate funds to ensure greater country ownership and coherence;

(iii) Adopting a 'whole-of-government' approach to enhance coordination across sectors and institutions and ensure buy-in for climate-related policies and measures;

(iv) Enhancing their engagement with non-government stakeholders to translate climate finance needs into action and improve access to climate finance;

(v) Assigning a greater role to national champions in steering processes, coordinating efforts and aligning policies;

(vi) Increasing their efforts to identify and communicate opportunities for private finance, particularly with regard to adaptation finance;

(vii) Enhancing their engagement with the private sector, for example by reaching out to a consortium of businesses rather than individual actors;

(c) Multilateral climate funds should continue their efforts to:

(i) Simplify their accreditation procedures and access modalities;

(ii) Enhance the readiness of recipient countries;

(iii) Improve communication between the funds and recipient countries;

(iv) Better articulate their comparative advantages and what support they can offer to the private sector;

(d) Providers of international support should continue their efforts to:

(i) Build their support on existing national systems and institutional knowledge;

(ii) Target their support to recipient countries' needs;

(iii) Enhance coordination at the country level;

(iv) Strengthen coordination to enhance complementarity and avoid overburdening the administrations of recipient countries;

(v) Assist countries across the whole project cycle;

(vi) Fill gaps in capacity-building and technical assistance for the development of policies, policy frameworks and project pipelines in developing countries;

(e) Capacity-building providers and recipients need to better ensure that knowledge is sustained and capacity can be retained in the recipient countries.

IV. Summary of the segment on articulating and translating needs identified in country-driven processes into projects and programmes

25. Segment 1 of the workshop aimed to facilitate the sharing of country experience with regard to the necessary steps and requirements for identifying and assessing climate finance needs and articulating and translating those needs into projects and programmes. It showcased country examples and provided government representatives, international financial institutions, multilateral climate funds, technical support providers and the private sector with the opportunity to reflect on their respective roles and to identify challenges and good practices.

26. A representative of the South Centre provided the **scene-setting presentation** on articulating, translating and assessing climate finance needs. The presentation identified several types of need in recipient countries, including short-term needs arising from climate-related disasters, long-term needs resulting from the expected long-term adverse impacts of climate change, and needs driven by domestic policy processes. In addition, needs arise from policies and directives emanating from the UNFCCC process that may

require countries to reorient their domestic policies, for example to be able to meet the objectives of the Paris Agreement.

27. Developing countries are articulating their needs through various tools and reporting instruments under the Convention, including through technology needs assessments (TNAs), national communications, nationally appropriate mitigation actions, national adaptation programmes of action (NAPAs), national adaptation plans (NAPs) and NDCs. An increasing number of developing countries are including a dedicated section on support in their biennial update reports (BURs). Two examples that were highlighted include Ghana's BUR from 2015, which is detailed in its reporting of support received and support needed, and Malaysia's BUR, which clearly articulates gaps, challenges and constraints. Further avenues for articulating needs outside the Convention are national policy reviews or studies, sustainable development strategies or plans, sectoral plans or studies, regional studies and pilot demonstration projects.

28. The presenter noted that, overall, a high degree of congruence can be observed with regard to the reported needs across many of those tools and instruments, indicating that many developing countries have been able to identify their needs and to articulate them consistently across various documents and reports. The presenter underlined that the identified needs have only been met to a small degree and illustrated this by noting the funding gap of around USD 4 billion for the implementation of the NAPAs prepared by the least developed countries (LDCs).

29. It was also noted that more efforts are needed in translating the broad spectrum of policy guidelines contained in developing countries' NDCs into concrete programmes and projects. While NDCs do not represent sectoral or investment plans, they articulate financial needs for the implementation of NDCs and provide details regarding climate actions, including in some cases providing the estimated costs of those actions and specifying the need for external finance and technical support.

30. The presenter called for the development of an elaborate framework to support and enable better articulation and translation of needs, suggesting that this could be the future direction of the long-term climate finance process with the support of the Standing Committee on Finance on methodological and tracking issues. It was further noted that the Standing Committee on Finance should consider how climate finance flows under UNFCCC mechanisms take into account country-driven strategies and the priorities and needs of developing country Parties. With regard to immediate support needs, it was noted that it will be important to clarify policies and enabling environments both for identifying climate finance needs and for articulating and translating those needs. In this regard, developing countries need guidance and support in formulating financial plans related to their NDCs and for project and pipeline development.

31. The scene-setting presentation was followed by two **country case study discussions**. During the first discussion, a representative of the Ministry for the Environment and Natural Resources of Mexico shared experience and lessons learned from identifying and assessing financial needs in the context of the country's NDC development. Since 2008, Mexico has been utilizing a methodical approach focused on greenhouse gas abatement cost curves as a way of collating information on a number of potential mitigation policies, actions and measures, including their prospective abatement cost and emission reduction potential. Every 12 to 18 months, the analysis is repeated and the cost curves are updated accordingly.

32. The exercise has proven helpful in preparing Mexico's NDC and establishing the targets contained therein given that it enhanced the Government's understanding of the type of costs and the actual amounts of financing needed for the identified interventions. To date, cost curves have been developed only for the unconditional target of reducing emissions by 22 per cent by 2030 compared with the 'business as usual' scenario. Thirty policies and actions in different sectors were identified, with investment needs (including operation and maintenance) amounting to approximately USD 150–160 billion for the period 2015–2030. As a next step, the same exercise will be conducted for the more ambitious, transformational goal of a 36 per cent reduction in emissions over the same period, which is conditional upon international support.

33. The objective of the Government is to create an NDC implementation plan that specifies the financial amounts needed and how the measures will be implemented. Such a plan will, for instance, contain information on the role of the public budget in raising Mexico's ambition and how much the Government expects to rely on technical assistance or loans from development finance institutions. A focus will also be on identifying those sectors that are most likely to attract private sector investments, transforming policies into projects with business plans and developing projects to the investment-ready stage. Efforts will then also be put into the execution phase and the measurement, reporting and verification of the results.

34. The efforts described above are also aimed at providing clarity and transparency on the initiatives taken by the Mexican Government with regard to fulfilling obligations under the UNFCCC process.

35. In the process of its NDC implementation, Mexico is receiving support from a number of development partners. The country has recently become a member of the NDC Partnership and is also a member of the NDC Invest platform, hosted by the Inter-American Development Bank, which supports Mexico with regard to strengthening its capacity to monitor, report and verify NDC implementation, identifying a project pipeline and concessional financing opportunities. The box below provides information on the background and objectives of those two initiatives as presented at the workshop.

NDC Partnership

The NDC Partnership is a global initiative consisting of a coalition of developed and developing countries and international institutions. Launched at the twenty-second session of the Conference of the Parties, its objective is to enhance cooperation so that countries have more effective access to the technical knowledge and financial support necessary to deliver on their nationally determined contributions (NDCs) and related Sustainable Development Goal (SDG) related commitments.

At the time of the workshop, the NDC Partnership had a membership of 57 countries, including 15 developed countries and 42 developing countries, as well as eight institutions. While the initiative has only recently begun its work, the first findings from its in-country engagement are beginning to emerge with regard to common challenges faced by developing countries in the area of NDC implementation:

- Many countries are still in the initial phase of mainstreaming climate actions across national policies;
- NDCs were often prepared in a rush to meet the tight deadline and often need further elaboration;
- Linkages between the ministry in charge of NDC implementation and the finance and planning ministries need to be further strengthened;
- The issue of translating needs into bankable projects is gaining traction but in many countries projects are not sufficiently solid;
- Policy and legislative frameworks need further improvement;
- A 'whole-of-government' approach is beneficial but often not in place.

NDC Invest

Countries are facing a number of challenges with regard to implementing their NDCs, including the need to align their NDCs with national agendas, linking them to the SDGs or infrastructure investment planning and other sectoral processes, and ensuring cross-sectoral engagement to build the full buy-in and participation of all government actors and the private sector. In addition, institutional capacities need to be strengthened across a whole range of technical policy and financial areas. Another challenge is to effectively leverage finance in the light of budget constraints. NDC Invest was launched by the Inter-American Development Bank (IDB) to help countries in Latin America and the Caribbean overcome those specific challenges. The platform consists of four elements as show below:

NDC Programmer

Identifying sectoral priorities and supporting the enabling environment for NDC implementation in the region:

- Assess institutional capacity, financing and investment requirements for NDCs
- Promote the engagement of government stakeholders and the private sector in programming

NDC Pipeline Accelerator

Supporting the pre-investment activities required for transformational impact:

- Upstream support to develop pipeline on sustainable infrastructure
- Support for integration of sustainability considerations into public–private partnerships, project planning, design and reporting systems
- Create a positive influence in the markets

NDC Finance Mobilizer

Increasing attractiveness of NDC-related investments:

- Increase access to concessional resources and blend with IDB and Inter-American Investment Corporation capital to increase attractiveness of public sector investments
- Enhance economic feasibility and/or provide risk sharing for private sector operations

NDC Market Booster

Overcoming market and other non-financial barriers:

- Non-reimbursable and reimbursable grants for design and promotion of innovative financial instruments and prototyping of new technology
- Capital grants for new low-carbon and resilient business models and market facilitation services

36. The second country case study focused on the experience of the Gambia with regard to identifying and translating needs in the context of TNA development. The Gambia is part of the second batch of countries that obtain support from the Global Environment Facility (GEF) Poznan strategic programme on technology transfer for the development of their TNAs. In addition, the country is receiving technical support from the UNEP DTU Partnership[6] during this process.

37. The development of the Gambia’s TNA is based on consultations with all key stakeholders and institutions and strategic frameworks dealing with the implementation of climate change mitigation or adaptation measures. These strategic frameworks and processes include the Gambia’s NDC, NAP, Strategic Programme for Climate Resilience and proposed Low Emissions Climate Resilient Development Strategy. The TNA process and the implementation of the national technology action plan (TAP) will be fully integrated with other mitigation and adaptation processes such as the NDC and NAP. This will allow the TAP to serve as a platform for taking forward the implementation of the NDC and NAP.

38. Since technologies are central to achieving NDC targets, TNAs could become an integral part of the NDC process. While NDCs so far focus on targets and implementation plans, TNAs provide the opportunity for more in-depth analyses and can also play a unique role in the development of NDCs owing to the information they offer on the implementation potential, ability and scale of technologies. However, whereas countries are to update their NDCs every five years as per the Paris Agreement, TNAs have no such specified periodicity in UNFCCC decisions.

39. A representative of the GEF secretariat taking part in the discussion noted that the GEF is actively supporting the implementation of the TNA process in the Gambia and will

[6] The partnership, formerly known as the UNEP Risoe Centre, operates under a tripartite agreement between Denmark’s Ministry of Foreign Affairs, the Technical University of Denmark (DTU) and the United Nations Environment Programme (UNEP).

also support the implementation of NDC priorities in the country. The fund's national portfolio formulation exercise is a consultative process between the GEF and Gambian government stakeholders with the objective of matching the resources available with national priorities. Several ongoing projects already support NDC implementation and other projects are awaiting approval.

40. It was noted that, more broadly, the GEF is assisting countries in overcoming financial challenges related to TNA and NDC implementation by providing support in relation to transforming policy and regulatory environments, demonstrating innovative technologies and business models, strengthening institutional capacity and decision-making processes, convening multi-stakeholder alliances and de-risking partner investments. The panellist from the GEF secretariat noted the increasing focus on de-risking and policy environments woven into the design of the newer GEF projects in the Gambia. In a project on adapting agriculture to climate change, which was launched last year with the Food and Agriculture Organization of the United Nations, the GEF, for instance, supports the dissemination of risks to users as well as the creation of a policy environment that would enable various private sector actors to participate. Another example is a project proposal submitted by United Nations Industrial Development Organization, which has been approved for implementation and which, inter alia, proposes the introduction of more robust appliance and renewable energy standards and a platform for increasing capacities related to market entry and private sector engagement in the Gambia.

41. A representative of the UNEP DTU Partnership noted that the partnership is supporting the Gambia and other developing countries by offering technical support, such as the provision of methodologies and data support, knowledge-sharing and capacity-building workshops, and support through its regional centres. In addition, country implementation is supported by helping countries set up a TNA steering committee, TNA coordinator and TNA team and working groups. It was also noted that the UNEP DTU Partnership supports communication and outreach activities through its website, newsletters and networks. TNA guidebooks containing process guidance have also been developed.

42. Following the scene-setting presentation and the two case study discussions, participants engaged in breakout group discussions on steps and actions needed to further improve the identification and assessment of climate finance needs and to accelerate the translation of climate finance needs into projects and programmes. In addition, countries discussed their respective support needs. Table 1 summarizes the key results of the breakout group discussions.

Table 1
Key areas for action on climate finance needs identified in the breakout groups

Area	*Action*
Climate risk information	- Enhance availability of data on climate risk and vulnerability - Build national information systems and databases
Elaboration of climate finance needs	- Conduct further assessments of current nationally determined contributions (NDCs) and enhance granularity in future NDCs - Institutionalize climate finance needs assessment processes (examples of good practice: Pacific Climate Change Financing Assessment Framework and United Nations Development Programme development finance assessment)
Country ownership and leadership	- Strengthen developing country ownership and leadership to ensure processes around the identification, assessment and translation of climate finance needs are country-driven - Identify national champions to coordinate efforts and align policies
Stakeholder engagement	- Adopt a 'whole-of-government' approach (horizontal and vertical) - Conduct in-country dialogues involving all relevant stakeholders - Enhance engagement with the private sector, for example by reaching out to a consortium of businesses rather than individual actors
Capacity-building	- Ensure local experts lead project development to enable capacity retention after project has ended

Area	*Action*
	- Focus on institutional capacity-building - Provide additional international capacity-building support for the development of policies and policy frameworks and for programme and project development - Share knowledge and information through regional cooperation
Donor coordination	- Donors need to avoid duplication and overburdening recipient country administrations - Donors need to develop a common road map for countries tailored to recipient countries' needs and priorities
Coherence across multilateral climate funds	- Ensure coherent portfolio prioritization approaches across funds (e.g. Global Environment Facility and Green Climate Fund)
Cross-sectoral coordination	- Ensure better coordination between relevant ministries, including ministries of finance and planning, to build buy-in
Bottom-up approaches	- Promote bottom-up community-led projects
Programmatic approaches	- Shift from project to programmatic approaches to mobilize additional funding
Importance of local-level policies and resources	- Allocate more resources to the local level - Integrate local strategies into planning processes
Private adaptation finance	- Develop strategies and approaches to entice private sector involvement in adaptation

V. Summary of the segment on facilitating enhanced access to climate finance

43. Segment 2 of the workshop provided the opportunity for a dialogue among recipient countries, international financial institutions, multilateral climate funds, the private sector and technical support providers with a view to defining concrete action points to facilitate access to climate finance. Furthermore, the segment shed light on best practices and challenges in recipient countries with regard to accessing finance.

44. The **scene-setting presentation** on accessing climate finance was provided by a representative of the World Resources Institute (WRI) and highlighted experience of multilateral climate funds and focused on the report, *The Future of the Funds*, recently published by WRI.[7] The report analysed seven key multilateral climate funds, namely the GEF, the Least Developed Countries Fund (LDCF), the Special Climate Change Fund (SCCF), the Adaptation Fund (AF), the two funds under Climate Investment Funds (CIF funds) and the Green Climate Fund (GCF).

45. The multilateral climate funds analysed by WRI are capitalized to very different levels. While it is notable that adaptation funds are much smaller in size than mitigation-focused funds, the amount of adaptation finance is expected to increase significantly with the GCF approving further adaptation projects. The funds have taken different approaches to the amount of funding they provide to projects, with the CIF funds and GCF providing over USD 40 million on average, and the GEF, LDCF, SCCF and AF contributing below USD 7 million on average per project. In addition, the LDCF and AF have country caps.

46. With regard to where the funding goes, the CIF funds, for example, channel larger sums of money to projects in a few countries, while the GEF provides much smaller amounts to a much larger number of developing countries, including many LDCs, small island developing States (SIDS) and African countries.

47. The report also looked at types of implementing entity and found that the AF and GCF, which are the only funds with a direct access modality, have now accredited 25 and 14 national direct access entities, respectively. While the CIF funds by design use only five multilateral development banks as implementing partners, the GCF has the most diverse

[7] Available at http://www.wri.org/publication/future-of-the-funds.

array of accredited entities, including national institutions, international non-governmental organizations, private banks, multilateral development banks and United Nations agencies.

48. An analysis of funding allocation per type of entity revealed that the largest shares of funding are allocated to United Nations organizations and multilateral development banks, and funding disbursed through direct access remains small. During the fifth and sixth replenishments of the GEF, 62 per cent and 38 per cent of the funding were allocated to those entities, respectively, and only 0.3 per cent to other entities. In the case of the AF, 34 per cent of the funding was allocated to national and 5 per cent to regional entities. The GCF allocated 6 per cent to national entities, 7 per cent to regional entities, 25 per cent to United Nations entities and 51 per cent to multilateral development banks. It should be noted that figures are based on the actual funding amounts and not on the number of projects, and that projects run by national entities are much smaller in size.

49. In terms of efficiency, the speed of delivery of funding across funds is another important factor. The AF has taken an average of 17 and 27 months to accredit national/regional and multilateral entities, respectively, over the last four years. For the GCF, the average time for accrediting the first 41 implementing entities was 9.9 months, including many entities that used the fast-track process. The length of the accreditation process is not an issue for the GEF since its list of implementing agencies has only been extended twice in the history of the fund. The delays in the accreditation process often result from the need to translate required documentation, limited understanding of required documentation, challenges in documenting and/or adopting policies and processes to meet accreditation requirements, or lack of support from senior staff within the institution.

50. For most funds it takes between one and a half and two years to obtain project approval. The AF is the only exception, taking only 8 and 12 months to approve one-step and two-step projects, respectively. Preliminary data for the GCF indicate that project approvals require about the same time as for the majority of the other funds.

51. Given that the funding available through multilateral climate funds will only meet a fraction of the financial needs identified by developing countries, it is important that the funds effectively mobilize funding from additional sources. While all funds are using grants, most funds, with the exception of the AF, LDCF and SCCF, also use other financial instruments, such as loans and equity, and risk mitigation instruments. An analysis of the co-financing rates revealed that the SCCF, although being a small fund in absolute numbers, is particularly successful at leveraging additional co-financing, with a co-financing ratio of 1:7.5. Likewise, the CIF funds and GEF are very successful at attracting co-financing, with ratios of 1:9.1 and 1:9.7, respectively.

52. The first **case study discussion** on access to climate finance focused on the experience of the Agency for Agricultural Development of Morocco (ADA) in obtaining accreditation as an NIE to the GCF. ADA was eligible to use the GCF fast-track accreditation process, having been accredited by the AF in 2012. Nonetheless, the process proved to be time-consuming and arduous.

53. Following successful accreditation at the end of a nine-month process, ADA developed concept notes for two projects. In October 2016, the first project focusing on promoting an Argan orchard in degraded environment was approved by the GCF Board. The project funding amounts to USD 50 million, including USD 10 million in co-financing from the Moroccan Government. Meanwhile, ADA also submitted its entity work programme to the GCF secretariat, which includes 12 projects worth USD 300 million. Furthermore, ADA submitted a readiness proposal aimed at upgrading its accreditation level to meet needs exceeding the current cap of USD 50 million. Table 2 summarizes the key challenges and success factors identified by ADA.

Table 2
Challenges and success factors identified by the Agency for Agricultural Development of Morocco

Area	*Examples*
Challenges	- No national experience or lessons learned to draw from (as it was the first accredited entity in Morocco)

Area	*Examples*
	- Procedures still needed to be established - Language barrier – challenge of understanding English language templates and procedures, exchanging emails with Green Climate Fund (GCF) secretariat and translating documents - Limited technical support – readiness support from GCF was not obtained; the Deutsche Gesellschaft für Internationale Zusammenarbeit was the only provider of technical support
Success factors	- High motivation of staff - Support from senior management - Excellent coordination with national designated authority - Continuous learning process - Fast-track accreditation eligibility - Sharing of experience within the country and with other countries (South–South cooperation and exchange)

54. Following the presentation by ADA, the GCF secretariat added its perspective on the accreditation process more broadly. Challenges identified by the GCF secretariat include internal constraints such as staffing that made it difficult at times to address all accreditation-related requests from countries. In addition, readiness support was sometimes delayed due to the unavailability of a delivery partner. Ensuring sufficient coordination across all stakeholders is also proving challenging and the GCF secretariat noted that, while having one focal point in the country (NDA) is an important first step, further coordination efforts are needed. In this regard, the key role of the NDA in ensuring country ownership, strategic alignment of country priorities with the objectives of the fund, identifying comparative advantages of different national entities that seek accreditation, and coordinating with all relevant national stakeholders was highlighted.

55. The GCF Board has taken initiatives aimed at making accreditation and project development related processes less cumbersome. Significant resources are being directed towards enhancing the fund’s responsiveness to developing countries’ needs and priorities, including by enhancing country-led programming and fostering structured dialogues between the GCF and recipient countries. With respect to facilitating the identification of suitable NIE candidates, the GCF Board has started a process of prioritization with regard to entities in the pipeline. In addition, the GCF Board discussed an operational framework for ensuring greater complementarity and coherence with other funds at its meeting in July 2017.

56. The case study discussion provided insights from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), which provided technical support to ADA during the accreditation process. The support initially focused on translating official documents and was then expanded to include institutional capacity-building to identify and fill gaps in the management structure of ADA, including in the areas of environmental and social safeguards, policies related to prevention of fraud, complaint procedures and independent investigation. On the basis of its provision of support to accreditation processes in various countries, including Morocco, GIZ identified the following lessons learned:

(a) The NIE candidate has to actively steer the process (as was the case with ADA);

(b) The development of required policies and their integration into management procedures is in itself a capacity-building exercise for NIEs;

(c) NIE assessments reveal that many NIE candidates have little idea of how cumbersome the process is; it might be beneficial if the GCF promoted a cost–benefit analysis for candidates;

(d) The language barrier should not be underestimated;

(e) Following accreditation, NIEs face the challenge of project development.

57. The second case study discussion focused on the experience of the Secretariat of the Pacific Regional Environment Programme (SPREP) in obtaining accreditation as a regional implementing entity (RIE) to the AF and GCF, and at the same time explored common issues related to access to climate finance across SIDS and RIEs. SPREP was requested by its members in the Pacific to seek accreditation to the AF and the GCF to assist the region with projects and with NIE accreditation. The lessons learned from the accreditation process were documented and published as a guide for the region.

58. While many organizations are providing readiness-related support in the Pacific region, those efforts have only recently become better coordinated. A regional technical support mechanism was established through a project under the Pilot Program for Climate Resilience and provided targeted assistance on project development, including environmental and social safeguards, environmental impact assessments and cost–benefit analyses.

59. Despite positive developments, Pacific countries continue to face a number of challenges in accessing climate finance, including, at least initially, a lack of experience with regard to the specific context of SIDS in the secretariats of the multilateral climate funds, and significant capacity challenges in the government administrations of Pacific SIDS, especially with regard to understanding the procedures of the funds and the development of project concepts. From the perspective of SPREP, the dialogue between the fund secretariats and the RIEs and Pacific countries needs to be enhanced beyond formats such as the structured dialogues. Another acute challenge is that funding for the regional technical support mechanism has come to an end. From the perspective of SPREP, the regional technical support mechanism as a model needs to be continued, enhanced and replenished.

60. Further hurdles that were mentioned include large financial and time requirements to complete project proposals and too high thresholds of accredited entities for accepting projects (i.e. USD 100 million). SPREP noted that there are no obvious project preparation facilities at the national level and, with a few exceptions, there are also no regional and national institutions in the Pacific, including Asia, that have direct access to international climate financing. Even if more countries had direct access, NIEs and RIEs in the Pacific have minimal capacity to prepare bankable projects for financing. Therefore, the great majority of climate financing is accessed through multilateral implementing entities such as UNDP, the Asian Development Bank or the World Bank. In the view of SPREP, this makes it even more important that, when working with SIDS, these accredited entities should not set unreasonable thresholds for projects.

61. The multilateral implementing entity processes provide few opportunities for Pacific countries to build capacity for the preparation of projects. SPREP noted the importance of capacity-building for national governments focusing on supporting the acquisition of the knowledge and technical skills to manage the process of project preparation, for example by setting up a dedicated focal point, unit or NDA, rather than on the preparation of bankable projects.

62. The AF has successfully pioneered direct access to climate finance for developing countries, with 25 NIEs accredited to date, 40 per cent of which are located in the LDCs and SIDS. The fund’s accreditation process is evidence-based and rests on the four pillars of legal status, financial management and integrity, institutional capacity, and transparency, self-investigative powers, anti-corruption measures and handling complaints about harmful environmental or social impact of projects.

63. From the experience of working with many SIDS, the AF Board secretariat identified a number of capacity gaps and resulting risks that are common across small national implementing entity applicants from SIDS, as well as factors that can mitigate those risks and gaps. Table 3 highlights the key capacity gaps as well as the mitigation factors presented by the AF Board secretariat.

Table 3
Examples of common capacity gaps in small island developing States and mitigating factors

Capacity gaps	*Mitigating factors*

Capacity gaps	*Mitigating factors*
Less formal internal controls than those of larger entities, which permits management to override internal controls that do exist. The lack of formal internal controls does not necessarily indicate fraud or error but any ability for management override of controls is and may have a significant adverse effect on the control environment and lead to an increased risk of fraud	- An active board of directors or another oversight body that regularly reviews the day-to-day operations, the results of independent internal or external audits, and the financial statements might contribute to mitigating this type of exposure - Full documentation of key financial and operating processes and procedures or a statement from senior management that management override is properly authorized also minimizes this risk
Limited extent to which segregation of duties in some areas is practicable owing to the size of the small national implementing entity (SNIE) applicant and the small number of employees	- Active management supervision of staff in day-to-day operations serves as a compensatory internal control that counters the risk associated with the limited segregation of duties
Limited ability to withstand adverse financial conditions and still sustain operations	- The SNIE applicant would need to demonstrate financial sustainability in the short, medium and long term before any recommendation for accreditation could be made
Turnover of key staff or complete reliance on key individuals with no backup or insufficient investment in staff in terms of training and financial and/or operational exposure. A high turnover of key staff has a negative effect on the entity's sustainability and its ability to deliver quality projects	- Although there might be external factors that contribute to the turnover, the SNIE applicant would need to demonstrate that grant-funded projects are fully staffed with qualified individuals on a sustainable basis - Board is encouraged to have active oversight control

64. In order to facilitate access to finance for small entities, in April 2015 the AF Board approved the use of a streamlined approach for accreditation of small entities that may not be able to meet the fund's fiduciary standards due to their small size. In this case, the AF accepts mitigating measures for each standard but still requires that all standards be met.

65. The streamlined process aligns the fund's accreditation process further with the Paris Declaration in 2005, the Accra Agenda for Action in 2008 and the Paris Agreement, which emphasizes the importance of efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the LDCs and SIDS, in the context of their national climate strategies and plans.

66. Following the scene-setting presentation and the two case study discussions, participants engaged in breakout group discussions on steps and actions needed to further access to multilateral climate funds and to create enabling policy and regulatory environments that help facilitate private climate investments in developing countries. In addition, countries discussed their respective support needs. Table 4 summarizes the key results of the breakout group discussions.

Table 4
Key areas for action on climate finance access identified in the breakout groups

Area	*Action*
Capacity-building	Providers of international support should: - Build on existing national systems and institutional knowledge - Assist countries across the whole project cycle (preparation, delivery, implementation and evaluation) - Better target their support to countries' needs - Enhance their coordination at the country level
Institutional knowledge	Developing country stakeholders should: - Build institutional knowledge and share it across accredited entities - Seek to retain capacities and sustain knowledge in country

Area	*Action*
Role of national designated authorities (NDAs)	NDAs should: - Prioritize projects in line with national priorities and needs - Identify potential national implementing entities (NIEs) that meet funds' accreditation criteria - Organize national-level dialogues with private sector actors to promote private climate investments - Encourage financial institutions to seek accreditation to multilateral climate funds
Fund processes and procedures	Funds should: - Further simplify accreditation procedures - Ensure access to sufficient delivery partners for readiness activities - Better communicate changes to policies or procedures to NDAs and accredited entities - Overcome delays in the disbursement process - Consider hiring additional personnel to be able to fulfil all tasks - Enhance their capacities to process project proposals in a timely manner
Private climate finance	Developing country governments should: - Enhance understanding of the private sector and how to incentivize different actors (stronger focus on the local level is needed) - Encourage stronger involvement of ministries of finance - Raise awareness of private sector actors on climate finance and show them the benefits of investing in climate - Enhance policy and regulatory frameworks - Promote public–private partnerships and innovative instruments - Involve the private sector more strongly in adaptation - Consider regional approaches to leverage finance at scale - Use nationally determined contributions as a tool to attract private climate finance
Accredited entities	Accredited entities should: - Understand the national/local contexts that the funded projects are embedded in - Adjust thresholds to make finance accessible for smaller countries, such as small island developing States Funds should: - Consider accrediting national governments as NIEs in the case of very small countries Entities seeking accreditation should: - Consider the option of using existing regional implementing entities to access funding to save resources rather than applying for direct access (cost–benefit analysis)

67. The workshop concluded with a **public–private sector panel discussion**. Insights into the private sector perspective were provided by a representative of the International Chamber of Commerce, who highlighted in particular the growing importance of green or climate bonds. China, Japan, the European Union and the United States of America alone currently have an issuance of low-carbon bonds of USD 600 billion up to 2035.

68. According to a recent estimate by the Organisation for Economic Co-operation and Development (OECD), USD 93 trillion will be needed over the next 15 years, or USD 6 trillion per year, to transition to a global low-carbon economy.[8] To achieve the necessary mobilization of private finance, several barriers need to be overcome, including the lack of awareness among private sector actors of the investment opportunities, a lack of supply of bankable projects, and challenges related to issuance costs, definitions and insufficient standardization.

69. It is a prerequisite for countries to establish the preconditions needed for private sector investment, including green investment policies, communication and promotion. According to the panellist from the International Chamber of Commerce, the Mexico case

[8] OECD webinar, "Green finance and investment: Using policy levers to accelerate green capital flows", held on 28 April 2017. Available at http://www.oecd.org/environment/green-talks-live.htm.

study presentation on its NDC development and the work on emission abatement cost curves provides an excellent example of the information the market requires.

70. With regard to access to multilateral climate funds, a panellist from South Africa with experience as a board member of several multilateral climate funds considered communication barriers between the funds and the recipient countries as the key challenge, stating that while many of the accreditation and project approval related challenges discussed at the workshop are already being addressed by the funds, this is not being effectively communicated to countries.

71. With respect to private finance, the panellist noted that, since the GCF has not been created to crowd out the private sector, it is not financing projects that are already bankable. Instead the fund focuses on projects that it can make bankable through tailored support. He also noted that there is a wide misconception of what readiness entails, underlining that readiness support is not equivalent to capacity-building but intentionally limited to supporting developing countries with project proposal development and accreditation.

72. Pointing to the fact that the GCF is a fit-for-purpose fund with accredited entities in all regions, he noted that for some countries it may be more practical and cost-effective to use existing regional or multilateral entities to access funding rather than seeking direct access to the funds. Noting the growing competition across the multilateral climate funds as a challenge, he stated that the funds need to ensure they are complementing each other rather than duplicating work and that the funds' eligibility criteria need to reflect this better.

73. A representative of the GEF secretariat shared the findings of the third comprehensive study of private sector engagement conducted by the GEF Independent Evaluation Office.[9] The study found that GEF investments involving private sector engagement have higher co-financing, with a leverage ratio of 1:8 compared with a co-financing ratio of 1:6 estimated for the whole GEF portfolio.

74. An analysis of the results of projects with private sector involvement revealed that the projects perform better than those without such involvement, with more than 80 per cent of them meeting their development objectives. GEF private sector projects often address economic drivers of environmental degradation and, given the complexity of these issues, the majority of the projects rely on more than one influencing model, frequently focusing on strengthening institutional capacities and building enabling policy and regulatory environments. The study also found that climate change projects feature heavily in the GEF private sector portfolio compared with the fund's other focal areas.

75. With regard to areas of limitation, the study noted the need for the GEF to improve its outreach to raise awareness of the fund's offerings to the private sector. Furthermore, the GEF needs to address challenges related to inaccessible processes or project approval time cycles. The study also recommended that the GEF consider focusing its private sector engagement in areas where it has a comparative advantage over other funds.

76. Concluding the discussion, the panellists agreed that there is need for a concerted effort to gather more evidence on how to best promote private sector engagement. With regard to the multilateral climate funds, it was emphasized that there is a need for targeted outreach to the right sets of institutions and partners concerning the opportunities that they themselves would find it useful to engage in.

[9] Available at http://www.gefieo.org/evaluations/gef-engagement-private-sector.