NAP Expo
Building readiness for the GCF

Efforts by the African Development Bank to Get Africa ready for the Green Climate Fund:

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General issues related to existing climate finance

- The complexity of multilateral and bilateral funding mechanisms in providing for climate finance to developing countries;
- The large gap in the current scale of climate finance between the required and the available;
- The Inadequacy of financial resources specifically for addressing adaptation needs;
- The fact that existing climate finance is based largely on voluntary contributions;
- The insufficient national institutional capacity in developing countries to participate in carbon market

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Background on GCF (1)

- At the sixteenth session of the Conference of the Parties (COP) to the (UNFCCC), held in Cancun, Mexico, from 29 November to 10 December 2010, the Parties decided to establish the Green Climate Fund (decision 1/CP.16.
- By the same decision, the COP decided that the Green Climate Fund would be designed by a Transitional Committee.
- **The Board**: The Fund is governed and supervised by a Board that have full responsibility for funding decisions. The Board was supposed to receive guidance from the COP, and take appropriate action in response to the guidance received

Background on GCF (2)

- Green Climate Fund (GCF): A new multilateral funding for adaptation
- Agreed $100 billion will be mobilized annually for both mitigation and adaption activities by the year 2020
- Funds are to be new, additional to previous flows, adequate, predictable, and sustained, and are to come from a wide variety of sources, both public and private, bilateral and multilateral, including alternative sources of finance.
- Design of the GCF was agreed upon in Durban
- Currently the GCF complements many of the existing multilateral climate change funds and it may eventually replace or subsume the other funds.

Background on the GCF (3)

- The design of the GCF provides for financial input from developed Parties to the Convention and from variety of public and private sources (UNFCCC, 2011b).
- The financial instruments of the GCF include grants and concessional lending. These instruments will be tailored to cover the identifiable additional costs of the investment necessary to make climate change projects viable.
- The GCF envisages a **private sector facility** that will directly or indirectly finance private sector mitigation and adaptation activities at national, regional and international levels.
- The GCF will also support **project-based and programmatic approaches** such as low-emission development strategies or plans including nationally appropriate mitigation actions (NAMAs) and national adaptation programmes of action (NAPAs).
- The allocation of financial resources from the GCF will be **balanced between mitigation and adaptation activities** (UNFCCC, 2011b) (UNFCCC, 2012a).

3 main design challenges related to climate finance

Among the design challenges that are addressed within the mandate of the GCF Transitional Committee (TC) are:

1. Governance – How the funds will be managed;
2. Mobilization – How funds will be raised;
3. Disbursement – How funds will be delivered and distributed; and

Key issues of concern to Africa in the design of the GCF

Balanced allocation: for adaptation and mitigation and for the most vulnerable countries; and

Direct access: the opportunity for countries to access funds directly, without the need for intermediation by international institutions;

New and Additional: To ensure no double counting and catalyze Africa's transition to low-carbon and climate-resilient economies

Fair delivery of funds : A mechanisms to ensure fairness & accountability

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Design Challenges of the Fund

Short time frame and long-standing and contentious points of negotiation.

Scope of the Fund (wide and not v. clear)

Fund Governance (World Bank as a 3-years trustee)*

Fund Mobilization (how finance would flow into the fund).

Fund Disbursement (financial instruments, funding windows and access modalities”).

Windows (mitigation- adaptation and the need for balanced allocations).

Access (Multilateral Implementing Entities versus Direct access).

7 actions/options for the GCF Board to promote African access to the GCF

Especially through direct access

1. act quickly to **provide resources to support direct access**
2. consider a more **flexible approach to direct access where needed**
3. **explore opportunities to support existing funds that support climate change activity through direct access (adaptation Fund)**
4. provide a **minimum floor allocation to direct access**
5. **allow for NIEs already accredited under the Adaptation Fund to be 'passported' to the GCF**
6. ensure that **accreditation and project cycle processes are quickly developed, transparent and well-understood**
7. **allow for accreditation applications in a variety of languages**

Three actions for African countries

1. prepare a credible, robust pipeline of funding opportunities
2. take early steps to create the infrastructure (enabling environment) needed to access the GCF
3. build a cross-departmental dialogue on the opportunities provided by the GCF and direct access (coordination)

Efforts by the African Development Bank to prepare African countries to GCF

1. **support the capacity of African NIEs** before and after accreditation

2. increase its attractiveness as a **Multilateral Implementing Entity (MIE)** for African partners

3. support the development of Africa-specific climate change and/or green growth **action plans including the development of the NAPs**

Efforts by AfDB (1)

1. Generation of technical knowledge

- In cooperation with VIVID Economics the Bank published the following technical reports:

- ✓ Review of the AGF Report and Next Steps for Africa
- ✓ Getting Africa Ready for the Green Climate Fund
- ✓ Monitoring and Evaluations Frameworks and the Performance and Governance of International Funds
- ✓ Costing Adaptation to Climate Change in Africa
- ✓ Financing Sustainable Development in Africa

Efforts by the AfDB (2)

2. Technical reviews and inputs

- An informal panel is formed from relevant Bank's experts to review Draft documents by the Board and provide technical inputs to African members of the Board of the GCF.

- The team of experts has also reviewed and provided inputs to the documents produced by the TC on the different WorkStreams.

Efforts by AFDB

4. Provision of technical backstopping

- To the African Board Members of the GCF
- To the African Group of Negotiators
- In addition the Bank has actively participated in all Board and other GCF-related meetings and workshops.

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Recent decisions by the Board of the GCF

- Key Board decisions that will shape the Fund¡¦s work streams and activities as it moves forward, including the following parameters and **guidelines for allocation of resources during its initial phase:**
- The Fund will aim for a 50:50 balance between mitigation and adaptation over time;
- The Fund will aim for a floor of 50%of the adaptation allocation for particularly vulnerable countries, including least developed countries, small island developing States and African States;
- The Fund will maximize engagement with the private sector, including through a significant allocation to the Private Sector Facility, in order to provide incentives that encourage a paradigm shift to low-carbon development;
- The Fund will be a leader on gender mainstreaming and will define its gender action plan in October 2014

Challenges

1. Adequacy of the fund: A full pot or an empty shell

- **Recent estimates by AfDB put adaptation costs in Africa in the range of US $20-30 billion per year over the next 10 to 20 years (AfDB, 2012a**
- Currently, the amount pledged or contributed for the US$ 100 billion/year long-term instrument are mainly for administrative budgets. The Governments of Australia, Finland, Netherlands, South Korea and Sweden have contributed about US$ 4.3 million to the GCF Trust Fund. Denmark, France, Germany, Japan, Norway and the United Kingdom have further pledged an amount of about US$ 4.6 million for the administrative budget of the GCF.

Challenges

2. Accessibility

The restrictive eligibility criteria and often confusing access and accreditation modalities

Enhanced Direct access (EDA)

- Under the EDA of the GCF, “The Board will consider additional modalities that further enhance direct access, including through funding entities with a view to enhancing country ownership of projects and programmes (UNFCCC, 2011b, p. 14). However, this “enhanced direct access” will come with other stringent requirements for accreditation, accountability and transparency of fund management as well as reporting on the risks and performance of funds. African countries are facing challenges even with the requirements for standard access to climate funds.

Challenges

3. Ensuring coherence and strong coordination

- **The need to promote coherence and coordination** with other financial mechanisms and to address the high transaction cost as a result of the proliferation, duplication and fragmentation of financial mechanisms to particularly recipients with limited capacity (AfDB, 2012b;United Nations, 2010).
- **Additionality**

Additionality" shows that it will be a great challenge for the major donors to meet the ODA target of 0.7% of GNI and to provide "new" and "additional" US$ 100 billion per year for the GCF long-term financing.

Recommendations

- Call for clarity in governance, financing architecture & dispersion
- Bottom-up planning process, technical and institutional capacity building and procurement
- Financial institutions needs to learn integration of resilience as a new design and project performance upgrading
- Governments start working with their own funds