United Nations Framework Convention on Climate Change

Technical Paper on the Fifth Review of the Financial Mechanism: Highlights of the Preliminary Findings

7th Meeting of the Standing Committee on Finance

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Bonn, Germany

Mandates and Methodology

- **Mandates**
  - ➢ **COP 19**: SCF to provide expert input to the 5th Review of the Financial Mechanism
  - ➢ **SCF-6**: Secretariat to prepare a technical paper of which outline was agreed by the Committee
- **Methodology**
  - ➢ **Desk research and literature reviews**
    - Overall Performance Studies (OPS 4 and 5) of the Global Environment Facility (GEF)
    - Submissions from Parties on the guidance to the operating entities (OEs)
    - Articles, papers and independent reviews of the OEs, etc.
  - ➢ **Interviews with the main stakeholders of the OEs**

Global Environment Facility (GEF):

- Council Members
- Operational Focal Points in recipient countries
- Implementing Agencies
- Civil Society
- Secretariat

Green Climate Fund (GCF)

- Civil society
- Secretariat

Preliminary Findings: Governance (1)

- **Transparency of decision-making process**
  - Consensus that the GEF operates with significant transparency
  - Efforts need to be undertaken by the GCF Board to improve transparency, inclusiveness and participation in its decision-making process
- **Level of stakeholder involvement**
  - Great participation of stakeholders in GEF operations both at the decision making and implementation levels : Strong CSO Network (about 400 accredited NGOs)
  - Good progress in terms of stakeholders involvement at the GCF
- **Gender Sensitive approaches**
  - Results of the OPS 5 analysis show that there is room for improvement on gender mainstreaming: only 35% of 157 gender relevant projects, satisfactorily mainstreamed gender
  - At the recipient country level: mainstreaming gender might be difficult because of cultural barriers
  - GCF: Agreed on its gender action plan which will be subsequently discussed at the next meetings of the Board

Preliminary Findings: Governance (2)

- **Environmental and social safeguards**
  - The Standards have been useful in improving and harmonizing safeguard requirements between institutions
  - The GEF's Policy on Environmental and Social Safeguard Standards was established as a benchmark to the accreditation of new project agencies
  - Accreditation process resulted to be long and financially burdensome for new project agencies (two applications of which one from Peru were denied because of not meeting the safeguard standards)
  - GCF: Interim environmental and social safeguard standards (from IFC) for a "fit –for- purpose " accreditation process
- **Fiduciary standards**
  - Full compliance to the fiduciary standards by all ten implementing agencies
  - Accreditation of four new project agencies

Preliminary Findings: Responsiveness to COP Guidance

Level of Responsiveness

- OPS 5 : high level of responsiveness by the GEF despite accumulative, repetitive and ambiguous nature of guidance provided to the GEF
- GEF: guidance is provided with little to no discussion on feasibility with the GEF (There are example of COP guidance that have been difficult to implement)
- Still few guidance to the GCF

Efficiency of Project Cycle

- 38 to 44% of GEF-5 full size projects met the 18-months standard duration for project preparation
- Overburden of the GEF partnership caused delays in the project preparation
- Early co-financing requirements created delays at the project identification stage
- External (country-related) factors influenced the project preparation
- The GEF is undertaking measures for streamlining project cycle and also looking into harmonizing project cycle with agencies (pilot project on-going with the World Bank)
- As GCF process for project and programme funding, there is need for alignment of various process for ease of access by countries

Preliminary Findings: Mobilization of Financial Resources (1)

- **Amount of resources provided to developing countries**
  - Considerable amounts of FSF commitments have been channeled through the GEF Trust Fund, LDCF and SCCF
  - Financing for Climate Change Mitigation has remained steady through the replenishments of the GEF despite new commitments by the GEF (FM of new Conventions)
  - Increasing trend in the cumulative contributions to the LDCF and SCCF, with high levels of disbursements by donors (94% for LDCF and 90% for SCCF)
- **Amount of resources leveraged and co-financing**
  - Climate change to account for more than 50% of resources mobilized through co-financing
  - Trend in high co-financing ratio achieved by climate change focal area during GEF-5
  - Flexibility in the application of co-financing lower ratios for LDCs and SIDS
  - Revised policy on co-financing to apply during GEF-6: clarity in the definition of what constitutes co-financing; no more minimum co-financing requirements

Preliminary Findings: Mobilization of Financial Resources (2)

- **Adequacy, predictability and sustainability of funds**
  - The assessment of the adequacy of the resources provided proved to be challenging
  - Financing for climate change adaptation appears to be less predictable in the context of resource mobilization (LDCF and SCCF depend on voluntary contributions while GEF Trust Fund is replenished every 4 years)
  - The STAR has increased the predictability for recipient countries during GEF-5 (high rates of **utilization of STAR allocations: 80% for SIDS, 77% for Africa and 63% for LDCs**)
  - GCF: current 50/50 allocation between adaptation and mitigation and 50% of adaptation finance to be allocated to most vulnerable countries expected to provide predictability to recipient countries
- **Role of the FM in scaling-up the level of resources**
  - Co-financing has proven to be useful to mobilize resources from other channels
  - Private sector engagement at the GEF
  - GCF expected to mobilize further resources for climate change through its Private Sector Facility

Preliminary Findings: Delivery of Financial Resources (1)

- **Accessibility and timely disbursement of resources**
  - Wide recognition that approval procedures of implementing agencies render access difficult to recipient countries (OPS 5)
  - Though issues remain with ease of access, high rates of STAR allocation as a sign of improved accessibility. Moreover, GEF is fostering direct access
  - Speed and efficiency of disbursement appear to be improving at the GEF
  - GCF readiness programme to provide technical support and capacity building particularly for national and sub-national institutions to meet the standards of the Fund and better access resources
- **Country Ownership**
  - Greater focus on measures to strengthen country ownership during GEF-5 (Country Support programmes, National Portfolio Formulation exercises (NPFEs), National Dialogues, etc.)
  - NPFEs proved to be a useful tool in helping countries to develop a strategic framework of use of their allocations
  - Positive feedback from recipient countries: the GEF project have increased collaboration and coordination at the National level resulting in a wider appropriation of projects (TNAs)

Preliminary Findings: Delivery of Financial Resources (2)

- **Sustainability of funded programmes and projects**
  - Good level of sustainability of climate change programmes at the GEF
  - Wider adoption and replicability: about 60% of initiatives related to projects
  - Evidence of scale up of sustainability for SCCF and LDCF has been mixed

- **Enabling environments**
  - A significant share of GEF-5 programmes have sought to strengthen policy and regulatory environments to create markets for low carbon approaches
  - Causal links between climate change support and key policy changes in recipient countries
  - Enabling programmes that engaged key non governmental stakeholders who could be advocates for policy change were successful

Preliminary Findings: Results and Impacts Achieved

- **Mitigation (including Forestry)**
  - OPS 5: the climate change mitigation area is relatively high performing
  - The GEF has allocated USD 3.1 billion to 547 projects with explicit mitigation targets
  - Mitigation results expected from these 547 projects: 10.8 billion of CO2eq
- **Adaptation**
  - Appraisals of LDCF portfolio highlighted strong performance and that programmes financed largely reflect NAPA priorities
  - As well, strong performance for SCCF: 19 of 20 active projects were found to be in a satisfactory range
- **Technology transfer**
  - Impact monitoring reports from the GEF note that 42 of 71 LCDF projects with relevant objectives contribute directly to technology transfer
  - At the national level, the GEF is supporting several initiatives aiming at developing climate technology transfer and financing mechanism
- **Capacity-building**
  - In GEF-5 cross cutting funding (in addition to STAR allocations) was made available to strengthen the capacity of recipient countries to meet the commitments under the Conventions.
  - A 2013 evaluation of these initiatives suggested that recipients were relatively positive about its value

Preliminary Findings: Consistency and Complementarity

- **Consistency and complementarity with other sources of investment and financial flows**
  - The multitude of actors in the climate finance landscape stresses the importance of working together to mobilize financing to a new level
  - The GEF has reported that it continues to work collaboratively with other organizations on complementary funding activities: e.g the CIF

- **Consistency of the implementation of the FM with the objectives of the Convention**
  - Evaluations agree that the level of resources mobilized so far has not been commensurate with the investments needed to reverse or stabilize GHG emissions to levels consistent with what science demands or to ensure wide-spread resilience in developing countries
  - Project approach alone may not be sufficient to meet the objectives of the Convention: climate change action to mitigate and build resilience needs to be scaled up through coherent programmes.