

# Summary of Regional Workshop on “Accessing GCF Financing Instruments: Learning from International Experiences to Overcome Challenges for Climate Change Non-Grant Finance in Thailand”

## Introduction

This summary provides an overview of key messages from a two-day regional workshop organized by the Office of Natural Resources and Environmental Policy and Planning (ONEP) and GIZ Thailand, partnered with GCF, CREAGY and the UNFCCC-IGES Regional Collaboration Center in Bangkok, 26-27 March, 2019. Financing instruments under the Green Climate Fund (GCF) can provide crucial support for nations to achieve their Nationally Determined Contributions (NDCs), and it is important for government agencies, private sector entities, financial institutions, as well as domestic and international organizations, to learn from experiences of current DEAs (Direct Access Entities) on opportunities and challenges in becoming accredited and in developing bankable projects.

## Workshop Background

The ONEP is designated as the National Designated Authority (NDA) of the GCF for Thailand, and GIZ Thailand has been supporting the NDA in capacity building and in strengthening Thailand’s engagement with the GCF. The workshop aimed to inform the Thai financial institutions about GCF funding opportunities for Thailand, as well as to provide an opportunity for Thai stakeholders to learn from international experiences on overcoming challenges presented by the DAE accreditation process and project development. Day 1 of the workshop focused on GCF’s accreditation pathways and included representatives from DAEs, namely XAC Bank from Mongolia, NABARD from India, and Land Bank from the Philippines, who shared lessons learned in becoming DAEs. Day 2 focused on GCF investment criteria and financial instruments, and the DAEs shared their project development experiences.

## Key Messages

- *The GCF and its accreditation pathways*

GCF Accredited Entities (AEs) are organizations that have specialized capacities in driving climate action, and those organizations can be private, public, non-governmental, sub-national, national, regional or international bodies. There are two types of GCF AEs, namely DAEs and International Access Entities (IAEs). DAEs are organizations that need to be nominated by development country NDAs or focal points. Currently, the Environmental Fund of Thailand is in the process of becoming accredited as a DAE; none of the financial institutions in Thailand have as yet been fully engaged in the GCF accreditation process. The time involved in the

accreditation process can vary drastically, from a few months to years, depending on the applicants' time spent to complete the application and to communicate through rounds of questions with the GCF Board.

- *Success factors and challenges in becoming a DAE*

DAEs from Mongolia, India and the Philippines shared their valuable experiences in becoming DAEs. XAC Bank from Mongolia is a commercial bank, and both NABARD from India and Land Bank from the Philippines are national banks. Several key success factors mentioned by the banks include 1) a working group or department dedicated to sustainable activities, 2) training to build internal capacity, and 3) a good collaboration with the NDA; these are all necessary ingredients in achieving accreditation. On the other hand, the challenges include 1) matching GCF standards and requirements on policies, procedures and framework, and 2) going through many rounds of detailed and rigorous comment during the application process. The three banks concurred that being DAEs has expanded their portfolios and new lines of businesses, allowed them to access low-cost financing, and also strengthened their own organizational structure and standards.

- *Success factors and challenges in project development*

Regarding GCF project development, the DAEs shared several tips for developing project proposals. These include 1) ensuring that environmental and social impact assessments, environmental social safeguards, and gender standards are aligned with GCF standards, 2) communicating with stakeholders, GCF specialists and the NDA to receive guidance, 3) ensuring that projects align with national/regional policies, as country ownership and country-driven approaches are core principles of the GCF, and 4) building the capacity of an appraisal team. These are all essential for the successful development of project pipelines. DAEs at times may also need to overcome challenges relating to the acquisition of technical knowledge for project development and in seeking sources of co-financing. The DAEs emphasized the need to have a dedicated team and to build capacity within their organizations, as developing and managing the projects require extensive work and collaboration among different stakeholders.

- *Thailand's Engagement with GCF*

The ONEP, as designated National Focal Point of the UNFCCC and NDA of the GCF for Thailand, is committed to play a crucial role in the engagement with GCF. The Thailand Country Program (TCP) was developed in 2017, with particular focus on the necessity to create an enabling environment for financial mechanisms and instruments, and for budgetary provisions that allow the development of, and investment in, low-carbon and climate-resilient projects.

Among the lessons learned from the ONEP thus far are that GCF is new and difficult for most people in Thailand to understand, and that policy integration needs to be further reviewed, adapted, and accepted by relevant agencies. Moreover, the Screening Committee's role and responsibilities have not yet been clearly determined for GCF, and potential DAEs in Thailand still need to be identified.

### **Conclusion**

The workshop identified opportunities and challenges for local financial institutions to become DAEs. Although meeting the GCF requirements during the accreditation process may be work-extensive, especially at the beginning, the advantages of creating new lines of businesses, accessing low-cost and lower-risk financing, and becoming leaders in sustainable financing, cannot be undervalued by the financial institutions. The trend of financial institutions' engagement with GCF or other forms of climate finance is likely to continue in the near future. In order to achieve the SDG Goal 13 of taking urgent action to combat climate change and its impacts, the financial sector plays a crucial role and can be a major driving force for sustainable development. In fact, at the recently completed Asia Pacific Forum on Sustainable Development (APFSD)—a regional review on progress on the SDGs—discussions over SDG 13 underlined the importance of improving the flow and access to climate finance. In Thailand, as the ONEP moves forward with its work to engage with the GCF and to support NDC implementation and the development of local DAEs, stakeholders should focus in particular on dialogue with financial institutions.