An introduction to The Green Climate Fund (GCF)

Capacity Building Workshop for AU Member States on Accessing Climate financing

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Green Climate Fund (GCF) - History

Selected milestones:

2009: Copenhagen Accord, COP 15: “Copenhagen Green Climate Fund” is mentioned

2010: GCF formally established by COP 16 in Cancun

2011: GCF Governing Instrument adopted in Durban, during COP 17: “The Fund will be designated as an operating entity of the financial mechanism of the convention [...] and will be accountable to and function under the guidance of the COP.”

2015: First projects approved by the GCF Board

→ The operationalization of the GCF is ongoing.
→ Some issues with regard to both the way it works and how he addresses certain issues are under discussion.
→ This is mainly due to the highly political context in which the GCF operates and the high expectations regarding its work.

Source: GCF 2014; Climate Funds Update
GCF Objectives

- Green Climate Fund (GCF) will “promote the paradigm shift towards low-emission and climate-resilient development pathways”
- **50:50** balance between mitigation and adaptation over time;
- a floor of **50% of the adaptation allocation** for particularly **vulnerable countries**, including least developed countries (LDCs), small island developed States (SIDS) and African States;

Source (chart): GCF website / infographics (14 November 2017)
Why is the GCF different?

1. Scale and Impact

- The **largest** and **fastest-growing** climate fund
- Promote a **paradigm shift** and help developing countries transform their economies and put them on a **low emission and climate-resilient pathway**
- **Country-driven** and in line with countries priorities
- Expected to become the **main global fund for climate finance**
- The allocation of resources will be **balanced** between adaptation and mitigation activities
- The allocation of resources will be **based on results**
GCF structure

COP to UNFCCC

The board

Approves

The board

Managing financial assets of the fund

Trustee

Dependent accountability units

Independent accountability units

Secretariat

NDAs

NIEs

Execution Entity/Beneficiaries/Country programs

Funding request

Financial statements

Funding decisions
Project approval process

1. **Accredited Entity**: Generation of Project idea

2. **NDA**: Concept note (optional)

3. **No-objection**: Submission of funding proposal

4. **Analysis and recommendation**
   - Technical Advisory Panel

5. **Board Decision**

6. **Trustee**: Legal arrangements

Based on Board decision B.07/03
The board

24 members with equal representation from developed and developing countries

Representation from developing countries includes; regional UN groupings, SIDS and LDC

2 CSO and 2 Private sector representatives acts as observers

Decisions made by consensus, 2/3 of the members make a quorum

2 chairs for the board
NDAs

Recommend to the board funding proposals

To be consulted on proposals before submission

Facilitate the communication and nomination of entities (for accreditation) to the fund

Implement the no objection procedure

Is the focal point for fund communications

Ensure consistency of funding proposals from national, subnational, regional and international intermediaries and implementing entities with national plans and strategies
NIEs

- Have access to the fund’s resources
- Stringent accreditation procedure
- Direct access (national, subnational and regional entities)
- International access (global bodies and multilateral development banks)
- Project development has to be consultative
- Ensure country ownership
### Characteristics of GCF

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
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<tbody>
<tr>
<td>Country ownership through NDAs and focal points</td>
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<tr>
<td>Balance between adaptation and mitigation</td>
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<td>Equal voice for developed and developing countries</td>
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<tr>
<td>Diversity of accredited entities</td>
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<td>Diversity of financial instruments</td>
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<td>Dedicated Private Sector Facility (PSF)</td>
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<td>Largest dedicated climate fund globally</td>
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Roles of actors in GCF context (simplified)

Accredited Entity
- Proposal development
- Management of GCF funds, overall project coordination and reporting
- Implementation

Executive Entity
- Implementation of project / programme parts

NDA
Checks if project proposal is in line with country strategies

Non-objection

GCF

\[ $$$ \]
Roles of NDAs & focal points

- Strategic oversight aligned to national priorities
- Convene national stakeholders
- Approval of readiness support
- Nomination letters for direct access
- No-objection letters for projects/programmes
- Scope of NDA/focal point role
Programme overview

Portfolio

118 approved for USD 38.5 million

LATIN AMERICA & the CARIBBEAN
32 approved
(USD 8.7m, 24 countries)
13 disbursed
(USD 1.3m, 9 countries)

AFRICA
43 approved
(USD 13.3m, 34 countries)
27 disbursed
(USD 4.2m, 25 countries)

EASTERN EUROPE
5 approved
(USD 1.5m, 5 countries)
3 disbursed
(USD 375K, 3 counties)

ASIA-PACIFIC
38 approved
(USD 15m, 24 countries)
23 disbursed
(USD 3.4m, 16 countries)

As of 31 July 2017
# Project preparation facility (PPF)

<table>
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<tr>
<th><strong>What is on offer?</strong></th>
<th>Support for project / programme development</th>
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<td>Especially micro-to-small size projects</td>
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<td>Up to USD 1.5M per project preparation request</td>
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<th><strong>How to apply?</strong></th>
<th>Accredited entities, especially direct access, submit requests</th>
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<tr>
<td></td>
<td>Request submitted with project / programme concept</td>
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<td>In conjunction with no-objection letter from NDA / focal point</td>
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<th><strong>What is assessed?</strong></th>
<th>Secretariat assesses concept against investment criteria</th>
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<td>Also assesses request for justification of needs &amp; GCF policies</td>
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<td>GCF Executive Director approves request</td>
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PPF State of Play

- **24** PPF requests officially submitted
- **39** countries
- **11** requests are from direct access entities
- **3** requests approved or endorsed
Financial Instruments

1. Grants
2. Equity
3. Guarantees
4. Concessional loans

Terms determined on a case-by-case basis
Size of project/activity within a programme

TotalProjected Costs*

- **XS (Micro)**: USD 0 - 10 million
- **S (Small)**: USD 10 - 50 million
- **M (Medium)**: USD 50 - 250 million
- **L (Large)**: USD > 250 million

* At the time of application, irrespective of the portion that is funded by the Fund and, if applicable, other sources, for an individual project or activity within a programme.
With a focus on...
- Impacts
- Paradigm-shift potential
- Crosscutting adaptation-mitigation benefits
- Sustainable development co-benefits
Six Investment Criteria
Against which proposals are assessed

- Impact potential
  Potential to contribute to achievement of Fund's objectives and result areas

- Paradigm shift potential
  Long-term impact beyond a one-off investment

- Sustainable development potential
  Wider economic, environmental, social (gender) co-benefits

- Country ownership
  Country ownership and capacity to implement (policies, climate strategies and institutions)

- Efficiency & effectiveness
  Economic and, if appropriate, financial soundness, as well as cost-effectiveness and co-financing for mitigation

- Responsive to needs of recipients
  Vulnerability and financing needs of beneficiary in targeted group
A Diverse Network of Partners

54 entities accredited to date

As of 31 July 2017
Portfolio composition

**BY REGION (%)**

- Africa: 45%
- Asia-Pacific: 29%
- LAC: 22%
- Eastern Europe: 4%
- LDCs, SIDS, Africa: 8.4%
- Other Developing Countries: 16%

**BY WINDOW (%)**

- Mitigation: 41%
- Cross-cutting: 32%
- Adaptation: 27%

Status as of B17 (July 2017)
Portfolio composition

**BY INSTRUMENT (%)**
- Grant: 42%
- Loan: 39%
- Equity: 18%
- Guarantee: 1%

**CO-FINANCING**
- GCF: 2.2 billion
- Co-financing: 5.1 billion

Status as of B17 (July 2017)
Estimated climate impact

Portfolio

Mitigation impacts

981 MtCO$_2$eq

Adaptation impacts

218 M beneficiaries

Status as of B17 (JUly 2017)
Investments by results areas
Portfolio

GCF funding by results areas (%)

Energy access & generation
Transport
Energy efficiency
REDD+ & land use
Livelihoods
Health, food & water security
Infrastructure resilience
Ecosystem

Public  Private

Status as of B17 (July 2017)
Fit-for-Purpose Accreditation

Mandate & track record
- Alignment with Fund objectives
- At least 3 year of operations

Project size
- Micro (<10M)
- Small (10-50M)
- Medium (50-250M)
- Large (>250M)

Fiduciary functions
- Basic
- Specialized

Environment & social risk category
- A (high)
- B (medium)
- C (minimal or no)
Thank you for your attention