Projects as part of a larger puzzle...

Adaptation as an element of good governance
Mechanics of Climate Finance

**Sources**
- **Budget**
  - general tax base including carbon taxes and financial transaction taxes
  - revenues from international transport mechanisms*, fossil fuel subsidy reductions, emissions trading schemes, etc.
- **Private Capital** (commercial & personal)
  - savings
    - pension payments
    - insurance policies
    - deposits
  - stocks & shares
- *international taxes or carbon revenues could be collected by implementing governments or a designated international entity.

**Actors**
- **State Actors** (executive & legislature)
- **National Public Institutions** (including export credit agencies, bilateral development assistance, NDBs)
- **Multilateral Development Finance Institutions**
- **Institutional Investors**
- **Private Investors**
  - commercial (corporate / project developer & commercial banks)
  - personal (households & philanthropy)

**Instruments**
- **Grants**
  - contributions to climate funds
  - technical assistance & capacity building
  - debt swaps
- **Debt**
  - concessional loans
  - loans
  - green bonds
- **Risk Mitigation Measures**
  - guarantees
  - insurance
  - export credits
- **Equity**
  - contributions to sovereign wealth funds
  - equity investments
- **Carbon Offsets**

* denotes mechanisms that are likely to be implemented as part of global efforts to mitigate climate change through finance.
Making Sense of Global Climate Financing Flows

**LANDSCAPE OF CLIMATE FINANCE IN 2015/2016**

Global climate finance flows along their life cycle in 2015 and 2016. Values are average of two years' data, in USD billions.

- **Sources and Intermediaries**
  - Government Budgets $311
  - Agencies $3
  - Development Finance Institutions $3
  - National $38
  - Bilateral $19
  - Multilateral $46
  - Climate Funds $2
  - Commercial Financial Institutions $62
  - Institutional Investors $2
  - Private Equity, Venture Capital, Infra. Funds $1
  - Corporate Actors $37
  - Households $31
  - Project Developers $137

- **Instruments**
  - Grants $14
  - Unknown $3
  - Low-cost Project Debt $42
  - Project-level Market Rate Debt $142
  - Project-level Equity $38
  - Balance Sheet Financing $167

- **Recipients**
  - Public $52
  - Public/Private $4
  - Private $288
  - Private NGOs and Foundations $2
  - Unknown $63

- **Uses**
  - Mitigation $382
  - Adaptation $22
  - Dual benefits $5
  - REDD $1

**KEY**
- Public Money
- Private Money
- Public Financial Intermediaries
- Private Financial Intermediaries
- Finance for Investors & Lenders
- NE: Not Estimated
The Adaptation Finance Gap

![Graph showing adaptation costs from today to 2050]

- **Today:**
  - International public finance: 73 USD billions
  - Costs: 22.5 USD billions
  - Gap: 50.5 USD billions
  - 3 times higher

- **2030:**
  - International public finance: 22.5 USD billions
  - Costs: 300 USD billions
  - Gap: 277.5 USD billions
  - 13 times higher

- **2050:**
  - International public finance: 22.5 USD billions
  - Costs: 500 USD billions
  - Gap: 477.5 USD billions
  - 22 times higher

(Source: UNEP, 2016)
Barriers to Private Sector Engagement

**Private Sector Investment Hurdles**
- Limited access to credit in local currency: 15
- Lack of flexible financial instruments: 27
- Low capacity of local financial institutions: 33
- Limited access to equity: 16
- Limited long-term credit for domestic partners: 25
- Lack of awareness of business opportunities: 38
- Absence of attractive business opportunities: 32

**GCF Funding Proposal Hurdles**
- Insufficient focus of govt on priority sectors: 16
- Lack of NDA/Int’l PS communication: 16
- Lack of NDA/Domestic PS communication: 19
- Lack of experts within NDA to engage with PS: 23
- Lack of interest from PS to engage with GCF: 25
- Insufficient NDA understanding of PS needs: 24
- Difficulty finding AEs to develop PS proposals: 28

(Source: GCF, 2018)
USAID Adapt Asia-Pacific Guidance

- Overview of 10 multilateral & bilateral climate funds & initiatives
- Describes eligibility criteria, target areas, & access mechanisms
- Includes tips for each fund
- Download here
Key Financiers…

- GEF…LDCF round 7
- Adaptation Fund
- Green Climate Fund

- ADB
- World Bank

- Bilaterals
  - GIZ
  - USAID
  - EU
PRESS RELEASE

Governments commit to shared climate action through Least Developed Countries Fund

September 26, 2019

Keywords: Climate Change Adaptation | Climate Change | Least Developed Countries Fund - LDCF

US$160M from Germany, Netherlands, Sweden, Denmark
Adaptation Fund Streamlined Accreditation

• Alternative process for Small National Implementing Entities

• For projects up to US$1 million, entities less than 25 staff

• AF assesses elements including:
  • Board of directors (oversight)
  • Day-to-day management of operations
  • Sustainability of operating financing
  • Key positions staffed with qualified personnel

• Can have streamlined NIE & regular NIE
GCF as of July 2019

111 PROJECTS

310m BENEFICIARIES
Anticipated number of people with increased resilience

1.5b TONNES of CO2
Anticipated tonnes of CO2 equivalent avoided

GEOGRAPHIC DISTRIBUTION

- Eastern Europe: 6
- LATAM & Caribbean: 24
- Asia Pacific: 44
- Africa: 46

PRIORITY COUNTRIES

- SIDS: 23
- LDCs: 40
- AFRICAN STATES: 46

Updated information available at http://www.greenclimate.fund/projects/portfolio
GCF Simplified Approval Process (SAP)

- **LESS DOCUMENTATION, QUICKER REVIEW AND APPROVAL**
- Prioritizes Direct Access....
- 3 main eligibility requirements:
  - Scalability and transformative impact to climate-resilient development
  - Up to US$10 million
  - “Minimal to none” environmental and social risks...
    - Displacement, IP & PA impacts, cultural heritage sites, pollution, etc all disqualify.
- Concept note ➔ Secretariat validation ➔ Full proposal ➔ Submission
- First project approved March 2018

<table>
<thead>
<tr>
<th>A. Project / Programme Information (max. 1 page)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1. Project or programme</td>
</tr>
<tr>
<td>□ Project</td>
</tr>
<tr>
<td>□ Programme</td>
</tr>
<tr>
<td>A.2. Public or private sector</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A.3. Indicate the result areas for the project/programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitigation: Reduced emissions from:</td>
</tr>
<tr>
<td>□ Energy access and power generation</td>
</tr>
<tr>
<td>□ Low emission transport</td>
</tr>
<tr>
<td>□ Buildings, cities and industries and appliances</td>
</tr>
<tr>
<td>□ Forestry and land use</td>
</tr>
<tr>
<td>Adaptation: Increased resilience of:</td>
</tr>
<tr>
<td>□ Most vulnerable people and communities</td>
</tr>
<tr>
<td>□ Health and well-being, and food and water security</td>
</tr>
<tr>
<td>□ Infrastructure and built environment</td>
</tr>
<tr>
<td>□ Ecosystem and ecosystem services</td>
</tr>
</tbody>
</table>

| A.4. Estimated mitigation impact (tCO2 eq over lifespan) |

| A.5. Estimated adaptation impact (number of direct beneficiaries and % population) |

<table>
<thead>
<tr>
<th>A.6. Indicative total project cost (GCF + co-finance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount: USD ________</td>
</tr>
</tbody>
</table>

| A.7. Indicative GCF funding requested (10M) |

<table>
<thead>
<tr>
<th>A.8. Mark the type of financial instrument requested for the GCF funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Grant  □ Reimbursable grant  □ Guarantees  □</td>
</tr>
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</table>

| Other: specify ________                                                 |

<table>
<thead>
<tr>
<th>A.9. Estimated duration of project/ programme:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Disbursement period:</td>
</tr>
<tr>
<td>b) Repayment period, if applicable:</td>
</tr>
</tbody>
</table>

| A.10. Estimated programme lifespan |

<table>
<thead>
<tr>
<th>A.11. Is funding from the Project Preparation Facility needed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes □ No □</td>
</tr>
</tbody>
</table>

| A.12. Confirm overa ESS category is minimum to no risk          |

| A.13. Provide rational for the ESS categorization (100 words) |

| A.14. Other |

| A.15. Outro |

| A.16. Outro |

| A.17. Outro |

| A.18. Outro |
Co-Financing and leveraging of funds are key considerations

- Bundling: mixing different types of finance in one project

- Blending: Use of one resource to restructure another