Climate Finance
With a focus on GCF

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Multi-Lateral Climate Finance

Overview
Climate finance

- Hot topic
- Finance target formally included in the Paris Agreement
- Wide variety of sources
- Multi-lateral finance generally has two streams....

Climate Finance Contributions by source – 2015 Share, USD millions

Total = USD388 Billion

Source: CPI, 2016
Multi-lateral Climate Finance

Multi-Lateral Sources of Climate Finance Deposits (USD millions)

**UNFCCC**
- GCF, 9896
- GEF 4, 1083
- GEF 5, 697
- GEF 6, 1078
- Adaptation Fund, 547

USD14.7 Billion

**Non-UNFCCC**
- CTF, 5,404
- PPCR, 1,117
- SREP, 742
- FIP, 743
- FCPF, 400

USD8.4 Billion

Source: Adapted from ODI, 2016
Multi-lateral Environmental Agreements

- Multi-lateral Climate Finance (MCF) is governed by Multi-lateral Environmental Agreements (MEA)

- MEAs are international legal agreements that:
  - Have a goal of environmental protection (sustainable development);
  - Take measures to remedy, mitigate or otherwise deal with global and/or regional environmental concerns;
  - Are concluded between a large number of states or international organizations as Parties;
  - Can be embodied in a single instrument or more related instruments;
  - Are governed by international law;
  - Are concluded in written form.
Scope of MEAs: 5 topics

- BIODIVERSITY
- LAND
- SEAS
- CHEMICALS & HAZARDOUS WASTE
- ATMOSPHERE

Source: UNEP
MEAs relevant to agriculture

MEAs related to protection and conservation of **BIODIVERSITY**
- Convention on Biological Diversity (CBD)
- Others include CITES, CMS, Ramsar Convention on Wetlands etc

MEAs focusing on protecting **LAND** from negative changes
- UN Convention to Combat Desertification (UNCCD)
- 3 Rio Conventions linked to climate change and biodiversity
MEAs aimed at protection of the **ATMOSPHERE** from pollutants

- **UNFCCC** (UN Framework Convention on Climate Change)
- **Montreal Protocol** on substances that deplete the ozone layer
Final point – MEAs are changing

Changes in core principles underpinning MEAs – UNFCCC Example:

Kyoto
- Common but differentiated responsibilities
- Binding targets
- Poor coverage
- Focus on mitigation

Paris
- Shared responsibilities
- Full coverage
- National Sovereignty
- Flexible targets
- Transparency
- Mitigation & Resilience
Green Climate Fund
Overview
Green Climate Fund - Features

1. Modes of Access

- **Direct access**: recipient countries nominate competent subnational, national and regional implementing entities for accreditation to receive funding

- **International access**: through accredited international entities

2. Architecture

3. Project Size

<table>
<thead>
<tr>
<th>XS</th>
<th>Micro</th>
<th>USD 0 - 10 million</th>
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<tr>
<td>S</td>
<td>Small</td>
<td>USD 10 - 50 million</td>
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<td>M</td>
<td>Medium</td>
<td>USD 50 - 250 million</td>
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<td>L</td>
<td>Large</td>
<td>USD &gt; 250 million</td>
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The GCF received pledges of around $10 billion. Of this, half is for adaptation and half for mitigation.
Fund status

GCF fund value and value of approved and pipeline projects Billion USD

- Original Fund Size: 10.30 Billion USD
- Actual Fund Size: 6.00 Billion USD
- Approved Projects: 3.77 Billion USD
- Not Approved: 0.35 Billion USD

2.3 Billion Remaining funds
GCF Impact Areas

**Cross-cutting investment priorities:**

1. Climate compatible cities
2. Sustainable, low emission and resilient agriculture
3. Scaling up finance for forest and climate change
4. Enhancing resilience in SIDS
5. Transforming energy generation and access
GCF Investment Criteria

1. Impact potential
   - Mitigation: tones of CO2 eq to be reduced or avoided.
   - Adaptation: # of beneficiaries reduced vulnerability or increased resilience/total population

2. Paradigm shift potential
   - Innovative solutions/technologies, contribution and potential for scaling up and replication
   - Contribute to enabling environment
   - Contribute to regulatory framework and policies

3. Sustainable development potential
   - Environmental co-benefits
   - Social co-benefits
   - Economic co-benefits
   - Gender-sensitive development impact

4. Needs of the recipient
   - Vulnerability of the country
   - Vulnerable groups and gender aspects
   - Socio-economic development level of the country and vulnerable groups

5. Country ownership
   - Existence of national climate change strategy
   - Capacity of accredited entities or executing entities to deliver
   - Engagement with civil society organizations and other relevant stakeholders

6. Efficiency and effectiveness
   - Concessionality
   - Cost-effectiveness: Estimated cost per t CO2 eq
   - Amount of co-financing
   - Programme/project financial viability
GCF project development process

Key issues:
- Long lead times
- Country ownership paramount
- Project Feasibility crucial
- Financial assessment
- Safeguards
- Project development resources intensive
Different GCF funding streams

- **Projects** – Transformative projects to increase resilience and/or reduce emissions
  
  **Simplified Approval Process** – Small projects with proven technology and low risk

- **Readiness** – Support to prepare for large scale public investments to address climate change
  
  **National Adaptation Plan Window** – Direct support for adaptation planning

- **Project Preparation Facility** – Support to develop specific projects

- **Private Sector Facility** – Dedicated window to incentivize private sector investment in mitigation and adaptation
Presenting the GCF project rationale – *Adaptation*

### Climate change challenges
- Climate change impacts
- Vulnerabilities

### Detailed baseline
What is the current status at (i) field, (ii) policy and (iii) programme & project level in relation to the transition to the climate-resilient development pathway (and thus addressing CC challenges)?

### Pending gaps/barriers
What barriers are inhibiting the transition from the baseline scenario to the required climate-resilient development pathway?

### Project activities
What activities are needed to overcome the barriers identified, and thus enable the transition (by farmers, government, other actors) to the climate-resilient development pathway?
Thinking about the project rationale – *Adaptation*

**Other key considerations:**
- What ensures the sustainability of the progress made?
- How can government and other actors build on the project results to ensure the climate-resilient development pathway is reached?
- How can government and other actors replicate/scale up the approach to support a more widespread shift toward this (or similar) climate-resilient development pathway(s)?
Presenting the GCF project rationale – *Mitigation*

<table>
<thead>
<tr>
<th>Climate change challenges</th>
<th>Required low-emissions development pathway</th>
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<tbody>
<tr>
<td>Emissions profile</td>
<td></td>
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<tr>
<td>Causes, drivers and underlying drivers</td>
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**Detailed baseline**

What is the current status at (i) field, (ii) policy and (iii) programme & project level in relation to the transition to the low-emissions development pathway (and thus addressing CC challenges)?

**Pending gaps/barriers**

What barriers are inhibiting the transition from the baseline scenario to the required low-emissions development pathway?

**Project activities**

What activities are needed to overcome the barriers identified, and thus enable the transition (by farmers, government, other actors) to the low-emissions development pathway?
• GCF already being criticized for being too slow to approve projects and disperse funds

• In reality like other multilateral sources of development and climate finance GCF is a (necessarily) complex instrument

• Balancing demands of donors and developing countries for transparency, due diligence and responsiveness
Thank you