Access to GCF: Introduction to Reusable Guide

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What is Climate Finance?

Climate finance refers to local, national or transnational financing, which may be drawn from public, private and alternative sources - to addressing climate change - (to significantly reduce greenhouse gas emissions and to allow countries to adapt to the adverse effects and reduce the impacts of climate change) - UNFCCC

Various Climate Funds at the international level

- –Least Developed Countries Fund (LDCF)
- –Special Climate Change Fund (SCCF)
- –Adaptation Fund (2% levy of KP)
- –**Green Climate Fund (GCF)**
- –Climate Investment Funds (CIF)

Green Climate Fund (GCF)

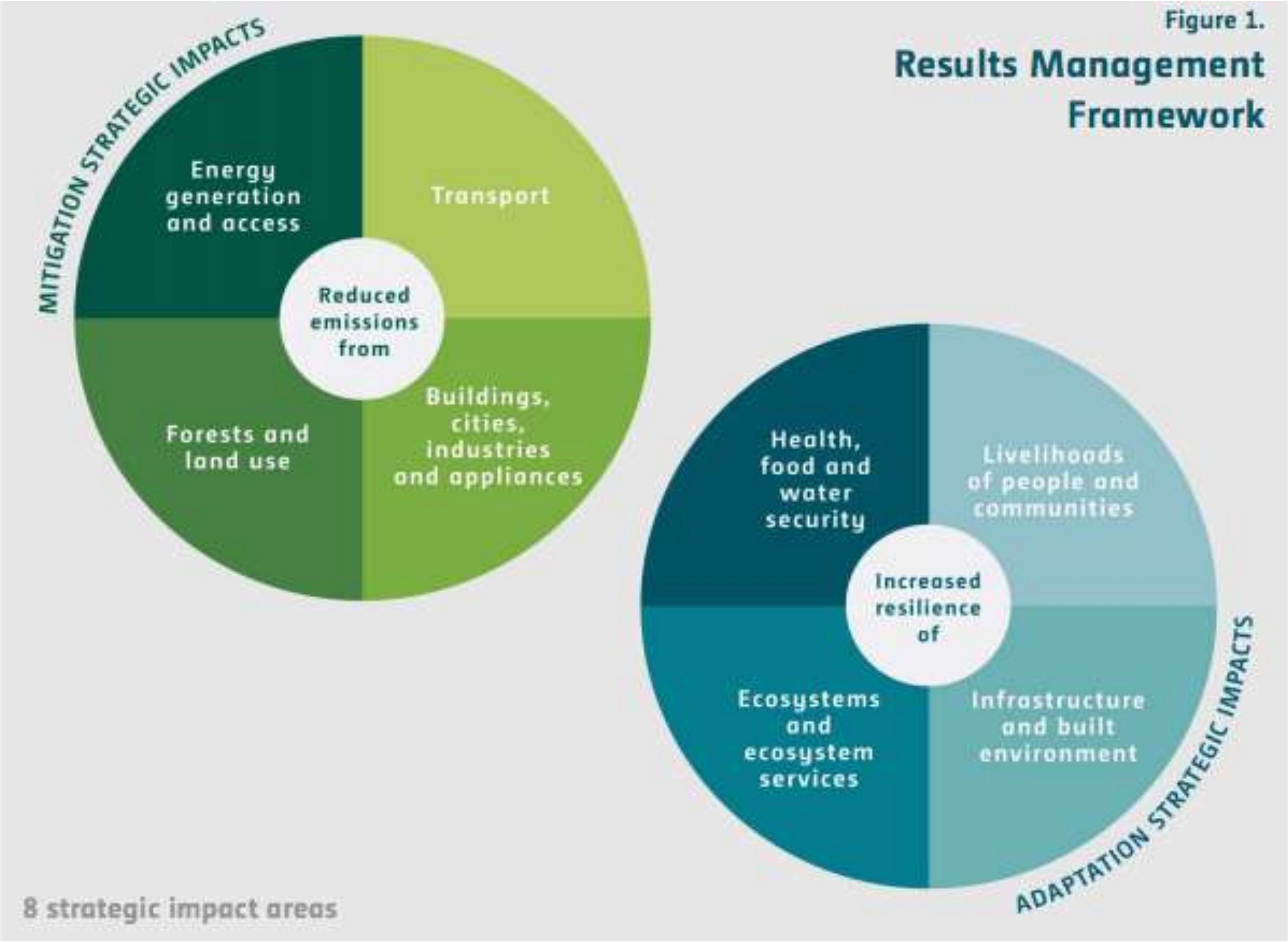
- GCF established as a new Fund at COP16, Cancun – perceived very different to the existing funds by developing countries – move away from BAU
- Make a significant and ambitious contribution to the global efforts to combat climate change - promote paradigm shift towards low-emission and climate-resilient development pathways
- GCF to provide simplified and improved access of funding, including direct access, through a country-driven approach and encourage the involvement of relevant stakeholders
- US$10.3 has been pledged into the Fund

GREEN CLIMATE FUND

GCF & Investment Framework

- **Impact** (adaptation and mitigation) **potential**
- **Paradigm shift potential:** potential for scale up and contribution to achieving the 2 degree goal;
- **Sustainable development potential**: environmental, social, economic and gender co-benefits
- **Needs of recipients**: vulnerability; economic and social development levels; availability of finance; institutional needs
- **Country Ownership:** coherence with national policies and strategies, capacity of institutions, engagement with national stakeholders
- **Efficiency and Effectiveness:** cost effectiveness and financial viability

Investment Areas



GCF: Private Sector Facility

- The Private Sector Facility (PSF) is an instrument of the GCF aimed at supporting the private sector to engage in climate relevant activities
- Two mechanisms – institutional investing and small and medium sized enterprise (SMEs) financing.
  - Institutional investing - mobilise funds at scale, such as from commercial banks, investment funds, insurance companies (USD 500 million)
  - SMEs - use public finance to work with local private sector entities in climate change adaptation and mitigation activities. Request for Proposal (RfP) has been called for SMEs and MSMEs. (USD 200 million)

Private Sectors in Nepal

- Private sectors have major role to contribute in low carbon and climate resilient development
- Addressing climate impacts intervention is still new to private sectors in Nepal
- Ministry of Finance is the National Designated Authority for Nepal. It is setting up a Climate Finance Unit in the ministry.
- Recently it called for application to be a potential NIE and also project ideas for implementation

Accreditation

Accreditation is a rigorous process whereby the multilateral, regional or national entity should demonstrate that it has the capacity to manage GCF funds in accordance with standards and criteria set out in the accreditation application

- Core financial and administrative functions
- Good governance
- Procurement processes and systems
- Transparency and integrity, and
- Project cycle management

Accreditation with GCF

- Fiduciary Standards
  - Key Administrative and financial capabilities
  - Transparency and Accountability
- Environmental and Social Safeguards
- Gender Policy

Fit for Purpose

Mandate and Track Record

- Alignment with fund's objectives - address urgency and seriousness of climate change and make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change
- At least three years of operations

Fiduciary Functions

- Basic (key administrative & financial capacity; transparency & accountability)

- Specialized (project management; grant award and/or allocation mechanisms; on-lending and/or blending)

Fit for Purpose

iii) Project size

- Micro (>10 million USD) Small (10-50 million USD)
- Medium (50-250 million USD) Large (>250 million USD)

iv) Environmental and Social Risk Category

- **High – Category A** - Activities with potential significant adverse environmental and/or social risks and/or impacts)

- **Medium – Category B** - Activities with potential mild adverse environmental and/or social risks and/or impacts)

- **Low – Category C** - Activities with minimal or no adverse environmental and/or social risks and/or impacts)

Financing and Access Modality

Direct Access Track

- The developing countries/entities gain direct access to GCF funds because designated national bodies directly implement the selected projects/programmes.
- A **National Implementing Entity (NIE)** is accredited to the GCF. It is any sub-national or national public or private agency that has (i) a legal status, (ii) an institutional system with robust policies, procedures and guidelines, and (iii) a track record, which demonstrates that it implements these policies, procedures and guidelines. Eg. Alternative Energy Promotion Center (AEPC), NTNC, Agriculture Development Bank, private banks, etc

Financing and Access Modality

International Access Track

- Multilateral agencies, regional agencies, private banks and other private entities gain access to GCF funds, and thereby manage the selected projects/programmes themselves
- **Multilateral Implementing Entity (MIE)** or **Regional Implementing Entity (RIE)** includes public, private or non-government institutions operating at a regional or international level. Examples include the World Bank, the Asian Development Bank (ADB), UN Agencies, Private banks, etc.

Accreditation Process

Stage 1

- No objection by the National Designated Authority (NDA) and Readiness

Stage 2

- Accreditation review by the GCF Board and decision (Fit for Purpose accreditation approach is used in this stage)

Stage 3

- Final validation and legal arrangements

Stage 1: Pre-accreditation

1. NDA confirms nomination of the NIE and provides a nomination letter.
2. Prospective NIE requests an online accreditation system (OAS) account
3. Prospective NIE submits the completed application through the OAS.
4. Prospective NIE pays accreditation fees.
5. GCF secretariat carries out institutional assessment and completeness check.

(Legal status, Registration, permits and licenses, Track record: Institutional presence and relevant networks, Readiness)

Stage 2: Accreditation review process and decision

Step 1: Review of application

- The panel conducts the accreditation review process, assessing whether the entity meets the GCF's fiduciary standards, relevant environmental and social risks in line with the GCF's interim ESS and scaled risk-based approach according to the fit-for-purpose accreditation approach. Makes a recommendation to the board on whether the applicant entity should be accredited.

Step 2: Decision on the application for accreditation.

- The board considers the panel's recommendations and makes a decision on whether to grant accreditation and move on to Stage 3 for final validation and legal arrangements. If not might refer back to Stage 1.

Stage 3: Final validation and legal arrangements

Stage 3 concludes the process by validating and finalising formal arrangements between the applicant and GCF. It includes registering the accredited entity's payment instructions and the conclusion of any legal arrangements between the two parties.

Readiness Support for Nepal

NDA can access GCF readiness support to:

- – Build its own capacities
- – Develop strategic frameworks
- – Build capacities among implementing entities
- – Support NIE accreditation, and
- – Develop project pipelines.

Key Terminologies

Few common terminologies use in discourse of climate finance and their meanings will also be included in the guide

Opportunities for Nepal

- Accreditation of entity promoting private sector investments in low carbon and resilient development
- Promotion of large scale or MSMEs in the country through international climate finance
- Accessing funding from international funds such as Green Climate Fund, and other sources.
- Building or strengthening national Private sector institutions to address climate change (readiness support available)
- Build collaboration with with like minded institutions within and outside the South Asian region

Thank You