



GREEN  
CLIMATE  
FUND

Independent  
Evaluation  
Unit



# INDEPENDENT EVALUATION OF THE GCF'S READINESS AND PREPARATORY SUPPORT PROGRAMME

## Country case study reports

*Volume II*

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GREEN CLIMATE FUND  
INDEPENDENT EVALUATION UNIT

# Independent evaluation of the GCF's Readiness and Preparatory Support Programme

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COUNTRY CASE STUDY REPORTS

12/2023



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## ABBREVIATIONS

<b>ADB</b>	Asian Development Bank
<b>AE</b>	Accredited entity
<b>AF</b>	Adaptation Fund
<b>AfDB</b>	African Development Bank
<b>AFOLU</b>	Agriculture, forestry and other land use
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>CAF</b>	Corporación Andina de Fomento
<b>CN</b>	Concept note
<b>CP</b>	Country programme
<b>CSO</b>	Civil society organization
<b>DAE</b>	Direct access entity
<b>DP</b>	Delivery partner
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ESS</b>	Environmental and social safeguards
<b>EV</b>	Electric vehicle
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>FP</b>	Funding proposal
<b>FPIC</b>	Free, prior and informed consent
<b>GCF</b>	Green Climate Fund
<b>GDP</b>	Gross domestic product
<b>GEF</b>	Global Environment Facility
<b>GGGI</b>	Global Green Growth Institute
<b>GHG</b>	Greenhouse gas
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit
<b>GNI</b>	Gross national income
<b>IAE</b>	International accredited entity
<b>IDB</b>	Inter-American Development Bank
<b>IEU</b>	Independent Evaluation Unit of the Green Climate Fund
<b>IFAD</b>	International Fund for Agricultural Development
<b>IMF</b>	International Monetary Fund
<b>(I)NDC</b>	Intended nationally determined contribution
<b>IUCN</b>	International Union for Conservation of Nature

<b>KfW</b>	Kreditanstalt für Wiederaufbau Development Bank
<b>LAC</b>	Latin America and the Caribbean
<b>LDC</b>	Least developed country
<b>M&amp;E</b>	Monitoring and evaluation
<b>MRV</b>	Monitoring, reporting and verification
<b>MSMEs</b>	Micro-, small- and medium-sized enterprises
<b>NAFTA</b>	North American Free Trade Agreement
<b>NAP</b>	National adaptation plan
<b>NAPA</b>	National adaptation programme of action
<b>ND-GAIN</b>	University of Notre Dame Global Adaptation Initiative Country Index
<b>NDA</b>	National designated authority
<b>NDC</b>	Nationally determined contribution
<b>NGO</b>	Non-governmental organization
<b>NOL</b>	No-objection letter
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PAP</b>	Proposal approval process
<b>PPF</b>	Project Preparation Facility
<b>PwC</b>	PricewaterhouseCoopers
<b>REDD+</b>	Reducing emissions from deforestation and forest degradation (‘+’ means additional forest related activities that protect the climate)
<b>RPSP</b>	Readiness and Preparatory Support Programme
<b>TA</b>	Technical assistance
<b>UNDP</b>	United Nations Development Programme
<b>UNEP</b>	United Nations Environment Programme
<b>UNEP-CTCN</b>	United Nations Environment Programme – Climate Technology Centre and Network
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>UNOPS</b>	United Nations Office for Project Services
<b>WB</b>	World Bank
<b>WHO</b>	World Health Organization
<b>WWF</b>	World Wildlife Fund

#### COUNTRY-SPECIFIC ABBREVIATIONS

##### Armenia

<b>ADS</b>	Armenia Development Strategy
<b>EPIU</b>	Environmental Project Implementation Unit

<b>R2E2</b>	Armenian Renewable Resources and Energy Efficiency Fund
<b>Belize</b>	
<b>BNCCC</b>	Belize National Climate Change Committee
<b>BNPAS</b>	Belize National Protected Areas System
<b>BSIF</b>	Belize Social Investment Fund
<b>CANARI</b>	Caribbean Natural Resources Institute
<b>CARICOM</b>	Caribbean Community
<b>CCCCC</b>	Caribbean Community Climate Change Centre
<b>CDB</b>	Caribbean Development Bank
<b>CFU</b>	Climate Finance Unit
<b>DFC</b>	Development Finance Corporation
<b>MED</b>	Ministry of Economic Development
<b>MFEDI</b>	Ministry of Finance, Economic Development & Investment
<b>MSDCCDRM</b>	Ministry of Sustainable Development, Climate Change and Disaster Risk Management
<b>NCCO</b>	National Climate Change Office
<b>NCCPSAP</b>	National Climate Change Policy, Strategy and Action Plan
<b>PACT</b>	Protected Areas Conservation Trust
<b>PBMTDS</b>	“#planBelize Medium-Term Development Strategy 2022–2026”
<b>PPU</b>	Policy and Planning Unit
<b>PSIP</b>	Public Sector Investment Programme
<b>Bhutan</b>	
<b>BTFEC</b>	Bhutan Trust Fund for Environmental Conservation
<b>DECC</b>	Department of Environment and Climate Change
<b>DMDF</b>	Department of Macro-Fiscal and Development Finance
<b>FYP</b>	Five-year plan
<b>GESI</b>	Gender and social inclusion
<b>GLOF</b>	Glacial lake outburst floods
<b>GNH</b>	Gross national happiness
<b>GNHC</b>	Gross National Happiness Commission
<b>MHEWS</b>	Multi-hazard early warning system
<b>MoF</b>	Ministry of Finance
<b>NEC</b>	National Environment Commission
<b>RSPN</b>	Royal Society for the Protection of Nature
<b>Côte d’Ivoire</b>	

<b>AFD</b>	Agence française de développement
<b>BNI</b>	Banque Nationale d’Investissement de la Côte d’Ivoire
<b>BUR</b>	Biennial update report
<b>CSE</b>	Centre de Suivi Écologique
<b>ECOWAS</b>	Economic Community of West African States
<b>FIRCA</b>	Fonds Interprofessionnel pour la Recherche et le Conseil Agricoles
<b>MINEDD</b>	Ministère de l’Environnement et du Développement Durable
<b>PND</b>	Plan national de développement
<b>TNA</b>	Technology needs assessment
<b>Lao PDR</b>	
<b>EPF</b>	Environment Protection Fund
<b>EWEC</b>	East–West Economic Corridor
<b>Lao PDR</b>	Lao People’s Democratic Republic
<b>MOIC</b>	Ministry of Industry and Commerce
<b>MoNRE</b>	Ministry of National Resources and Environment
<b>NCCS</b>	National Climate Change Strategy
<b>Mexico</b>	
<b>BANOBRAS</b>	Banco Nacional de Obras y Servicios Públicos
<b>CICC</b>	Inter-ministerial Climate Change Commission
<b>FIRA</b>	Trust Funds for Rural Development
<b>FMCN</b>	Mexican Fund for the Conservation of Nature
<b>GLCC</b>	General Law on Climate Change
<b>GT-FIN</b>	Climate Finance Working Group
<b>IICA</b>	Instituto Interamericano de Cooperación para la Agricultura
<b>INECC</b>	National Institute of Ecology and Climate Change
<b>NADB</b>	North American Development Bank
<b>NAFIN</b>	Nacional Financiera
<b>SEMARNAT</b>	Ministry of Environment and Natural Resources
<b>SHCP</b>	Ministry of Finance and Public Credit
<b>Tanzania</b>	
<b>LGA</b>	Local government authority
<b>VPO</b>	Vice President’s Office



# INTRODUCTION



## A. OVERVIEW OF THE GREEN CLIMATE FUND AND THE READINESS AND PREPARATORY SUPPORT PROGRAMME

The Green Climate Fund (GCF) was established by 194 governments in 2010 under the United Nations Framework Convention on Climate Change (UNFCCC). The GCF's mandate is to limit or reduce greenhouse gas (GHG) emissions in developing countries and to help vulnerable societies adapt to the unavoidable impacts of climate change. Today, the GCF is a key institution in the global architecture for responding to the challenges of climate change.

The GCF launched the Readiness and Preparatory Support Programme (RPSP) in 2014. The aim of the RPSP is to provide resources for strengthening the institutional capacities of national designated authorities (NDAs) or focal points and direct access entities (DAEs) so that they can efficiently engage with the Fund. In 2019, the GCF launched its readiness programme strategy for 2019–2021,<sup>1</sup> which outlines five objectives for the RPSP, as follows.

- Capacity-building for climate finance coordination
- Strategies for climate finance implementation
- National adaptation plans and/or adaptation planning processes
- Paradigm-shifting pipeline development
- Knowledge-sharing and learning (cross-cutting)

While all developing countries are eligible to access the RPSP, the Fund aims for 50 per cent of RPSP allocations to be provided to particularly vulnerable countries, which includes the least developed countries, small island developing States and African States, as per decision B.08/11, titled “Revised programme of work on readiness and preparatory support”. Support under the RPSP may be provided as grants or technical assistance. This support may include up to USD 1 million per country annually, of which USD 300,000 can be requested annually to help establish or strengthen an NDA or focal point to deliver on the Fund's requirements. Countries may also request up to USD 3 million to formulate their national adaptation plans (NAPs), as per decision B.13/09, titled “Matters related to guidance from the Conference of the Parties: Adaptation planning processes”.<sup>2</sup>

Between its launch and 1 June 2023, the RPSP provided support under 707 grants (excluding workshops, events and structured dialogues), with a total value of USD 518.99 million, of which nearly two thirds (62 per cent) were allocated to priority countries.

## B. PURPOSE AND SCOPE OF THE EVALUATION

In March 2023, the Independent Evaluation Unit (IEU) launched the “Independent Evaluation of the GCF's Readiness and Preparatory Support Programme.” The evaluation has four primary objectives:

- Assess the progress and gains made in the effectiveness of the RPSP and the extent to which RPSP processes are fulfilling the intended objectives and targets of the RPSP strategy.
- Assess the extent to which readiness has created an enabling environment for accessing climate finance at the country level.

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<sup>1</sup> For further details see GCF/B.22/08: Readiness and Preparatory Support Programme: Strategy for 2019–2021 and Work Programme 2019, available at <https://www.greenclimate.fund/document/gcf-b22-08>.

<sup>2</sup> More information on the RPSP can be found on the GCF website <https://www.greenclimate.fund/readiness>.

- Assess the effectiveness and efficiency of the RPSP's operational approach at the GCF.
- Feed lessons from readiness implementation experience into the preparation of the new RPSP strategy.

The evaluation focuses on support delivered under the RPSP strategy for 2019–2021 and the *Updated Strategic Plan for the Green Climate Fund: 2020–2023*. It also considers readiness operations before 2019, to understand significant changes in readiness priorities and focus areas between and across these two time periods.

Eight country case studies were undertaken as part of this evaluation, selected as the basis for an in-depth assessment of the readiness support provided. The countries studied were Armenia, Belize, Bhutan, Côte d'Ivoire, Lao People's Democratic Republic, Mexico, Panama and Tanzania. The countries selected have received various levels of readiness support, exhibit various levels of readiness and vulnerability, and provide an appropriate representation of vulnerable countries, while accounting for regional distribution.<sup>3</sup> In addition, a low-readiness deep dive explored the GCF's RPSP support in countries classified as having low readiness as per the University of Notre Dame Global Adaptation Initiative Country Index (commonly known as the ND-GAIN index) and the States Resilience Index.

Each country case study was informed by a one-week, in-country field mission, during which interviews were held with the NDA / focal point, government representatives, delivery partners (DPs), executing entities and accredited entities (AEs), as well as civil society organizations, the private sector and others, to the extent possible. Stakeholder engagement was complemented by an in-depth document review of programme documents and country-level strategic/policy documents, among others. The low-readiness deep dive was prepared by drawing on documents and limited virtual consultations.

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<sup>3</sup> A detailed description of the country selection approach and criteria is provided in the evaluation's approach paper, available at <https://ieugreenclimate.fund/evaluation/RPSP2023>.

# COUNTRY CASE STUDY REPORTS



# 1. ARMENIA COUNTRY CASE STUDY REPORT



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## A. BACKGROUND AND CONTEXT

Insights that emerged from the case study on Armenia, an eastern European country having received a high level of RPSP support, are presented below. Since the launch of the RPSP, six grants have been approved for Armenia, with a total value of approximately USD 4.4 million and covering the five RPSP objectives. The country's portfolio as of 1 June 2023 is presented in Appendix 1–1.

### 1. OVERVIEW OF THE COUNTRY

#### a. Geography and climate

Armenia is a landlocked country located in the Lesser Caucasus Mountains, at the intersection of Europe and Asia. Its neighbouring countries include Turkey to the west, Azerbaijan to the east, Georgia to the north and Iran to the south. The country covers 29,743 km<sup>2</sup>, including 28,203 km<sup>2</sup> of land and 1,540 km<sup>2</sup> of water (Central Intelligence Agency, 2023).

Armenia's climate is highland continental. Winters (December to February) are usually cold, with snowfall upward of 100 cm and temperatures averaging 1–3°C. Summer (June to August) temperatures average 30–33°C (World Bank Group, 2023). The majority of the country is at high altitude (90 per cent over 1,000 metres above sea level), including Lake Sevan, the largest freshwater lake in the country, with a size of 1,279 km<sup>2</sup> (World Bank Group and Asian Development Bank, 2021).

#### b. Demography

Armenia's population is estimated at 2,989,091 in 2023. Most of the population is located in the northern half of the country. The capital of Yerevan is home to more than five times as many people as Gyumri, the second-largest city in the country. It is estimated that 63.7 per cent of the population lives in urban areas. Armenia is a monoethnic country, with 98.1 per cent of the population identifying as Armenian (by 2011). Armenian language is spoken by 97.9 per cent of the population (by 2011), and Russian is also widely spoken in the country (Central Intelligence Agency, 2023).

Armenia's population has been declining since 1980, and more sharply since independence in 1991, as a result of a decreasing fertility rate, an increasing death rate and a negative net migration rate. The emigration of a significant number of working-age people that followed Armenian independence, combined with decreased fertility and increased life expectancy, is causing the elderly share of Armenia's population to grow. It is estimated that 67.53 per cent of the population is aged 15–64 years, 17.98 per cent is aged 0–14 years and 14.49 per cent is 65 years and over (2023) (Central Intelligence Agency, 2023).

#### c. Economy

According to the World Bank (WB), Armenia's economy performs well. In 2022, the country recorded a real gross domestic product (GDP) growth of 12.6 per cent, mostly driven by an 18 per cent growth in the service sector.<sup>4</sup> On the demand side, this growth was largely driven by private consumption, due to high inflows of people from Russia fleeing the war with Ukraine, and by a 10 per cent increase in real wages. This also led to currency appreciation and to the government debt to

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<sup>4</sup> Growth is expected to slow down to 4.5 per cent in 2023.

GDP ratio's decline from 60.3 per cent in 2021 to 46.7 per cent in 2022. Inflation increased from 7.2 per cent in 2021 to 8.6 per cent in 2022 (World Bank, 2023c).

In Armenia, the largest sector is the service sector, accounting for 52.7 per cent of GDP (by 2021). It is followed by industry, accounting for 26.9 per cent of GDP, and then agriculture at 11.1 per cent (Statista, 2023). Since 2013, there has been a decrease in the labour-force rate, going from 66.9 per cent in 2013 to 61.5 per cent in 2019. In 2020, the unemployment rate was estimated at 12.2 per cent, with a higher rate for men (14.9 per cent) than for women (9.6 per cent) (World Bank, 2023a).

In 2022, the gross national income per capita was USD 4,850, classifying Armenia as an upper-middle-income country (World Bank, 2023b). Since 2001, the share of the population living below the extreme poverty line of USD 2.15<sup>5</sup> a day has decreased sharply, dropping from 14 per cent in 2001 to 0.5 per cent in 2021. However, in 2021, 26.5 per cent of the population was still living below the national poverty line, indicating there is over one person in four who is unable to meet basic needs. The Gini Index indicates a decrease in inequalities between 2018 and 2020, but an increase between 2020 and 2021 (World Bank, 2023a).

#### **d. Politics**

Armenia is a parliamentary republic with a government consisting of executive, legislative and judicial branches. Its Constitution was drafted in 1995. The Prime Minister acts as Head of Government and the President as Head of State. Presidents are not permitted to be affiliated with any political party.

Armenia declared independence in 1991. In October 1991, Levon Ter-Petrosyan was elected as the first President of the country. Meanwhile, the conflict with Azerbaijan was intensifying. The conflict is rooted in a dispute over sovereignty of the Nagorno-Karabakh area. By the mid-1990s, thousands of Armenians and Azerbaijanis had been killed. In 1998, the President resigned due to disagreements with the country's other leaders on the strategy towards resolution of the Nagorno-Karabakh conflict.

The next President, Robert Kocharyan, pressed for closer ties to the west, which resulted in Armenia joining the Council of Europe in 2001. In 2008, Armenia signed an agreement with Azerbaijan to intensify the countries' efforts to resolve the conflict. In 2013, the President announced that Armenia would join the Russian-led Eurasian Customs Union, which put an end to Armenia's effort to build closer relationships with the European Union.

In 2020, a breakdown of diplomacy between Armenia and Azerbaijan led to the worst fighting since the mid-90s. This fighting came to an end on 9 November 2020, after the ceding of Armenian-occupied territories in Azerbaijan. Thousands of Armenian refugees fled the regions handed over to Azerbaijan. After the war, protesters in Yerevan demanded the government's resignation, which resulted in an early parliamentary election during which Prime Minister Nikol Pashinyan was re-elected. In 2022, Vahagn Khachaturyan was elected as the fifth President of Armenia (Bertelsmann Stiftung, 2022; Encyclopedia Britannica, 2023).<sup>6</sup>

## **2. CLIMATE CHANGE CONTEXT**

Armenia's fourth national communication on climate change (2020) reports that the country experienced an average temperature rise of 1.23°C between 1929 and 2016. It also reports a 10 per

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<sup>5</sup> Purchasing power parity dollars in 2017.

<sup>6</sup> At the time of finalizing the case study, the conflict in the Nagorno-Karabakh region has occurred in September 2023, resulting in the surrender of the Nagorno-Karabakh forces. Azerbaijan declared it had regained full control over the region.

cent reduction in average annual precipitation between 1935 and 2012. Intergovernmental Panel on Climate Change projections suggest that Armenia could experience warming at levels significantly above the global average.

Contributing only 0.02 per cent to global GHG emissions, Armenia is in the lower range of per capita footprint, with 2.96t CO<sub>2</sub>e in emissions (2018). In 2018, the country's total GHG emissions were at the level of 8.68 million t, representing an increase of 23 per cent from 2010 (United Nations Environment Programme, 2021). This increase was mainly driven by increased economic activity but was counterbalanced by a decrease in population. In its updated nationally determined contribution (NDC) (2021–2030), Armenia set a single-year GHG emissions reduction target of 40 per cent by 2030 compared with the base-year of 1990 (EU4Climate, 2023).

Energy and agriculture are the two sectors with the largest GHG emission shares, at 66.7 per cent and 18.5 per cent respectively (Armenia, 2021b). Armenia covers around 27 per cent of its energy demand with domestic energy production, which comes mostly from nuclear and hydro resources. All fossil fuels are imported, and natural gas represents over 80 per cent of total energy imports. Around 88 per cent of natural gas imports come from Russia and the rest from Iran (International Energy Agency, 2023).

Since 2019, 100 per cent of the Armenian population has had access to electricity (World Bank, 2023a). In 2021, Armenia produced 7.7 TWh of electricity. In total, 44 per cent of electricity production was based on natural gas, 30 per cent on hydro and other renewable sources, and 26 per cent on nuclear sources. Armenia is a net exporter of electricity and the only country in the Caucasus producing nuclear energy (International Energy Agency, 2023).

Agriculture is one of the key economic sectors in Armenia. In 2018, it was estimated that 59.7 per cent of total land was used for agriculture (Central Intelligence Agency, 2023). Climate changes are expected to have three main effects on crops in Armenia. First, the appropriate zone for growing crops is expected to move 100 metres upward in altitude by 2030, creating competition for higher land now used for pasture or hayfields. Second, higher temperatures, increased evaporation and lower precipitation will lead to a loss of productivity for most crops. Third, other damages to crops and agricultural land that cannot be predicted in advance are expected (Green Economy Financing Facility, 2023). Reductions in both the total arable land and the yield of staple crops threaten food production and efforts to eradicate undernourishment in Armenia.

Armenia is one of the least forested countries in the region, with only 11.2 per cent forest cover. Forests in Armenia are one of the most endangered ecosystems. Forests are largely concentrated in the north-east and south-east of the country, and 70 per cent are degraded. Some of the deforestation has been caused by mining operations, illegal logging and use for firewood; forest fires and outbreaks of certain pests also threaten to intensify desertification (World Bank, 2021). In its NDC for 2021–2030, the country set an objective to increase forest cover to 12.9 per cent of its territory by 2030 (Armenia, 2021a).

Currently, Armenia has water resources to supply approximately 3,100 cubic metres of water per capita per year. All rivers in Armenia are tributaries of the Araks and Kura rivers. Most rivers are small, rapid and fed by melting snow, springs and groundwater. Lake Sevan is also an important multipurpose water reservoir for irrigation, hydropower and recreational uses (Eco Portal, 2023). As the Caucasus glaciers are projected to largely disappear over the twenty-first century, the pressure and dependence on water management infrastructure is expected to grow significantly (EU4Climate, 2023; World Bank Group, 2023).

### 3. CLIMATE CHANGE POLICIES AND INSTITUTIONAL CONTEXT

In Armenia, the Ministry of Environment is in charge of leading actions related to climate change. This section presents key national policies, strategies and actions plans developed to address climate change.

#### a. National Forest Programme, 2005

The main goal of the National Forest Programme is to “guard forest ecosystems, rehabilitate degraded forest ecosystems, use forest resources in a continuous and efficient manner and ensure sustainable forest management strategy” (Armenia, 2005). The objectives of the National Forest Programme are as follows:

- Plan and implement activities aimed at sustainable management of forests and forest lands in line with the National Forest Policy and Strategy of [Armenia]
- Promote the development of state, community and other types of ownership
- Stimulate cooperation at national and international levels
- Support the involvement of internal and external investments
- Implement measures promoting sustainable forest management in compliance with international treaties of [Armenia]”

A new National Forest Programme is currently under development. It aims to increase national forest cover by 20.1 per cent by 2050 and to improve existing forests by establishing an enabling policy framework (Food and Agriculture Organization of the United Nations, 2020).

#### b. Armenia Development Strategy for 2014–2025 (2014)

The Armenia Development Strategy (ADS) for 2014–2025 is aimed at ensuring a coordinated post-crisis strategic framework for the development of state policies. It is an update of the Sustainable Development Programme adopted in 2008.

The ADS is developed around four priorities (Armenia, 2014):

- Growth of employment
- Development of human capital
- Improvement of social protection system
- Institutional modernization of the public administration and governance

The ADS is expected to contribute to the realization of the NDC through outlining actions to maximize the use of domestic energy resources, focusing on renewable energy and promoting energy efficiency (Armenia, 2021a).

#### c. NDC (2015; 2021)

Armenia submitted its intended nationally determined contribution (INDC) to the UNFCCC Secretariat in September 2015. With the ratification of the Paris Agreement in February 2017, the INDC of Armenia became its NDC for the period of 2015–2050.

In 2021, Armenia submitted an update of the INDC. It provides information on the emission reductions to be achieved by 2030 and on adaptation measures to be undertaken as part of the NDC. In its updated NDC, Armenia adopts a 10-year NDC implementation period (2021–2030). Armenia maintains its 2050 mitigation goal of reducing its GHG emissions to a maximum of 2.07 tCO<sub>2</sub>eq/capita. The new mitigation target to be achieved in 2030 equals 40 per cent reduction below 1990 emissions levels.

Sectors targeted in the mitigation contribution include energy, industrial processes and product use, agriculture, waste, forestry, and other land use. Sectors prioritized for the implementation of adaptation activities include natural ecosystems, human health, water resource management, agriculture (including fishery and forests), energy, human settlements, infrastructure and tourism (Armenia, 2021a).

#### **d. Disaster Risk Management National Strategy and Action Plan (2017)**

The Disaster Risk Management National Strategy and Action Plan aims to establish a disaster-resilient country and to ensure the increased safety of individuals and society and the sustainable development of the country. The strategy recognizes that, given the increasing number and intensity of natural disasters in recent years and the significant damage caused to different sectors of the economy, it is necessary to address disaster management, prevention, mitigation and recovery, as well as early warning, in the disaster risk reduction strategy. The strategy is in compliance with the National Security Strategy of the Republic of Armenia and the priority actions of the Sendai Framework for Disaster Risk Reduction 2015–2030 (Armenia, 2017).

#### **e. Yerevan Green City Action Plan (2017)**

The Yerevan Green City Action Plan was developed in cooperation with the European Bank for Reconstruction and Development (EBRD) and with the assistance of a team of experts. The action plan has three main purposes. First, the plan identifies Yerevan's key environmental challenges. Second, it outlines the city's long-term strategic objectives. Finally, the plan proposes midterm targets and short-term priority actions to address these challenges. The Green City Action Plan is a strategic document, providing a road map for the implementation of green activities until 2030 (Armenia, Yerevan, 2017).

#### **f. Fourth national communication to the UNFCCC (2020)**

Armenia submitted its first national communication in 1998 (covering 1990–1996), its second national communication in 2010 (covering 1996–2006) and its third national communication in 2015 (covering 2007–2012).

The fourth national communication, submitted in 2020, covers the period of 1990–2016 for GHG inventory and climate change mitigation measures assessment, based on official statistical data. It also includes updated information on recent policy, legislative and institutional changes and developments in sectors related to climate change.

In the fourth national communication, climate change related studies and assessments have been expanded, taking into consideration the developments under the UNFCCC after submission of the third national communication. The fourth national communication also takes into account recommendations made within the framework of international consultations and analyses of the first and second biennial update reports (Armenia, Ministry of Environment, 2020).

#### **g. Republic of Armenia Energy Sector Development Strategic Programme to 2040 (2020)**

The Republic of Armenia Energy Sector Development Strategic Programme to 2040 sets a vision that will be a basis for making all energy-related decisions, building relationships with neighbouring countries regarding the energy sector, integrating into more global electricity markets and for further developing relationships with key partners (Armenia, 2020).

This strategic programme safeguards the national priority of energy security based on nuclear energy, modern gas-fired generation plants, and the development and expansion of economically viable and technically available renewable energy sources, mostly solar energy. Armenia plans on

developing solar energy capacity from the current 59.57 MW to 1,000 MW before 2030 (Armenia, 2021a).

#### **h. National Programme on Energy Saving and Renewable Energy for 2022–2030 (2022)**

The National Programme on Energy Saving and Renewable Energy for 2022–2030 defines directions, goals and targets for policies pursued in the energy saving and renewable energy sectors. The commitments included in the programme were developed considering various international agreements and treaties on sustainable development, renewable energy, energy saving and climate change.

The programme aims to improve Armenia's energy efficiency in the next 10 years by promoting energy saving and increasing the use of renewable energy sources to enhance energy security and reliability. It sets targets on levels of primary energy supply and total final energy consumption for the country. It also sets targets in two areas: renewable energy development and energy saving (Armenia, 2022).

#### **i. Institutional arrangements and in-country Delivery partners**

The Armenian NDA sits in the Ministry of Environment. Due to high turnover at the Ministry, the NDA focal point has changed three times in the past three years.

There are six DPs in the country: the Environmental Project Implementation Unit (EPIU), the Armenian Renewable Resources and Energy Efficiency Fund (R2E2), the ArmSwissBank, the Food and Agriculture Organization of the United Nations (FAO), European Bank for Reconstruction and Development (EBRD) and the United Nations Development Programme (UNDP). Four of these DPs are also AEs – namely EPIU, FAO, EBRD and UNDP. EPIU is the only DAE in the country. Although EPIU used to be an integral part of the NDA, it is now an independent agency that reports to the NDA. This change was made to ensure that there is no conflict of interest in EPIU's relationship with the NDA, especially when it comes to project origination and prioritization.<sup>7</sup> R2E2 and the ArmSwissBank are currently in the GCF accreditation process.

## **B. KEY FINDINGS**

### **1. RELEVANCE**

Overall, the RPSP's objectives<sup>8</sup> respond to the country's needs and priorities. In Armenia, absorption capacity for climate finance is still low, and the RPSP is seen as an opportunity for developing an enabling environment through establishing human, technical and institutional capacity for climate finance, increasing the pool of experts in the public sector, and improving and increasing the preparation of concept notes (CNs) and proposals to be submitted to the GCF. It is also considered helpful for establishing a relationship with the GCF. All entities that benefited from RPSP funding confirmed the programme's relevance to addressing their needs and priorities and mentioned they would be willing to apply for more RPSP projects when opportunities arise.

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<sup>7</sup> Based on information provided by the GCF Secretariat.

<sup>8</sup> As mentioned in section 1.A, the RPSP objectives are (i) capacity-building for climate finance coordination; (ii) strategies for climate finance implementation; (iii) national adaptation plans and/or adaptation planning processes; (iv) paradigm-shifting pipeline development; and (v) knowledge-sharing and learning (cross-cutting).

The RPSP is also considered a relevant tool to support the GCF accreditation process, both by the NDA, to identify and nominate potential candidates for accreditation, and by nominated entities, to receive support during the accreditation process. Particularly, support with conducting assessments and preparing documents required for accreditation has been described as valuable by a consulted nominated entity seeking accreditation.

The RPSP is considered helpful for the preparation of high-level documents such as country programmes and NAPs. The RPSP project allocated to UNDP for the preparation of the NAP was described as of critical value by government and AE stakeholders. Armenia's country programme is still under development, and its finalization and submission are a target of the recently approved RPSP project "Advancing programming and partnership framework with GCF and matching with country's long-term low-carbon development strategies".

Finally, there is still a need to establish strategies for climate finance implementation based on rigorous analysis and projections. As explained by an expert in climate change, there are currently not enough data to formulate robust recommendations on how to adapt to climate change and to determine where to invest to address climate issues.

In design, RPSP activities in Armenia align with the GCF's RPSP strategy (2019–2021). In total six RPSP projects have been approved in Armenia, as follows:<sup>9</sup>

- 1) National Adaptation Plan (NAP) to advance medium and long-term adaptation planning in Armenia
- 2) Establishing and Strengthening National Designated Authorities (NDAs) and Strategic frameworks for engagement with the Fund, including the preparation of country programmes
- 3) Scaling up Green Finance practices in the Republic of Armenia
- 4) Readiness Support for accreditation gap assessment, capacity-building and pipeline development for potential accredited entity
- 5) Advancing programming and partnership framework with GCF and matching with country's long-term low-carbon development strategies
- 6) Strengthening the capacity of direct access entities through the Community of Practice for Direct Access Entities to access climate finance and implement adaptation and mitigation programmes and projects

All RPSP projects implemented in Armenia align with RPSP objective 1 – Capacity-building for climate finance coordination and objective 5 – Knowledge-sharing and learning. Capacity-building targets different stakeholders such as the NDA, other government authorities, the DAE, nominated entities and the private sector. Capacity-building activities include workshops, trainings, studies, seminars and technical assistance. Knowledge-sharing and learning activities include consultations, working groups, platform development, TV programmes, guidelines, publications, brochures, a repository and knowledge-sharing events.

RPSP projects (1) and (5) align with objective 2 – Strategies for climate finance implementation (based on analyses of emissions-reduction potential and climate vulnerability and risk) and objective 3 – National adaptation plans and/or adaptation planning processes. RPSP project (1) aims "to support Armenia with developing a national plan for climate change adaptation" (Green Climate Fund, 2018). One expected outcome included in the RPSP proposal is the undertaking of studies to inform future investments in adaptation. However, the proposal does not provide details on the studies to be undertaken. RPSP project (5) aims to finalize Armenia's GCF country programme,

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<sup>9</sup> For further details, please see <https://www.greenclimate.fund/countries/armenia>.

based on the country needs emerging from post-war and pandemic consequences and the updated NDC priorities.

Finally, all RPSP projects except (1) directly align with objective 4 – Paradigm-shifting pipeline development. RPSP projects (2), (4), (5) and (6) aim to increase the GCF pipeline development by drafting and improving GCF CNs. While RPSP project (3) is not designed to develop CNs as such, it aims to strengthen Armenia's GCF project pipeline by drafting a "roadmap for scaling up green finance", which includes recommendations to improve access to climate finance formulated throughout the RPSP delivery.

## 2. COHERENCE AND COMPLEMENTARITY

In Armenia, synergies or interlinkages between RPSP projects and other GCF programmes and modalities are present but limited. Indeed, one nominated entity consulted for this evaluation mentioned that the RPSP is an appreciated support for preparing the documents requested for accreditation. In addition, all stakeholder groups mentioned that the RPSP helps in developing CNs and proposals that satisfy GCF standards. However, there is still no evidence that RPSP support led to investment projects or to accreditation.

Consulted stakeholders reported no evidence of the GCF RPSP facilitating engagement with other readiness-like support allocated by other organizations, or of additionality, cooperation, complementarity and synergies with the readiness activities of comparator organizations. Although Armenia does engage in projects with other entities and funders such as the Global Environment Facility, the Adaptation Fund (AF), the WB, EBRD and the Climate Investment Funds, there was no mention of collaboration or complementarity between these projects and those of the GCF. However, some concerns were raised about projects overlapping.

In country, there is some indication of collaboration between the different stakeholders interacting in the climate finance sphere. International accredited entities (IAEs) reported working in collaboration with the NDA and other multilateral institutions, non-governmental organizations (NGOs), the private sector and relevant actors on climate projects, whether they are GCF-related or not. There is also a willingness from the NDA to engage more in regional projects. Finally, no comparative advantages of the RPSP relative to similar support provided by other organizations were raised for this case study.

## 3. COUNTRY OWNERSHIP

Overall, there is a common agreement that RPSP projects helped improve the capacity of national actors such as the NDA, DPs, the DAE and nominated entities to strengthen their respective roles and functions. However, this is a work in progress and more support is needed for the country to strongly own its climate finance functions. For instance, Armenia still has no approved GCF country programme and has only one DAE.

RPSP support has also strengthened stakeholders' capacity to engage in the programming process. However, it has done so to a limited extent as no funding proposal (FP) developed by the DAE has yet been approved by the GCF. Language is also an important issue for the DAE, as only around 30 per cent of its staff members use English in a way they consider sufficient to engage with the GCF. As per the RPSP theory of change, the DAE's ability to develop a GCF pipeline is an outcome of the country capacity to drive low-emission and climate-resilient development, and this has not yet been achieved in Armenia.

The recently approved RPSP project "Advancing programming and partnership framework with GCF and matching with countries long-term low-carbon development strategies" has been designed to support the development of the country programme and of CNs. According to the DP, this RPSP

project will also be used to establish mechanisms to enable relevant entities to work independently with the GCF.

RPSP projects also contributed to raising the awareness of key government authorities such as the President, the Prime Minister and the Ministry of Finance. For instance, the President is increasingly active in the climate agenda and sometimes sends representatives to RPSP workshops. The Ministry of Finance has also started pushing for a green economy and a climate agenda. According to a consulted stakeholder, a study completed in the context of an RPSP project raised awareness in the parliament, generating interest to create an internal climate caucus.

Some RPSP projects were also used to raise awareness among other national actors such as NGOs, journalists, the private sector and the general public – for instance, through the creation of TV programmes and cartoons. However, former and present government authorities consulted for this case study mentioned that the general level of understanding of the GCF modalities and of country climate needs among the government and the general public is still relatively low.

The NDA plays a key role in the attribution of RPSP projects and in overseeing the GCF portfolio. The Ministry of Environment sends calls for proposals to different entities, collects CNs and proposals, and decides who can apply for grants. Any project in Armenia needs to be approved by the government before being implemented.

Overall, the NDA seems to be maintaining good relationships with AEs. However, there is conflicting evidence on the ease of work with the NDA. Some stakeholders mentioned openness from the NDA to discuss projects and new ideas, as well as the facility of working with the Ministry. Other stakeholders mentioned important challenges, partly due to the high turnover in the Ministry of Environment. In addition, concerns on transparency were raised by a limited number of stakeholders, who mentioned not being aware of the priorities and selection criteria for the RPSP.

The support provided by the GCF Secretariat for the preparation of RPSP projects needs to be improved to effectively foster country ownership. The process for obtaining RPSP grants has been described as difficult and challenging, although it is unclear if the difficulties come from the GCF or the engagement with the NDA. As discussed in the section 8 below, communication issues and lack of responsiveness from the GCF have been reported by all stakeholder types, as has a lack of timely feedback.

## 4. EFFECTIVENESS

Generally speaking, RPSP projects in Armenia are on track to achieve the five RPSP objectives to differing extents, as detailed below.

### a. Objective 1: Capacity-building for climate finance coordination

Stakeholders consulted confirmed that RPSP projects have contributed to improving the human, technical and institutional capacities of the NDA, AEs and nominated entities. However, the extent to which capacities were strengthened is still limited and more support is needed for the country to independently drive low-emission and climate-resilient projects and effectively engage with the GCF, a condition to achieving paradigm shift as per the RPSP theory of change.

For instance, EPIU established and implemented a no-objection procedure for the NDA and prepared guidelines to inform entities that may be interested in engaging with the GCF and becoming accredited. EPIU also conducted seminars and workshops for relevant stakeholders, both for increasing their knowledge on adaptation and mitigation, and on gender and social inclusion. Finally, EPIU identified candidates for accreditation that were nominated by the NDA. Two entities, one public and one private, are currently in the GCF accreditation process. R2E2 is a state entity that “creates favourable environment for the development of renewable energy and energy efficiency

sectors by introducing the best practice of sustainable energy” (R2E2, 2023). The ArmSwissBank is a private bank that covers all regions in Armenia. Its focus is on providing tailored support to businesses. The ArmSwissBank has over USD 1 million in investments in sustainable projects.<sup>10</sup>

Another RPSP project was designed and implemented by the ArmSwissBank to establish the capacities of the private sector for the design and utilization of green finance instruments. The DP realized a series of activities to reach this objective.<sup>11</sup> For example, they conducted a survey to understand international best practices in green finance. The DP also conducted capacity-building activities to inform financial institutions on implementation procedures for green and sustainable finance. Finally, the DP developed a road map that provides a strategic framework to mainstream green finance in the architecture of financial markets and mobilize private and public capital for green projects in Armenia (Biermann and Sukiasyan, 2022).

### **b. Objective 2: Strategies for climate finance implementation**

A few studies were conducted in the context of RPSP projects to understand better how climate change affects the country. However, there is no evidence that these studies have contributed significantly to the development of strategies to guide GCF investments. In fact, information collected during stakeholder consultations suggests that the government’s investment priorities are mostly determined based on climate change impacts observed on the ground, without being supported by studies.

For instance, UNDP realized a detailed study on the energy sector and adaptation. Results were disseminated to parliament to raise awareness and understanding of climate change impacts. EPIU also used funds to realize studies on Sevan Lake, which generated data on how people living around the lake are affected by its ecosystem degradation. However, in both cases, there is no evidence that the studies were used as an input in a GCF investment strategic process.

### **c. Objective 3: National adaptation plans and/or adaptation planning processes**

One RPSP project, “National Adaptation Plan (NAP) to advance medium and long-term adaptation planning in Armenia”, was used for the development of a NAP. At the time of the evaluation, the RPSP project had just been completed. According to the DP, UNDP, the readiness project enabled the delivery of an institutional framework on adaptation that was approved by the government. Regional sectoral plans were also created, with guidelines for developing community adaptation preparation plans.

### **d. Objective 4: Paradigm-shifting pipeline development**

In the past few years, the DAE developed and submitted two CNs to the GCF. The CNs are currently in a revision stage. Additionally, an IAE used some RPSP funds to develop two GCF proposals that have been submitted to the NDA.

According to the DAE, the two CNs it developed result directly from the RPSP support it benefited from as well as its staff’s skills developed during RPSP implementation. However, all stakeholder groups mentioned that more support is needed to improve their capacity to develop CNs and proposals that satisfy GCF requirements, as well as for project reporting.

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<sup>10</sup> Based on stakeholder consultations.

<sup>11</sup> For more details on the activities conducted in the context of the RPSP, see <https://greenfinancearmenia.am/>.

### **e. Objective 5: Knowledge-sharing and learning**

In Armenia, the level of awareness on climate change issues is rising. According to consulted stakeholders, this is mostly due to the effects of climate change becoming increasingly visible on the ground. However, a consulted expert in climate change mentioned that although the population is becoming aware of the impacts of climate change, they do not easily accept the need to change their habits and behaviour to counter these impacts.

All RPSP projects implemented in Armenia included activities aimed at increasing the level of awareness of different stakeholders regarding climate issues, from the government to the private sector, and to the general public. Different methods were used to reach different actors. For instance, UNDP developed a platform, TV programmes and cartoons on adaptation strategies in rural and urban contexts to reach NGOs, journalists, youth and the general public.

There is consensus among consulted stakeholders from the private sector and the government that although the private sector is needed for the country to implement a green transition, actors from the private sector still lack information and knowledge on climate finance tools, mechanisms and incentives to efficiently make their own investment choices. Indeed, while the RPSP enabled the private sector to establish capacities to some extent, as mentioned under objective 1, there is still a need for more knowledge-sharing and learning among private actors. Stakeholders from the private sector and AEs mentioned that, in order to interest the private sector in green projects, there is a need to make green instruments more appealing and to link them with economic incentives.

### **f. Enabling and hindering factors**

During stakeholder consultations, different factors were identified as enabling and hindering country progression across the five RPSP objectives.

In the past, Armenia has benefited from the work of very dedicated people in key positions in the government and in other organizations, who drove the country engagement with the GCF. This, combined with a rising political will to tackle climate challenges, is considered as an important factor explaining why Armenia has received stronger RPSP support compared to other countries in the region.

However, the staff turnover within the government is very high. For entities working with the NDA and EPIU, this creates challenges as they are unable to build strong relationships with key high-level people. In addition, new high-level people often come with their own priorities and may have less interest in the projects that were being planned or implemented by their predecessors.

This high turnover is partly due to low salaries offered in the public sector. Low salaries are also described as a significant roadblock for hiring creative and competent staff and experts in climate finance and other relevant fields. Therefore, public institutions in Armenia need to rely heavily on consultants. Another point is that the government does not provide co-financing easily, which creates challenges for the development and implementation of projects.

Finally, challenges in recent years such as the COVID-19 pandemic and the armed conflict with Azerbaijan in 2020 were referred to as hindering factors, as the government has prioritized addressing these challenges over dealing with climate issues.

### **g. Unexpected and unintended results**

There are no unexpected results reported for this case study.

### **h. Impact**

RPSP projects in Armenia have contributed to enhancing an enabling environment for climate finance, particularly through the development of institutional frameworks and engagement with the

private sector. However, the country's capacity to develop markets for green investment products is still limited. Without additional support and mechanisms to retain institutional memory, there is a low chance that RPSB projects implemented so far will result in long-term impacts. This was, in fact, recognized by several stakeholders from private, public and multilateral entities.

One example of the RPSB's influence on institutional frameworks is the establishment of the no-objection process, which is used to ensure that projects are aligned with country priorities. Another example is the development of the NAP. To develop the framework, UNDP engaged with different stakeholders, including the private sector, NGOs and public institutions. According to UNDP, the project also created awareness and interest inside the government regarding the importance of adaptation.

The RPSB was also used to prepare foundations for the private sector and other entities to engage with the GCF. This is important as engagement with the private sector is a cross-cutting strategy across all RPSB objectives. EPIU mapped and identified candidates for accreditation, including one candidate from the private sector, that were nominated by the NDA. EPIU also established procedures and guidelines, which can be applied or adapted to other agencies such as the AF, Global Environment Facility and the United Nations, as DPs and the NDA try to enlarge their partnerships. Finally, the recently approved RPSB project "Advancing programming and partnership framework with GCF and matching with country's long-term low-carbon development strategies" has been designed to build on previous achievements and address significant gaps, such as a lack of coordination between key strategic documents and frameworks and the capacity limitation of the DAE (Green Climate Fund, 2022). This indicates that, although Armenia is progressing, the country still has important barriers to climate finance to overcome.

## 5. PARADIGM SHIFT AND TRANSFORMATION

In Armenia, there are still several barriers to overcome and steps to address on the pathway leading to paradigm shift. As described in the sections on effectiveness and impact, progress is being made towards the five RPSB objectives, but no objectives have been fully addressed.

For instance, the RPSB contributed to mobilize the private sector, particularly the banking sector, but there are no strong indications that, apart from the DP, mobilized actors will remain involved. In addition, consulted stakeholders from the private sector mentioned that additional funding is needed to continue their engagement and generate more learnings before a paradigm shift towards green investments can be expected. Finally, consulted stakeholders from AEs reported that the duration of RPSB projects is not sufficient to push paradigm shift.

## 6. SUSTAINABILITY

Sustainability as an objective is embedded in Armenia's RPSB portfolio, mostly through capacity-building activities and the creation of different policies and guidelines. For instance, a nominated entity confirmed that the gender policy they developed in the context of the RPSB will be implemented and applied across the organization.

However, high turnover at the NDA and DAE generates institutional memory losses, as skills developed in the context of RPSB projects are not transferred to new staff. To make a project sustainable, capacity needs to remain when decision makers and staff change. As things stand now, it is frequent to see projects that have been developed to take three to five years being abandoned after a change in government.

In addition to high turnover, the lack of resources to take RPSB results forward after project termination represents a challenge to sustainability. For instance, while the RPSB project delivered

by UNDP enabled an institutional framework on adaptation as well as regional sectoral plans to be prepared, resources are needed for their implementation. According to consulted stakeholders, these resources have still not been identified. Another DP strongly insisted that timely resources should be provided by the GCF or other funders to ensure that the learnings that were initiated during the RPSP project continue and are built upon until the different actors have enough capacity to take their climate function forward independently, whether that be applying for, implementing, managing or reporting on investment projects.

There was no evidence of RPSP projects creating enduring partnerships across sectors and between stakeholders identified during the evaluation. However, it is still too early to conclude on partnerships' sustainability. Indeed, some collaborations were established: DPs and implementing entities worked with government authorities, the private sector, NGOs and scientists, among others. For instance, as a result of the RPSP, a DP believes it is in the process of positioning itself as a key partner on green finance in the Armenia banking sector.

## 7. GENDER AND SOCIAL INCLUSION

Stakeholder consultations revealed conflicting perceptions on gender issues in Armenia. According to some stakeholders, Armenia is a socially equal country and there is no difference in opportunities and restrictions between genders. Therefore, there is no need to include specific considerations in projects. Other stakeholders think that gender issues are not considered enough in RPSP project implementation and in projects in general, and that the understanding and the mainstreaming of gender considerations need to be strengthened inside government.

Nevertheless, all DPs confirmed that they received support from gender experts in the implementation of their RPSP project. This support was requested for different reasons. In some cases, it was to satisfy the GCF's requirements. In other cases, particularly for projects implemented by IAEs, gender equality and social inclusion support was included to satisfy the IAE's requirements.

In their design, the RPSP projects implemented in Armenia integrate gender equality and social inclusion components to different extents. Among the six projects, the one delivered by UNDP includes the most detailed gender equality and inclusion components and addresses all priority areas of the GCF's gender policy.<sup>12</sup> A few examples of activities undertaken in the context of this RPSP project include the DP working closely with an NGO to give visibility to a women's initiative and working with the Ministry of Education to train 150 regional teachers (mostly women) on climate change.

The other RPSP projects include components such as developing guidelines and tools on gender equality and social inclusion and integrating environmental and social safeguards and gender equality considerations in their activities. DPs confirmed that activities completed during RPSP projects include workshops and trainings focused on gender equality and social inclusion. One entity also developed a gender policy.

The recently approved RPSP project "Advancing programming and partnership framework with GCF and matching with country's long-term low-carbon development strategies" plans to build on progress made during the first RPSP implemented by the DAE to ensure gender-responsive

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<sup>12</sup> GCF gender policy priority areas, as per the RPSP proposal presented by UNDP, include (i) governance and institutional structure; (ii) operational guidelines; (iii) capacity-building; (iv) outputs, outcomes, impacts and paradigm-shift objectives used for monitoring, reporting and evaluation; (v) resource allocation and budgeting; and (vi) knowledge-generation and communications.

integration and social inclusion at all levels in the country, as per the national legislation on gender equality as well as the EPIU and GCF gender policies (Green Climate Fund, 2022).

According to a former government authority, Armenia still has a long way to go to remove patriarchal stereotypes in the country. Also, while there is a need for institutions to become more gender-responsive, it is also important to acknowledge the sociocultural aspect of countries to ensure that, in the short term, strict gender and inclusion requirements do not become an insurmountable obstacle to climate finance.

## 8. EFFICIENCY

All consulted stakeholders reported communication issues with the GCF, including important delays for receiving feedback and a lack of clarity in the GCF comments received. These communication issues have been described as slowing down the RPSP submission and delivery process, and as a roadblock to developing a pipeline of projects after the completion of RPSP projects. These delays are particularly problematic for decision makers as well as the private sector, who are not willing to wait for several months or years to see results. Long delays are also described as an additional roadblock for obtaining co-financing from the government.

Because of these delays, one consulted stakeholder questioned the relevance of one-year RPSPs and suggested that only three-year grants be offered. Another consulted stakeholder mentioned that, while there are pros and cons for one-year and three-year RPSP grants, there needs to be more clarity on each instrument.

Lack of flexibility from the GCF, particularly with regard to the budget, was also described by a few stakeholders as creating issues in RPSP project delivery. For instance, one entity explained that because of the COVID-19 pandemic and travel restrictions, they had some unused funds at the end of their RPSP project. The entity asked the GCF for an extension to use the funds, which was refused at first. Then, after rounds of discussion between the entity and the GCF, the GCF finally agreed to an extension. However, the time lost during these discussions resulted in the extension period being reduced.

Finally, physical distance and lack of regional representation and country visits by GCF staff are also considered as roadblocks for engaging with the GCF, in the context of the RPSP and other GCF programmes and modalities.

## C. CONCLUSIONS

In Armenia, the RPSP's objectives respond to the country's needs and priorities. The RPSP is seen as an opportunity for developing an enabling environment through establishing human, technical and institutional capacities for climate finance, increasing the pool of experts in the government, and improving and increasing the preparation of CNs and proposals to be submitted to the GCF.

Synergies or interlinkages between RPSP projects and other GCF programmes and modalities, including accreditation and concept note preparation, are present but limited. In addition, there is no evidence of RPSP projects facilitating engagement with other readiness-like support allocated by other organizations, or of additionality, cooperation, complementarity and synergies with the readiness activities of comparator organizations. In-country, there is some indication of collaboration between the different stakeholders interacting in the climate finance sphere.

RPSP projects in Armenia helped improve the capacity of national actors such as the NDA, DPs, the DAE and nominated entities to strengthen their respective roles and functions, contributing to country ownership. However, this is a work in progress and more capacity is needed for the country

to strongly own its climate finance functions. RPSP support has also strengthened stakeholders' capacity to engage in the programming process. However, it has done so to a limited extent as no FPs developed by the DAE have been approved yet by the GCF.

RPSP projects in Armenia are progressing towards the five RPSP objectives, although some objectives more so than others. RPSP projects have contributed to improving the human, technical and institutional capacities of the NDA, AEs and nominated entities, but less so those of the private sector. However, more capacity is needed for the country to independently drive low-emission and climate-resilient projects and effectively engage with the GCF. RPSP projects also enabled the development of an institutional framework on adaptation as well as regional sectoral plans to guide the development of community adaptation preparation plans. Two CNs were developed by the DAE and submitted to the GCF, and two others were developed by UNDP and submitted to the NDA. However, there is still an important need for studies to guide GCF investments and work to be done to raise the national level of awareness on climate change.

RPSP projects in Armenia have contributed to enhancing an enabling environment for climate finance, particularly through the development of institutional frameworks and engagement with the private sector. However, the country's capacity to develop markets for green investment products is still limited. In addition, while the RPSP contributed to mobilize the private sector, there are no strong indications that mobilized actors will remain involved. Additional funding and resources are needed to continue the engagement and generate more learnings before a paradigm shift towards green investments can be expected.

## APPENDIX 1–1. PORTFOLIO OVERVIEW

*Table A - 1.1. RPSP portfolio*

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
<b>Approved</b>								
1712-15010	National Adaptation Plan (NAP) to advance medium and long-term adaptation planning in Armenia	Approved	United Nations Development Programme (UNDP)	2017/02/14	2018/06/04	2,999,593	48 months	Framework
1705-14671	Establishing and Strengthening National Designated Authorities (NDAs) and Strategic frameworks for engagement with the Fund, including the preparation of country programmes	Approved	EPIU, State Agency of the Ministry of Nature Protection, Armenia	2016/03/30	2017/12/08	300,000	18 months	General
1909-15965	Scaling up Green Finance practices in the Republic of Armenia	Approved	ARMSWISSBANK	2019/09/26	2020/01/10	661,864	24 months	General
1910-15969	Readiness Support for accreditation gap assessment, capacity-building and pipeline development for potential accredited entity	Approved	R2E2	2019/08/31	2020/09/09	254,007	24 months	General
2106-16923	Advancing programming and partnership framework with GCF and matching with country's long-term low-carbon development strategies	Approved	EPIU, State Agency of the Ministry of Nature Protection, Armenia	2021/08/04	2022/12/22	197,031	18 months	General

Source: GCF Tableau server as of 1 June 2023.

Notes: \*Multi-country project

**Table A - 1.2. PPF portfolio**

NAME	AE	DATE OF APPROVAL/ SUBMISSION DATE
<b>Approved</b>		
2210-17330   Fueling Green Recovery in Armenia – advancing forest infrastructure and creating sustainable jobs for rural communities	EPIU	2022/04/12
<b>Pipeline</b>		
2302-17421   Climate change mitigation and strengthening adaptation capacities in the arid zone (Vayots Dzor) of the Republic of Armenia	EPIU	2023/02/07
2302-17443   Fueling Green Recovery in Armenia – advancing forest infrastructure and creating sustainable jobs for rural communities	EPIU	2023/02/07

Source: GCF Tableau server as of 1 June 2023.

**Table A - 1.3. FP pipeline**

NAME	AE	DATE OF APPROVAL/ SUBMISSION
<b>Approved</b>		
Forest resilience of Armenia, enhancing adaptation and rural green growth via mitigation	FAO	2020/08/21
High Impact Programme for the Corporate Sector*	EBRD	2020/08/21
Green Cities Facility*	EBRD	2018/10/20
GCF-EBRD SEFF Co-financing Programme*	EBRD	2016/10/14
De-Risking and Scaling-up Investment in Energy Efficient Building Retrofits	UNDP	2016/06/30
<b>FP</b>		
E-Mobility Programme	Asian Development Bank (ADB)	2021/06/21
<b>SAP CNs</b>		
Fueling Green Recovery in Armenia – advancing forest infrastructure and creating sustainable jobs for rural communities	EPIU	2021/11/24
Climate Change Mitigation and Strengthening Adaptation Capacities in the Arid Zone (Vayots Dzor) of the Republic of Armenia	EPIU	2023/02/01

Source: GCF Tableau server as of 1 June 2023.

Notes: \*Multi-country project

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## 2. BELIZE COUNTRY CASE STUDY REPORT



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## A. BACKGROUND AND CONTEXT

Insights that emerged from the case study on Belize, a Latin American country having received a high level of RPSP support, are presented below. Since the launch of the RPSP, 12 grants have been approved in Belize, with a total value of approximately USD 6.75 million and covering all five RPSP objectives. The country's portfolio as of 1 June 2023 is presented in Appendix 2–1.

### 1. OVERVIEW OF THE COUNTRY

#### a. Geography and demography

Belize is an independent Commonwealth country located in Central America. Occupying 22,960 km<sup>2</sup> (slightly larger than El Salvador), it is bounded by Guatemala to the west and south, Mexico to the north and the Caribbean to the east. Belize is identified as a small island developing State and is attached to the isthmus that connects North and South America. Belize is the only English-speaking country on the isthmus, and Belizeans identify with Central America and the Caribbean.

World Bank data for 2021 show the population of Belize at 400,031 and growing at a rate of 1.3 per cent per year (World Bank, 2023d). Population density was about 17 persons per km<sup>2</sup> of land in 2021, as compared to 14 persons in 2011 and 11 in 2001. This density is the lowest in Central America (World Bank, 2023c).

About half of the population is Latino with mixed Indigenous (mostly Maya) and European descent (Mestizo); Creoles make up 21 per cent of the population. The balance is Maya (11 per cent), Afro-Amerindian (Garifuna) (10 per cent) and mixed origin (5 per cent) (World Population Review, 2023). Life expectancy at birth is 68.2 years. Youth (0–14 yrs.) make up 28.2 per cent of the population (2021), down from 34.7 per cent in 2011 (Statista, 2023).

Just under half of the population live in urban areas, the largest of which is Belize City (61,461), which is on the coast. Five other cities have populations over 10,000, including Belmopan, the country's administrative capital (World Population Review, 2023).

Belize sits in the tropics, north of the Equator (between 15.9 and 18.5 degrees, north). From east to west, the country spans 100 km, while north to south, it spans 280 km. Much of its landmass is flat and low lying, with elevation rising from 1 metre along the country's 386 km<sup>2</sup> of marshy coastline and offshore islands, to 250 metres towards the north. The Maya Mountains, with elevations as high as 1,120 metres, run across the central and southwestern part of the country. They are a significant source for the network of rivers, creeks and lagoons that flow onto the northern lowlands and southern coastal plain (World Facts Index, n.d.).

#### b. Economy

Belize is classified as an upper-middle-income economy, having a per capita gross national income of USD 12,067 (final consumption expenditure, or local current unit (World Bank, 2023b)).<sup>13</sup> Key economic indicators have shown overall resilience and steady growth in recent years. GDP growth has averaged 2.7 per cent each year over the past decade (World Bank, 2023a). The country has consistently scored ~.7 on the UN Human Development Index (0–1.0) over the past 10 years, though

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<sup>13</sup> Upper-middle-income countries are classified by the World Bank as those countries with a per capita GNI of between USD 4,046 and USD 12,535.

its ranking has slipped somewhat (from 101 in 2011 to 123 in 2021) (United Nations Development Programme, 2023).<sup>14</sup>

In 2020, the country experienced a significant economic contraction (i.e. a 13.4 per cent drop in GDP) due to the global economic downturn caused by the COVID-19 pandemic (World Bank, 2023a). Figures for 2021, and projections beyond, signal an economic recovery. For example, unemployment, which peaked at 13.7 per cent in 2020, is 5 per cent as of October 2022 and is consistent with pre-pandemic trends (International Monetary Fund, 2023).

During the height of the pandemic, external debt peaked at 101 per cent of GDP, putting extraordinary strains on public spending. In 2022, the public debt was 64 per cent of GDP, with projections for a continuing decline in 2023. Significantly, a large component of this reduction in public debt is attributable to an historic debt-for-nature protection swap with the Nature Conservancy (International Monetary Fund, Western Hemisphere Department, 2023, p. 5).

Overall, the International Monetary Fund is projecting real GDP growth of 2.4 per cent in 2023 and 2 per cent over the medium term (International Monetary Fund, Western Hemisphere Dept., 2023, p.1). Much of this is attributable to a recovery in tourism. The country's service sector, the largest contributor to Belize's GDP (~60 per cent over the past 10 years), is again welcoming tourists. Visitor arrivals were 74 per cent of pre-pandemic levels in 2022 (International Monetary Fund, Western Hemisphere Department, 2023, p. 4).

Land suitable for agriculture makes up about 38 per cent of Belize's land area, and primary production agriculture (subsistence to mechanized) provides employment for about 16 per cent of the population (International Center for Tropical Agriculture, World Bank, 2018, p. 2). Combined, agriculture, forests and fishing have contributed between 6 per cent and 10 per cent of GDP annually over the past decade. Over the same period, industry has contributed between 13 per cent and 15 per cent of GDP and manufacturing about 7 per cent (World Bank Group, 2023).

### **c. Politics**

Belize is a parliamentary democracy in a constitutional monarchy. The Head of State is the British Monarch, represented in the country by a Governor General. The Head of Government is the Prime Minister, who is appointed by the Governor General based on the appointee's position as leader of the majority party or coalition in an electoral process. There is only one level of government, covering all six of Belize's districts. Each district is further divided into constituencies (31 in all). Through the country's electoral process, voters in each district send one representative to the House of Representatives for a five-year term.

There are two major political parties in Belize: the centre-left People's United Party and the centre-right United Democratic Party. A general election in 2020 put the People's United Party in power, with 26 of the 31 seats in the Belizean House of Representatives.

Belize is largely peaceful within its borders and, aside from a long-simmering border dispute with Guatemala, has not been actively engaged in conflict externally. In compliance with the results of a referendum held in each country, Belize's border dispute with Guatemala is currently being settled in the International Court of Justice.<sup>15</sup>

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<sup>14</sup> The Human Development Index is a summary measure of average achievement in dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living.

<sup>15</sup> Belize's Referendum Commission website provides a backgrounder on the conflict. See <http://www.belizereferendum.gov.bz/dispute/about>.

## 2. CLIMATE CHANGE CONTEXT

### a. Vulnerability

In the document Belize submitted to the UNFCCC in 2020 to update its climate change mitigation and adaptation commitments, the country is described as beset by droughts, floods, increased coastal erosion and changing precipitation patterns (Belize, 2021a).<sup>16</sup> The ND-GAIN Country Index rates Belize 114th, out of 182, in an index consisting of vulnerability and readiness indicators (University of Notre Dame, 2023).

Belize is disproportionately vulnerable by virtue of its small size (International Monetary Fund, 2016).<sup>17</sup> A World Bank study from 2016 estimated that the country's losses from hydro-meteorological disasters between 1994 and 2013 accounted for an annual average loss of 4 per cent of GDP (Carneiro, 2016, p. 7).

Climate change projections and trends of concern are highlighted in the WB and ADB Climate Risk Country Profile for Bhutan, released in 2021. They include the following:

- A temperature rise of between 2°C and 4°C by 2100
- Longer dry seasons
- More intense rainfalls
- Increased frequency of hurricanes
- Warmer sea surfaces and increased sea acidification

Specific threats are highlighted for the coastal lowlands, including the largest urban area, Belize city. These threats include a rise in sea levels, heavy precipitation and strong winds. Crops and livestock are subject to extreme temperatures and erratic precipitation, and the country's coral reefs and resident species are subject to warming temperatures. Export crops – most notably citrus, sugar, banana and fish – are faltering, in large part due to climate-related events.

### b. Emissions

Belize is a sink of GHG emissions on account of its forest cover. It maintains nearly half of its lands (and marine resources) under management arrangements (including 22.6 per cent as protected areas) (Belize, 2022a, p. 37). Yet, with continuing pressures to convert forest cover to grasslands and croplands, the country's energy sink status is vulnerable.

Energy demand is increasing as Belize's population grows and urbanizes. Emissions from energy industries, predominantly biomass burning associated with electricity production and the consumption of petroleum for transportation, are on the rise to varying degrees. Overall, energy sector GHG emissions have risen 57.5 per cent between 2012 and 2019. In the same period, GHG removals have fluctuated in ways attributable to observed disturbances to the forest cover (Belize, 2022a, p. 30).

### c. Public perception

A survey of public and private sector organizations carried out in 2021, and included in Belize's reporting to the UNFCCC, finds a generalized level of understanding of climate change impacts in Belize and some measure of adaptation. At the same time, a formalized understanding of

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<sup>16</sup> The document, Belize's updated nationally determined contribution, is discussed in the next section.

<sup>17</sup> The cited IMF policy paper points out that approximately 9 per cent of natural disasters in small states involve damage of more than 30 per cent of GDP, whereas in larger states the magnitude is usually under 1 per cent of GDP.

vulnerabilities and responses is lacking. Obstacles faced in becoming more formally engaged in climate action are related to limited funding, limited expertise to analyse relevant information, and limited human resources to implement activities (Belize, 2022a, pp. 129–37).

### 3. CLIMATE CHANGE POLICIES AND INSTITUTIONAL CONTEXT

#### a. Early 1990s – Belize signs the UNFCCC

Belize became a Party to the UNFCCC on 12 June 1992 and has been developing its national policy commitments since the Convention came into force in 1994. It submitted its first national communication to the UNFCCC in 2002. The document outlines the country's national circumstances, vulnerability to climate change, and efforts to mitigate emissions and adapt to the impacts of climate change. As a result, it serves as a baseline for understanding Belize's climate-related challenges and potential strategies (Belize, 2002).

#### b. 2010 – Long-range development planning integrates environmental sustainability

In 2010, the Ministry of Economic Development launched *Horizon 2030*, a long-term planning framework for the country intended to guide medium-term planning towards national goals and objectives. The framework emerged from a national grass-roots consultation combined with technical study. It firmly situates the natural environment as something to be “valued and protected as the basis for all economic activity”, with strategies to incorporate environmental sustainability into development planning, strengthen protected areas management, and promote green energy (Belize, 2010, pp. 34–35).

#### c. 2011 – Reporting progress to the UNFCCC

Belize's second national communication to the UNFCCC was published in 2011. In addition to reporting on national circumstances and GHG inventories (sources and sinks), the report describes mitigation activities related to power generation and sets out vulnerability assessments and adaptation strategies for the agricultural sector, the coastal zone, fisheries and aquaculture industries, the tourism and health sectors, and for Belize's water resources. The document reports on the still formative activities of the National Climate Change Committee, set up as a multidisciplinary group to advise on climate change, and it describes Belize's mitigation and adaptation responses to date (Belize, 2011).

#### d. 2013–2016 – Making climate commitments more concrete and the Paris Agreement

Two years later, the Government of Belize released its National Climate Resilience Investment Plan. This document follows up on Belize's commitment to integrate climate change, climate variability and disaster risk reduction considerations into national development planning. Led by the then Ministry of Finance and Economic Development, using a multi-stakeholder consultative process and a gender-sensitive lens, it identifies strategic interventions (physical, non-physical and policy/regulatory) across multiple sectors for climate resilience (Belize, 2013).

In 2014, Belize launched its first National Climate Change Policy, Strategy and Action Plan (NCCPSAP), for the period 2015–2020. This is a comprehensive document drawing on available climate change modelling, predictions, and contemporary understandings of sector vulnerabilities. For this, the country received support from the Global Environment Facility (GEF) to undertake a technology needs assessment specifically designed to identify relevant climate technologies and capacity-building. The NCCPSAP includes a draft national climate change policy as well as a

strategy and action plans for multiple sectors. The document also describes institutional arrangements and management mechanisms (Belize, 2014).

The NCCPSAP set the stage to develop Belize's INDC and communicate it to the UNFCCC. This occurred in 2015, ahead of the country's ratifying of the Paris Agreement a year later (Belize, 2015). Upon ratification, the country submitted its first NDC plan to the UNFCCC. As per the Paris Agreement, the NDC set out Belize's specific GHG emissions reductions targets and actions to be taken to build climate resilience. As well, in 2016, it submitted its third national communication to the UNFCCC, updating on national circumstances, describing trends in Belize's GHG emissions and sinks, updating vulnerability assessments and profiling adaptation initiatives, describing the country's evolving policy and regulatory landscape, and highlighting financial and technical gaps and capacity requirements (Belize, 2016).

#### **e. 2020 – Deepening UNFCCC commitments; specifying a climate finance strategy**

In 2020, Belize issued its first biennial update report to the UNFCCC, updating the content of its periodic communications reports with an analysis of mitigation actions and their GHG impacts to date, along with an appraisal of additional mitigation potential and related technology options over a time-horizon extending to 2033 (Belize, 2020). Then, the following year, ahead of the twenty-sixth UNFCCC Conference of the Parties (commonly known as COP26), Belize submitted its second NDC. As expected of signatories, Belize increased its emissions reduction and adaptation ambitions, expanding targets and widening the scope of coverage with enhanced specificity and measurement. The document assesses a cost for meeting its targets and describes steps taken to develop a climate finance strategy (Belize, 2021a). The "Climate Finance Strategy of Belize 2021–2026" is itself published separately, through a partnership led by the Commonwealth Secretariat. For the mobilization of climate finance (private sector investment and international finance utilizing a range of innovative models), the document provides direction on stakeholder inclusion, capacity-building and partnership development, integrated programme/project pipeline development, and the creation of a comprehensive reporting and verification system (Belize, 2021c).

In addition to preparing NDCs, the UNFCCC urges Parties "to formulate and communicate long-term low GHG emission development strategies".<sup>18</sup> The intent of this high-level, country-derived instrument is to merge climate change action communicated in the NDC with national development planning. The Belize low-emissions development strategy was published in 2021. In timescale, it matches the *Horizon 2030* vision document, although it has areas of misalignment in coverage with this older document and recommends revisions for the *Horizon 2030* vision to continue to serve as the larger framework for the country's medium-term planning. At the same time, the low-emissions development strategy is to provide the framework for the NCCPSAP, which sets out Belize's five-year plans for climate change mitigation and adaptation (Belize, 2021b). The latest, and current, version of the latter document was completed in December 2021 for the period 2021–2025. It is synchronized with the updated NDC and it integrates the above-mentioned climate finance strategy (Belize, Ministry of Sustainable Development, Climate Change and Disaster Risk Management, n.d.).

In 2022, Belize issued its fourth national communication to the UNFCCC. This document updates the biennial update (2020) and the third national communication (2016). In relation to the former, the document provides GHG emissions data, by sector, for the years 2018 and 2019. It also shares

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<sup>18</sup> The UNFCCC website provides a long-term strategies portal, available at <https://unfccc.int/process/the-paris-agreement/long-term-strategies>.

the results of a survey of stakeholder organizations that probed for applied knowledge of climate change adaptation (Belize, 2022a).

Under the leadership of the National Climate Change Office (NCCO) and with the technical and financial assistance of the Initiative for Climate Action and Transparency, work is progressing on a new system for climate data capture, the national monitoring, reporting and verification (MRV) system. The system will enable tracking across the country's various climate frameworks (Belize, Ministry of Sustainable Development, Climate Change and Disaster Risk Management, n.d.).

#### 4. INSTITUTIONAL ARRANGEMENTS AND IN-COUNTRY DELIVERY PARTNERS

##### a. Anchoring of NDA at the Ministry of Economic Development

Since 2015, the NDA role has been assigned within the Ministry of Finance, Economic Development & Investment (MFEDI). The NDA resides alongside the Ministry's Policy and Planning Unit (PPU), which leads responsibilities for the country's development planning process, its national budget preparation, its Public Sector Investment Programme (PSIP) and its coordination of bilateral and multilateral assistance. In January 2022, the Government of Belize announced the creation of the Climate Finance Unit (CFU), which was to act as the Secretariat of the NDA and coordinate processes to access climate finance. The unit is to operationalize the country's climate finance strategy, acting as a "clearing hub" for climate proposals and projects in Belize (including those under the RPSP), facilitating and coordinating the involvement of government ministries, the private sector and civil society partners.

Externally, the CFU is to lead Belize's international climate finance advocacy and networking. At the time of writing, MED is the designated authority for the GCF and the AF, and the political focal point for the GEF.<sup>19</sup> Activities in relation to the former are shaped by Belize's GCF country programme, which establishes the basis for the country's engagement with the Fund.

##### b. Climate finance coordination mechanism

The NDA is supported in its function by the Belize National Climate Change Committee (BNCCC), an interministerial body comprising CEO-level members across key ministries, along with representatives of the private sector, civil society and academia. This body was created in 2009 to advise government on its responsibilities and commitments under the UNFCCC and to drive implementation of the country's climate change policy and planning. The BNCCC reports to Cabinet through the Ministry of Sustainable Development, Climate Change and Disaster Risk Management (MSDCCDRM), which coordinates and implements Belize's climate change and mitigation policies. The BNCCC's role is, in turn, supported by the NCCO, housed as a unit within the MSDCCDRM.

As Belize's climate change commitments and responsibilities have intensified, the NDA function matured and the profile of climate finance increased, the BNCCC has taken on additional roles and made structural adjustments. At the time of writing, the BNCCC is chaired by MSDCCDRM and vice-chaired by MFEDI. A streamlined structure of two subcommittees is in formation – one technical, one focused on climate finance. Regarding the GCF, specifically, the BNCCC is to implement the Fund's no-objection procedures for projects and CNs as well as its nomination

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<sup>19</sup> In the GEF system, political focal points are responsible for GEF governance issues and policies and communications with their constituencies. Operational focal points are responsible for reviewing project ideas and concepts, to endorse their consistency with respect to the national programs and priorities, to facilitate broad consultation among involved stakeholders, and to provide feedback on GEF activities in the country.

procedures for national entity accreditation and for prospective DPs for readiness support. More broadly, the Committee is to provide oversight on the use and impact of funded activities and play an advisory role to country stakeholders, to “provide guidance for the coherent and coordinated acquisition, management, and use of climate finance” (Belize, 2022b, p. 63).

### **c. Climate finance actors in Belize**

The community of actors engaged in the delivery of GCF supported activities, including readiness programming, is diverse in scope and scale. Belize’s single national DAE, the Protected Areas Conservation Trust (PACT), was accredited in October 2018. Two prospective DAEs are presently engaged in GCF accreditation: the Belize Social Investment Fund (BSIF) and the Development Finance Corporation (DFC). Three regional AEs with DP roles are the Caribbean Community Climate Change Centre (CCCCC), the Caribbean Development Bank (CDB) and the Central American Bank for Economic Integration. Beyond the region, Belize counts 16 international AEs with some form of engagement. Those most actively engaged in project development are the Food and Agriculture Organization of the United Nations (FAO), the Inter-American Development Bank, the International Fund for Agricultural Development (IFAD), the United Nations Development Programme and the World Wildlife Fund.

Other non-accredited entities have been nominated by the NDA and cleared by the GCF to undertake readiness activities in Belize as DPs.<sup>20</sup> To date, three such entities have taken on readiness roles in Belize: the Caribbean Natural Resources Institute (CANARI), the Caribbean Community [CARICOM] Development Fund and PricewaterhouseCoopers.

By design, the RPSP is expected to support the creation of these institutional arrangements and then to rely on the actors and processes to support the country in accessing climate finance.

## **B. KEY FINDINGS**

### **1. RELEVANCE AND RESPONSIVENESS**

#### **a. Profile of country needs/gaps**

Consistently, Belize’s climate finance stakeholders perceive the RPSP to have been important in the set-up of the country’s systems and processes for integrating climate finance with the country’s national development ambitions. On Belize’s pathway of deepening commitment to climate action, described in section A, the RPSP has been its single-largest source of support for the essential tasks of setting the institutional arrangements in place and building capacities to access climate finance; building a stakeholder constituency across government and into the private sector and civil society; supporting the integration of national climate commitments (mitigation and adaptation) into the country’s development planning architecture; deepening understanding of climate-related vulnerabilities and developing adaptation plans; and showing country stakeholders a way to build climate action ideas into strategically aligned CNs and full proposals. Belize’s portfolio of 12 readiness projects covers these bases. The public profile of the RPSP in Belize is comparable to that of the country’s full funded project currently under way.<sup>21</sup> Its differential in financial value is counterbalanced by the breadth of its reach across multiple sectors.

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<sup>20</sup> Nominated DPs must clear the GCF’s financial management capacity assessment, which assesses legal and fiduciary aspects as well as project management capacities.

<sup>21</sup> FP101 – Resilient Rural Belize (Be-Resilient) is an adaptation focused, seven-year, USD 20 million co-financed project, approved in 2019 and implemented by IFAD. The project is to develop climate-proof selected value chains (six vegetable,

The variety of country needs/gaps are expressed in Belize's readiness project portfolio, as set out in Table A - 2.4. The data are drawn from a combination of project documents and key informant interviews and are organized under headings that correspond to the RPSP objectives.<sup>22</sup> Projects may be cited multiple times to account for components that address discrete needs/gaps.

The table shows almost USD 5.7 million allocated across 12 readiness projects to address stated country needs/gaps.<sup>23</sup> Nearly half (~47 per cent) of this amount has been dedicated to addressing the tasks of setting up infrastructure for implementing climate finance activities in Belize. These fall under RPSP outcomes 1 and 2. At the same time, the profile demonstrates programming that goes beyond addressing those foundational needs/gaps. Well over a third (~37 per cent) of budgeted country-level readiness resources have been directed towards national adaptation planning to address an underdeveloped capacity in the country to marshal a coordinated, evidence-based response to the country's known climate vulnerabilities. Another sum, approaching a third of the total allocation (~27 per cent), has been set aside to address an historic reliance on outside implementing entities and to build up homegrown resources (public/private sector and non-governmental) with the advantages they bring to the work. And, so far, about 15 per cent of allocations have been directed towards the assembly of project concepts to feed a climate finance pipeline.

Allocations for the cross-cutting, knowledge-sharing and learning component (objective 5) are underrepresented in Table A - 2.4. Only one project has expressly identified objective 5 as a budget category, though it is clear in the project narratives that knowledge resources are being produced and shared.

As well, country needs/gaps have been identified and picked up in regional readiness activities implemented by international or regional AEs. In most instances, the topic areas have been shaped through regional deliberation (i.e. internally through the GCF's structured dialogue process or externally through, for example, CARICOM). Early on (2017), a regional structured dialogue spotlighted inadequate capacity across the Caribbean to identify, develop and implement projects for the GCF country stakeholders. Out of this came a readiness project geared to strengthening the CCCCC support role in this regard. A year later, another regional project emerged out of a structured dialogue, this time to address what was perceived to be limited civil society engagement and capacity vis-à-vis accessing climate finance across the region. In this instance, the AE, CANARI, served as the implementing partner.

In the vein of strengthening the systems and processes for climate finance, two additional needs/gaps have emerged through multi-country dialogues and been operationalized as regional readiness activities:

- The absence of a common climate finance MRV framework and system in the region, leading to an increased risk of duplication of effort in use of climate finance resources and of compromised negotiations under the UNFCCC, has been taken forward in a project led by the CARICOM Development Fund.
- The relative newness of the direct access modality championed by the AF and the GCF warrants a sharing of best-practice approaches for complementary, country-driven climate

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one fruit, and bee keeping) for smallholder farmers. A second multi-country project, FP180 – Global Fund for Coral Reefs Investment Window, has not taken up activities in Belize.

<sup>22</sup> Readiness project documents for the Belize portfolio can be accessed at <https://www.greenclimate.fund/publications/documents>.

<sup>23</sup> The figure of USD 5.66 million does not include project management costs and DP fees.

finance, which has been taken forward in a multi-country project implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

Some of the needs/gaps identified through regional processes and operationalized as regional readiness activities have been less focused on the processes of climate finance and more focused by sector on substantive adaptation and mitigation issues, as follows:

- An inability to access finance, which is detrimental to private sector participation in renewable energy and energy efficiency projects.
- Increasing exposure to droughts, floods, hurricanes and landslides, and inadequate national capacity to provide early warning support.
- Traditional methods of savanna fire management breaking down with changing weather patterns, population pressures and regulatory constraints – with mounting losses.
- Missing components (resources, analyses and institutional capacities) within the governments of Belize and other Central American countries to leverage climate financing to implement a nature-based, climate change solutions strategy for Mesoamerica's Five Great Forests.
- Climate change effects on public health and well-being are not sufficiently factored into health policies and programming, and health actors are not well connected to climate change processes.

All told, 10 regional readiness projects involving Belize as one among the recipient countries have been active during the evaluation period. These projects are valued at about USD 7 million.<sup>24</sup> Resources have been allocated predominantly (~80 per cent) under the RPSP's country capacity and strategies objectives (objectives 1 and 2), with most of the remainder (~17 per cent) under pipeline development (objective 4).<sup>25</sup> Overall, the project profile illustrates the broad scope of the RPSP in Belize, addressing gaps/needs associated with infrastructure for climate finance governance, the consolidation of stakeholder constituencies, and sectoral needs/opportunities related to climate change adaptation and mitigation.

## **b. Country processes**

Over time, readiness programming has become integrated with the national planning and budgeting process described in section A.4. Through an iterative process that continues to be refined by the CFU, readiness ideas advanced by DPs are reviewed for alignment with national strategies in consultation with focal ministries. They are dispatched to the GCF by the NDA, with the blessing of the relevant ministry or agency. Once approved by the GCF, they are registered and tracked by the CFU. As project funds are dispersed to support implementation, they are also tracked as part of Belize's PSIP, which is managed by the PPU at the MED. Readiness fund allocations are featured in national budget reporting under relevant sectoral classifications in the PSIP report.

The RPSP portfolio is a product of blending strategic and responsive approaches by the NDA. Foremost, strategy is evident in the NDA's use of readiness resources to integrate climate finance into the country's national planning and budgeting process. A strategic orientation is also evident in the NDA's use of readiness to advance national entities for accreditation and active engagement as DPs: PACT for its reach and capability in the realm of conservation; DFC for its connectedness to the country's private sector as a financier; BSIF for its wide-spectrum engagement in livelihoods; and, most recently, the MED, itself, as an experienced driver of public sector investment.

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<sup>24</sup> As with single-country readiness projects, this outlay of resources does not include project management costs and DP fees. As well, it does not factor in budget information for the Community of Practice for Direct Access Entities.

<sup>25</sup> The budgets of regional readiness project documents do not specify allocations by country.

In the area of outreach, a strategic orientation is evident in the NDA's targeting of intermediary organizations, including CSO networks, chambers of commerce, industry/producers' associations and other selected additional organizations known for their interest and capacity from earlier public engagement associated with the country's medium-term plan.<sup>26</sup> As well, the NDA brings to the table the climate-relevant strategies, policies and national commitments that bear on its endorsement of readiness proposals.<sup>27</sup> By contrast, the NDA's responsive orientation is most evident in the latitude it ultimately gives stakeholders and DPs to pitch readiness ideas. This is where the NDA is more facilitative than directive.

### c. Stakeholder experience

The relevance of the RPSP to stakeholder groups is illustrated in the following vignettes.

- **From leaders of a CSO network dedicated to the conservation of protected areas:** Fifteen member organizations of assorted sizes and levels of organizational sophistication are tapped into conversations with the NDA and engaged in concept note development. Readiness “is giving us a voice on conservation matters”. In the mountains of the Stann Creek district, the leader of one member organization working on watershed management, species protection and eco-tourism describes his community's historic livelihood dependence on nearby citrus farms that are reeling from declining harvests.<sup>28</sup> What is evident in the conversation is the potential for the NDA to use readiness resources to bridge two constituency groups directly affected by the same climate change phenomena.
- **From officials of the ministry with lead responsibilities for social development policy and programming with indigenous peoples:** The highest levels of poverty and displacement in Belize are among indigenous peoples. Migration to urban centres is increasing. There, lack of access to services (particularly for women and children) makes indigenous peoples vulnerable. At the same time, the intersection of indigenous peoples and the environment is under-explored; indigenous peoples originate where the forest cover is greatest. There is ample room for readiness programming – for example, in socializing relevant environmental and social safeguards and, in particular, customary rights, and in building capacities to pursue conservation-based livelihoods. Its presence can legitimize claims and build assurances in affected communities that, as one interviewee put it, “someone has our back”.
- **From the organizers of readiness-funded outreach to the private sector:** Small- and medium-sized enterprise owners, predominant in the make-up of Belize's private sector, are varied in their understanding of climate change. Only a few see market opportunities in climate-smart business development; most see hurdles, such as high input costs, regulatory barriers and poor access to credit. To be exposed to the proposition that climate finance can be

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<sup>26</sup> Strategic choices in NDA partnering and outreach included the broad-based Belize Chamber of Commerce and major agricultural industries: sugar cane, banana and citrus – very large employers all mostly using rain-fed production methods and therefore susceptible to climate change variability (heat/aridity and pests/disease). From civil society, a strategic choice was to engage the Association of Protected Areas Management Organizations on the basis that a considerable proportion of terrestrial and marine territory is protected and increasingly subject to encroachment. According to the Protected Planet data base (September 2023), there are 120 protected areas in Belize, 65 of which have management effectiveness evaluations. Protection is available to 37.6% of terrestrial and inland waters, and 11.0% of marine and coastal areas. See <https://www.protectedplanet.net/country/BLZ>.

<sup>27</sup> For example, several regional readiness projects have emerged out of CARICOM processes where needs have been articulated and regional commitments made. One such project, “Enhancing Climate Change Resilience of Health Systems in seven CARICOM states”, emerges from the Caribbean Action Plan on Health and Climate Change (2019) agreed upon by the region's ministers of health, environment and climate change.

<sup>28</sup> Citrus harvests in Belize and in other countries have declined precipitously over the past 10 years on account of a phenomenon called citrus greening, spread by a disease-infected psyllid. For further information, see <https://edition.channel5belize.com/archives/192763>.

accessed in useful and gainful ways is a critical first step that reduces intimidation and increases appetite.

By design, the RPSP is to contribute towards the institutional structures, operational frameworks and investment strategies for climate-responsive planning and development; systemically change stakeholder perceptions, knowledge, behaviour and attitudes; enhance country ownership and oversight of whole programmatic approaches to climate change; and enable environments (e.g. policy and market related) for stakeholders to address climate change.<sup>29</sup> In general terms, Belize stakeholders see the present scope of readiness support aligned with this ambition and appreciate the relatively quick access they have to funds and technical assistance support. At the same time, two observations have surfaced that signal potential to diminish relevance and dampen the RPSP's contribution to the above-mentioned transformations:

- Readiness activities are not (yet) addressing “big” national capacity issues that are slowing the country’s pathways towards a climate-resilient future. Top of mind for attention is a countrywide paucity of skill sets (technical and managerial) to put climate finance to work. Alongside this is an overarching lack of Belize-specific applied research capacity to address contemporary, climate-related losses to ecological integrity, economic production and livelihoods. Stakeholders do not see a place to address applied research gaps under the five programme objectives. A contributing factor to this perceived mismatching of resources to needs is the competitive nature of the readiness funding process, centred as it is around the DP. A second contributing factor is the absence of a national readiness needs analysis to guide NDA decision-making on allocations.
- In some instances, use of readiness resources is unwittingly raising expectations and setting in motion engagement processes with national stakeholders that go very slowly or break down altogether. This is most evident through the readiness support provided to entities pursuing GCF accreditation, and in the preparation of CNs. Having been in the accreditation process for several years, one actor exclaimed, “The time it is taking to get projects on the ground is a problem; with climate change, the time is now!” Others, commenting on the, so far, fruitless progress with CNs asked rhetorically, “Is this just an academic exercise?”

## 2. COHERENCE AND COMPLEMENTARITY

### a. Internal coherence

#### i. *Strategic sequencing*

From its beginning, the implementation of readiness programming in Belize shows strategic sequencing, with strong support coming from regional entities:

- (2017) An initial country readiness activity focused on strengthening the NDA, creating a national coordination mechanism, and engaging national stakeholders in the process of developing a country programme
- (2017) Capacity support to the CCCCC, as the regional AE/DP providing foundational support to Belize and other CARICOM countries
- (2017–2019) NDA nomination of and GCF readiness support for three national entities with discrete and complementary mandate areas – PACT with protected areas; DFC with financing

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<sup>29</sup> This is a paraphrasing of the RPSP programmatic outcomes. These flow from the five objectives of the RPSP as later-stage results over which the programme has an indirect influence or a contributory effect.

for micro-, small- and medium-sized enterprises (MSMEs); and BSIF with poverty alleviation – the choice of PACT being influenced by the accreditation it already had to the AF

- (2019) Engagement of CDB to bring regional (multilateral development bank) banking/investment expertise to the DFC to support its accreditation process
- (2019–ongoing) Utilization of specialist global/regional entities to develop climate change responses on specific topics – for example, fire management (International Savanna Fire Management Initiative); civil society engagement in climate finance (CANARI), and integrating climate resilience into health systems strengthening (WHO)
- (2021–ongoing) Utilization of PACT as the first (and still only) DAE to provide BSIF and MED with accreditation support and to lead the integrated water resources management national adaptation plan (NAP)
- (2021) Decision to opt for the experience of the FAO for leadership in the development of the highly complex coastal zone and fisheries NAP
- (2021) Participation in a multi-country readiness initiative to bring DAEs into a community of practice that also supports exchange and learning across GCF and AF investments

### *ii. Regional and country complementarity*

For Belize stakeholders, the regional readiness modality carries opportunities for stakeholders to address common issues in a coordinated manner, with shared resources and accompanying potential for learning across comparable programming landscapes. As shown above, it has been critical to the development of national institutions. Within their domain of expertise, regional AEs maintain a higher-than-national bird's eye view of climate action needs and relevant actors.

At the same time, opting-in to a regional project represents a choice for NDAs to forgo using those readiness resources domestically, since there is only one readiness pot from which countries and regional AEs can draw. Increasingly, since 2020, this has become a factor for Belize as in-country demand for readiness resources has increased.

Key informants suggest that there is ample scope to synergize regional and national readiness for greater overall impact. This could occur through accounting for the variable utilization of readiness programming across the region, with more scope to opt-in on an annual basis when countries underspend within their own parameters. Several countries in the Caribbean do not use readiness support at all. The use of more flexible, multi-year funding – and even a dedicated regional window – warrants consideration, with the proviso that country and regional readiness needs assessments be tightly orchestrated with a predetermined idea of themes/situations that can best be addressed through each modality. Reflecting on the question of what makes for optimal regional–country synergy, one key informant observed that it is more time-consuming/expensive to mobilize projects from within a (regional) programme framework, than to do the opposite – that is, to create a programmatic approach out of a set of project ideas emanating from individual countries.<sup>30</sup>

### *iii. Connectedness with the GCF*

The NDA maintains a single point of contact with the GCF through the Secretariat-based regional desk of the Division of Country Partnerships. As a result, relations with the various other divisions at the Secretariat are mediated. This arrangement is considered functional, although time zone

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<sup>30</sup> For example, there would be something gained by pulling together project ideas related to storm surge protection. Currently, the regional AE CCCCC is supporting a Storm Surge Coastal Risk Atlas for the Bahamas (see <https://www.hrwallingford.com/news/storm-surge-atlas-brings-hope-hurricane-hit-islands>). This project, using LiDAR technologies, has wide application in the region. There would not be much incentive for the AE to be funded programmatically unless there were already well-developed project concepts to work with.

differences with South Korea and a certain remoteness from country realities are recognized as constraints.

At present, one Belize CSO, the Ya'Axche Trust, participates as a GCF accredited observer. No private sector organizations are registered currently.

To the extent that the RPS and the Project Preparation Facility (PPF) assist in the development of a climate action project pipeline, there is an expectation among stakeholders that the two mechanisms should be more seamlessly attached and coordinated. Instead, the perception is one of dislocation. On the one hand, readiness is seen as easy to access but seemingly insufficient to establish a robust project concept. On the other hand, the PPF is harder to access, is technically focused, and is subject to a considerable amount of review and revision surrounding questions of "climate rationale". More harmonization between the two mechanisms is warranted, stakeholders feel.

#### *iv. GCF country programme*

In its structure, Belize's GCF country programme (CP) is consistent with the initial general guidelines provided by the GCF in 2014, as well as those elaborated and issued in early 2021. The CP describes the development and climate context, Belize's climate change response through national frameworks and action plans, the key national entities and coordination mechanisms in place to address climate issues, institutional arrangements for Belize's engagement with the GCF, and a portfolio of projects at various stages of development as the focus for attention in the four-year time frame.

Belize has been through three cycles of developing its GCF CP since 2019. It considers it to be a "living document". The current version of the CP (2022–2026) is available online and in hard copy.<sup>31</sup> More than 200 pages in length, it is a rich synthesis of all the elements mentioned above, and it is synchronized with the country's "#planBelize Medium-Term Development Strategy 2022–2026" (PBMTDS) (Belize, Ministry of Economic Development, 2022).

The climate strategy is integrated in the PBMTDS, including the commitments made in the 2021 update of Belize's NDC. The strategy and commitments are also embodied in the updated NCCPSAP for 2021–2025.

Pertinent to readiness specifically, the CP includes a landscape-level gap analysis that highlights areas where readiness support either does or could play a supportive role. However, the analysis of readiness that is called for stops short of relating, sequencing or prioritizing among these items. Clustered under the headings of institutional strengthening and existing policy framework, financing needs across mitigation and adaptation, capacity needs of existing actors (public and private sector), and technology needs, the issues identified appear to be calling for a combination of entity, industry, sector and country system responses.

Readiness proposals submitted to the NDA by DPs for consideration include readiness "rationales" specific to the entity and addressing pre-accreditation capacity gaps, and/or or the industry/sector engaging stakeholders to conceptualize solutions pathways specific to the proponent's realm of involvement. Before being cleared for submission to the GCF, patterns of consistency are to be observed between the content of these readiness projects, on the one hand, and the gaps and strategies identified at the landscape level, on the other. It is not entirely clear how through this largely responsive mechanism proposals might emerge that span whole sectors or tackle readiness at a national scale.

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<sup>31</sup> The document can be accessed at <https://www.greenclimate.fund/document/belize-country-programme>.

Section 1.c above highlights, as a readiness need, a nationwide paucity of skill sets to manage activities that address the country's commitments under the UNFCCC. It also draws attention to the country's lack of applied research capacity. Other country readiness issues named by stakeholders include the modernization of legal frameworks and regulations and other variables that enable or frustrate climate action. Overall, stakeholders caution that the RPSP should be directed more squarely on low-cost, high-leverage solutions to address priority "bottlenecks".

#### *v. The role of academia*

In relation to the human resources and applied research gaps that have been identified, academia has been largely missing from climate finance development in Belize, at least in a formal sense. This signals a missed opportunity to address the country's human resource needs. However, at the time of writing, there are signals that this is about to change.

To date, faculty members have been involved in various initiatives, but often without the backing of their institution. University leaders in the country see roles to be played in curriculum development, instruction, certification and research support. They point to their in-house human resources, their decentralized physical infrastructure and their external linkages, and they reference the regional institution CATIE – Solutions for Inclusive Green Development as a model and a potential resource for Belize. As well, the country's Resilient Rural Belize (Be-Resilient) funded project is suggested for its potential to be a "learning lab" on a variety of project implementation practice areas, among them stakeholder engagement; application of free, prior and informed consent (FPIC); applied research (agriculture related); value chain dynamics; and project cycle management. As a funded project, it brings together a set of stakeholder communities, an implementation team, formal and non-formal teaching/learning infrastructure, and project resources around a climate priority.

#### *vi. National coordination*

As noted in the previous section, the BNCCC exists to advise the Government of Belize on its commitments under the UNFCCC, and to coordinate implementation of the NCCPSAP. Readiness support provided in 2020 and 2021 has yet to result in the BNCCC and its subcommittees becoming fully operational vis-à-vis its climate finance roles. By many accounts, the functioning of its technical subcommittee, mandated to review CNs and provide general oversight in implementation, has faltered under heavy workloads and competing demands on senior staff agendas. Some point to insufficient leadership. COVID-related restrictions are also mentioned as a contributing factor.

Without a fully functioning coordination mechanism, a default pattern has been to shift the locus of coordination to the project steering committee level, which is said to put additional stresses on ministry executives and senior managers. As part of this, there is also mention of an improper matching of decision-making tasks (political and technical) with governance mandates.

An overarching observation from stakeholders is that the task of establishing a national coordination mechanism for climate finance governance is a foundational yet highly complex undertaking for readiness support, particularly in situations where the NDA role is institutionally discrete from the climate leadership role in government. Finding mutuality in the working relationship between the NDA and the NCCO has reportedly been a challenge, although this situation is improving at the time of writing. Historically, the NCCO has not been aware of the amounts in the readiness budget when making decisions on readiness projects, nor has it been satisfied that readiness investments are sufficiently tied to climate strategy. As well, working within annual planning cycles has been restrictive. Biweekly meetings are now being held with the intention to undertake joint work planning. In addition to putting the national coordination function on a good footing, the NDA and NCCO are working out how best to integrate their respective monitoring and external communications functions.

Currently, the MED is considering a bid to become an AE in its own right. The rationale for this centre on the possibility that the Ministry, as a DAE capable of formulating winning projects, could provide climate finance leadership, particularly within the public sector, that is currently beyond its reach as an NDA. Conflict of interest concerns are broadly recognized (including with the NDA), with acknowledgement that structural adjustments would have to be made to ensure that the integrity of the NDA role is preserved. A precedent for an NDA becoming a DAE already exists in the region.

### *vii. Programmatic approaches*

To date, Belize has not ventured into programmatic approaches, deciding that its own NDA capacities to address accompanying management requirements have been insufficient. Now with new national budget allocations to the CFU, including to support a monitoring and evaluation (M&E) function, this is a possibility for the next cycle. The dimensions of the GCF's programmatic approach for the RPSP have not been thoroughly explained to the NDA, as yet. What is understood is that the introduction of a three-year time-horizon on readiness programming provides more scope for sector/country analysis and multiple linked initiatives.

### *viii. Monitoring and results tracking*

Up until the beginning of 2023, staffing limitations constrained the NDA's ability to track its readiness investments. This is now being remedied. The NDA perceived the lack of tracking tools as a vulnerability. In part this is because the Ministry needed to be able to report on the climate finance contribution to the country's PSIP and, in part, because Belize had already faced criticism for poor implementation on International Monetary Fund (IMF) supported projects. On the latter, the NDA wanted to address criticism by demonstrating capability.

As an initial step, the newly hired M&E officer set up a spreadsheet on tracking flows by sector, core activities, amounts and beneficiaries, with an accompanying format to capture stories. In the present arrangement, the M&E officer reports weekly to the CEO, flagging operational questions that require follow-up. As well, the officer reviews DP interim and completion reports. Integration of this rudimentary system into the more sophisticated, outcomes-focused national MRV system will occur in concert with the NCCO.

NDA tracking of outreach and training activities has been confined to participation and satisfaction metrics. Consultations are informing the NDA on public messaging options as the NDA develops its communication strategy.

## **b. External coherence**

The NDA and NCCO understand the RPSP to be geared to attracting climate finance from multiple sources, not just the GCF to being "responsive" to the ideas emerging from country/regional actors while also being strategic to address identified gaps relative to medium-term planning and national climate strategies.

The MED is the designated focal point for the AF and the GCF. The MSDCCDRM is the operational focal point for the GEF. The climate finance coordination mechanism (chaired by the NCCO in MSDCCDRM, and co-chaired by MFEDI) is in place to oversee the development of the pipeline for all climate funding bodies. At an entity level, PACT is accredited as a DAE with the AF and the GCF.

The current version of the GCF CP lists 14 projects financed by international donors (international finance institutions and multilateral development banks) other than the GCF that have finished or are under way in the evaluation period. The list includes two projects funded by the AF and one funded by the GEF. Seven projects on the list show that GCF readiness resources are already or

have been identified for their potential to be added as part of the project mix, mainly for upscaling. Two of the projects on the list are already directly connected to NAP readiness activities.

### 3. EFFECTIVENESS

#### a. Objective 1: Capacity-building for climate finance coordination

On readiness accomplishments to date, Belize stakeholders point to the progress made in setting up institutional arrangements and capacities to manage climate finance. The creation of the CFU and the PPU at the MED, complete with the assignment of two additional staff positions (to make four in total), is seen as a signal of the embeddedness of climate finance as a key component of the country's development planning process. Integration of the AF in the CFU and incorporation of a wider grouping of climate funding bodies (notably the GEF) within the climate finance coordination mechanism signal a building coherence. Key informants underline that the MED is a particularly powerful ministry.

For the most part, civil society and private sector stakeholders describe good engagement and skills acquisition associated with training received on preparing documents to meet climate financier information needs, in one instance being instrumental in the creation of a NAP readiness proposal. Applied, iterative instructional techniques are favoured over didactic approaches, and the staging of capacity-building activities to optimize the engagement of groups of similar stakeholders (e.g. by industry/sector) is appreciated, where possible.

The one national DAE and two entities vying for accreditation point to capacities being acquired that they did not have prior to receiving readiness support. These include a strategic workplan, human resources systems, an environment and social management system, policies for procurement and internal auditing, and a granting framework. While considered helpful, there is questioning in some quarters over the strategic merit of pre-accreditation investments, given the accompanying uncertainties and indeterminate time frames associated with accreditation.

Three related factors said to be constraining the success of the institutional arrangements and systems in place are a continuing lack of awareness of the rationale and mechanisms for climate finance across ministries and within the wider grouping of country stakeholders; human resource deficits across ministries to integrate climate action ideas into their present mandates, combined with high turnover; and the delicate nature of establishing a governance mechanism that sufficiently engages lead ministries at both a political and a technical level (see section 2.a.vi).

#### b. Objective 2: Strategies for climate finance implementation

In Belize (2022b), CP is recognized as an important part of Belize's climate finance landscape in the country's 2021–2026 climate finance strategy. Among other statutory documents, it draws on the NCCPSAP (2015–2020), which references Belize's UNFCCC commitments, provides policy guidance on administrative and legislative aspects to support low-carbon development, and prioritizes sectors for climate change mitigation and adaptation. The latest update (July 2022) factors in Belize's updated NDC targets. At the same time, the CP aligns with the country's PBMTDS, authored by the MED, which houses the NDA and the CFU.<sup>32</sup> Global climate change is identified as one of five external factors shaping the country's development context. The plan

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<sup>32</sup> The CEO of the MED chaired and the CEO of the MSDCCDRM co-chaired the Medium-Term Development Strategy Core Working Group. The Director of the CFU chaired the technical committee, comprising of colleagues from the Ministry's PPU and from the MSDCCDRM's Sustainable Development Unit.

highlights the intent of the Government of Belize to “mainstream” its climate change mitigation and adaptation goals.

The work programmes of Belize’s sole DAE and those of the other DPs in the readiness portfolio are aligned with climate-related needs, in general terms. There are mixed views, however, on whether the collection of readiness needs being addressed in the portfolio represent the best use of readiness resources. What is missing in the CP is a precise analysis that pinpoints priority readiness needs for Belize, accompanied by an identification of strategic entry points. Consequently, project ideas emerge in a more opportunistic manner as stakeholder groups (government and non-government) are attracted to the prospect of accessing climate finance (or simply another stream of financing to supplement the one upon which they are already dependent).

Further, in the absence of candidate DAEs to address the breadth of project ideas, there appears to be potential for DPs to stretch beyond their core competencies in playing lead roles on projects. For example, accreditation support provided by Belize’s DAE to two entities operating in distinctly different mandate areas is rationalized based on its status as an AE and not in relation to its sectoral knowledge.

Initial stakeholder notions that Belize’s private sector, mostly composed of MSMEs, is too small and fragmented to absorb climate finance are beginning to break down as development finance pathways are conceived. Intermediary organizations such as the BNCCC are instrumental in this regard. Climate-relevant parts of civil society perceive that their perspectives are integrated at the country level and that, through their networks, they are supported to engage in project development. Training on project development (including gender and environmental and social safeguards aspects) is being passed along to network members. Academia’s ambition to be involved is much greater than its actual formal contribution to date (see section 2.a.v).

### **c. Objective 3: National adaptation plans and/or adaptation planning processes**

The NDA has made considerable headway in encouraging the development of NAPs for Belize. Competition for NAP resources has been intense. Instead of a single NAP, there are two (one focused on groundwater, another on fisheries and Belize’s coastal zone) and soon to be three (a comprehensive plan) – all drawing on the USD 3 million allocation. The two currently under way are engaging with identified stakeholders (e.g. fishers, the private sector, water users) to identify vulnerabilities and potential pathways; they are also gathering data to build an evidence base.

There are mixed views on the presence of three distinct NAP activities with reference to scope (“breadth versus depth”), efficiency and proprietary aspects. As well, there is a generalized concern that the degree of interministerial coordination may not be adequate to manage the NAPs and that insufficient attention is being given to post-NAP activities and later-stage uptake. Mixed views among country stakeholders on the way Belize is using readiness resources for NAP development are captured in the following sentiments:

- “It is an example of how Belize stakeholders are competing for climate finance resources in the absence of decisive leadership.”
- “It would have been more efficient to develop them as one integrated package.”
- “As it is, there aren’t sufficient resources to go around.”
- “An argument could be made for a separate NAP exercise dedicated to water resources management given its technical focus and need to break ground in understanding the status of Belize’s groundwater.”

- “And the coastal and fisheries NAP, under the Ministry of Blue Economy, has much to integrate within its own mandate area (notably, with the private sector).”
- “Ultimately, the three NAPs will bring together unique and useful contributions and attract financing to support adaptation in their specific realms.”

#### **d. Objective 4: Paradigm-shifting project pipeline development**

Most readiness projects in the Belize portfolio anticipate the assembly of at least one concept note for a funded project. To date, 15 such CNs have been submitted to the GCF. None have yet moved forward to the full proposal stage.

With the CP as key reference, the NDA (and, since early 2023, the CFU) takes an active stance in referring draft CNs to focal ministries and sectors for an alignment check and in engaging directly with the DP proponent around revisions. After submission, it remains involved as an intermediary between the GCF Secretariat and the focal ministry until the concept note reaches GCF Board approval. Technical assistance resources to support concept note development are marshalled with readiness resources, as requested (see observations on the use of consultants in section 9).

Constraints identified above others are the paucity of in-house capacity among concept note holders, and thus the limited effectiveness of technical assistance support, and a severe COVID-provoked economic downturn that since 2020 has limited the fiscal space to co-finance projects.

As it happens, and in stark contrast to the dominant pattern, one private sector stakeholder – introduced to the GCF through NDA outreach activities in 2018 – has made rapid headway towards attracting climate finance through the GCF without readiness support.<sup>33</sup>

#### **e. Objective 5: Knowledge-sharing and learning**

In Belize, knowledge-sharing and learning has occurred through the dissemination of GCF policies and core guiding documents (e.g. the *Readiness and Preparatory Support Programme Guidebook* and the *Mainstreaming Gender in Green Climate Fund Projects* manual) and the NDA’s own production of nationally tailored guidance. As well, country stakeholders have participated in structured dialogues and other national and regional gatherings. Overall, though, this objective has garnered the least attention of the five, to date. There are few knowledge-sharing and learning components itemized in the readiness portfolio (country-specific or regional).<sup>34</sup> As well, little if any engagement has occurred between country stakeholders and the GCF Secretariat on the GCF’s global knowledge-sharing and learning ambitions discussed in the RPSP strategy document. These included the Direct Climate Action Platform, launched in 2017.<sup>35</sup>

Regarding knowledge dissemination inside Belize, participant lists of bilateral meetings and structured dialogues for the 2020 update of the CP show participant coverage that is inclusive of ministries and agencies, international AEs, industry representatives and the Belize Chamber of Commerce, and academia. By all accounts, the NDA has been vigorous since 2020 in its promotion of the GCF. Indeed, the NDA’s championship of the GCF has stimulated more interest in readiness

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<sup>33</sup> Work began on a concept note for a five-year USD 20 million project in 2019 without readiness support. The GCF indicated interest. A request for project preparation funds was submitted in February 2020 and, after four revisions, was submitted for GCF approval in 2022.

<sup>34</sup> Readiness funds are designated for Outcome 5 activities in one of the 10 country-specific readiness grant budgets (2105-16775(b) – Traditional Savanna Fire Management Readiness Proposal to facilitate Emissions Reductions in the AFOLU sector in Belize – 2022, 24 months); and among the eight regional readiness projects in the portfolio, allocations to objective 5 amount to 3 per cent of the total outlay for programme activities. See discussion in section 2.B.1.a.

<sup>35</sup> The platform is described in this introductory press release of 11 November 2017, accessed at <https://www.greenclimate.fund/news/gcf-introduces-direct-climate-action-platform-dcap>.

support across sectors and entities (including for project ideas and NAP development) than funding caps allow, making it a competitive environment.

The NDA and the CFU have dedicated pages on the MED website.<sup>36</sup> As well, the National Press Office routinely issues press releases related to NDA activities. At the time of writing, the website is observed to be limited to introductory information about the NDA and links to GCF resources relevant to Belize. It presents differently from its original intent, lacking a promotional and knowledge-building feel. It was to be a resource repository for documents produced through readiness activities in the country/region, such as the *Toolkit for the Green Climate Fund's National Designated Authority in Belize*.<sup>37</sup> Studies produced as part of the coastal and fisheries NAP development would also be candidates for this repository once approved for public release by the Ministry of Blue Economy.

#### 4. GENDER EQUALITY AND INCLUSION

For the most part, the evaluation team encountered the view that while a national gender policy exists (launched in 2017), there is more to do to break patterns that keep women out of government and business leadership roles. Similarly, while Belize is a signatory to the United Nations Declaration of the Rights of Indigenous Peoples, there is more to be done to properly observe customary land rights and follow FPIC protocols.

The GCF's gender and social inclusion requirements have been systematically introduced among climate finance stakeholders in Belize. In an early readiness project, the DP consulted national stakeholders and undertook a gender analysis as part of developing the NDA's operational guidelines. It has cascaded from there.

Gender and social inclusion considerations are routinely integrated within readiness activities (accreditation track, concept note track and NAP development). These include engagement strategies; team/staff training; organizational policy and tools development; gender analysis (e.g. barriers to integration of women in MSMEs) and integration of gender considerations in climate vulnerability studies/hazard analyses; collection of gender-disaggregated data; and gender/social inclusion provisions vis-à-vis the establishment of grievance mechanisms.<sup>38</sup>

Regarding indigenous peoples, a newly established Commissioner for Indigenous Peoples embedded within the Ministry of Social Development is a member of the BNCCC. This directly connects the work of the NDA to national efforts under way to establish reparatory practices, including the use of FPIC as per a 2015 regional human rights court decision.<sup>39</sup>

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<sup>36</sup> See <https://med.gov.bz/about-us/>.

<sup>37</sup> This document is described in a Government of Belize Press Office circular but is not accessible through the links provided.

<sup>38</sup> An example of the use of participatory practices in NAP development is described in this article: <https://www.sanpedrosun.com/government/2022/08/28/sustainable-fisheries-technology-and-value-chain-consultations-for-belize/>.

<sup>39</sup> The Caribbean Court of Justice, acting as the highest court for cases concerning Belize, ruled that the Government of Belize had not respected and recognized the customary rights to land and resources of the Maya peoples. In the case of *The Maya Leaders Alliance and others v. The Attorney General of Belize*, the Court “affirmed the rights of the Mayan indigenous communities over their traditional lands”. Notably, the Court recognized that the customary land rights of the Maya were deemed valid under and protected by the Constitution. In addition to requiring the demarcation and titling of their lands, the Court ruled that the Maya were due monetary compensation. An appraisal of the status of reparations is set out in a December 2022 article published by the indigenous advocacy NGO Cultural Survival. See <https://www.culturalsurvival.org/news/belize-failing-implement-binding-court-orders-respect-maya-land-rights#:~:text=That%20landmark%20decision%2C%20issued%20in,Belize%20and%20is%20constitutionally%20protected.>

## 5. COUNTRY OWNERSHIP

Observed determinants of robust country ownership include placement of the NDA within a powerful ministry; strong, articulate leadership at the NDA supported by a dedicated team; an intentional strategy by the NDA to advance candidate DAEs based on unique strategic contributions; public involvement in the creation of a CP with a broad climate finance focus; and engagement from a widening array of stakeholders as a result of being enfranchised. One other obvious determinant of robust country ownership, albeit missing now, is a strong governance mechanism bringing lead ministries together.

As observed by stakeholders, the most powerful signals of national ownership in Belize's pursuit of low-carbon, climate-resilient development are as follows:

- The positioning of the NDA within the MED, alongside the PPU with its core national budgeting and medium-term planning responsibilities
- Deepening integration of international climate finance as a component of the Government of Belize's PSIP
- The allocation of staffing resources to support the newly established CFU
- Consistent, visionary and energetic leadership in the NDA that has stimulated awareness and engagement in the private sector and civil society
- The strategic attention paid by the NDA to developing national implementing entities

The current governing party arrived in 2020 with a strong intention to address climate change in its PlanBelize Manifesto. It engaged in an unprecedented public process to develop its PBMTDS, in which Belize's climate change vulnerability and responses feature prominently. Its 271-point agenda includes actions on enabling environments for green and blue industries; MSME development (including for increased climate resilience); developing climate-smart agriculture; research and development on adaptive technologies; education and training related to climate change/natural disasters; the sustainable management of coastal, marine and forest ecosystems, and of biodiversity and water resources; GHG emissions reductions as per NDC commitments; waste management; strengthening Belize's visibility and advocacy at regional and international levels on concessionary financing and climate change among other topics; and increasing climate finance flows as per the country's climate finance strategy for 2021–2026, as well as the development of a legislative framework for the carbon market (Belize, Ministry of Economic Development, 2022).<sup>40</sup>

Consistently, stakeholders point to the NDA's energetic action, particularly since 2020, to engage constituencies in government, the private sector and civil society. The GCF CP has been a focus for NDA-initiated stakeholder consultations and workshops, surveys and, starting with the 2020 update, structured dialogues. The NDA's targeted outreach to CSOs to enhance participation in national climate change processes, and outreach to private sector to introduce key concepts on climate change/finance, to orient participants to the GCF, and to facilitate project ideation is also highlighted.<sup>41</sup> Its intentional strategy to integrate homegrown entities as AEs across key sectors has the same target.

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<sup>40</sup> Chapter 6 of the PBMTDS document sets out ministerial and sector strategies and a plan of action under the headings of Poverty Reduction, Economic Transformation, Trade Deficit Reduction, Citizen Security, Protection of the Environment and Natural Resources, and No Corruption and Good Governance.

<sup>41</sup> CSO engagement occurred as a regional initiative implemented by CANARI, in the (planned) 24-month, USD 1.3 million project "Enhancing Caribbean Civil Society's Access and Readiness for Climate Finance". Private sector mobilization was funded under the (planned) 12-month, USD 300,000 readiness grant "Readiness Support for Strengthening Belize Private Sector Access to Climate Finance" (BLE-RS-004), implemented by the Caribbean

Positive appraisals notwithstanding, two cautionary remarks emerge in relation to the NDA's engagement of national stakeholders that may bear on Belize's continuing efforts to integrate international climate finance on its own terms.

- From a strategy standpoint, it may not be sufficient to invite stakeholders (the private sector in particular) and to hope that they will come; a more considered, incremental approach based on stakeholder mapping might be preferred. In other words, as observed by one interviewee, “without ‘buy-in’ there is minimal ownership”.
- Efforts at strengthening national engagement capacity and deployment are to be balanced against value-for-money considerations. In other words, the presence of relevant experience, regardless of origin, is an important variable.

By contrast, factors noted by stakeholders for their constraining effect on country ownership are as follows:

- An over-reliance on consultant resources to develop readiness project deliverables – most notably, CNs – and a corresponding overestimation of latent capacity in national institutions to carry concepts forward
- Difficulties experienced in establishing a governance mechanism for climate finance that is inclusive and sufficiently strategic in its determination of need for readiness support
- The length of time it is taking for nominated DAEs to obtain their accreditation in the face of the perceived urgency of climate change

## 6. IMPACT

Beyond the unmistakable signals of increased country ownership, it is early days for expected later-stage impacts. Readiness projects have examined (or plan to examine) policy/regulatory options with impact potential, including the following:

- A credit-risk abatement instrument to stimulate green investment
- Nature-based solutions for communities adjacent to agriculture, forestry and other land use (AFOLU)
- Climate hazard early warning technologies to support decision-making (multiple sectors)
- Policy and planning frameworks for climate-smart urban land management and infrastructure development

It is also early days for shifting mindsets. Initial steps in tackling misconceptions among MSMEs about climate finance yield at least two lessons: “bottom line” arguments are more powerful than a “climate imperative” argument, and peer learning is a powerful tool. Key informants underline the importance of generating a lead group of climate champions (such as the sugar cane producers) that can be exemplars for others, and of simultaneously paying attention to the information needs and motivations of business leaders, financiers and technicians.

As well, observers of Belize's public administration point to an organizational culture in government that has historically “discounted” planning over the use of resources, instead opting to be guided by out-of-date administrative structures and legislation.<sup>42</sup> Officials in the PPU trace attempts to instil a development planning practice back to the mid-1980s. “We are getting better at it

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Development Bank. Both projects received no-cost extensions on account of constraints faced managing the COVID-19 pandemic.

<sup>42</sup> In the realm of town planning, for example, the Housing and Town Planning Act of 1919 is still in use and jurisdictional demarcations for cities, town and villages no longer align with settlement patterns.

with each five-year iteration”, they indicate. This includes integrating themes across sectoral/jurisdictional lines and getting stakeholders involved, as was done to the greatest extent yet during the formulation of the current PBM-TDS. But it means overcoming deep-seated patterns of organizational behaviour that are not amenable to plans/frameworks and change-oriented recommendations. The pressing needs of climate change and the commitments in place to respond to them represent an “another overlay on this systems-change dynamic”, caution these observers.

## 7. PARADIGM SHIFT AND TRANSFORMATION

Among those familiar with the GCF, “paradigm shift” associated with low-carbon development pathways and climate resilience is recognized as part of the Fund’s lexicon. The idea of paradigm shift has been shared with stakeholders in NDA-sponsored training/awareness events. However, the concept remains to be explored and contextualized for Belize. Mentions of the term in the GCF CP document are scant and associated with the GCF’s aspirational statements.

Risk thresholds (stressed in the recent past through the COVID-19 pandemic) for MSMEs and old ways of working in public administration are mentioned as factors slowing the pace of change (see section 6). At the same time, mind/behaviour shifts favouring greater sensitivity towards the climate are evident in conversations with stakeholders. There is movement in the policy domain as well, in the form of articulation of high-level policy ambition and operational planning, integration of climate policy in development planning, and lateral spread of policy into new policy and programming domains. As well, the NDA notes an increase in the number of PSIP projects with climate change related content just in the period between 2020 and 2023.<sup>43</sup>

## 8. SUSTAINABILITY, REPLICATION AND SCALING-UP

At the country level, a cyclical pattern of stakeholder engagement has been established through the updating process for the CP, and project steering committees tend to be multi-stakeholder – this is particularly noted regarding the NAPs. At this point, engagement falls short of the creation of any larger-scale, multi-stakeholder, multi-sectoral partnerships. There is observed potential to forge lateral connections across agri-producers and to share the cane sugar industry’s experience to date. As well, there exists potential to bridge distinct constituency groups (e.g. plantation owners, labour force and adjacent communities) sharing burdens associated with specific climate-related hazards. This potential is emerging strongly in the coastal and fisheries NAP activities, and it was glimpsed in conversations with the conservation CSO working in communities surrounding the citrus plantations (see section 1.c).

## 9. EFFICIENCY

Needs assessment or situation analysis activities feature prominently at the front end of readiness activities associated with accreditation, NAP formulation and concept note development. Attention paid by the NDA and DPs to stakeholder inclusion in these processes has put time pressure on the deliverables. Of course, COVID-19 has been an extraordinary constraining factor in this regard. No-cost extensions have been requested for most of the projects implemented over the pandemic months, and the GCF has shown flexibility in this regard.

The following points were heard in relation to the delivery of the RPSP:

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<sup>43</sup> Climate change content was reported to be 41 per cent of Belize’s PSIP in 2021. In 2023, this figure is closer to 60 per cent.

- Since 2020, the NDA has gained a reputation among stakeholders for being activist to the extent that resource constraints allow.
- Readiness projects have been formulated rapidly (within months), for the most part and especially so since 2020 – no complaints.
- The accreditation process is deemed long and costly in ways not anticipated; in some corners this situation has dampened interest/drive in using readiness.
- Relatedly, the organizational needs assessment is faulted for being “binary” in its line of questioning, with no room for grey. As well, there is suspicion that the tool is not standardized across DPs and so, as a result, there may not be a basis for fairness in the assessment process across applicants.
- Project start-ups have been slowed in some post approvals. This is noted as frustrating given what are perceived to be short project time frames.
- Concerns related to use of consultants include that they must be on the GCF roster (at times the best-placed consultants are not on the roster) and the choices are limited; budget allocations are insufficient to cover the fees asked of leading consultants; and there is a tendency to be over-reliant on the consultant and end up with (i) missed opportunities to build local capacity, and (ii) a product that cannot easily be taken forward by the recipient organization.

## C. CONCLUSIONS

To date, readiness programming has been important in developing Belize’s capacity to integrate climate finance into national budgeting and planning to meet climate change ambitions. Evidence of the readiness programming results are strongest in relation to building country capacity, strategy development and adaptation planning (objectives 1 to 3). Belize has developed a pipeline of CNs as per objective 4, but the onward potential of these as bankable projects is far from assured. Regarding objective 5, an increase in awareness of climate change, climate finance and the GCF is evident among targeted stakeholders, but processes to deepen awareness and advance beyond a base understanding remain limited. Important knowledge products have been created, but the infrastructure (in-country and externally) to ensure they get into the hands of those who need them remains to be created. Overall, there is strong NDA leadership within a public administration that is clearly committed to its climate targets. The most pressing constraints within the RPSP’s sphere of influence pertain to prioritizing the country’s readiness needs and putting in place a stable climate finance coordination mechanism. Ultimately, though, realizing the full worth of GCF readiness programming in Belize depends on the GCF finding a way to accelerate the accreditation of DAEs and the formulation of full projects.

## APPENDIX 2–1. PORTFOLIO OVERVIEW

*Table A - 2.1. RPSP portfolio*

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
<b>Approved</b>								
1705-14678	NDA strengthening + country programming	Disbursed	CCCCC	2016/05/18	2016/12/14	300,000	12 months	Framework
1809-15438	Building capacity for direct access to climate finance	Disbursed	CCCCC	2018/09/15	2018/12/22	355,365	24 months	Framework
1902-15669	Support for accreditation gap assessment and action plan to Development Finance Corporation (DFC) of Belize	In legal processing	Pricewaterhouse Coopers	N/A	2019/04/28		N/A	N/A
1906-15798	Capacity building for PACT as a GCF National Direct Access Entity	Disbursed	PACT	2019/07/02	2019/10/09	279,062	24 months	General
1908-15846	Readiness support for strengthening Belize private sector access to climate finance	Disbursed	CDB	2019/08/16	2019/12/06	297,537	12 months	General
2005-16172	NAP-enhancing adaptation planning in the coastal zone and fisheries sector of Belize	Disbursed	FAO	2020/08/24	2021/06/01	600,000	18 months	Framework
2007-16298	National adaptation planning for integrated water resources management in Belize	Disbursed	CCCCC	2020/09/21	2021/11/03	902,937	30 months	Framework
2007-16303	Belize Development Finance Corporation capacity strengthening for accreditation to the Green Climate Fund	Disbursed	CDB	2020/09/01	2020/12/03	498,902	14 months	General

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
2105-16775	Traditional Savanna Fire Management Readiness proposal to facilitate emissions reductions in the AFOLU sector in Belize	Disbursed	International Savanna Fire Management Initiative	2021/07/06	2022/02/26	399,313	24 months	General
2106-16882	Enhancing access for climate finance opportunities, through pre-accreditation support to Belize Social Investment Fund (BSIF) and the Ministry of Economic Development-Belize and technical support for the Belize National Protected Areas System (BNPAS) entities	Disbursed	PACT	2021/07/26	2021/12/31	600,000	18 months	General
2206-17207	Building capacity for climate resilient infrastructure and Sustainable Urban Land Management and strengthening the capacity of the Ministry of Economic Development for pre-accreditation to the Green Climate Fund	Approved	PACT	2022/06/29	2022/11/18	998,037	24 months	General
2209-17305	Enabling activities for the execution and formulation of a multisectoral National adaptation plan for Belize	Approved	PACT	2022/09/05	2023/01/23	1,487,030	34 months	General

Source: GCF Tableau server as of 1 June 2023

**Table A - 2.2. PPF portfolio**

NAME	AE	DATE OF APPROVAL
<b>Approved</b>		
PPF005   Arundo donax renewable bio-mass fuel for Belize	CCCCC	Jan 19 2018
PPF032   Building the adaptive capacity of sugarcane farmers in northern Belize	CCCCC	Aug 14 2020
PPF033   Transforming finance to unlock climate action in the Caribbean*	CDB	Sept 20 2020
PPF047   Scaling up the deployment of Integrated Utilities Services (IUS) to support energy sector transformation in the Caribbean	CDB	Dec 10 2021

NAME	AE	DATE OF APPROVAL
(Phase I)*		
PPF058   Integrated flood management in the upper regions of the Belize river watershed	CCCCC	Jan 11 2023
<b>Pipeline</b>		
1909-15960   Mainstreaming coral reef resilience and restoration as an ecosystem-based adaptation strategy to climate change in the Caribbean region (MaCREAS)*	CCCCC	N/A
2204-17148   A regional fund for the great forests of Mesoamerica and the Dominican Republic*	Conservation International	N/A
2212-17385   Strengthen the Belize National Protected Areas System (BNPAS) to provide resistance, resilience, and reduce vulnerability of community against climate change	PACT	N/A
2301-17412   Building climate resilient 'Guardians of the forest and regenerative agriculture' communities in forest buffer zones across rural Belize	CCCCC	N/A
2302-17428   Greening SMEs to power a low carbon future in Belize while increasing climate resiliency of the economy	PACT	N/A
2302-17433   The road to resilient (R2R) fisheries - adopting ecosystem-based adaptation in four CARICOM Member States*	CCCCC	N/A

Source: GCF Tableau server as of 1 June 2023

Notes: \*Multi-country project

**Table A - 2.3. FP pipeline**

NAME	AE	DATE OF APPROVAL/ SUBMISSION
<b>Approved</b>		
FP101   Resilient Rural Belize (Be-Resilient)	IFAD	Feb 28, 2019
FP180   Global fund for coral reefs investment window*	Pegasus Capital Advisors	Oct 07, 2021
<b>Proposal approval process (PAP) CNs</b>		
20780   Arundo donax renewable bio-mass fuel for Belize	CCCCC	Sep 5, 2017
23940   Transforming development finance to unlock climate action in the Caribbean*	CDB	Nov 30, 2019

NAME	AE	DATE OF APPROVAL/ SUBMISSION
Integrated flood management in the upper regions of the Belize river watershed	CCCCC	Sep 10, 2020
Scaling up the deployment of Integrated Utilities Services (IUS) to support energy sector transformation in the Caribbean (Phase I)*	CDB	Apr 17, 2021
Climate action and blue finance in the Mesoamerican reef system*	International Union for Conservation of Nature (IUCN)	Mar 28, 2022
Caribbean net-zero and resilient private sector*	IDB Invest	Mar 19, 2022
A regional fund for the great forests of Mesoamerica and the Dominican Republic*	CI	Apr 4, 2022
Municipal climate resilience initiative in Belize (Municipal-CRIB)	CCCCC	Feb 7, 2023
<b>SAP CNs</b>		
Credit risk abatement facility (CRAF)*	CDB	Dec 5, 2019
Building climate resilient 'Guardians of the forest and regenerative agriculture' communities in forest buffer zones across rural Belize	CCCCC	Jul 6, 2021
The road to resilient (R2R) fisheries - adopting ecosystem-based adaptation in four CARICOM Member States*	CCCCC	Mar 1, 2022
Strengthen the Belize National Protected Areas System (BNPAS) to provide resistance, resilience, and reduce vulnerability of community against climate change	PACT	May 12, 2022
Enhance rural community climate resilience through a disaster risk management perspective in Belize	PACT	Dec 8, 2022
Adapting to climate change through sustainable integrated watershed management of the new river in Belize	PACT	Dec 9, 2022
Greening SMEs to power a low carbon future in Belize while increasing climate resiliency of the economy	PACT	Dec 20, 2022
<b>SAP FP</b>		
Building the adaptive capacity of sugarcane farmers in northern Belize	CCCCC	Jun 3, 2019

Source: GCF Tableau server as of 1 June 2023

Notes: \*Multi-country project

**Table A - 2.4. Expressed readiness needs/gaps and country project response**

READINESS NEED/GAP	ASSOCIATED PROJECTS (COUNTRY)	APPROX. READINESS (COUNTRY) ALLOCATION (USDm)	% OF TOTAL ALLOCATION
<b>Setting up country infrastructure for climate finance (RPSP objectives 1, 2)</b>			
Gaps in knowledge, tools and resources to perform the roles of an NDA as per GCF guidelines	1705-14678(a) - NDA strengthening and country programming through CCCCC – 2016, 12 months	0.27	8%
	2106-16882(a) - Enhancing access for climate finance opportunities, through pre-accreditation support to Belize Social Investment Fund (BSIF) and Ministry of Economic Development-Belize and technical support for Belize National Protected Areas System (BNPAS) entities, Belize, 2021, 24 months	0.12	
	2206-17207(a) - Building capacity for Climate Resilient Infrastructure and Sustainable Urban Land Management and strengthening the capacity of the Ministry of Economic Development for pre-accreditation to the Green Climate Fund - 2022, 24 months	0.07	
Few inroads yet made to introduce Belize's private sector to climate action and climate finance, and a dominant perception among stakeholders (mostly comprised of small and medium-sized enterprises) that there is little scope to be engaged – cost margins do not allow, there are few incentives, and sources of finance are far too large and remote for easy access.  Limited civil society engagement in country-driven climate action and exposure to climate finance; participation mostly confined to small-scale, short-term interventions	1908-15846(a) - Readiness support for strengthening Belize private sector access to climate finance – 2019, 12 months	0.20	9%
	2106-16882(b) - Enhancing access for climate finance opportunities, through pre-accreditation support to Belize Social Investment Fund (BSIF) and Ministry of Economic Development-Belize and technical support for Belize National Protected Areas System (BNPAS) entities, Belize, 2021, 24 months	0.07	
	2206-17207(b) - Building capacity for Climate Resilient Infrastructure and Sustainable Urban Land Management and strengthening the capacity of the Ministry of Economic Development for pre-accreditation to the Green Climate Fund - 2022, 24 months	0.26	
Reliance on international/regional AEs while opportunities exist to support Belize's first DAE, two additional nominated entities, and others with potential to move into the role	1906-15798(a) - Capacity building for PACT as a GCF National Direct Access entity -2019, 24 months	0.23	27%
	1809-15438(a) - Support for the accreditation of the Development Finance Cooperation and Social Investment Fund of Belize –2019, 24 months	0.29	
	2007-16303(a) - Belize Development Finance Corporation (DFC) capacity	0.42	

READINESS NEED/GAP	ASSOCIATED PROJECTS (COUNTRY)	APPROX. READINESS (COUNTRY) ALLOCATION (USDm)	% OF TOTAL ALLOCATION
	strengthening for accreditation to the Green Climate Fund - 2020, 14 months		
	2106-16882(c) - Enhancing access for climate finance opportunities, through pre-accreditation support to Belize Social Investment Fund (BSIF) and Ministry of Economic Development-Belize and technical support for Belize National Protected Areas System (BNPAS) entities, Belize, 2021, 24 months	0.31	
	2206-17207(c) - Building capacity for Climate Resilient Infrastructure and Sustainable Urban Land Management and strengthening the capacity of the Ministry of Economic Development for pre-accreditation to the Green Climate Fund - 2022, 24 months	0.28	
Absence of climate-smart development plans for human settlements and infrastructure		0.16	3%
<b>NAP interventions (RPSP objective 3)</b>			
Outdated regulations, significant data and technology gaps, insufficient staffing, and ineffective coordination limiting Belize's ability to plan and manage adaptation within and across critical sectors	2005-16172(a) - Enhancing adaptation planning and increasing climate resilience in the coastal zone and fisheries sector of Belize - 2021, 18 months	0.45	37%
	2007-16298(a) - National adaptation planning for integrated water resources management in Belize - 2021, 30 months	0.60	
	2209-17305(a) - Enabling activities for the execution and formulation of a multisectoral national adaptation plan for Belize – 2023, 34 months	1.05	
<b>Pipeline development (non-NAP, NAP) (RPSP objectives 3, 4)</b>			
A paucity of climate finance ready projects and resources on hand to create them warrants technical assistance support	1908-15846(b) - Readiness support for strengthening Belize private sector access to climate finance – 2019, 12 months	0.06	15%
	2005-16172(b) - Enhancing adaptation planning and increasing climate resilience in the coastal zone and fisheries sector of Belize - 2021, 18 months	0.06	
	2007-16298(b) - National adaptation planning for integrated water resources management in Belize - 2021, 30 months	0.16	
	2209-17305(b) - Enabling activities for the execution and formulation of a multisectoral national adaptation plan for Belize – 2023, 34 months	0.20	

READINESS NEED/GAP	ASSOCIATED PROJECTS (COUNTRY)	APPROX. READINESS (COUNTRY) ALLOCATION (USDm)	% OF TOTAL ALLOCATION
	2206-17207(d) - Building capacity for Climate Resilient Infrastructure and Sustainable Urban Land Management and strengthening the capacity of the Ministry of Economic Development for pre-accreditation to the Green Climate Fund - 2022, 24 months	0.07	
	2105-16775(a) - Traditional Savanna Fire Management Readiness proposal to facilitate emissions reductions in the AFOLU sector in Belize - 2022, 24 months	0.28	
<b>Knowledge-sharing and learning (RPSP objective 5)</b>			
Common situations across the region are grounds sharing, learning and development of regional climate action approaches	2105-16775(b) - Traditional Savanna Fire Management Readiness proposal to facilitate emissions reductions in the AFOLU sector in Belize - 2022, 24 months	0.05	1%
	<b>Total (country) USD million</b>	<b>5.66</b>	<b>100%</b>

Source: GCF Tableau server as of 1 June 2023

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### 3. BHUTAN COUNTRY CASE STUDY REPORT



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## A. BACKGROUND AND CONTEXT

Observations from the Bhutan field mission are set out here. The Bhutan portfolio comprises five approved RPSP country grants, with a total value of USD 5.37 million and covering four of the five RPSP objectives. The number of projects awarded is in keeping with the average for countries in the LDC category; the project value is slightly higher than average for this category. The country's portfolio as of 1 June 2023 is presented in Appendix 3–1.

### 1. OVERVIEW OF THE COUNTRY

#### a. Geography and demography

Bhutan is a landlocked country located in the eastern Himalayas. It has a total area of 38,394 km<sup>2</sup>. Bhutan stretches 300 km from east to west and 170 km from north to south, at its widest points. To the north of the country is China; to the west is the Indian State of Sikkim; along the country's southern flank from west to east are the Indian states of west Bengal and Assam; and to the east is Arunachala Pradesh.

The country's climate is diverse, with three distinct climatic zones – subtropical, temperate and alpine – and numerous microclimates due to variations in elevation and topography. The southern belt (altitudes between 200 and 2,000 metres) is hot and humid with heavy rainfall. Temperatures range between 15°C to 30°C year-round. The central belt (altitudes between 2,000 and 4,000 metres) has a temperate climate, with cool winters and hot summers (June through September) with moderate rainfall. Temperatures range from 15°C to 26°C in the summer and -4°C to -15°C during the winter months. The northern belt is an alpine zone situated above 4,000 metres. Here, the climate is cold, with the highest peaks remaining snow-covered year-round.

Bhutan has a population of 782,455 inhabitants (in 2022) making it one of the least populated countries in the region (World Bank Group, 2022b). Its annual rate of population growth has declined over the past two decades, dropping from 2.8 per cent (2000) to 0.6 per cent (2022) (World Bank Group, 2022a). There are three main ethnic groups: the Tshanglas (or Sharchop) are considered the aboriginal inhabitants of eastern Bhutan, the Ngalops are dominant in western Bhutan, and the Lhotshampas are a group of Nepali language-speaking Bhutanese people. The official language is Dzongkha, a language closely related to Tibetan.

In 2022, an estimated 56 per cent of the population lived in rural Bhutan (World Bank Group, 2023c). Rural–urban migration has been steady over the past half-century (World Bank Group, 2023c).<sup>44</sup> In Bhutan's 2017 Population and Housing Census, 64 urban centres were identified, about half of which had populations under 1,000. Three towns house 56 per cent of the urban population: Thimphu (the capital and the largest, with 114,551 inhabitants), Paro (the site of the international airport) and Phuentsholing (the location of the southern border crossing with India).

#### b. Economy

Bhutan's economy grew by 4.1 per cent in 2021, after suffering a 10 per cent contraction the previous year because of the COVID-19 pandemic (World Bank Group, 2023b). According to the WB, in 2021, the industry sector grew by 3.0 per cent, supported by a recovery in the construction, manufacturing and mining sectors. The electricity sector contracted due to maintenance of the Tala hydropower plant, resulting in lower hydro exports and revenues. Services output increased by 5.7

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<sup>44</sup> In 1970, 94 per cent of the population was rural.

per cent, driven by transport and trade activities. Into 2022, the tourism industry continued to be affected by COVID-related travel restrictions (World Bank Group, 2023d). Looking forward, economic growth is projected to be modest in the short run because of continued limited capacity in hydropower production and because of the introduction of a new government levy that has dampened tourist arrivals (Zangpo, 2023).

GDP per capita values (USD 3,266 in 2021) and unemployment (3.6 per cent) show a near resumption of pre-COVID trends (World Bank Group, 2023a). Inflation is at 3.4 per cent (May 2023) (Bhutan, National Statistics Bureau, 2023). The country scores 67 on the UN Human Development Index (on a scale of 0–1.0), rising from 58 in 2010. Its ranking has also increased (from 136 in 2011 to 127 in 2021) (Countryeconomy, n.d.).<sup>45</sup>

### c. Politics

The Government of Bhutan has been a democratic constitutional monarchy since 18 July 2008. The King of Bhutan is the Head of State. The executive power is exercised by the Lhengye Zhungtshog, or council of ministers, headed by the Prime Minister. Legislative power is vested in a bicameral parliament.

Central-level ministries are headed by cabinet ministers. Currently, cross-ministry coordination is organized under four themes: governance, economic, social and security. Environment and climate change matters feed in at this level through the economic cluster.

Through decentralization, Bhutan has been administratively divided into 20 *dzongkhags* (districts), each governed by a district governor or *dzongdag*. The *dzongkhags* are subdivided into small blocks or *gewogs*. There are 205 *gewogs* in the country, grouped under 47 constituencies.

## 2. CLIMATE CHANGE CONTEXT

### a. Vulnerability

In its update to the UNFCCC in 2021, Bhutan links its vulnerability to the impacts of climate change and extreme weather events to its small size and mountainous terrain (Bhutan, National Environment Commission, 2020b; International Monetary Fund, 2016).<sup>46</sup> It points to its fragile mountainous ecosystem; its as-yet-underdeveloped adaptive capacity on account of limited financial, technical and human capacity; and its continuing economic dependence on climate-sensitive sectors, most notably agriculture and hydropower. For example, the country was alerted to its vulnerability during the 2016 monsoon, which was much more severe than usual. Most of the country was affected by landslides that knocked out roads and bridges and isolated communities (Tshering, 2018). Sixteen disaster events – flash floods, landslides, earthquakes, windstorms, heavy rain and hail, drought and insect infestation – are documented for the period 2009 to 2017 in Bhutan's 2020 reporting to the UNFCCC (Bhutan, National Environment Commission 2020b, 114). The ND-GAIN index rates Bhutan 93rd (out of 182) in an index comprising vulnerability and readiness indicators (Notre Dame Global Adaptation Initiative, 2023).

Climate change projections and trends of concern are highlighted in the WB and ADB Climate Risk Country Profile for Bhutan, released in 2021. They include the following:

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<sup>45</sup> See <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>. The Human Development Index is a summary measure of average achievement in dimensions of human development: a long and healthy life, being knowledgeable, and having a decent standard of living.

<sup>46</sup> This is also discussed in a policy paper by International Monetary Fund (2016) titled *Small States' Resilience to Natural Disasters and Climate Change – Role for the IMF*. The paper points out that natural disasters in small states can involve damage of more than 30 per cent, whereas in larger states, the magnitude is usually under 1 per cent.

- A temperature rise slightly greater (3.9°C) than the global average (3.7°C) by the 2090s
- Flooding as the most significant hazard for agricultural land and infrastructure in drainage basins, with potential to bring losses to GDP at around 4 per cent by the 2030s
- Heatwaves and droughts, particularly in the lowlands, and higher temperatures increasing snowmelt and the potential for glacial lake outburst floods (GLOF)
- Hydropower infrastructure and operations subject to changing sedimentation, landslides and sudden glacial outflows
- Changing geographic patterns of vector-borne and waterborne diseases
- Disproportionate impacts on communities with the least capacity to adapt, manifesting in increased food insecurity and poverty

## **b. Emissions**

Bhutan absorbs more carbon dioxide (CO<sub>2</sub>) than it produces, by virtue of its extensive forest cover. As a result, it is compliant with its UNFCCC commitment to be carbon neutral. GHG emissions are low compared to other countries in the region, with total emissions estimated at 3,814.10 Gg CO<sub>2</sub> equivalent in 2015, excluding removals on account of Bhutan's land use and forestry.<sup>47</sup> Nevertheless, this represents a 3.6 per cent increase from 2000 levels (Bhutan, National Environment Commission 2020b, p. 34). The contribution breakdown is as follows: AFOLU – enteric fermentation mainly (57 per cent); industrial process and product use – mineral products (e.g. cement), chemical products, and the metal industry (21 per cent); the energy sector – biomass, hydropower, petroleum products and solid fossil fuels (19 per cent); and waste – solid waste disposal and wastewater treatment and discharge (3 per cent) (Bhutan, National Environment Commission 2020b, pp. 48-49).

## **3. CLIMATE CHANGE POLICIES AND INSTITUTIONAL CONTEXT**

### **a. UNFCCC**

Bhutan signed the UNFCCC in 1992 and ratified it at the seventy-third session of the National Assembly and submission of Instrument of Ratification on 25 August 1995. It has developed its national commitments under the Convention since then. At the United Nations Climate Change Conference of Parties in Copenhagen in 2009 (COP15), Bhutan committed to remain carbon neutral, and it reiterated this commitment at COP21 in 2016 (Climate Action Tracker, 2023).

As required, Bhutan submits periodic national communications documents to the UNFCCC, which outline the country's national circumstances, vulnerability to climate change, and efforts to mitigate emissions and adapt to the impacts. Three such documents have been produced, the first of which provides a baseline understanding of Bhutan's GHG profile. The third and most recent communication was submitted in 2020. In this document, Bhutan signals a caution that it would stop being carbon neutral in the 2040s if emissions were to continue to rise at the current rate and emphasizes the need to “de-couple economic growth from GHG emissions” (Bhutan, National Environment Commission 2020b, 55).

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<sup>47</sup> Using the World Resources Institute's interactive GHG emissions tracker, Bhutan emissions data compares favourably with that of the other nine countries in South Asia. In 2019, for example, its emissions were 0.15 per cent of the regional total. India, one of the top three emitters on a global scale, contributed 67 per cent of the regional total. The tracking tool can be accessed at <https://www.wri.org/insights/interactive-chart-shows-changes-worlds-top-10-emitters>.

In 2022, Bhutan released its first biennial update report to the UNFCCC, updating on the content of its periodic communications reports with an analysis of mitigation actions and their GHG impacts to date, along with an appraisal of additional mitigation gaps/potential and related technology needs up to 2050. The document highlights the scale of the gap between the costs of emissions reductions, sink enhancement measures and adaptation initiatives (USD 3.4 billion), on the one hand, and the support received to date from climate finance sources such as the GCF (USD 82.5 million) (Bhutan, National Environment Commission 2022, 21).

### **b. Paris Agreement and nationally determined contributions**

Bhutan submitted its first (intended) NDC document in 2015 (Bhutan, National Environment Commission, 2015) and signed on to the Paris Agreement in 2016 (Bhutan, Ministry of Foreign Affairs and External Trade, 2016). The NDC sets out Bhutan's specific GHG emissions reductions targets and actions to be taken to build climate resilience. Country reporting from this point on uses NDC targets as a point of reference. A second NDC was submitted to the UNFCCC in June 2021, again stating Bhutan's commitment to remain carbon neutral and highlighting its low-emission development strategies vis-à-vis food security, human settlement, industries and transport, and its commitment to become a REDD+ country (Bhutan, National Environment Commission, 2021).

Under the Paris Agreement, Bhutan is obligated to develop an adaptation response to climate change. With support from the United Nations Development Programme (UNDP) and the Global Environment Facility (GEF), Bhutan identified its national adaptation programmes of action (NAPAs), as follows:<sup>48</sup>

- Disaster Management Strategy – Planning for food security and emergency medicine to vulnerable communities
- Artificial Lowering of Thorthomi Lake
- Weather Forecasting System to Serve Farmers and Agriculture
- Landslide Management and Flood Prevention (Pilot Schemes in Critical Areas)
- Flood Protection of Downstream Industrial and Agricultural Areas
- Rainwater Harvesting
- GLOF Hazard Zoning (Pilot Scheme – Chamkhar Chu Basin)
- Installation of Early Warning System on Pho Chu Basin
- Promote Community-based Forest Fire Management and Prevention

### **c. National policy and planning**

Bhutan's 2008 Constitution provides a strong measure of protection for the natural environment. It assigns the State responsibility to ensure a safe and healthy environment, wherein a minimum of 60 per cent of Bhutan's total land must remain under forest cover (Bhutan, 2008).

In 2020, Bhutan adopted a climate change policy founded on the country's commitment to remain a carbon-neutral country. The policy's four objectives are as follows:

- Policy objective 1: Pursue carbon-neutral development
- Policy objective 2: Building resilience to climate change

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<sup>48</sup> NAPAs are antecedent to NAPs that have been mandated under the Paris Agreement. Whereas NAPAs are designed to address immediate hazards, NAPs are designed to address adaptation needs with a longer-term, more comprehensive planning approach. See <https://www.adaptation-undp.org/projects/bhutan-national-adaptation-programme-action-napa>.

- Policy objective 3: Ensure means of implementation
- Policy objective 4: Effective and coordinated actions

The policy advances, “a middle path approach to conserve the environment for ecologically balanced sustainable development while promoting justifiable economic and sustainable development” (Bhutan, National Environment Commission 2020a, 2). It affirms key aspects of the 2007 National Environment Protection Act, including the principle of payment for uses of resources and for damage to the environment, and the right to information and the engagement of all stakeholders.<sup>49</sup>

Sector-specific legislation with explicit climate/environment guidance includes the following:

- The Forest and Nature Conservation Act (1995)
- The Water Act of Bhutan (2011)
- Waste Prevention and Management Act (2009)
- Bhutan Sustainable Hydropower Policy (2008)
- National Transport Policy (2006) – Transport 2040 integrated strategic vision (Bhutan, National Environment Commission 2020b, 54–58)

Since 1961, national economic development planning in Bhutan has occurred in five-year cycles, each with a driving theme. At the time of writing, Bhutan is preparing its thirteenth five-year plan (FYP). Since the tenth plan, medium-term planning in Bhutan has been shaped by the concept of gross national happiness (GNH), originally expounded by His Majesty Jigme Singye Wangchuck, the Fourth King of Bhutan, in the early 1970s.<sup>50</sup> GNH is built around four “pillars” that assert a holistic approach to national development (GNH Centre Bhutan, n.d.):

- Good governance – policy and programme alignment with GNH values
- Sustainable socioeconomic development – a commitment that all Bhutanese are to benefit from free education, a secure livelihood, access to free health care, and an equitable society
- Preservation and promotion of culture – related to the country’s capacity to maintain and develop Bhutan’s cultural identity, knowledge and practices
- Environmental conservation – to protect critical services such as water and energy and to contribute to aesthetic and other stimuli that can be healing

Until recently, Bhutan’s planning commission, named the Gross National Happiness Commission (GNHC), was mandated to implement GNH through policy development and the above-mentioned five-year planning process. A GNH index (33 indicators) has been used to measure the state of happiness in Bhutan. Four national surveys have been carried out since 2008.

#### 4. INSTITUTIONAL ARRANGEMENTS AND IN-COUNTRY DELIVERY PARTNERS

Up until a recent civil service reorganization, the GNHC was the GCF NDA. It also played the roles of designated authority for the AF and operational focal point for the GEF. A Climate Change Coordination Committee (consisting of executive-level leaders, including from civil society)

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<sup>49</sup> See policy overview at <https://climateactiontracker.org/countries/bhutan/policies-action/>.

<sup>50</sup> The Fourth King questioned the prevailing measurement system for national development. He believed that GDP alone could not deliver happiness and well-being to society. He firmly believed that happiness should be an indicator of development for the Bhutanese people. See the GNH Centre Bhutan website, available at <https://www.gnhcentrebhutan.org>.

provided cross-sector technical support to the GNHC (including operation of the no-objection procedure for GCF candidate programmes and projects).

In late 2022, the Prime Minister introduced a civil service reform bill that instigated a substantial reorganization of government ministries and departments.<sup>51</sup> The GNHC was dissolved, and its functions reassigned with a view to creating enhanced coordination and effective integration with line ministries. The long- and medium-term planning functions now rest with the Cabinet Secretariat. Annual planning and budgeting functions now sit within the Department of Planning, Budget and Performance at the Ministry of Finance (MoF). The NDA for the GCF sits within the Department of Macro-Fiscal and Development Finance (DMDF), also at the MoF. Within the Ministry, all international donor relationships are now handled through the Development Coordination and Debt Management Division of the DMDF.

The National Environment Commission (NEC) is the highest placed decision-making body on matters of the environment, deriving its mandate from the climate change policy. It brings together environment- and climate-relevant ministries and departments, and it serves as the focal agency (political focal point) for the UNFCCC and the United Nations Convention to Combat Desertification. Until the recent civil service reform, the NEC was supported in its role by the NEC Secretariat. This Secretariat function has since been integrated into the newly formed Department of the Environment and Climate Change (DECC), which sits within the Ministry of Energy and Natural Resources. It continues to provide leadership in the formulation of national strategies and plans through its participation at the Cabinet level.

At the time of writing, there are several international AEs engaged with the GCF in Bhutan – namely, the WB, ADB, the Food and Agriculture Organization of the United Nations (FAO), UNDP, the World Wildlife Fund (WWF) and the United Nations Capital Development Fund. There is also a newly accredited non-governmental entity, the Bhutan Trust Fund for Environmental Conservation (BT FEC). One additional non-governmental entity, the Royal Society for the Protection of Nature (RSPN), has recently taken up the role of DP as a non-accredited entity after undergoing a financial management capacity assessment. Lastly, three national banks have been nominated by the NDA for accreditation to access the GCF's Private Sector Facility and are mid-stream in their application process. The banks are the Bhutan Development Bank Limited, the Bank of Bhutan Limited and the Bhutan National Bank Limited.

## B. KEY FINDINGS

### 1. RELEVANCE

Bhutan's impetus to bolster climate resilience emanates in large part from concern for the forests and the water resources of this mountain kingdom. To be a carbon sink in a warming world is, for Bhutan, a status that is treasured. Forest cover extends over 69.7 per cent of the country's landmass (Poudel, 2023), its integrity supported by a national ethic that values conservation.<sup>52</sup> At the same time, climate action voices in Bhutan point to population pressures on the forest and to stresses associated with climate change on livelihoods that are associated with the forest.

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<sup>51</sup> The Bhutanese newspaper has provided a quick reference guide to the changes. See

<https://thebhutanese.bt/understanding-the-new-ministry-of-energy-and-natural-resources-its-new-water-department-and-the-apparent-contradictions-between-departments/>.

<sup>52</sup> Forest protection is an imperative enshrined in Bhutan's constitution, and environmental conservation stands as one of four pillars in the country's national GNH philosophy.

While still a fresh concept in Bhutan, the perceived importance of international climate finance is increasing. Understanding of climate change impacts among decision makers (at the central, *dzongkhag* and *gewog* levels) is growing, with deepening commitments under the UNFCCC to pursue mitigation and adaptation. At the same time, increasing attention is being paid by international organizations to low-carbon, climate-resilient development. The emergence of climate finance is particularly felt within academia and in civil society in Bhutan. At least among the more prominent conservation-focused civil society organizations in the country, there is considerable interest in positioning themselves to influence policy and programming and to serve in DP roles. Perceptions around opportunities are less well-honed within the country's private sector, where an exploration of non-grant climate financing awaits the presence in the country of a nationally accredited institution connected to the financial sector.

Looming large on the horizon for some observers is Bhutan's imminent graduation from its status as an LDC. With that comes a reduction in support from what are perceived as trusted multilateral donors. In this context, climate finance – in its various forms – is considered for its potential to attract resources to support national development.<sup>53</sup>

Recently, Bhutan's positive disposition towards climate finance has been influenced by a nationally perceived urgency to revitalize the country's economy, and particularly so in the wake of the COVID-19 pandemic. Economic revitalization is the focus of the country's thirteenth FYP, with scope to explore climate action both as an imperative and an economically productive pursuit.<sup>54</sup>

Bhutan engaged with the GCF's RPSP for the first time in 2017, at a time when the NDA was underprepared organizationally to engage with the GCF among other international donors and implementing partners, some with long histories in the country. At the time, climate change related ambitions were strong; the country was midway through its eleventh FYP, wherein "self-reliance and inclusive green socioeconomic development" themed prominently for action at national and district levels (Gross National Happiness Commission, 2013). In the policy realm, the country was preparing to submit its first NDC to the UNFCCC (which occurred in September 2017). At this time, according to the NDA's initial readiness proposal to GCF, the country's ambition was greater than its capacity to deliver. Observers of the day pointed to climate-relevant institutions and ministries operating with minimal information-sharing and coordination, and a limited (nascent) degree of engagement with a wider group of national stakeholders in civil society and the private sector.

From that time on, Bhutan's needs have meshed well with the programming offered under the GCF's RPSP strategy. Readiness has addressed and continues to address important gaps. Initially, programming and administrative support for the NDA focused on interministerial coordination and a no-objection procedure for proposals; establishing a multi-stakeholder technical working group; awareness-raising campaigns and products; technical support for national implementing entities nominated for accreditation; and developing a CP. More recently, readiness support has shifted towards deepening NDA engagement with country stakeholders, strengthening DAEs and other national entities in DP roles, building national capacities on climate intelligence to support the development of CNs, and improving the production and dissemination of knowledge products. Bhutan has utilized its allocation of NAP readiness resources for a multi-sector plan centred around

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<sup>53</sup> It is understood that with graduation comes a narrowing of eligibility for international support measures, such as preferential market access for exports, mechanisms for technical and financial cooperation, and supports for national representation in international forums.

<sup>54</sup> A green recovery is envisaged, diversifying beyond hydropower towards wind, solar and waste-to-energy, among other renewables, and diversifying sources of financing through, for example, carbon trading and green bonds (Asian Development Bank, 2022, p. 8).

the country's water resources. As well, readiness resources have been used to backstop WB activities supporting Bhutan's bid to be REDD+ ready.<sup>55</sup>

Readiness needs have been addressed in five RPSP country projects (described in section 4.a.iv). The USD 5.37 million allocated to support Bhutan's readiness to access climate finance spans all five RPSP objectives. NAP readiness aside, much of the support has been allocated to building country capacity to engage with the GCF and other climate financiers, and relatively little has been allocated towards building Bhutan's project pipeline. Priority projects are identified in the NDA's CP for the GCF. However, to the extent that CNs have been developed for these projects, these activities have mostly occurred without direct readiness support. Some prioritized projects await an AE to take them forward; in other instances, project ideas are advancing with multilateral AEs at the helm or with the country's single DAE leading, with technical support from a United Nations agency.

Bhutan's NDA serves as a focal point for all international donor organizations active in climate financing for the country. Readiness resources support country stakeholder analysis of climate-related policy, strategy and programming; coordinate the movements of climate actors; foster good project practices; and enable a flow of climate information. Thus, the RPSP is strongly valued. It is the single-largest source available for this kind of support.<sup>56</sup> However, its orientation through the CP towards Bhutan's use of GCF resources and not the wider array of climate finance sources is perceived as an impediment, given limited resources, and a missed opportunity to support a wider scope of decision-making.

## 2. COHERENCE AND COMPLEMENTARITY

### a. Internal coherence

#### i. Country capacity development

The NDA has been methodical and strategic in its deployment of readiness resources. Starting in 2018 and continuing into the COVID-19 pandemic (albeit with restrictions), the NDA engaged stakeholders at the central, *dzongkhag* and *gewog* levels, introducing climate change finance and the GCF, along with institutional processes to support a national climate change response. The information package addressed the process of accreditation and requirements related to fiduciary standards and environmental and social safeguards (ESS). As part of this sensitization, the NDA introduced skill-building activities to support proposal development. Outreach extended to civil society and to the private sector. The NDA solicited project ideas, analysed them against national priorities and consolidated them through a consultative process that resulted in the creation of the GCF CP. Since then, the NDA has added in a periodic portfolio review/refresh process, also with stakeholder engagement.

At the same time, the NDA nominated BTFEC and supported its accreditation in a bid to establish national implementation capacity. As well, it engaged the financial sector with an invite to express interest in accreditation. The NDA's choice, on both fronts, showed intention to optimize the country's positioning to accept climate finance.

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<sup>55</sup> Since 2013, the Forest Carbon Partnership Facility of the WB has been supporting Bhutan's bid to be REDD+ "ready". Achieving this status will make Bhutan eligible to receive results-based payments based on evidence that it has reduced GHG emissions by slowing, halting or reversing forest loss (Bhattarai and others, 2023).

<sup>56</sup> Bhutan's first biennial report to the UNFCCC contrasts the costed amount of Bhutan's climate change commitments under the UNFCCC – approximately USD 3.4 billion – with the amount of climate finance received to 2021 – USD 82.5 million (~8.2 per cent). It then shows the GCF RPSP contributing to the climate finance share with USD 4.4 million (~5.3 per cent).

BTFEC is a respected and experienced environmental conservation entity, operating under a royal charter. It manages an endowment fund of over USD 80 million and operates a granting mechanism that disburses USD 1.5 million to USD 2.0 million annually, with a programming focus that aligns substantially with the GCF's impact areas.<sup>57</sup> As well, it maintains a network of implementing partners with relevant areas of specialization. At the time of nomination, BTFEC was already accredited to the AF, making possible an expedited accreditation process with the GCF.<sup>58</sup>

In the financial realm, Bhutan's banks are recognized as a critical conduit linking international climate investment to an array of mitigation and adaptation project opportunities, including through the country's private sector. The NDA's initial outreach to the whole sector, rather than to a single bank, sent a powerful signal regarding the Government of Bhutan's intentions, while preserving impartiality towards the individual institutions.

For the NDA itself, the aspiring banks and BTFEC, readiness-funded south–south exchanges (face to face and virtual) with peer entities in Cambodia, India, Mongolia and the Republic of Korea offered good value. By all accounts, these exchanges gave Bhutan actors a better sense of how to proceed in their respective domains. In the case of the banks, for example, it was about seeing how colleagues in analogous financial institutions were addressing their accreditation challenges. For NDA stakeholders it was about observing the performance of an already functioning country coordination mechanism.

## *ii. Country coordination mechanism*

In the wake of the 2022 government restructuring, uncertainty over new governance arrangements have drawn attention to the multiple distinct drivers influencing climate action and climate finance. Under the new structure, wherein the NDA resides in the MoF, stakeholder concerns pertain to the prospect of a less-than-optimal separation of climate policy and subject-matter expertise (technical/programmatic) from the tasks of high-level planning and budgeting, driven as they are by an array of public management considerations. The concerns are both substantive and efficiency related (e.g. related to communications protocols). Of note is the distancing of the UNFCCC focal point role, housed in the DECC, from that of the NDA. The country coordination mechanism, originally set up in the GNHC (and developed with readiness support), provided for a closer integration of these functions, although – as was argued by the proponents of the restructuring – without a sufficient degree of leadership.

Under the singular leadership of the MoF, the DECC, along with the National Centre for Hydrology and Meteorology, is to feed into national planning and budgeting at the policy and technical levels. The NDA puts current uncertainties over the modalities for deliberation/coordination down to the newness of the restructuring (i.e. the lack of run time and communications, to date).

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<sup>57</sup> BTFEC has awarded 238 projects since inception. It supports stakeholders with training on grant writing, and it convenes actors associated with its funded activities. Programming areas highlighted in its 2015–2020 Strategic Plan are biodiversity protection and improved rural livelihoods, sustainable forest management, sustainable water sources for agriculture and consumption, as well as solid and liquid waste and industrial pollution. Further details are available at <https://www.bhutantrustfund.bt/>.

<sup>58</sup> The GCF offers a “fast-track” accreditation process for those entities that have already met the fiduciary standards and ESS of another fund. This programme is outlined at <https://www.greenclimate.fund/sites/default/files/document/fast-track-accreditation-programme.pdf>.

### *iii. Readiness and funded projects*

Limited cross-over between the RPSP in Bhutan and the country's funded projects belies the perceived potential for synergy between the two as the projects mature in implementation.<sup>59 60</sup> As well, it reinforces the notion that readiness programming has a role to play beyond creating a project pipeline.

The concept phases of two funded projects predate the presence of RPSP in Bhutan. NDA staff provide continuity between readiness programming and the two projects through their presence on project steering committees and technical working groups / task force groups. As well, project management unit staff at the NDA routinely participate alongside project stakeholders in national forums. There are also obvious points of intersection between the vulnerability assessments carried out under NAP readiness and the subject matter addressed in both projects, although references in the NAP assessments to the funded projects are not obvious to the reader.

FP107, "Supporting Climate Resilience and Transformational Change in the Agriculture Sector in Bhutan", was selected for observation during the current case study with a purpose to explore potential synergies between readiness programming and funded project delivery. What became very clear is that some of the following project factors and components would likely not be readily available without timely disbursement of readiness resources:

- Assessment of alignment with policy and regulatory factors
- Community engagement on siting and technology choices
- Livelihood impact assessment
- Scaleup potential to other communities
- Opportunities for scaleup of "proof of concept"

The RPSP is meant to play a contributory role in building scale and impact at the country level. Insights gained from observing this agriculture sector project suggest two areas where readiness might have an enabling role to play in this regard. At an operational level, it might be to support adaptive management in the project through, for example, additional data collection and analysis, south-south exchanges or mediating conversations among relevant actors not yet involved. With a

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<sup>59</sup> According to the completion report (October 2020) of the first NDA strengthening grant, Bhutan's first structured dialogue between the NDA and the GCF Secretariat in 2018 included an audience with His Majesty and a site visit to the proposed GCF agriculture project. It is reported that the activity was instrumental in expediting approval of the FP.

<sup>60</sup> FP050, "Bhutan for Life", is a 10-year, USD 26.5 million grant (USD 118.3 million with co-financing) to support the first 14-year implementation period in a 50-year life cycle. It was approved by the GCF Board in November 2017. At the time of writing, the GCF grant is 41 per cent disbursed. WWF is the AE and the Ministry of Agriculture and Forests [MAF] (under the 2022 restructuring, the project sits in the new Department of Forests and Park Services under the Ministry of Energy and Natural Resources). The project is dedicated to securing 51 per cent of Bhutan's territory as part of its network of protected areas, thus helping the country to keep its NDC pledge to remain carbon neutral. It begins with a long-term conservation plan and costing, which sets the agenda for seeking financing options to maintain forest quality and combat deforestation; introduce community and ecosystem-based adaptation, including climate smart strategies for watershed management; and strengthen Bhutan's revenue base and institutional capacity to deliver on its mitigation, adaptation and ecosystems services goals. Project documents are available at

<https://www.greenclimate.fund/project/fp050#:~:text=Securing%20Bhutan%27s%20protected%20areas%2C%20comprising,NDC%20under%20the%20Paris%20Agreement>.

FP107, "Supporting Climate Resilience and Transformational Change in the Agriculture Sector in Bhutan", is a six-year, USD 25.3 million grant (USD 58.0 million with co-financing) with a 26-year life cycle. It was approved by the GCF Board in July 2019. At the time of writing, the GCF grant is 68 per cent disbursed. UNDP is the AE and the GNHC (under the 2022 restructuring, the project sits in the Ministry of Finance which is an NDA). The project is designed to promote resilient agricultural practices in the face of changing climate patterns; integrate climate change risks into water and land management practices that affect smallholders; and reduce the risk and impact of climate change induced landslides during extreme events that disrupt market access. Project documents are available at

<https://www.greenclimate.fund/project/fp107#:~:text=This%20project%20will%20promote%20climate,events%20that%20disrupt%20market%20access>.

longer-term, bigger-picture planning perspective in mind, the role of readiness might be to support the relationship bridging/building, planning and capacity development for scaleup.

For its part, the NDA favours an open and flexible stance on the role that the RPSP can play in Bhutan. It sees a role to be played filling “readiness gaps” anywhere in the life cycle of an initiative (including in implementation) and at multiple scales. The underlying conviction here is that readiness should be less about creating “documents” and more about clearing impediments to implementation.

#### *iv. Use of regional readiness resources*

The scope for Bhutan’s engagement in regional readiness is perceived by the NDA to be limited at this time. Factors behind this assessment include that expressed readiness need for the country is in keeping with available allocations; regional readiness “initiatives” distil resources over multiple countries, diminishing value (including that associated with management fees, if the DP is offshore); national contexts are quite unique within Bhutan’s regional programming context and, without careful orchestration, regional activities will be shaped and run at the pace of the country (or countries) with the greatest challenges. By contrast, short-term, multi-country gatherings are valued by country stakeholders. RSPN, for example, reports effective use of international conferences that bring practitioners together on specific conservation topics.

#### *v. Use of technical assistance resources*

An early foundation of applied knowledge on matters related to the environment and climate change adaptation already existed in Bhutan when the GCF and the RPSP became active in the country. A skills inventory carried out in 2020 as part of the NAP readiness project observed this across academia and research institutions, focal agencies, central ministries/departments and local government, albeit to varying degrees and with knowledge gaps and institutional discontinuities. In the private sector, the inventory observed a base of understanding on climate change but little engagement.<sup>61</sup>

The inventory revealed knowledge gaps on matters technical, managerial and cultural, prompting stakeholders to urge action on the following points:

- Integrating adaptation learning into national education and training systems
- Developing institutional memory for climate change adaptation
- Incorporating awareness and utilization of indigenous knowledge systems
- Financing to sustain climate change skills development

Stakeholder commentary on the loss of local talent since 2020 suggests that inventory findings and suggested strategies have at least as much currency today. The continuing need for international consultants is widely acknowledged to the extent that, in any given engagement, the case for that engagement is clear and close attention is given to knowledge transfer (specific mention is made of the value of counterparting and on-the-job mentoring). During the pandemic, international and local consultants on the NAP readiness project were partnered because the former were unable to travel. This necessitated the tightly coordinated counterparting approach stakeholders consider to be a good practice.

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<sup>61</sup> This study, titled *Skills Assessment for National Adaptation Plan Formulation Process in Bhutan*, takes stock of the skills available in the country across relevant stakeholder groups. UNITAR’s 2015 methodology on skills assessment for national adaptation planning was used. The study is available at <https://www.undp.org/bhutan/publications/skills-assessment-national-adaptation-plan-nap-formulation-process-bhutan>.

### *vi. Readiness metrics and measurement*

Bhutan's NDA tracks readiness investments at output level, mainly. In the absence of a country or programmatic readiness results framework, reporting occurs on a project-by-project basis. An examination of the documents of three Bhutan readiness projects reveals the following:<sup>62</sup>

- Projects with unique results frameworks and theories of change and that are not referenced to a programme-level theory of change
- Baseline and output targets written numerically (more the case with CP-related activities), or descriptors of desired change (more the case with NAP readiness activities)
- Outcome narratives more descriptive of activities completed than revealing of observed changes
- Commentary on progress against output targets focused on completion of deliverables
- Some reflection regarding implementation under lessons learned / best-practice headings

Under the first readiness programme cycle, the NDA established compatibility between GCF reporting requirements and those of the Government of Bhutan. On monitoring of readiness activities, disbursements are contingent on achievement of targets (>70 per cent of targets). These are reported in interim progress reports. Quality assurance monitoring occurs at this stage. The NDA pays closer attention to the output targets than to the theory of change aspects of project design.

### **b. External coherence**

Currently, the NDA sits within a department of the MoF, in a unit that brings under one roof all the focal activities for Bhutan's international donor community. This is considered to be a "streamlining" of previous institutional arrangements within the GNHC that now allows the NDA a bird's eye view of donor engagement.

Still new in its role, the Development Coordination and Debt Management Division of the DMDF is set up to ward against duplication and to support complementarity among the climate finance institutions, including for "readiness", to the extent that other entities provide this form of support as shown in the two examples below. Division team leaders each maintain a share of the total portfolio of projects in the country and routinely exchange with each other. The portfolio they manage as a team spans agreements made with bilateral partners, multilateral development agencies and financial institutions.

Opportunities for collaboration have typically emerged through the deliberations of the executing entities or DPs themselves, or through the NDA's direct engagement with the donor entity. In one instance, the United Nations Capital Development Fund has supported Bhutan's newly accredited entity, BTFEC, in the formulation of a concept note. In another, the NDA has accessed the RPSP to address emergent gaps in a longer process of REDD+ readiness funded by the Forest Carbon Partnership Facility of the WB.

## **3. COUNTRY OWNERSHIP**

Observed determinants of robust country ownership in Bhutan include a country with a strong national identity tied in large part to its natural surroundings; a medium-term planning process that

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<sup>62</sup> Project documents were examined for the first two NDA strengthening grants (1801-15021 and 1907-15815) and the NAP readiness grant (1712-14986). Regarding the first NDA strengthening grant (2018), a comparison was made with the completion report (February 2022); regarding the second NDA strengthening (2020) and the NAP readiness (2018) grant, comparisons were made with their respective interim progress reports.

integrates Bhutan's climate commitments/strategies; placement of the NDA within a powerful ministry and supported by a dedicated team; an intentional strategy by the NDA to advance candidate DAEs based on unique strategic contributions; and public involvement in the creation of a GCF CP with an outlook that is inclusive of a full range of climate financiers and with engagement from an array of stakeholders that extends into civil society and the private sector. One other obvious determinant of robust country ownership, albeit formative in this period of government restructuring, is a coordination mechanism that ensures integration of climate finance decision-making at policy/political and technical levels.

As a small country with strong traditions, well-defined leadership and a sense of national purpose, Bhutan has a low tolerance for external influences that work against "country ownership". In this vein, stakeholders knowledgeable of the GCF's presence in Bhutan observe the GCF's interest in and respect for the principle of country ownership, at least for the most part. The indeterminacy of the GCF accreditation process vis-à-vis the three candidate banks presents a challenge to the extent that it signals a level of ambivalence on the part of the GCF towards the principle of country ownership itself.

The 2022 restructuring saw the NDA positioned within the MoF and therefore in close proximity to the annual planning and budgeting functions of government to be shaped by the freshly minted thirteenth FYP. This development does not alter the "ownership" variable from the previous arrangement wherein the NDA sat within the country's planning commission; it simply streamlines decision-making with an intent towards greater efficiency.

On a day-to-day basis, the NDA is an active participant in the governance of international donor-assisted projects. Staff participate in the governance of projects, bringing forward country interests/sensitivities. An example of where this has been important is on an urban resilience project in the Thimphu Valley financed by the GEF's Least Developed Countries Fund. The NDA's presence at the project leadership level led to the introduction of additional, "green" climate-resilience elements to complement a technical focus on flood mitigation.

#### 4. EFFECTIVENESS

The RPSP is expected to deliver country-level results across the five objectives of the GCF's RPSP strategy for 2019-2021. These are to be results over which the RPSP has direct influence. They are changes further along the results chain from outputs (i.e. deliverables) yet sufficiently within the RPSP's sphere of influence to realize given the available time and resources. Accordingly, effectiveness is to be observed based on the extent to which the following have been achieved:

- Country capacity was strengthened to drive low-emission, climate-resilient development, with particular attention to the functioning of the NDA, DAEs/DPs, and relevant other stakeholders (objective 1).
- Strategies were put in place to guide GCF investment that are relevant to country priorities and complementary with other climate financiers (objective 2).
- Adaptation planning is funded to catalyse climate finance with attention to matters of institutional coordination, quality of evidence, private sector engagement, and adaptation finance (objective 3).
- Pipeline development is helped with the formulation of priority-aligned, paradigm-shifting CNs and FPs, including through DAEs (objective 4).

- Knowledge-sharing and learning has informed practice (climate-relevant project development and implementation) (objective 5).<sup>63</sup>

In this section, the effectiveness of readiness activities in Bhutan is observed against each of the objectives.

### **a. Progress against results expectations**

#### ***i. Objective 1: Capacity-building for climate finance coordination***

The Government of Bhutan's commitment to the pursuit of a low-carbon, climate-resilient future is clear in its Constitution, its policy development and its medium-term planning, to date. As shown in its communications with the UNFCCC, Bhutan is cognizant of the financial gap that needs bridging to make good on its NDCs and adaptation ambitions.

In its current form, the NDA is recognized by country stakeholders as a competent office strategically placed in the MoF and in an organizational configuration designed for coherent donor engagement. At the time of the study, the NDA is still fresh into a transition and is under resourced. As well, it is seen as constrained by a distant and at times unresponsive GCF, despite the liaison efforts of the GCF's Asia-Pacific desk. Frustration towards the GCF centres on signals of ambivalence or disinterest regarding DAE accreditation ambitions, unrealistic expectations surrounding demonstrations of prior experience (for the accreditation-seeking banks) and a predisposition that favours the demonstration of climate rationale over "plausibility" and pathway development (for proponents of CNs). NDA functioning has been constrained by a significant loss of staff and a repositioning of agencies, and this at a time when stakeholders are looking to the NDA to be proactive in setting direction and in being an advocate to the GCF on their behalf.

As a result of the NDA's periodic sensitization activities, particularly prior to 2020, understanding of the RPSP exists in government and among those private sector and civil society actors that have engaged. The need for these activities remains strong, and especially so with the staff turnover, organizational transitions of the past year and now the advent of the thirteenth FYP.

It is too soon to see demonstrations of effectiveness from BTFEC as an AE or from RSPN, which is making its bid for financial management capacity assessment credentials in order that it can serve as a readiness DP.<sup>64</sup> Both institutions have developed systems and skills for that purpose with readiness support, and the former is staffing up in anticipation of future readiness roles. As part of its accreditation journey, BTFEC developed a gender policy and ESS framework, along with measures to prevent money-laundering and the financing of terrorism, and to manage complaints and redress.

Country capacity that is evident or emerging today in Bhutan is not evenly spread across GCF impact areas, giving rise to calls for the nomination of additional DAEs. Substantive alignment exists between BTFEC's programming experience and GCF CP priorities related to highland pasture development, sustainable land management, the REDD+ Strategy and Action Plan, water resources, and climate-induced health risks. However, urban development, energy transition and transportation are three programming areas prioritized in the GCF CP that fall outside of the programming domains of BTFEC.

Relationship building with the private sector has been constrained without the presence of an accredited national financial institution to facilitate the flow of climate impact-seeking investment

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<sup>63</sup> Statements paraphrased from the collection of objective and outcome statements set out in the RPSP evaluation theory of change.

<sup>64</sup> RSPN's positioning strategy to serve as a DP includes finding two candidate organizations from within its network to play executing entity roles.

into the country from outside. The NDA operates under the assumption that engagement with the GCF's Private Sector Facility is limited until such an entity is in place.

Readiness support notwithstanding, the slow process of accreditation among the three candidate financial institutions has (at least temporarily) eroded senior management championship in those institutions, something that required time and effort to create. One bank key informant put it this way: "We pitched the idea of accreditation based on improved systems, brand differentiation, international recognition, access to cheaper finance and portfolio diversification, but senior management still came back asking for a return-on-investment calculation. In the end, being able to put some readiness grant support on the table is what tipped the decision to go ahead." As it is, the readiness training that has occurred, the products related to ESS and the gender policies, and the risk management tools have not been rolled out in a fulsome way, given the lack of progress towards accreditation.

## *ii. Objective 2: Strategies for climate finance implementation*

While valued for its synthesis of many relevant streams of climate finance information, Bhutan's CP document is perceived to be limited on at least two counts. Regarding scope, it lines up alongside other strategy documents with a selective (i.e. GCF-oriented), not an integrative (i.e. climate finance oriented), purpose. As well, its treatment of "readiness" avoids scrutiny of identified needs/options for their countrywide strategic merit.

The GCF CP serves as a shaping document for the GCF's involvement in Bhutan and as a key reference in the country's reporting to the UNFCCC on technical, financial and capacity needs.<sup>65</sup> Having garnered input from civil society and academia, the private sector and from across government (at the central and *dzongkhag* levels), it maps an understanding of climate change impacts on the country, national climate change commitments, and development directions through Bhutan's FYP process. The CP identifies climate-relevant actors (including ministries/departments, academic/research entities nationally, and international/multilateral entities) and sets out climate-relevant investment priorities referenced to the twelfth FYP – in particular, the 17 national key results areas and nine domains of GNH.<sup>66</sup> As per the guidance provided by the GCF, the scope of the document is oriented around the GCF as opposed to the wider collection of climate finance actors. Accordingly, investment priorities and the national project pipeline discussion that follow are referenced to the GCF.

In the CP, readiness activities are described, including those focused on strengthening the NDA, supporting accreditation of nominated entities, and developing for Bhutan its first NAP, to be applied across seven sectors. As well, some readiness needs are expressed implicitly in a wider listing of "issues and challenges".<sup>67</sup> From this, however, there is no actual analysis that would yield a set of readiness priorities for the country. This wards against precision readiness planning and leaves the NDA responding to requests from DPs (DAEs, non-DAEs) made on the basis of broad

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<sup>65</sup> The CP (known as the Country Work Programme in-country) is referenced substantially in Bhutan's third national communication to the UNFCCC (Bhutan, National Environment Commission, 2020b). It is described as the product of "broad public discourse, direct stakeholder inputs, and analysis of existing policies related to climate change in the country." See pages 122–127.

<sup>66</sup> Volume 1 of the twelfth FYP (2018–2023) provides an overview of the national key results areas and the nine domains of GNH. It is available at <https://extranet.who.int/mindbank/item/6919>.

<sup>67</sup> The CP includes a wide-ranging list of "issues and challenges" associated with pursuing a climate action agenda. These have been grouped under three thematic headings: ecosystem and agriculture, sustainable infrastructure, and resilient communities. Some items on the list relate to enabling environments that could possibly be addressed through readiness programming. Examples are inadequate incentives (tax rebate/refund and tax break/concessions) for the private sector to pursue climate-resilient development; a skewed energy mix (too much dependence on hydropower); lack of green skills; and loss of traditional knowledge and practices.

alignments with national plans/strategies. To date, no readiness request has been turned down, perhaps in part because there are few criteria to separate the (strategic) best from the good.

At the same time, strategically significant readiness gaps do warrant consideration. Gaps associated with the finance sector fall into this category for their centrality to Bhutan having a viable architecture in place to support climate finance and properly engage the private sector. Three items are mentioned specifically:

- Bhutan does not yet have a green taxonomy to guide environmentally sustainable investments, although one is under development at the time of writing.<sup>68</sup>
- The country does not have a country credit rating.<sup>69</sup>
- Measures in place for the management of currency fluctuation are insufficient.

In other areas, concerns are raised about a system-wide paucity of technical and management skill sets needed for a robust climate response, and particularly so in the midst of an unprecedented exodus of skilled Bhutanese citizens to Australia and other countries.<sup>70</sup> And, in a study carried out as part of the NAP readiness project, country stakeholders document concerns about the state of Bhutan's climate change research capacity – citing incoherence across national and local institutions and a paucity of credible data in certain areas of knowledge (United Nations Development Programme, 2020).<sup>71</sup> Overall, then, country-level decision-making around readiness allocations appears to have been more opportunistic than strategic, and more entity and/or sector focused than attached to country-level readiness need.

At the time of writing, the NDA is becoming familiar with the GCF's newly introduced climate finance investment planning framework<sup>72</sup> and suggests that as the details of the thirteenth FYP become clearer, the framework can be employed in a new CP to make readiness gaps more explicit and applied more strategically in the service of Bhutan's climate ambitions. As well, with the launch of the thirteenth FYP, the NDA intends to introduce a programmatic approach in its management of readiness activities, understanding that longer planning horizons will facilitate this more strategic approach to the work.

### *iii. Objective 3: National adaptation plans and/or adaptation planning processes*

After three years in development and an implementation period complicated by the COVID-19 pandemic, the NAP readiness activity is drawing to a close with all deliverables in place, including a NAP endorsed by the NEC. Those aware of its development speak of its value in building climate literacy, weaving new working relationships across sectors (notably integrating the livestock sector more fully with other climate-relevant sectors), consolidating what was a scattered landscape of adaptation knowledge and experience, producing fresh data to fill gaps across multiple sectors,

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<sup>68</sup> The DMDF is preparing the green taxonomy, with technical support from the United Nations Economic and Social Commission for Asia and the Pacific. Many countries in the Global North and South are just now developing their taxonomies. The importance of having a green taxonomy in place is discussed by the Corporate Governance Institute at <https://www.thecorporategovernanceinstitute.com/insights/lexicon/what-is-green-taxonomy/>.

<sup>69</sup> This point arose in an interview with a senior banker. See [https://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_credit\\_rating](https://en.wikipedia.org/wiki/List_of_countries_by_credit_rating).

<sup>70</sup> Migration trends described in this article in *The Diplomat* (October 2022) were evident in Bhutan in May 2023. See <https://thediplomat.com/2022/10/the-paradox-of-bhutans-australian-dream/>.

<sup>71</sup> The study, titled *A Roadmap and Strategy for Strengthening Climate Change Research in Bhutan (2021–2025)*, examines the state of climate change research and key actors, sets out a roadmap for addressing gaps by 2023, and provides a framework for assessing progress. The NDA's most recent readiness submission to the GCF explicitly takes up improvement in climate data as an area of intervention.

<sup>72</sup> The framework is introduced on p. 11 of the March 2023 version of the *Readiness and Preparatory Support Programme Guidebook*, available at <https://www.greenclimate.fund/document/readiness-and-preparatory-support-guidebook>.

setting out in a single reference document adaptation pathways to guide programming among a variety of stakeholder groups (with particular attention to the private sector, including farmers, and to local communities) and creating a knowledge portal to foster learning and exchange.

The process followed NAP guidelines: capacity assessment; research design; climate change risk assessments for water, health, agriculture and biodiversity; NAP document formulation; and training content design and roll out using a train-the-trainer methodology. Training took place in 2022–2023 among mid-level civil servants and academics, including at local government level. As well, the NAP team carried out climate change training with the Bhutan media and with Bhutan's financial sector.

The NAP is already being used by multilateral organizations and NGOs and is expected to be integral in the roll out of the thirteenth FYP across Bhutan's 20 *dzongkhags*. Specific mention is made of the NAP and its accompanying documents being used in the development of the following:

- A concept note to the GCF for “Climate Adaptation, Resilience and Engagement in Local Governments (CARE-LG)”, valued at USD 10 million and led by BTFEC (United Nations, 2022)<sup>73</sup>
- A proposal to the AF for “Innovative Adaptation Financing to Build the Resilience and Adaptive Capacity of Smallholder Farmers in Bhutan”, valued at USD 5 million and to be implemented by World Food Programme with the Ministry of Agriculture and Forests (Adaptation Fund, 2022)
- A proposal to the GCF for the “Climate Resilient Water Resources Management and Enhanced Adaptive Capacity in the Drangmechhu River Basin of Bhutan” project, valued at USD 36.6 million and led by FAO<sup>74</sup>
- An urban resilience project and a water project led by UNDP to be submitted to the GEF's Least Developed Countries Fund, valued at USD 20 million
- The development of an adaptation investment plan through the ADB

As well, NAP deliverables have been integrated as post-secondary teaching resources.

As the project has come to a close, there is some concern in the NAP team regarding the “readiness” of those in relevant ministries and departments in position to utilize NAP resources in the design and delivery of adaptation initiatives, despite there being some practical guidance in the NAP package. It is a concern that speaks to the possibility of readiness programming being used in an open and flexible manner to address (technical, management/coordination) bottlenecks or ease transitions along supported pathways.

#### *iv. Objective 4: Paradigm-shifting pipeline development*

To this point, non-NAP readiness resources have not been used directly in the development of CNs. Rather, they have been concentrated on country capacity development. The most direct use of non-NAP readiness resources for proposal development has occurred through supplementary support provided to the WB REDD+ readiness process. For the most part, pipeline development has been supported indirectly and mostly through the NAP.

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<sup>73</sup> The concept note for this project can be accessed at <https://www.greenclimate.fund/document/climate-adaptation-resilience-and-engagement-local-governments-care-lg>.

<sup>74</sup> The concept note for this project can be accessed at <https://www.greenclimate.fund/document/climate-resilient-water-resources-management-and-enhanced-adaptive-capacity-drangmechhu>.

The CP profiles GCF projects (full, PPF and readiness) at their various stages over two periods: GCF-1 (2020–2023) and GCF-2 (2024–2027) (Bhutan, 2021). Approved projects as of November 2021 are set out below.

- Two funded projects:
  - Bhutan for Life (WWF/MOAF) – USD 26.0 million
  - Supporting Climate-Resilience and Transformational Change in the Agriculture Sector in Bhutan (UNDP/MoF) – USD 25.3 million
- One PPF for funded activity proposal: Bhutan Green Transport Programme (WB/Ministry of Information and Communication) – USD 0.53 million
- Five readiness activities:
  - (NDA-1) Strategic framework to strengthen the Capacity of NDA to access resources from the Green Climate Fund and support for direct access accreditation process (MoF) – USD 0.4 million
  - (NAP) Preparation of the NAP for Bhutan with a focus on implementation of comprehensive risk management in the water sector (DECC) – USD 3.0 million
  - (NDA-2) Strengthening NDA and related institutions, including financial institutions, in Bhutan for effective engagement with GCF (MoF) – USD 0.4 million
  - (CP. – REDD+) Strengthening REDD+ and watershed management in Bhutan (MoF) – USD 0.6 million
  - (NDA-3) Building the Capacity of Bhutan’s National Stakeholders to Address Climate and Disaster Related Risks (BTFEC/MoF) – USD 0.975 million

The NDA has a process in place for vetting project ideas in their evolutionary state. So called “white papers” are submitted and screened for alignment with country priorities drawn from NDCs, climate policy and, most especially, the FYP. With its bird’s eye view of the activities/experiences of country actors, the NDA plays a convening and match-making role.

In the GCF-1 period, the CP (early 2021 version) anticipated advancing two projects for GCF funding. One was the FAO-led ENCREWAB75, identified in the previous section as having benefited from NAP inputs. The other is the “Building Resilience to High Impact Hydro-Meteorological Events through the Strengthening of Multi-Hazard Early Warning System (MHEWS) in Bhutan”, championed in Bhutan by the National Centre for Hydrology and Meteorology.<sup>76</sup> Presently, these two projects are clubbed together as a USD 36 million project with the FAO. In both instances, CNs were prepared without readiness support – ENCREWAB in June 2018, MHEWS in November 2019 – and both remain at the concept stage at the time of writing.

Eleven full project ideas are featured in the CP for GCF-2. They range in value from USD 10 million to USD 270 million, carry a total value of approximately USD 800 million, and span multiple GCF impact areas (i.e. mitigation and adaptation). Most are associated with a government ministry or department and are yet to be assigned an AE. In two instances, the project ideas are championed by BTFEC and, in those instances, CNs have been submitted (though without direct readiness support).

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<sup>75</sup> ENCREWAB stands for Enhancing Climate Resilience of Water Resources and Water Sector in Bhutan.

<sup>76</sup> The concept note for this project can be accessed at <https://www.greenclimate.fund/document/building-resilience-high-impact-hydro-meteorological-events-through-strengthening-multi>.

Overall, the case for assigning readiness support to the development of project concepts has not been clear cut in Bhutan, given the long-standing presence of well-experienced and trusted AEs to resource the design process. As DAEs move into lead roles developing projects, which is conceivable over the GCF-2 period with Bhutan's graduation from its LDC status, readiness programming may play a more direct role in pipeline development. Regardless, stakeholders observing the evolution of Bhutan's climate project pipeline caution that until Bhutan has one of its own financial institutions accredited to the GCF, the likelihood of being able to advance projects will be less than optimal, especially in those instances where the application of business models makes more sense than grants. This has already been found to be the case for project ideas looking at waste management systems, for example.

#### *v. Objective 5: Knowledge-sharing and learning (cross-cutting)*

Academia and research institutions are engaged as actors in the GCF portfolio of projects and are continually generating climate-relevant knowledge products. NAP readiness activities stand out for their contribution to this knowledge base with fresh climate vulnerability data, data consolidation, teaching/learning/knowledge-sharing and, through the NAP itself, a framework for integrating adaptation strategies into policies and programmes. By all accounts the NAP "package" is substantive in its own right and useful as a model for continued NAP development – that is, expansion across additional sectors and in updating what already exists.

The effects of national sensitization activities noted in previous sections have been dampened by high attrition. A website launched by the NDA in early 2022 to be an information hub has not been maintained on account of understaffing. As well, information has become outdated as a function of the reorganized civil service and, now, the introduction of the thirteenth FYP. Recognizing this, the NDA has identified knowledge dissemination and exchange as one of four priorities in its latest RPSP submission.

Beyond the highly valued south–south exchanges prominent during the start-up years of readiness programming in Bhutan, GCF engagement with country stakeholders (including the NDA, academic and research institutions, the DAE and other [prospective] DPs) has been short of expectations set out in the RPSP strategy for objective 5. Of note, there is little or no knowledge in Bhutan of the GCF's Direct Climate Action Platform, which was introduced in late 2017.<sup>77</sup> Bhutan is one of 15 countries participating in a multi-country readiness project focused on a sharing of DAE best practices, sponsored by the Ministry of Economy and Finance of Peru and implemented by GIZ. However, since its launch in early 2022 there have been no activities involving Bhutan.

## 5. IMPACT

Beyond the unmistakable signals of stable country ownership, it is early days for expected later-stage impacts. Theory of change expectations for the RPSP at the impact level relate to the following:

- Enhanced country-level enabling environments for climate action vis-à-vis
  - Institutional frameworks
  - Technology deployment/dissemination
  - Market development/transformation
  - Knowledge generation and learning

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<sup>77</sup> For more information, see <https://www.greenclimate.fund/news/gcf-introduces-direct-climate-action-platform-dcap>.

- A change in financial flows to the country that can be traced to readiness support

For expected shifts in a country's enabling environment to occur, the pressures on and incentives for government to remove market barriers, address policy gaps, deploy new technologies, and so forth, must override status quo tendencies. In other words, a culture shift is required.

To date, readiness has not been focused on enabling issues at a country-systems level; it has been focused more on creating the institutional arrangements and capacities for climate finance – that is, NDA functioning and support to national implementing entities (for accreditation or DP clearance).

The two readiness activities in the Bhutan portfolio with the most immediate potential to influence enabling environments and increase climate flows – the NAP readiness and the REDD+ readiness support – are finalizing and launching their main deliverables. Approval of the REDD+ strategy permits Bhutan to advance to the REDD+ implementation stage and position itself to demonstrate GHG emissions reductions and collect results-based payments.<sup>78</sup> A completed NAP integrates, updates and elaborates on adaptation policy commitments and plans previously made, and improves Bhutan's ability to set out a compelling climate rationale in its funding submissions. As one government official put it, “without the NAP, we would have just looked at the NAPA document priorities from 2018 and been ad hoc with our climate resilience programming choices”. With the NAP in place, the likelihood of “climate proofing” is increased.

## 6. SUSTAINABILITY

Across NDA readiness activities (e.g. structured dialogues and other meetings, NAP readiness), stakeholders engage with each other through consultative processes and on committees / task groups. In these activities, ideas of cross-sectoral, multi-stakeholder working arrangements are seeded. As yet, however, it is too soon to see evidence of lasting partnerships wherein diverse actors are engaged in mutually reinforcing relationships underpinned by a shared climate vision.

As NAP readiness activities draw to a close, there is some uncertainty over the immediate next steps of uptake of adaptation planning within relevant ministries and departments. In part, this is because the details of the thirteenth FYP are not yet released, and in part this is because it is not clear that relevant officials at the central and *dzongkhag* levels will have the skill sets, mandates and budgets to integrate adaptive practices. Observed lapses across institutional lines over the recognition and use of the climate data portal signal potential difficulties ahead. Concern about the sustainability of the NAP process has been compounded by staff attrition over the last two years.

## 7. PARADIGM SHIFT AND TRANSFORMATION

Country stakeholders may know about the GCF's interest in paradigm shift, especially if they have been part of NDA-sponsored sensitization gatherings. However, the concept has not been contextualized for Bhutan and is not part of the climate finance lexicon in the country.

The GCF is committed to projects and programmes that demonstrate maximum potential for a paradigm shift towards low-carbon and climate-resilient development. Paradigm-shift potential is sought in the development of CNs and demonstrated by the extent to which the logic of the concept is geared to catalysing impact beyond a one-off project or programme.<sup>79</sup> The idea of paradigm shift

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<sup>78</sup> According to the REDD+ web platform, 16 countries have a REDD+ strategy or action plan and are reporting their forest reference levels (tonnes of CO<sub>2</sub> emissions per year equivalent). Among those, eight countries are receiving payments from a variety of sources, including the Green Climate Fund (which has provided funding to Brazil, Chile, Colombia, Costa Rica, Ecuador and Indonesia). See <https://redd.unfccc.int/info-hub.html>.

<sup>79</sup> GCF discussion on paradigm shift can be found in the Fund's *Initial investment framework* document, available at <https://www.greenclimate.fund/sites/default/files/document/initial-investment-framework.pdf>.

takes its place in the RPSP theory of change to describe a transformative change supportive of UNFCCC goals and consistent with the SDGs. Both the RPSP strategy and RPSP guidebook indicate a role for readiness in supporting the development of paradigm-shifting pipeline development derived from a country analysis of interventions with highest paradigm-shift potential. The GCF's interest in paradigm shift has been conveyed in sensitization workshops but not in any depth. The concept is cursorily addressed in the GCF CP but not in the NAP documents produced to date. To date, readiness funds have not been applied directly to the creation of project CNs where, within the scope of the project idea, paradigm-shift potential would be explored.

## 8. GENDER AND SOCIAL INCLUSION

The NDA has carried through on its obligation to ensure stakeholders are aware of gender and social inclusion (GESI) requirements. These have been covered in training sessions, in the screening of white papers, and in the review of project designs (including in the set-up of M&E frameworks). The most prominent themes emerging from stakeholder discussions about the GCF's GESI requirements are that they are consistent with the Government of Bhutan's commitments to address those most vulnerable in society, and with the requirements of other international donors. Across stakeholder groups, the private sector is noted to be the least familiar.

In its second and current readiness grant focused on country capacity development, the NDA identified GESI content as part of its accreditation support to the three candidate banks (i.e. Bank of Bhutan Limited, Bhutan National Bank Limited and Bhutan Development Bank Limited). This has been well received, not just because of the favourable positioning this gives the banks for becoming accreditation-ready but because it aligns with principles senior management of these banks deem desirable. At the time of writing, two of the three banks have introduced gender policies into the workplace (including customer service), and the advocacy for this by women leaders in middle and upper management is said to have had a supportive demonstration effect regarding women in leadership roles.<sup>80</sup> Incorporation of gender-based lending has not been taken up, to date.<sup>81</sup>

GESI has been woven into the NAP design process, and sensitivity to gender dimensions is evident in the NAP documents. Drawing on relevant research sources, a climate vulnerability assessment methodology was made to be (i) sensitive to how women and men experience climate change differently, (ii) enabling for women and men to participate in NAP decision-making and activities, and (iii) cognizant through the formulation of adaptation strategies of potential differences in the sharing of benefits. This comes through in the sector vulnerability studies themselves. In the vulnerability assessment for agriculture, for example, the study team addressed gender aspects in the following ways (United Nations Development Programme, 2022):

- As part of its indicator selection, the study team operationalized a gender gap indicator as the difference between total literacy and female literacy, by district. This is built on the idea that adaptive capacity is a function of higher literacy, understanding that literacy is, in turn, associated with access to information and resources (the narrower the literacy gap, the greater the degree of gender equity). On the basis of this, the study identified “hotspots”, showing districts with the most prominent gender gaps in agriculture.
- In setting out strategies to address sector vulnerabilities, the study discussed the gender considerations associated with introducing climate-smart farming, highlighting the use of

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<sup>80</sup> The current CEO of the Bhutan Development Bank Limited is a woman. In conversations, key informants from the financial sector observed a positive change in the number of women in senior leadership roles in the financial sector.

<sup>81</sup> A key informant from one of the three banks indicated that a bank product had earlier been rolled out with a focus on women but that it had not performed well.

gender-sensitive farming technology and the participation of women at the household level in technology adoption.

- Similarly, in setting out strategies to build institutional capacity and investment in climate change research, the study highlighted the importance of “mainstreaming climate change adaptation and gender needs in local development plans, programmes and activities” (United Nations Development Programme 2022, 135).

A range of perspectives is evident across country stakeholders regarding the importance of “gender” and more broadly “social inclusion” as a cross-cutting theme in Bhutan’s national development. Some see exclusion and insensitivity across population groups and thus the need for careful analysis and proactive effort. For example, observing the onus that is put on engineers at the district level to engage a broad range of citizens in public works, one experienced project manager asserted that Bhutan needs to build up skill sets and job mandates at this level to foster social inclusion and social cohesion. Meanwhile, others take the view that there are relatively few issues in Bhutan to warrant the attention international entities particularly place on gender “mainstreaming”.<sup>82</sup> As one key informant put it, the attention can at times distract from the climate issues to be addressed.

In relation to the presence/absence of gender issues in Bhutan, the Global Gender Gap Index for 2021, compiled by the World Economic Forum, scores Bhutan at 63.9 per cent across four dimensions: economic participation and opportunity, educational attainment, health and survival, and political empowerment (World Economic Forum, 2021).<sup>83</sup> It is in this latter domain where Bhutan scores relatively poorly. That said, the United Nations Economic and Social Commission for Asia reports that Bhutan is making progress in relation to women in leadership roles (SDG Asia-Pacific Partnership, n.d.). As well, the Inter-Parliamentary Union global database shows improvement in women’s participation in parliamentary processes (Inter-Parliamentary Union, 2023).<sup>84</sup>

## 9. EFFICIENCY

By and large, Bhutan stakeholders are satisfied with the access they have had to readiness resources. The process of obtaining non-NAP readiness support has been straightforward and reasonably quick, for the most part. Efficiency frustrations are more evident with NAP readiness, PPF and full project windows and with the accreditation process. They rest on the perception that the GCF’s decision-making is cumbersome and fixated on satisfying requirements that are not plausible.

Under NAP readiness, contracting procedures are also mentioned for their part in restricting the deployment of resources to entities best suited but not pre-identified. After one round of NAP readiness activities, leads on the project can see ways to streamline the project cycle through consolidating the capacity assessment and strategy development activities as well as through the merging of costing and M&E framework development.

As well, the importance of robust multi-stakeholder consultations was underlined during the first round. This includes interaction between the NDA and the lead government entity on environment

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<sup>82</sup> The ratio of women to men encountered during the country study was 2:1 (among 24 interviewees).

<sup>83</sup> Across the four domains, Bhutan scores as follows: Economic Opportunity – 55.6 per cent, Education – 95.4 per cent, Health – 96.3 per cent, Political Power – 8.2 per cent. See <https://worldpopulationreview.com/country-rankings/gender-equality-by-country>.

<sup>84</sup> In 2013, no women had been elected to the National Council and only three had been elected to the National Assembly. The Inter-Parliamentary Union global database on national parliaments indicates that today, 10 years later, 3 out of 25 members of the National Council are women (12 per cent), and 8 out of 46 members of the National Assembly are women (17.4 per cent). See [https://data.ipu.org/node/20/data-on-women?chamber\\_id=13343](https://data.ipu.org/node/20/data-on-women?chamber_id=13343).

policy (at the time, between the GNHC and the NEC; now the NDA in the MoF and the DECC in the Ministry of Energy and Natural Resources).

## C. CONCLUSIONS

To date, readiness programming has been important in developing Bhutan's capacity to integrate climate finance with national budgeting and planning to meet the country's climate change ambitions. Evidence of the readiness programming results are strongest in relation to building country capacity, strategy development and adaptation planning (objectives 1 to 3). Bhutan's climate finance pipeline has yet to be supported by readiness in a direct way (objective 4), although potential for this is growing as national entities position themselves to take up DP roles. Regarding objective 5, an increase in awareness of climate change, climate finance and the GCF is evident among targeted stakeholders, but processes to broaden awareness and advance beyond a base understanding remain limited, and progress itself has been undermined by high attrition. Important knowledge products have been created, but the infrastructure (in-country and externally) to ensure they get into the hands of those who need them remains to be created.

Overall, there is strong NDA leadership within a public administration that is clearly committed to its climate targets. The most pressing constraints within the RPSP's sphere of influence pertain to prioritizing the country's readiness needs and setting in place a stable climate finance coordination mechanism. Ultimately, though, realizing the full worth of GCF readiness programming in Bhutan depends on the GCF finding a way to accelerate the accreditation of DAEs and the formulation of full projects.

## APPENDIX 3–1. PORTFOLIO OVERVIEW

*Table A - 3.1. RPSF portfolio*

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
<b>Approved</b>								
1712-14986	Preparation of the National Adaptation Plan (NAP) for Bhutan with a focus on implementation of comprehensive risk management in the water sector	Disbursed	UNDP	2017/09/08	2018/12/23	2,999,859	48 months	Framework agreement
1801-15021	NDA Strengthening, including country programming	Disbursed	Royal Government of Bhutan (RGOB)	2017/09/21	2017/12/15	400,000	18 months	General grant
1810-15504	Strengthening REDD+ and watershed management in Bhutan	Active	GNHC	2018/09/27	2020/10/20	595,000	24 months	General grant
1907-15815	Strengthening NDA and related institutions, including financial institutions, in Bhutan for effective engagement with GCF	Active	RGOB	2019/07/12	2019/12/18	400,000	24 months	General grant
2106-16907	Building capacity of Bhutan's national stakeholders to address climate and disaster-related risks	Active	GNHC	2021/10/02	2022/04/25	975,975	24 months	General grant
<b>Pipeline</b>								
1801-15036	Strategic framework	Inactive	UNDP	2017/09/29				

Source: GCF Tableau server as of 1 June 2023

**Table A - 3.2. PPF portfolio**

NAME	AE	DATE OF APPROVAL
<b>Approved</b>		
1805-15245   Bhutan Green Transport Program	WB	2019/01/27

Source: GCF Tableau server as of 1 June 2023

**Table A - 3.3. FP pipeline**

NAME	AE	DATE OF APPROVAL/ SUBMISSION
<b>Approved</b>		
FP107   Supporting Climate Resilience and Transformational Change in the Agriculture Sector in Bhutan	UNDP	2019/07/08
FP050   Bhutan for life	World Wildlife Fund	2017/10/02
<b>PAP CNs</b>		
20660   Bhutan Green Transport Program	WB	2018/02/01
29390   Climate Resilient Water Resources Management and Enhanced Adaptive Capacity in the Drangmechhu River Basin of Bhutan	FAO	2018/06/22
<b>Simplified approval process CNs</b>		
28350   Climate Adaptation, Resilience and Engagement in Local Governments (CARE-LG)	Bhutan Trust Fund for Environmental Conservation	2022/10/10

Source: GCF Tableau server as of 1 June 2023

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## 4. CÔTE D'IVOIRE COUNTRY CASE STUDY REPORT



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## A. BACKGROUND AND CONTEXT

The current case study covers Côte d'Ivoire, an African country that has received a high level of RPSP support. Since the launch of the RPSP, seven grants have been approved in Côte d'Ivoire, with a total value of approximately USD 4.4 million and covering four RPSP objectives. The country's portfolio as of 1 June 2023 is presented in Appendix 4–1.

### 1. OVERVIEW OF THE COUNTRY

Côte d'Ivoire is located in western Africa, with a total land area of over 322,000 km<sup>2</sup>; it borders Liberia, Guinea, Mali, Burkina Faso and Ghana, with the Gulf of Guinea to its south (Worlddata.info, n.d.). The country experiences a humid equatorial climate in its south, contrasted by a dry tropical climate in the north (World Bank, n.d.-a). Four natural regions are found in the country: the coastal areas and lagoons, the equatorial forest zone slightly north, the cultivated forest zone and the northern savannah (Lawler and others, 2023). The east of the country is shaped by the Nimba Mountain Range. It has four major river systems: the Cavally River, the Sassandra, the Bandama and the Komoé (Lawler and others, 2023).

The country has an estimated population of over 29 million, about 78 per cent of whom are of Ivorian nationality. National census data indicate that the proportion of the population of Ivorian nationality has increased since 1975, when it stood below 70 per cent. Household size stands at around 5.2 people, and population density varies greatly throughout the territory, with 36 per cent of the urban population located in the City of Abidjan (Côte d'Ivoire, 2022c). Population growth has, however, been slowing, passing from 3.8 per cent between 1975 and 1988 to 2.85 per cent between 1998 and 2007 (International Monetary Fund, 2009). Around 75 per cent of the population is below 35 years of age. Finally, the population largely practices Islam (42.5 per cent) or Christianity (39.8 per cent), and around 2.2 per cent practice animism and 0.7 per cent practice another religion (Côte d'Ivoire, 2022c).

Côte d'Ivoire is experiencing fast, sustained economic growth and is one of the fastest growing economies in sub-Saharan Africa; it is considered a regional economic hub (World Bank, 2023a). Between 2012 and 2019, the country's GDP growth averaged 8.2 per cent, decreasing to 2 per cent in 2020 as a result of the COVID-19 pandemic, but quickly increasing to 7 per cent in 2021 and 6.7 per cent in 2022 (World Bank, 2023a). As seen in many countries globally, Côte d'Ivoire is experiencing increased inflation, averaging at around 5.2 per cent in 2022. Nevertheless, a positive economic trajectory is foreseen as structural reforms targeting macroeconomic stability are adopted (World Bank, 2023a). The unemployment rate stood at an estimated 2.6 per cent in 2022, with an important decrease noted compared to 2012, when the unemployment rate stood at 7.2 per cent (World Bank, 2023b).

The agricultural sector is an important contributor to the country's economy, employing around two thirds of the population and representing approximately 27 per cent of the country's GDP (Food and Agriculture Organization of the United Nations, n.d.). Côte d'Ivoire is notably one of the top exporters of cocoa, palm oil, bananas and cashews. In 2022, the country published its 2030 strategy, *Vision Côte d'Ivoire 2030*, a plan for the social and economic development of the country, which notably seeks to decrease poverty rates from 39 per cent to 20 per cent by 2030, double revenue per capita from USD 1,721 to USD 3,440 over a 10-year period and increase the overall investment rate from 22 per cent to 40 per cent (Côte d'Ivoire, 2022b).

Côte d'Ivoire is governed as a democratic republic and operates as per the Constitution of 2016, amended in 2020. Election cycles are five years long, with a limit of two terms for presidents. The current President is Alassane Ouattara.

## 2. CLIMATE CHANGE CONTEXT

The WB estimates that GHG emissions in Côte d'Ivoire reached 24,858 kilotons of CO<sub>2</sub> equivalent in 2019. GHG emissions in the country have been increasing since 2011, following a decrease between 2002 and 2011 (World Bank, n.d.-b). Development in the growth period of 2012–2019 was accompanied by increasing GHG emissions. According to the country's NDCs, the most polluting sector is forestry and land use, accounting for more than half of GHG emissions. This is followed by transport and electricity production (Côte d'Ivoire, 2022a).

In 2000, nearly half of Côte d'Ivoire's land area was natural forest cover, representing 14.9 million hectares (Global Forest Watch, n.d.). However, between 2000 and 2020, the country saw a net 6.9 per cent decline of its tree cover. This includes 2.53 million hectares of lost forest cover and 4.38 million hectares of disrupted forest land (Global Forest Watch, n.d.). Deforestation is largely driven by the expansion of the agricultural sector, particularly for cocoa production (Ngari and Gumba, 2022). Cocoa production has also been tied with illegal logging, whereby cocoa producers make deals with illegal timber traders. Forestry plays a central role in the country's NDC and the achievement of targets under the Paris Agreement, with measures seeking to reduce GHG emissions from the sector by 150 per cent by 2030 (Côte d'Ivoire, 2022a).

As reported on the website of the International Trade Administration, Côte d'Ivoire also has a well-developed energy sector, with the third largest electricity system in western Africa. The country has an estimated installed capacity of 2,269 megawatts, largely generated by thermal plants (61 per cent) and dams (30 per cent). The majority of the urban population has access to electricity, whereas rural electricity access remains limited. The Government of Côte d'Ivoire is expected to expand the grid and encourages the development of off-grid providers to reduce the electricity access gap in the country (International Trade Administration, 2022).

Côte d'Ivoire is experiencing several impacts of climate change, including inconsistent and heavy rainfall, a decrease in annual rainfall, increasing temperatures and droughts, and sea level rise (United Nations Development Programme, 2022). While projections indicate a decline of annual rainfall, heavy rain events are projected to become more intense and more frequent (Federal Ministry for Economic Cooperation and Development, and others, n.d.). Heavy rainfall has already created challenges in the country: heavy rainfalls in June 2020 set the highest rainfall records in over 45 years and resulted in deadly floods that submerged major roads and forced some residents to find shelter on their roofs. The rainfall also caused landslides, affecting houses and railways (United Nations Development Programme, 2022). This event was preceded by deadly floods in October 2019.

Climate change has also led to the lengthening of the dry season, with models projecting potential increases in land exposure to drought. As agricultural production is largely subsistence based and rain-fed, the sector currently has limited adaptive capacity, heightening the country's vulnerability to climate change, particularly considering the importance of this sector to the country's economy. Extreme weather events, ranging from floods to droughts, are also expected to impact the energy sector, particularly hydropower generation (Federal Ministry for Economic Cooperation and Development and others, n.d.).

Finally, sea level rise poses an important risk to coastal communities. The incursion of saline water in coastal waterways and groundwater reservoirs threatens the country's water sector. Coupled with decreases in annual precipitation and population growth projections, models estimate that water

availability could decline by up to 55 per cent by 2080 relative to the 2000 levels (Federal Ministry for Economic Cooperation and Development, and others, n.d.).

### 3. CLIMATE CHANGE POLICIES AND INSTITUTIONAL CONTEXT

Côte d'Ivoire's development has been planned strategically in the form of national development plans (*Plan national de développement* [PND]), with iterations covering the periods 2012–2015, 2016–2020 and most recently 2021–2025. Climate change considerations featured significantly for the first time in the latest plan, as Pillar 5, reflecting the recently heightened importance of climate change to the country's development planning. Prior to this, climate change had been more narrowly segmented; today, climate change considerations are being mainstreamed across all sectors.

A critical document in the country's climate change trajectory, the National Programme on Climate Change (*Programme national d'atténuation des gaz à effet de serre et d'adaptation aux changements climatiques*) was launched in 2012, followed by the *Stratégie nationale de lutte contre les changements climatiques 2015–2020*. In 2015, the country prepared and submitted its first intended NDC. It submitted its second NDC in May 2022, with significantly raised climate ambitions. The second NDC includes revised GHG reduction targets, increasing from 28.25 per cent to 30.41 per cent by 2030, compared to 2012 levels. These reductions are expected to be generated through 38 measures in the energy, waste management, agriculture, forestry and land-use sectors, with an estimated cost of USD 10 billion. The NDC also includes a series of measures related to adaptation that target water, agriculture, livestock and aquaculture, forestry and land use, health and coastal zones, with an estimated cost of USD 12 billion. Cross-cutting themes are also considered in the plan, including green jobs, just transition, gender, local authorities and short-lived climate pollutants.

Côte d'Ivoire climate action has in part been driven by the National Strategy for Gender and Climate Change (*Stratégie nationale genre et changements climatiques de la Côte d'Ivoire*), published in 2019. The strategy explores gender-related challenges related to climate change and identifies four priority axes for action, at both the central and local levels. These include (i) information and awareness, (ii) strengthening capacity, (iii) the autonomy of women and young girls, and (iv) coordination. Under the second priority axis, the strategy seeks to strengthen the capacity of actors involved in climate action to consider gender-related challenges.

In 2018, the country submitted its first biennial update report (BUR), another essential component of the UNFCCC monitoring and reporting functions. The document describes national circumstances; institutional arrangements for environmental governance; the GHG inventory; mitigation policy and measures for GHGs; constraints, gaps and capacity-building; and the establishment of a national system of MRV. In relation to constraints, gaps and capacity-building needs, the BUR notes challenges that are technical (e.g. difficulty in data collection, data reliability) and financial (e.g. lack of resources). The report further highlights the presence of financial gaps (in terms of high costs and insufficient use of funding opportunities), institutional weakness (particularly in accessing regulatory texts), methodological flaws, limited availability of studies and data-collection constraints. The BUR notes that “it is necessary to create a fund solely for research in the very sensitive sectors. Meeting the needs identified will be critical to enhancing the effectiveness of the implementation of the Convention” (Côte d'Ivoire, 2018).

Côte d'Ivoire prepared three separate national communications to the UNFCCC, with the first in 2000, the second in 2010, and the third and most recent in 2017. National communications are important for promoting consistent, transparent, comparable, accurate and complete information for the review and assessment of the Convention's implementation and progress monitoring. The national communication notably includes an improved institutional framework on GHGs. The

country also reports having already implemented strategies and projects aimed at reducing GHG emissions, which were projected to have the potential to reduce GHG emissions by 28 per cent by 2030 – a figure that was later revised, as noted above, to be more ambitious. The document also outlines short-, medium- and long-term measures for key sectors to support climate change adaptation, such as “master and manage water resources, improve production technologies and building actors’ capacities in agriculture, breeding and fishing sectors, improve trees species, promote trees planting and agro-ecology, restore damaged soils and promote fertility improvement technics and soils keeping and so on” (Côte d’Ivoire, 2017). Finally, the document reiterates the country’s commitment to integrate climate change considerations in national policies, create conditions favouring technology transfer, research and observation, public sensitization and education on climate change, as well as to explore solutions. The capacity-related challenges identified here continued, and they were further conveyed shortly thereafter in the BUR.

Ivorian law mandates that a NAP is prepared. At the time of writing, NAP development was under way but not completed. The United Nations Development Programme (UNDP) has been supporting the development of the Côte d’Ivoire NAP since 2015. In 2017, an RPSP proposal for NAP framework development was submitted to the GCF, and the project was approved in 2019 (National Adaptation Plan Global Support Programme, n.d.; Green Climate Fund, 2019).

#### 4. INSTITUTIONAL ARRANGEMENTS AND IN-COUNTRY DELIVERY PARTNERS

The institutional landscape on climate change in Côte d’Ivoire is fairly complicated, which has implications for its work with the GCF, as discussed later in this document. For the time being, it is important to note that the NDA sits in the Minister’s Office, Ministry of Environment and Sustainable Development (Ministère de l’Environnement et du Développement Durable [MINEDD]). There are two focal points in the country, who sit in two separate institutions within the MINEDD, one political and the other technical. The first is the *Directeur de la coopération internationale et de la mobilisation des financements*. The second is *Sous-Directeur at the Direction de la lutte contre les changements climatiques*, who is also the focal point of the Climate Technology Centre and Network, reporting to the UNFCCC focal point of Côte d’Ivoire.

There are six DPs in the country – namely, Centre de Suivi Écologique (CSE), the United Nations Environment Programme – Climate Technology Centre and Network (UNEP-CTCN), UNDP, the Global Green Growth Institute (GGGI), PricewaterhouseCoopers, and the Fonds Interprofessionnel pour la Recherche et le Conseil Agricoles (FIRCA). In addition, accredited entities operating in the country include Agence Française de Développement (AFD), the African Development Bank (AfDB), Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, International Fund for Agricultural Development (IFAD), International Union for Conservation of Nature, and Pegasus Capital Advisors. The CSE is the only DAE that operates in the country. Headquartered in Senegal, CSE was accredited in 2015. The AfDB, an international accredited entity, is headquartered in Côte d’Ivoire. There are no accredited DAEs based in Côte d’Ivoire.

## B. KEY FINDINGS

### 1. RELEVANCE

The RPSP has been highly suited for Côte d’Ivoire, given the programme’s five objectives and priorities. In particular, since about 2010, the country has at first slowly and then with increased effort focused on building the policy and institutional landscape for climate action. The RPSP came at an opportune time, with the first grant approved in 2017 – namely, “NDA Strengthening +

Country Programming". Overall, the RPSP was mobilized by Côte d'Ivoire in a step-wise approach, with a sequencing of grants that have been matched with the country's needs, much as the RPSP's purpose and strategy intended. The overall relevance and value of the RPSP for Côte d'Ivoire is made visible through a presentation and discussion of the trajectory of readiness support.

The RPSP has enabled Côte d'Ivoire to become familiar with the GCF, which is important for the programme to be used as intended. The overall trajectory of RPSP support was rolled out in a highly relevant and somewhat strategic way. In 2017, two years after the grant submission date in September 2015, CSE started providing support for NDA awareness-raising about the GCF, NDA strengthening and the development of a CP, intent on enabling clear planning for work with the GCF. This activity was supported by the grant "NDA Strengthening + Country Programming". Shortly thereafter, adaptation planning support from UNDP was initiated, intent on integrating adaptation considerations into the country's development planning, with the grant "Strengthening climate change adaptation integration into development planning in Côte d'Ivoire".

In line with the RPSP objective of enhancing the country's access to climate finance, Côte d'Ivoire secured the support of GGGI in 2019, with the grant entitled "Enhancing the Republic of Côte d'Ivoire's Access to Climate Finance", which had multi-faceted objectives. GGGI enabled the creation of a platform of "national collaboration" for various actors across the climate finance landscape to engage with one another, learn about the GCF's RPSP, and – more broadly – enable engagement with the private sector and support the accreditation processes of a handful of selected organizations, beyond basic information-sharing, with support for the platform ending in late 2021. Shortly thereafter, FIRCA received RPSP support for a readiness project entitled "Strengthening Côte d'Ivoire's capacities & ownership to access climate finance for country programme implementation", which had a dual mandate. On the one hand, the grant was to be used to advance FIRCA's own accreditation. On the other, it was to create heightened awareness about the GCF in the agricultural sector, to facilitate greater mobilization of relevant climate action, and ultimately to facilitate full proposal development for submission to the GCF and other relevant financing institutions. This accreditation effort was part of the Ministry of Agriculture and Forests' shift towards a heightened focus on climate change from about 2016, which then saw FIRCA's successful accreditation with the AF in 2020.

Côte d'Ivoire sought to further understand its technological needs to be able to track and report on its GHG emissions and then also to better plan and further adjust its development trajectory accordingly. Thus, in 2021, the country drew on UNEP-CTCN to support it in conducting a technological needs assessment and develop a technological action plan for implementing its NDC, through "Technical Guidance for Updating Technology Needs Assessment (TNA) and development of a Technology action plan for the implementation of NDC Côte d'Ivoire". While critically important, this work was stalled in part due to the fragmentation of Côte d'Ivoire's climate finance and institutional landscape (a matter further discussed below). Eventually, both documents were completed (with the NDC completed in 2022).

Côte d'Ivoire is a country in full development, with rapid urban growth. Thus, to inform the building boom in the country, and particularly in Abidjan (the country's financial capital), Côte d'Ivoire has secured RPSP support via GGGI, entitled "Support for the Establishment of a National Green Financing Vehicle and Development of Green Building Minimum Compliance System and Direct access application in Côte d'Ivoire", to help develop a minimum green building compliance system and a national green financing vehicle to underpin it. This is in line with Côte d'Ivoire's recent focus

on green cities, aligned with the “Initiative Villes Vertes” of the FAO, which is intended to attract new funding and support for the municipal level.<sup>85</sup>

## 2. COHERENCE AND COMPLEMENTARITY

### a. Internal coherence

The GCF (and its RPSP) operates in a rich institutional environment in Côte d'Ivoire, with many institutions working in the country, each with their own focal points but with little intentional coordination among them. The development of a more intentional coordination was identified as of potential value, as only limited synergies had been actively pursued thus far, though there are coordinated efforts under way in the roll out of the PND 2021–2025. The key challenge is that the main (“first”, political) focal point for the GCF is situated with the Minister (of the MINEDD), whereas the other (“second”, technical) focal point for the GCF and the focal points for other key climate agencies such as UNEP-CTCN and UNFCCC sit with the Direction de la lutte contre les changements climatiques. While early complementarities were pursued, at the time of writing there had been little communication and collaboration between these two bodies for some years. This is the key impediment to a coherent approach to climate finance management in the country.

GGGI played a central role early on in advising the country’s strategic approach to engaging with the RPSP. In particular, it conducted early consultations to avoid overlaps in grant requests, to favour an effective use of capacity-building resources offered by the GCF. Such efforts were confronted with the inhibiting force of the country’s institutional fragmentation. They also contributed to relatively limited progress in the development of a national climate finance platform, as was the aspiration. Côte d'Ivoire stakeholders welcome additional GCF guidance on the merits and approaches for developing such a body.

### b. External coherence

With respect to the wider climate landscape, the NDA reports a loose complementarity between the Global Environment Facility (GEF), AF and GCF on both mitigation and adaptation. However, given that the GEF and GCF focal points in particular are located in different government ministries (with the GEF’s in the Ministère de l’Économie et des Finances and the GCF’s in MINEDD), there has been little strategic overlap and planning in their work. Efforts to create a larger platform that brings together these and other key stakeholders have made little progress.

The AF reportedly pursues an active relationship with the NDA on overlapping matters of interest to the GCF as well. For instance, FIRCA has been using its accreditation with the AF (Adaptation Fund, 2020) to pursue fast-track accreditation with the GCF, although this is still taking longer than anticipated. By comparison, working with the AF is perceived as both quicker and simpler. Nevertheless, readiness support from the GCF has also reportedly contributed to Côte d'Ivoire’s readiness to pursue a project with the AF.

Further, work is under way in Côte d'Ivoire with the Climate Investment Funds, the Carbon Forest Partnership Facility and the WB to address deforestation, restoration and other related matters. This is in line with the 2018 National Strategy on Forests. REDD+ is working with MINEDD, which is the NDA for the GCF. For these and other actors, there is expressed interest in further understanding

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<sup>85</sup> Relatedly, three national proposals are in the pipeline, at various stages of development, including support for NDC work targeted at local authorities (which is inactive); strengthening coordinated adaptation-focused engagement with the private sector in particular; and building a long-term climate action agenda. Finally, two regional RPSP proposals are in the pipeline, one focused on cities with the West African Economic Monetary Union and another on agriculture with ECOWAS.

and exploring how complementarities may be more intentionally pursued with the RPSP and more widely with the GCF.

### c. Suitability of mechanisms and capacities

Two points emerged from this case study regarding the suitability of the mechanisms and capacities offered by the RPSP:

- The limited suitability of the current annual grant programming to fulfil RPSP objectives at the country level
- The inadequacy of financial resources and the overall financial envelope to meet country expectations

Given that it can take six months for procurement and other issues to be finalized, the annual basis of RPSP support is perceived as too short a timeline before a first disbursement. It has been suggested that a preparatory phase be added that is not included in the one-year period (as it is otherwise a foundational, fundamental and regular cause for delays and needed extensions). With respect to the eligibility of countries for the USD 1 million per year, it was clear to stakeholders that a multi-year allocation would be more desirable. This would allow for greater planning of the work, while also having the resources in hand in such a way that pivoting to changing institutional contexts and priorities could be done rather more deftly. Finally, several key stakeholders in Côte d'Ivoire clearly stated that while their country was eligible for USD 1 million annually, the GCF itself did not have the resources on hand to fulfil this promise – that is, **the GCF itself has not been ready to deliver its programme** – which undermined country planning for readiness and subsequent outcomes. This is perceived as a serious impediment to the realization of the programme's theory of change, given that this is a basic inhibiting factor for the pursuit of programmatic objectives.

Stakeholders also noted a difference in the relative merits of national, regional and international DPs, as there are trade-offs in working with each of them. National DPs are considered to be closer to the NDA, having a deeper and nuanced understanding of the national context. These DPs are also able to develop their experience of the GCF as they deliver readiness support while also themselves seeking accreditation. International DPs tend to have greater capacities and resources to provide readiness support, particularly on larger and more complex mandates. Regional DPs variably have some of both. Consulted stakeholders tended to favour a good balance of national, regional and international DPs for the RPSP.

## 3. COUNTRY OWNERSHIP

There is no agreed-upon definition of country ownership at the GCF, nor indeed across the climate finance landscape. However, it may be broadly understood as a country's ability to strategically plan, institutionally lead, financially support and organizationally implement action in response to the challenge of climate change. In practice, this is indicated by the existence of an empowered and well-functioning NDA; a capacity for stakeholder engagement; the existence of an accredited DAE while also selectively and strategically working with IAEs; having a CP, NAP and/or other relevant strategic documentation in place; and having an actual or emergent pipeline of approved and proposed projects.

RPSP resources have contributed to supporting the development of NDA capacities, with moderate implications for country ownership. Many important climate finance-related decisions in the country are reviewed to some extent by the NDA. However, not all relevant actors are adequately knowledgeable of these decisions. Notably, we learn from the experience of Côte d'Ivoire that the political and institutional context of a country has immense and critical implications for country

ownership that go beyond the RPSP's sphere of control or influence, as currently structured. RPSP resources have been provided in a country of significant institutional fragmentation, which is curtailing the value of RPSP resources in enabling country ownership. Specifically, over the last two years, the country has named two focal points who are accountable to two separate bodies, one political and the other technical. At the time of writing, these focal points had not yet managed to build institutional complementarities between them with the consequence that political and technical knowledge systems, creators, providers and users were not adequately integrated or informing national strategic priority development and decision-making. Concretely, the technical development of an MRV system had been stalled and had not been serving its fundamental and intended purpose (noting that this may shortly change, with recent RPSP support).

RPSP support across multiple grants has been used significantly to pursue stakeholder engagement. From the outset, stakeholders across multiple types, including government bodies (e.g. Ministère des Eaux et Forêts [Ministry of Water and Forests]), private sector actors (e.g. Confédération Générale des Entreprises de la Côte d'Ivoire), civil society (e.g. Pan-African Climate Justice Alliance) and others have participated in stakeholder processes supported by the RPSP. However, most stakeholders consulted for this study indicated that the sessions have been almost exclusively for information purposes only: about the GCF and the RPSP itself and on reporting, the Readiness Results Management Framework, the online portal and systems, and so forth.

As became clear during the field mission for this study, information-sharing is not the same as training, is not the same as capacity strengthening, is not the same as strategy development. In Côte d'Ivoire, the RPSP has largely served the important early function of information-sharing, and in some cases training for a more limited group of participants. Few consulted stakeholders expressed having experienced the sought-after outcome of capacity strengthening; noteworthy is that such capacity strengthening has been clearly evident for the NDA and the nominated DAEs.

Reportedly, there appears to be a lack of clarity on the actual ownership of projects between the NDA and certain DPs, and thus a lack of clarification of roles and responsibilities for each regarding the projects. There is little oversight by the NDA of resources used by DPs in the production of deliverables related to grants, as lines of accountability exist between DPs and the GCF itself, not directly with the NDA. This has manifested in certain outputs of RPSP-supported work not adequately acknowledging the NDA/MINEDD in its public materials. In April 2023, training was deployed to clarify the roles and responsibilities of the NDA and DP, with moderate success, pointing to the need for further clarification.

While several entities had initiated accreditation processes, the two candidates that have proceeded furthest and persisted in their efforts are the Banque Nationale d'Investissement de la Côte d'Ivoire (BNI) and FIRCA. These were selected strategically for accreditation, given that the BNI is a financial sector partner focused on national investments writ-large and that FIRCA focuses on investments and support in the agricultural sector specifically, considering the sector's prominent role in the struggle against climate change. This represents good, if slow progress, in building country ownership with RPSP support.

In Côte d'Ivoire, international DPs are all perceived as different in their ways of working and in the timeliness and quality of their deliverables. For instance, UNEP has been identified as an outstanding partner, ensuring funds are available for technical work to progress, with clear outputs and transparent accountability. Although concerns have been raised about the timeliness of UNDP's deliverables, the fact that local UNDP staff have been embedded in relevant government bodies has brought much added value in terms of capacity in providing ongoing and wide-reaching support, beyond strict project parameters.

The country has prepared a CP, which has advanced its country ownership and planning, although this has been on the incorrect premise that development of a CP and situating projects is a precondition for GCF financing. Nevertheless, the CP has reportedly served to support the NDA in articulating national needs and in both situating and formulating possible projects.

At the time of writing, there was evidence that the CP was in the process of being updated, as its previous iteration dated to before the PND 2021–2025. Among other things, FIRCA's RPSP is intended to result in an updated CP. This points to an important wider point about country programmes. They are often perceived as one-off documents for guiding a country's engagement and work with the GCF. While this may be valid for the first few years, the documents themselves rarely include information about RPSP support, and they are rarely updated to account for changes to national priorities in line with revisions to other key climate-related strategic documents. The fact that Côte d'Ivoire is updating this strategic document is very much to its credit.

#### 4. EFFECTIVENESS

The RPSP has been variably effective in enabling the achievement of each of the five programmatic objectives. Each is discussed below in some detail, although not in the order that reflects the objective number as presented by the programme documents, indicating that countries can, and have, worked with the RPSP in ways that respond to their needs and priorities. Of note, as well, is that the objectives of the programme are at times overlapping and certainly complementary to one another, such that items presented under one objective sometimes relate to other objectives.

##### a. Objective 1: Capacity-building for climate finance coordination

The RPSP has been most effective in enabling the building and strengthening of institutional capacities, particularly of the NDA and of nominated DAEs. Consultant staff capacity of the NDA is also being supported through RPSP grants, which has heightened the ability of the NDA to advance the country's climate (finance) agenda. As discussed above in the section on country ownership, the fragmentation of the country's climate change related institutional landscape has been a hindering factor to the realization of this objective and presents a risk to the sustainability of gains made.

The NDA and nominated DAEs and diverse private sector, civil society and even media actors report having participated in information sessions and receiving training about the GCF and the RPSP, but with only a small minority having increased their knowledge on how to engage with the GCF and wider climate finance landscape. It is widely agreed that the training provided has been of a very general nature, without being specific enough to the work, approaches, institutional culture and priorities of different sectors.

The nominated DAE FIRCA is one of the few entities that report an improved understanding of the GCF and an improved policy suite (e.g. on conflict of interest, transparency, environmental sustainability and gender), while also having its credibility enhanced due to participating in the RPSP and accreditation processes. It reports being better prepared for accessing GCF financing, with improved knowledge on planning, reporting, financing, and procurement systems and procedures.

In terms of the private sector, the BNI, a nominated DAE, has received significant RPSP support in learning about the GCF and its systems, and in learning about opportunities for engaging with the GCF. It received support from GGGI in conducting a gap assessment for accreditation, with support for updating some of its systems and policies (e.g. on gender). The support also reportedly strengthened the BNI's position as an emergent national leader in the climate finance sector.

Beyond the moderate progress in this respect, engagement with the private sector remains very much in its infancy. Multiple information sessions have resulted in basic knowledge of the GCF

having been acquired by organizations such as the Confédération Générale des Entreprises de la Côte d'Ivoire, Centre de Promotion des Investissements en Côte d'Ivoire and the Fédération Ivoirienne des Petites et Moyennes Entreprises, but widespread speculation remains about how to engage with the GCF and how to benefit from its resources; the GCF and its RPSP seem out of reach and ill-suited to the national private sector in Côte d'Ivoire. The common refrains from the private sector are quite simply that “the readiness approach is perhaps not well-suited to private sector interests”, and “we still do not know how to access the GCF”. Private sector platform development was initiated early in the readiness trajectory of Côte d'Ivoire, but it has gone silent and is not serving its knowledge-sharing and engagement purpose, for lack of a champion for doing so. A study by UNDP on the private sector and adaptation in Côte d'Ivoire points to the limited exposure of the private sector to adaptation, with a lack of clarity on the business case for adaptation.

Civil society actors consulted for this study report not having benefited or seen the benefits of such information-sharing, training and capacity-building. While consistently involved in activities over multiple years, civil society organization participation is usually limited to a very small number of people. Civil society actors report often being involved in the validation of studies but not being involved in upstream knowledge production processes. Civil society actors have not benefited directly, financially, from RPSP support in the country (e.g. for the development of concept note ideas).

Côte d'Ivoire has nominated five DAEs to date, having received RPSP support dating back to 2017, without as yet resulting in a single accreditation with the GCF. The nominated entities are the Economic Community of West African States (ECOWAS) Centre for Renewable Energy and Energy Efficiency, Bureau National d'Études Techniques et de Développement, FIRCA, Office Ivoirienne des Parcs et Reserves and the BNI. There is variability in the accuracy and thoroughness of the knowledge of different nominated DAEs about the requirements of accreditation, in spite of being offered support by the programme. For instance, it was not clear to all if there were costs associated with the accreditation process. Given the consultations conducted for this evaluation, it seems that accreditation for the two leading candidates may take another 6–12 months, approximately.

## **b. Objective 2: Strategies for climate finance implementation**

Three national proposals are in the pipeline, at various stages of development, including support for NDC work targeted at local authorities (which is inactive); strengthening coordinated adaptation-focused engagement with the private sector in particular; and building a long-term climate action agenda. Finally, two regional RPSP proposals are in the pipeline, one focused on cities, with the West African Economic Monetary Union, and another on agriculture, with ECOWAS. This aligns with Côte d'Ivoire's recent focus on green cities in line with the “Initiative Villes Vertes” of the FAO, which is intended to attract new funding and support at the municipal level.

## **c. Objective 3: National adaptation plans and/or adaptation planning processes**

In terms of adaptation planning, the first RPSP grant with the support of CSE initiated the development and implementation of the country's NDC. This created some, though too limited, alignment between the two strategic documents. Nevertheless, Côte d'Ivoire's NDC Partnership Plan and its GCF CP were created in alignment with the ECOWAS Regional Climate Strategy. UNDP's work in particular has been central to the integration of adaptation considerations into national planning processes in Côte d'Ivoire since 2019, with two extensions thus far. A gap analysis was conducted, a stakeholder mapping undertaken, training materials have been prepared,

workshops were delivered on soft skills and capacity, and a NAP document was in the final stages of completion at the time of writing. A final consensus document was being produced towards indicating completion, to the satisfaction of the NDA.

As has been evident in Côte d'Ivoire, the climate finance space remains fragmented, such that REDD+ in Côte d'Ivoire has only lightly been included in the drafting of the NAP pursued with RPSP support. The document is reportedly being used as the basis of planning discussions to varying degrees between Côte d'Ivoire, the WB, IFAD and FAO. Reportedly, the WB's *Country Climate and Development Report* is being informed as a work in progress by this NAP-specific work, according to UNDP stakeholders. However, some highly relevant government ministries consulted for this evaluation report having had only limited involvement in the NAP development process.

A key hindering factor to the effectiveness of the RPSP in Côte d'Ivoire stems from the fact that the MINEDD is low in the government's institutional hierarchy. Combined with the institutional fragmentation in the country, this poses an important limiting factor to the effectiveness of readiness support. Further, it takes a long time to access readiness funds, so the relevance of these resources decreases over time.

#### **d. Objective 4: Paradigm-shifting pipeline development**

The RPSP has been much valued as a source of financial and technical support for pipeline development and concept note preparation, although this has not been without limitations. To begin with, GGGI has supported the development of two CNs (on energy and climate, and electric vehicle mobility) and a PPF grant, though these have not as yet been converted into FPs. As things stand, Côte d'Ivoire has succeeded in having one single-country funded project under implementation: SAP015, "Promoting zero-deforestation cocoa production for reducing emissions in Côte d'Ivoire (PROMIRE)", with FAO as accredited entity and both FAO and MINEDD as executing entities. This project was approved in August 2020 and has been under implementation since February 2021, with about 41 per cent of the GCF grant funds disbursed to date.

Côte d'Ivoire is involved in at least eight other multi-country projects. FIRCA is also preparing to support the development of CNs. However, among stakeholders, there is a perceived gap between concept note development and funded projects, given that the former take far too long to develop, with variable quality feedback from the GCF, in an overall process that tends to reduce their relevance over time.

Indeed, while RPSP resources have been forthcoming, few full projects are being financed by the GCF. Stakeholders in the country have a misguided impression that the GCF has provided large and accessible pools of funds to Côte d'Ivoire but that they are simply not being given the chance to access this. This situation has started to have (somewhat negative) reputational implications for the NDA, which must fend off such critical perceptions.

#### **e. Objective 5: Knowledge-sharing and learning (cross-cutting)**

As noted previously, RPSP support has enabled information-sharing about the GCF and the RPSP itself. It has not as yet enabled the creation of effective knowledge repositories among stakeholders in Côte d'Ivoire, such that knowledge therein located could be mobilized effectively in the interest of effective planning. The development of an MRV system has been initiated, with some progress having been made, but it has become stalled due to the institutional fragmentation of the country. FIRCA has been slated to play a key role in moving this priority forward. Also, for those stakeholders involved in GGGI processes and activities, the GGGI learning and knowledge platform is available as a global resource for accessing materials and sharing experience.

## 5. UNEXPECTED AND UNINTENDED RESULTS

There were no unexpected and/or unintended results identified in this case study.

## 6. IMPACT

The RPSP has made a modest but real contribution to the development of an enabling environment for accessing a diversity of climate finance resources. It has served as a type of bridging fund to continue moving the country's climate (finance) agenda forward as it endeavours to access larger, and more difficult to secure, financing for full projects. Nevertheless, a perceived need exists for continued support, including support from external experts, to continue developing the enabling environment for climate finance in Côte d'Ivoire, and Francophone Africa more broadly. It must also be noted that securing external experts in a timely way was identified as an important challenge and risk to the effective and efficient delivery of RPSP activities.

In this respect, it can be expected that RPSP support will contribute to the further mobilization of increasingly important financial resources. To do this, RPSP support will need to increasingly shift from an activity-based to an outcome-oriented approach in Côte d'Ivoire.

## 7. PARADIGM SHIFT AND TRANSFORMATION

The concept of a paradigm shift has entered relatively recently into the discourse of the stakeholders in Côte d'Ivoire consulted for this study. While introductory, this is a reflection that merits further attention.

Planning for the development of innovative climate finance solutions, such as green lines of credit and green bonds, has benefited from training from GGGI, with the additional involvement of UNDP (e.g. with the Comité de Concertation État – Secteur Privé,<sup>86</sup> which has fast become the actual platform for state–private sector engagement). More specifically, the BNI is situated as part of a national strategy to facilitate national climate financing, to de-risk investments, pursue blended finance and facilitate the scaling of promising solutions.

Also, the Ministère des Eaux et Forêts, as part of its 10-year strategy on financing climate change adaptation, reforestation and innovation, has been pursuing the development of green bonds, financing through carbon credits, and possible work with the private sector. Readiness activities contributed to knowledge development at a general level, here and for others.

## 8. SUSTAINABILITY

In terms of the sustainability of capacity-building impacts, this is positively impacted by the existence of policies and practices that favour the country's continued attention and focus on climate change issues. The basis of a financial ecosystem is in place for climate finance, though there remains a need for continued support for CNs to move forward into projects and for the projects then to be accompanied and supported by the right accredited entities.

At least one of the DPs, namely GGGI, has an exit strategy in place; its business model is not to seek accreditation, but rather to enable capacity strengthening, strategy development and concept note development, while supporting country ownership in taking forward the climate finance agenda. On this point, there is evidence of a good balance between national and international institutions in the range of RPSP and related activities in the country. Nevertheless, the biggest risk

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<sup>86</sup> For general information about the Comité de Concertation État – Secteur Privé, see <https://www.ccesp.ci>.

to the capacity-building outcomes of the RPSP is the institutional fragmentation in the country on the climate finance dossier, as discussed earlier in this report.

RPSP support has enabled a series of national-level partnerships – namely, between the NDA and FIRCA and also the BNI. With RPSP support, as the trajectory of accreditation is pursued, it is envisaged that MINEDD and both FIRCA and the BNI will work together for many years in realizing GCF projects as well as those supported by and in collaboration with others. According to the NDA, there is need for greater assistance for the development of an effective communication strategy to generate further interest and understanding of the benefits of climate finance, as part of building greater momentum in addressing climate change related challenges.

It has repeatedly been raised that a significant limitation of the RPSP in terms of sustainability stems from the fact that the programme does not provide direct financing to the NDA and focal points, but only to their temporary advising consultants. RPSP funding is not available for the salaries of NDA staff but only for external consultants, training seminars, publications, and the like. It is a model that does not ensure continuity in staffing and attention to dossiers, given the paucity of resources for state employees.

## 9. GENDER AND SOCIAL INCLUSION

GESI needs to be treated as a separate item in Côte d'Ivoire. Gender and climate change are strongly linked in Côte d'Ivoire, given the 2019 National Strategy on Gender and Climate Change. Social inclusion is somewhat less clear.

Gender has featured appropriately and significantly in the RPSP support, across multiple grants. GGGI's support has included the participation of gender expertise. FIRCA has integrated gender considerations into all of its RPSP-supported work, noting that it now has a unit that works on gender issues and a gender policy aligned with national policy, and that it is also in alignment with the gender requirements of the AF. RPSP activities have for the most part adequately and sometimes even highly integrated gender considerations. Readiness support for the BNI reportedly improved its environmental and social management system and gender policy. Gender considerations and integration approaches have further informed the work of the Ministère des Eaux et Forêts.

## 10. EFFICIENCY

As it is not a least developed country, Côte d'Ivoire is limited in the development-related resources it can access from the international community. The RPSP is one of the important financial resources it is able to access, given that Africa is a priority group for the GCF.

In recent years, the Secretariat has been perceived by the NDA and nominated DAEs in Côte d'Ivoire as being moderately responsive to requests for information on the RPSP, although with variations among the supporting teams at the GCF Secretariat. The RPSP has procedures in place, which are clear and predictable to certain actors and less so to others. Referring to the procedures in place, one high-level and well-informed actor stated, "if you follow them, everything works". At the same time, the Secretariat is perceived as "sometimes overly nit-picky on details", which unnecessarily slows down important work. Also, the Secretariat is identified as far too slow in moving accreditation forward and in releasing funds. RPSP-related processes were certainly impacted by COVID-19 related delays, at both the Secretariat and the country level. And both the inadequacy of resources in French and the lack of awareness of the Readiness Guidebook were impediments to the efficient implementation of readiness.

There is no doubt that the GCF has been appropriately risk averse in Côte d'Ivoire, in many respects. In delivering readiness support, it works with international entities as DPs with whom it has framework agreements, which serves to limit capacity-related evaluative procedures. These

entities have risk management systems in place that further supplement those of the GCF itself. For instance, GGGI has its Rules on Integrity and Due Diligence in place on a broad range of issues, including money-laundering, human rights violations and organized crime. Procurement processes are standardized, and disbursements are timed and predictable. International best practices seem to be followed at every step, with most of this handled at GGGI HQ in Korea. GGGI's country office in Côte d'Ivoire is mainly focused on implementing agreed activities, with resources accessed for local needs.

For general grant agreements, the GCF works with the United Nations Office of Project Services to manage resources with national and regional entities, ensuring that risks are minimized in terms of financial irregularities, non-compliance with GCF systems, failure to deliver, and in other ways. Further, as one international entity explained, the GCF accreditation and financial disbursement practices are themselves key components of an institutional risk management and mitigation system. Overall, the balance in management approaches between framework agreements and general grant agreements appears to be a good one in Côte d'Ivoire, appropriate for managing relatively scarce resources.

## C. CONCLUSIONS

The RPSP has been a highly relevant programme for Côte d'Ivoire. While responding to country priorities, the programme has been rolled out in a way such that RPSP grants have built on one another over time. Such strategic and progressive development is a factor of RPSP success.

While the objectives of the programme have been highly aligned nationally, there has been only moderate effectiveness in its implementation and the generation of outcomes. While the RPSP has undoubtedly contributed to building and strengthening institutional capacities in the country, the main inhibiting factor has clearly been the institutional fragmentation that is in evidence in the climate finance-related governance landscape in the country. Such contextual factors always need to be considered in the planning and delivery of readiness support.

There are only limited complementarities between the GCF RPSP and other climate finance mechanisms in the country. In this and other respects, after six years of support, the country has yet to produce one DAE, although that appears likely to change shortly. Nevertheless, the RPSP continues to support the development of the country's enabling environment for accessing climate finance, although the private sector remains unclear about how best to engage with the RPSP and GCF more broadly. This remains an important challenge, given the value to engagement with the private sector provided by the programme and the GCF more widely.

In Côte d'Ivoire, the RPSP has been a source of support for the development of CNs, as intended. Yet, there appears to be a gap between concept note preparation and the development of funded projects. There is a widespread belief in the country that multi-year support is preferable to annual support for this programme, given that it would allow the country more strategic and adaptive flexibility, which are critical given the urgency and vicissitudes of climate change in the country.

## APPENDIX 4–1. PORTFOLIO OVERVIEW

*Table A - 4.1. RPSP portfolio*

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
<b>Approved</b>								
1705-14630	NDA Strengthening + Country Programming	Completed	Centre de Suivi Écologique (CSE)	2015/09/14	2017/07/27	235,180	18	General grant agreement
1712-15004	Strengthening climate change adaptation integration into development planning in Côte d'Ivoire	Disbursed	UNDP	2017/07/24	2019/02/08	2,388,865	36	Framework agreement
1903-15693	Enhancing the Republic of Côte d'Ivoire's Access to Climate Finance	Disbursed	GGGI	2019/02/28	2019/12/18	414,232	18	Framework agreement
2006-16186	Strengthening Côte d'Ivoire's capacities & ownership to access climate finance for country programme implementation	Disbursed	Fonds Interprofessionnel pour la Recherche et le Conseil Agricoles	2020/07/27	2020/12/31	477,135	24	General grant agreement
2008-16352	Technical Guidance for Updating Technology Needs Assessment (TNA) and development of a Technology action plan for the implementation of NDC Côte d'Ivoire	Disbursed	United Nations Environment Programme – Climate Technology Centre and Network	2021/05/24	2021/12/30	454,911	18	Framework agreement
2012-16652	Support for the Establishment of a National Green Financing Vehicle and Development of Green Building Minimum Compliance System and Direct access application in Côte	Disbursed	GGGI	2021/09/10	2021/12/30	440,000	24	Framework agreement

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
	d'Ivoire							
1806-15281	Accreditation support for ECREE	Completed	PricewaterhouseCoopers	2018/05/14	2018/06/13	34,978		

Source: GCF Tableau server as of 1 June 2023

**Table A - 4.2. PPF portfolio**

NAME	ACCREDITED ENTITY	DATE OF APPROVAL
<b>Approved</b>		
2302-17447 – Green and Resilience Debt Platform for Africa and LDCs	European Investment Bank (EIB)	2023-02-24
2112-17092 – Infrastructure Climate Resilient Fund (ICRF)	Africa Finance Corporation (AFC)	2022-03-21
2010-16523 – IGREENFIN project and GCF Umbrella Program for the Great Green Wall Initiative	International Fund for Agricultural Development (IFAD)	2021-01-28
<b>Pipeline</b>		
2302-17425 – Enhancing Sustainable Land Management and Climate-Resilient Agri-food Systems in Côte d'Ivoire (LARACI)	Consultative Group on International Agricultural Research (CGIAR)	2023-02-07
2303-17484 – Climate and Health Co-Investment Facility Coordination Programme	UNDP	2023-03-14
1805-15217 – Regional Programme: Linking Climate Knowledge to Action for Resilience in the Sahel	World Meteorological Organization	2016-12-08

Source: GCF Tableau server as of 1 June 2023

**Table A - 4.3. FP pipeline**

NAME	ACCREDITED ENTITY	DATE OF APPROVAL/ SUBMISSION
<b>Approved</b>		
FP092 - Programme for integrated development and adaptation to climate change in the Niger Basin (PIDACC/NB)*	AfDB	2018-10-20
FP095 - Transforming Financial Systems for Climate*	AFD	2018-10-20

NAME	ACCREDITED ENTITY	DATE OF APPROVAL/ SUBMISSION
FP151 - Global Subnational Climate Fund (SnCF Global) – Technical Assistance (TA) Facility*	IUCN	2020-11-13
FP152 - Global Subnational Climate Fund (SnCF Global) – Equity*	Pegasus Capital Advisors	2020-11-13
FP183 - Inclusive Green Financing Initiative (IGREENFIN I): Greening Agricultural Banks & the Financial Sector to Foster Climate Resilient, Low Emission Smallholder Agriculture in the Great Green Wall (GGW) countries - Phase I*	IFAD	2022-03-29
FP190 - Climate Investor Two*	FMO	2022-07-20
FP198 - CATALI.5°T Initiative: Concerted Action to Accelerate Local I.5° Technologies – Latin America and West Africa*	GIZ	2022-10-20
FP205 - Infrastructure Climate Resilient Fund (ICRF)*	AFC	2023-03-16
SAP015 - Promoting zero-deforestation cocoa production for reducing emissions in Côte d'Ivoire (PROMIRE)	FAO	2020-08-21
<b>PAP concept note</b>		
16690 - SME Climate Finance Program*	International Finance Corporation	2016-08-31
16750 - Climate Smart Lending Platform (CSLP)*		2016-08-31
18930 - Solar Energy Transformation (SET) Fund*		2017-08-30
18990 - Africa Adaptation Fund*		2017-08-30
26430 - Promote an integrated, sustainable and low-emission transport system in Côte d'Ivoire and reduce fossil fuel consumption, greenhouse gas emissions, and air pollution in the transport sector	West African Development Bank	2021-06-03
26670 - Increasing the resilience of Côte d'Ivoire to climate change induced hazards through the implementation of an impact-based Multi-hazard Early warning system and climate services	UNDP	2023-05-04
28640 - Enhancing Sustainable Land Management and Climate-Resilient Agri-food Systems in Côte d'Ivoire (LARACI)	CGIAR	2022-12-30
28730 - Forest Territories Facility (FTF)*	AFD	2023-01-12
28910 - Green and Resilience Debt Platform for African and LDCs*	EIB	2023-02-16

Source: GCF Tableau server as of 1 June 2023

Note: \*Multi-country project; FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden

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## 5. LAO PDR COUNTRY CASE STUDY REPORT



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## A. BACKGROUND AND CONTEXT

### 1. OVERVIEW OF THE COUNTRY

Insights have emerged from the case study of Lao PDR, which has received the highest level of RPSP support in Asia. Since the launch of the RPSP, 15 grants have been approved in Lao PDR, with a total value of approximately USD 7.5 million and covering the five RPSP objectives. The country's portfolio as of 1 June 2023 is presented in Appendix 5–1.

This section provides background information about the country's geography, climate, economy and politics that is useful for the overall discussion and focus of this case study. The information presented in this section has been collected from various sources, mainly from the WB, the United Nations Population Fund and Lao PDR's own data sources.

#### a. Geography and climate

Lao PDR is a landlocked country located in Southeast Asia. The country shares borders with Cambodia, China, Myanmar, Thailand and Vietnam. Its territory covers 236,800 km<sup>2</sup>, comprising 230,800 km<sup>2</sup> of land and 6,000 km<sup>2</sup> of water. Most of the country is mountainous and covered with thick forests, with the Mekong River passing through and forming a large part of the western boundary with Thailand (Interactive Country Fiches, n.d.; Central Intelligence Agency, 2023).

Lao PDR's climate is tropical, with a rainy season from May to mid-October that brings 70 per cent of annual rainfall and a dry season from mid-October to April. Yearly average rainfall can reach 3,000 millimetres in some places. The country's northern and central mountainous areas have temperatures that are lower than the rest of the country, with a mean annual temperature around 20°C. The lowland plains and floodplains, which are home to more than 50 per cent of the population, have mean annual temperatures of 25–27°C (World Bank Group, 2023e).

#### b. Demography

The population of Lao PDR is estimated at 7.9 million inhabitants (2023). The country is predominantly rural, with the urban population estimated at 38.2 per cent of total population (2023). The most densely populated area is in and around the capital city of Vientiane and primarily along the Mekong River by the southwestern border. The country's overall population density is considered one of the lowest in Southeast Asia (Central Intelligence Agency, 2023).

The number of ethnic groups in Lao PDR is estimated to be over 200 (European Commission, n.d.). However, by the late twentieth century, the country's population was officially grouped by language, as per the following three categories: Lao Loum (lowland ethnic groups), Lao Theung (midland ethnic groups) and Lao Sung (highland ethnic groups) (Osborne and others, 2023). The official language is Lao, with French, English and various ethnic languages also spoken sparsely. Around 65 per cent of the population identifies as Buddhist (United States Department of State, Office of International Religious Freedom, 2022).

The population in Lao PDR is fairly young. Around 30 per cent of the population is under the age of 15, and only 4 per cent is aged 65 and over (World Bank Group, 2023f). The total fertility rate has decreased markedly since 1990, but it is still one of the highest in Southeast Asia. It is higher in rural and remote areas, among ethnic minorities, the less-educated and the poor. The age structure shift will provide Laos with the potential to realize a demographic dividend during the next few decades, provided the country can employ its working-age population in productive sectors (United Nations Population Fund, 2020).

### c. Economy

According to the WB, Lao PDR's recent economic activity has been weighted down by several factors. Due to the COVID-19 pandemic, GDP annual growth dropped from 5.5 per cent in 2019 to 0.5 per cent in 2020 (World Bank Group, 2023b). In 2022, GDP growth was estimated at 2.7 per cent, supported by a gradual recovery of tourism and other services (World Bank Group, 2023j). The country's macroeconomic situation has become more challenging over the last three years, with long-standing structural vulnerabilities being exacerbated by the impact of the COVID-19 pandemic, increased public debt and uncertain global macroeconomic conditions. As a result, the national currency has devalued, and inflation is rising. Food price inflation reached 52 per cent in 2023, affecting vulnerable people most severely (World Bank Group, 2023k; 2023j).

In Lao PDR, the service sector is the largest, accounting for 39 per cent of total GDP in 2021. It is followed by industry (34 per cent) and agriculture (16 per cent) (Statista, 2023b). The agricultural sector employs most of the country's workers (58 per cent), followed by the service sector (31 per cent) and industry (11 per cent) (2021 data) (Statista, 2023a). In 2022, the unemployment rate was estimated at 2.6 per cent, with a higher rate for men (3 per cent) than for women (2.3 per cent) (World Bank Group, 2023h; 2023g; 2023i).

In 2022, the gross national income (GNI) per capita was USD 2,360, classifying Laos as a lower-middle-income country (World Bank Group, 2023d). Since 1997, the share of the population living below the extreme poverty line of USD 2.15<sup>87</sup> a day decreased sharply, dropping from 43.2 per cent to 7.1 per cent in 2018. However, in 2018, 18.3 per cent of the population was still living below the national poverty line, indicating there is around one person in five who is unable to meet basic needs. Inequality is rising, which is reflected in a Gini Index that increased from 32.6 to 38.8 between 2002 and 2018 (World Bank Group, 2023c).

### d. Politics

Lao PDR is a former French colony and a communist state. The Lao People's Revolutionary Party has held authority over state and government since its establishment in 1975. The President is the Head of State and the prime minister is the Head of Government (BBC News, 2023; Osborne and others, 2023). Elections are held every five years, with no term limits (Freedom House, 2020). The country is divided into 18 provinces. The President appoints provincial governors and the mayor of the capital, Vientiane; the Prime Minister appoints local administrators such as deputy provincial governors, deputy mayors and district chiefs (Osborne and others, 2023).

## 2. CLIMATE CHANGE CONTEXT

GHG emissions in Lao PDR are low compared to many other countries in the world, although they have risen sharply since 2014. In 2019, the country's GHG emissions totalled 40.50Mt, representing 5.5t per capita (Climate Watch, n.d.). Despite its low emissions, the country is among the most vulnerable to projected climate change trends, as its communities face significant climate-related hazards that are exacerbated by the high exposure of poor and marginalized communities (World Bank Group and Asian Development Bank, 2021). The country's recent CO<sub>2</sub> emissions increases are primarily due to industrial development, with the transport sector being the largest contributor, producing almost 37 per cent of total emissions in 2016 (Kyophilavong and others, 2021).

Close to 100 per cent of the electricity consumed in Lao PDR is generated by hydropower. Although the country generates enough electricity from hydropower to be able to export it to neighbouring

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<sup>87</sup> Purchasing power parity dollars in 2017.

countries, electricity accounts for only a small part of Lao PDR's total energy consumption (12 per cent in 2015) (Kyophilavong and others, 2021). Shifting to Lao PDR's energy production, in 2020 the main source was coal, at 37.8 per cent of total energy supply, followed by hydro (31.1 per cent), biofuels and waste (20.3 per cent), oil (10.8 per cent), and wind and solar (0.05 per cent). The use of coal for energy production has increased sharply in recent years, with an increase of 330 per cent since 2000 (International Energy Agency, 2022).

Forest cover in Laos decreased steadily in the second half of the twentieth century, dropping from 70 per cent of total land area in 1943 to 41.5 per cent in 2005. In response, the government has committed to returning the proportion of forest to 70 per cent, with the latest figure showing a forest cover of 58 per cent in 2015 (Lao PDR, 2021a). In 2021, 8.8 per cent of total land area was agricultural (World Bank Group, 2023a). The majority of Laos' producers are rice farmers. Additional crops include sweet potatoes, sugarcane, corn and coffee. Farming is largely practised at the subsistence level, and access to improved technologies to increase yields is generally limited. Frequent flooding and droughts cause significant fluctuations in yearly agricultural yields. Declining soil fertility and lack of access to irrigation also affects productivity (Crop Trust, n.d.).

Lao PDR faces high climate disaster risk levels. The country has extremely high exposure to flooding. For instance, extreme flooding in 2013 affected over 350,000 people, killed thousands of livestock, and damaged 15,000 hectares of rice crop as well as infrastructure such as bridges and schools. Drought exposure is lower but must be monitored as hydropower development on the Mekong River significantly alters the hydrology of the region. In 2015, severe drought damaged tens of thousands of hectares of upland, rice and fruit crops (World Bank Group and Asian Development Bank, 2021). Temperatures are projected to increase across the country as well as in the lower Mekong basin, but the magnitude of the increase and how quickly it will occur remains uncertain (Lao PDR, 2021b).<sup>88</sup>

The sectors most exposed to more frequent and severe damages from climate change are agriculture, housing, transportation and public health services (Lao PDR, 2021b). Without action, the population annually exposed to river flooding is projected to double to over 80,000 people by the 2030s (2021). Reductions in yields driven by increases in the incidence of extreme heat during the growing season of staple crops are also expected. The impacts of climate change are likely to fall disproportionately on poorer and marginalized communities, and further increase inequalities (World Bank Group and Asian Development Bank, 2021).

### 3. CLIMATE CHANGE POLICIES AND INSTITUTIONAL CONTEXT

Lao PDR shows a strong interest in the development and implementation of climate-relevant policies and frameworks. Lao PDR not only ratified the UNFCCC in 1995 and the Kyoto Protocol in 2003, it also took several steps to address climate policy – for example, the introduction of its National Climate Change Strategy (NCCS) in 2010, Renewable Energy Development Strategy in 2011, Water and Water Resources Law (updated) in 2017, Climate Change and Health Adaptation Strategy in 2018 and National Green Growth Strategy 2030 in 2019, to only name a few. During the country visit, government stakeholders actively referred to some of those relevant national policies. In this section, such important national plans and strategies are briefly introduced.

The country submitted its first national communication in 2000, its NAPA in 2009, its NCCS in 2010, with an action plan for 2013–2020, and its second national communication in 2013. In 2015, Laos passed a national law on its first NDC. In 2020, the country updated its NDC to identify more

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<sup>88</sup> The Lower Mekong Basin includes Cambodia, Lao PDR, Myanmar, Thailand and Vietnam.

ambitious targets in terms of GHG emissions reduction efforts that could position the country on a net-zero emissions pathway by 2050, provided additional financial support is secured.

The NAPA 2009 identifies 45 projects to increase resilience in the priority sectors of agriculture, forestry, water and public health, setting out the objective, activities, outputs, implementing agencies and budget for each project. The NAP is in its preparation phase. As part of the NAP process, long-term adaptation plans will be further elaborated and continue to evolve as more data are gathered and experience is gained.

The NCCS 2010 sets out mitigation and adaptation measures in seven sectors: agriculture and food security, forestry and land-use change, water resources, energy and transport, industry, urban development and public health. To support the implementation of the NCCS, the Action Plan on Climate Change (2013–2020) sets out climate change actions for the seven priority sectors. The NCCS is being revised and will put a stronger emphasis on gender-responsive climate actions. It will also reflect the latest sectoral priorities and international commitments under the Paris Agreement and operationalize the Climate Change Decree adopted in 2019.

The Renewable Energy Development Strategy 2011 includes actions and targets to increase the share of renewable energy to 30 per cent of total energy consumption and the share of biofuels to 10 per cent of transport fuel demand by 2025. Currently, the strategy is being revised and will include targets for electric vehicles, clean cookstoves and biofuels. The National Policy on Energy Efficiency and Conservation 2016 sets a 10 per cent reduction in energy consumption by 2030 compared to the business-as-usual scenario.

The Water and Water Resources Law was updated in 2017 and aims to improve the sustainability of Lao PDR's water resources. The law is expected to influence the monitoring, management and planning of the country's rivers. The update adds new water rights and use provisions, including wastewater discharge permits, wetlands and water resources protection, groundwater management and river basin management. Moreover, the law expands the terms and conditions of large-, medium- and small-scale uses and includes articles on environmental flows for hydropower as well as stipulations related to irrigation use.

The Meteorology and Hydrology Law was approved in 2017. It aims to prevent and reduce the impacts of natural disasters on lives and properties and to ensure timely and accurate data provision. It includes articles on the development of meteorological and hydrological stations, and a database system to collect, compile, manage and provide accurate and timely data, including setting up agrometeorological stations.

The Climate Change and Health Adaptation Strategy 2018–2025 has the overall target of promoting public health and community sectors that protect people's health from unstable and changing climate conditions. The strategy includes various components forming the basis for promoting climate resilience in the public health sector, including vulnerability and adaptive capacity assessments, a risk monitoring and warning system, and climate-informed health programming, among others.

The Forestry Law was amended in 2019 and informs national policy on deforestation and reforestation, sustainable use of forests and forest resources, and the use of forests and forest environmental services, including REDD+. The revised law also clearly specifies the participation of local communities in forest management, the official recognition of village forests in state-managed forests, and the creation of a village forest management planning system that includes commercial logging in village forests. The law requires the increase of forest cover.

The Disaster Management Law was approved in 2019 and provides a guiding framework for better coordination of disaster prevention, control and recovery interventions. The law strengthens the

legislative framework for adaptation, highlights the need for risk reduction, and represents a critical shift from a reactive to a proactive approach to managing disaster risks.

The Climate Change Decree was endorsed in September 2019 to define principles, regulations and measures on managing and monitoring climate-related matters. The decree provides an overarching legal framework for climate change mitigation and adaptation, including legal mandates and reporting lines among different administrative bodies in relation to climate change. It states that climate change must be mainstreamed into national socioeconomic development plans and into sectoral and local strategies and plans.

Endorsed in early 2019, the National Green Growth Strategy 2030 sets direction to ensure the socioeconomic development of Laos is in line with green and sustainable approaches. The strategy identifies seven focused sectors: natural resources and environment; agriculture and forestry; industry and commerce; public works and transport; energy and mines; information, culture and tourism; and science and technology. Climate change adaptation is prominently placed as a cross-cutting focus area with the objective to reduce vulnerability and enhance resilience.

The Decree on Lao Energy Promotion and Development Fund was signed in August 2020 to provide legal backup for the establishment and operation of the Fund in order to provide loans for renewable energy promotion and development, notably in solar, wind, biofuel and biogas production.

The National Forestry Strategy to 2020 was set out to increase forest cover to a total of 70 per cent of land area by 2020, which was not achieved. The Ministry of Agriculture and Forestry is updating and revising this strategy for 2030, with the same 70 per cent target, and will include a stronger emphasis on reducing emissions from deforestation and forest degradation, as well as on adaptation co-benefits of forest management.

The National REDD+ Strategy was approved in April 2021. It consists of an analysis and identification of drivers and underlying causes of deforestation and forest degradation, a vision to increase the forest cover to 70 per cent by 2030 in line with the National Forestry Strategy, targets on gross emissions reductions, and five priority programmes and 24 projects.

The draft Clean Energy Promotion Policy in Transportation includes the strategic development of clean energy vehicles for 2030 and the vision for 2050. The vision for 2050 is to move towards a pollution-free state, reduce the use of fossil fuels in the transport sector, and promote clean energy for eco-friendly development. The target is to have 30 per cent of all vehicles running on clean energy and 500 new charging stations nationwide by 2030.

The National Strategy on Water and Water Resources Management, Governance and Utilization is near its finalization and acknowledges the threat from climate change to water resources and aims to promote water infrastructure and effective management of groundwater and wetlands for climate change adaptation.

The draft Sustainable Solid Waste Management Strategy and Action Plan for Vientiane Capital, finalized in 2021, aims to increase waste collection services, minimize waste generation and promote waste recovery through waste-to-resource initiatives. It also sets out a target for sustainable solid waste management through the promotion of mechanical biological treatment, a technology that includes a mechanical part in which waste is mechanically separated to recover recyclables, and a biological part to compost or digest the organic fraction (Simon, 2011).

#### 4. INSTITUTIONAL ARRANGEMENTS AND IN-COUNTRY DELIVERY PARTNERS

In Lao PDR, the GCF NDA is part of the Department of Planning and Finance within the Ministry of National Resources and Environment (MoNRE). The GEF and GCF Committee is a cross-sectoral committee chaired by the Deputy Minister, who is responsible for environment management

under MoNRE. This Committee approves GCF no-objection letters (NOLs) for investment FPs and nominates national entities for accreditation to the GCF. At the subnational level, each province identifies a provincial coordinator for communication and coordination with the NDA through the environmental and climate change units of provincial departments of MoNRE.

There are currently eight DPs in the country involved in the GCF's RPSP. These include UNDP, GIZ, the GGGI, the Food and Agriculture Organization of the United Nations (FAO), the United Nations Environment Programme (UNEP), UN-Habitat, the Environment Protection Fund (EPF) and the World Health Organization (WHO). While the option for others to become DPs exists, the evaluation team has found that, to a large extent, RPSP support is provided through UN organizations, including AEs, and the GGGI.

## B. KEY FINDINGS

### 1. RELEVANCE

Overall, RPSP objectives respond to the country needs and priorities of Lao PDR, and activities are designed to align with national and sectoral areas of focus.<sup>89</sup> Generally speaking, DPs and RPSP beneficiaries view the RPSP interventions as being useful and valuable.

In Laos, RPSP programming is developed around both country needs and GCF priorities. Every year, the NDA has a call with the GCF's Division of Country Programming to discuss the topics that are of interest for the country and their alignment with the GCF RPSP priorities. Then, the NDA has discussions with the different ministries to find common ground between national and GCF priorities and sectoral needs. To be considered by the NDA, RPSP proposals developed by the ministries and other DPs must be aligned with the CP, the national socioeconomic development plan and relevant sectoral strategies. In conversations, stakeholders often referred to national sectoral strategies and plans. Their alignment is seen as paramount to the success of capacity-building and preparatory support through the RPSP. The RPSP is seen by the NDA as an opportunity to prepare for larger grants or projects, fulfil the more immediate needs of the country for resources and equipment, and raise awareness across ministries on climate issues.

In design, the RPSP in Lao PDR is an opportunity to develop an enabling environment through establishing human, technical and institutional capacity for climate finance and pipeline development, developing the necessary standards and regulations, and conducting relevant policy work and studies. For instance, two RPSP activities were designed to support the EPF in their accreditation process through training workshops for EPF staff, the update of fiduciary, environmental and social safeguard and gender standards, and the planning for a GCF portfolio, among other things.

In other cases, the RPSP activity is designed to undertake preparatory work for achieving the country's sectoral strategies. One example is the RPSP activity "Groundwork for e-mobility investments in Lao PDR", which is being used to update transport-related regulations to incorporate electric vehicles (EVs), prepare new policy incentive mechanisms to accelerate an e-mobility transition, and develop an EV training plan. While the preparatory work conducted in the context of this RPSP activity represents an early stage of a country transition that will require significant investments, it clearly aligns with the country's Clean Energy Promotion Policy in Transportation,

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<sup>89</sup> The RPSP objectives are (i) capacity-building for climate finance coordination, (ii) strategies for climate finance implementation, (iii) NAPs and/or adaptation planning processes, (iv) paradigm-shifting pipeline development, and (v) knowledge-sharing and learning (cross-cutting), as outlined in the RPSP strategy for 2019–2021.

which aims to have 30 per cent of all vehicles running on clean energy and 500 new charging stations nationwide by 2030.

Another example is the RPSP activity “Market Preparation for Industrial Energy Efficiency in Lao PDR”, which collected information and produced recommendations on how to improve energy use to be more efficient. This activity aligns with the National Policy on Energy Efficiency and Conservation, which has set a target of a 10 per cent reduction in energy consumption by 2030 compared to the business-as-usual scenario.

Finally, the RPSP activities are all designed to engage with a diverse range of stakeholders, for the purpose of raising awareness or developing partnerships, although engaging with the private sector is still considered a significant challenge.

However, while all RPSP activities in Lao PDR are designed to address at least one RPSP objective, stakeholder consultations suggest that the RPSP is sometimes used as a “parking spot” for DPs to access some funding while waiting for investment grants to be approved. In conversation with stakeholders, the evaluation team saw that RPSP grants are often seen and understood as climate investment “projects”. Some stakeholders opined that RPSP “projects” could be seen as small-scale funded activities. In some instances, discussions about “projects” had led to confusion around RPSP grants versus GCF investment FPs. For instance, one DP reported that they disaggregated a GCF FP in order to have some pieces of the proposal funded through the RPSP and other modalities from other funders, as they could not get their GCF FP approved. Consulted stakeholders also expressed a strong interest in multi-year RPSP grants, which can be another signal that, in some cases, the RPSP is used as a second-best option due to an inability to get an FP approved, rather than as a first choice.

Consulted stakeholders of all types identified RPSP needs that lie beyond the current scope and intent of the programme, such as the following:

- Pilot and demonstration grants: According to consulted stakeholders, local authorities and development partners tend to value a project when they can see tangible results. Pilot grants that show concrete results could draw attention from the different levels of government and encourage the scaling of projects through demonstration effects.
- Infrastructure: Several DPs and RPSP beneficiaries expressed that it would be helpful if the GCF were more flexible regarding the RPSP authorized amount that is spent on infrastructure to address country needs.
- Equipment: In some cases, DPs work with international consultants, who bring their own equipment such as computers, software and servers. When they leave the country, DPs no longer have access to the equipment, which threatens the sustainability of the work. In other cases, DPs mentioned that equipment is needed to operationalize the research and policy work conducted during RPSP activities. Without proper equipment, the preparatory work cannot be deployed optimally.
- In-house staff: Some DPs mentioned a need to spend more RPSP resources on internal staff than are currently authorized. Spending on in-house staff instead of consultants would allow for building capacity and having a better control over the quality of the work.

## 2. COHERENCE AND COMPLEMENTARITY

### a. Internal coherence

While the RPSP is seen by the NDA as a strategic tool to build the country’s capacities to prepare for climate investments, there is currently no indication that synergies between the RPSP and other GCF modalities are strongly supported by the GCF.

First, two RPSP grants have been used to support the accreditation of a first DAE in the country. However, the accreditation process is still ongoing and a third RPSP grant will be requested for that purpose. According to a stakeholder involved in the process, RPSP activities that are designed to support accreditation should last three to five years in order to secure funding and support for the whole process. The fact that the entity seeking accreditation has to start over with a new RPSP grant for each different phase of the accreditation process has been described as suboptimal, as it does not allow for a continuous process and relationship with a stable supporting team.

Second, there is no evidence that the RPSP in Laos has led to approved funded projects, a signal that the transition from RPSP activities to funded projects is not strongly supported by the GCF. In fact, most consulted stakeholders mentioned a need for more support, beyond the RPSP, to develop CNs that satisfy the GCF requirements. This is further discussed in the section 4 below.

### **b. External coherence**

The NDA, DPs and RPSP beneficiaries all expressed an interest to engage with the GCF as well as other funders to pursue a more coordinated and complementary action. However, the implementation of the GCF business model often hinders such coordination. The GCF's lengthy procedures and strict requirements have been described as a constraining factor to a coordinated approach, as other funders are not necessarily willing to adjust to GCF modalities.

Most DPs and RPSP beneficiaries indicated that they would like to receive more support from the GCF to strengthen coordination with other development partners, to plan for a broader programmatic approach. For instance, one DP mentioned that the GCF should prepare countries for landscape programming, which would include a cross-sectoral approach.

Adopting a regional approach to include other countries of the Association of Southeast Asian Nations (ASEAN) is also seen as an opportunity for installing more coordination mechanisms and developing stronger synergies across funders and countries. However, concerns were also raised during consultations that a regional approach could generate issues at the country level and that therefore a different mechanism should be developed. This new mechanism would be designed in a way that ensures there is no competition between national and regional grants as, according to a DP, as it is not fair to deprive NDAs of country-level RPSP resources to instead invest in regional grants. Most DPs and RPSP beneficiaries consider that the GCF's RPSP fills a gap by preparing countries for climate investment through activities that would not be funded by other partners, and by allowing the funding of small grants that other funders would not be interested in. This is a comparative advantage that, according to most DPs, makes it worth putting in the effort to maintain a good relationship with the GCF.

## **3. COUNTRY OWNERSHIP**

The RPSP has contributed to increasing country ownership in Lao PDR, but only in a limited way. Ownership still needs to be enhanced for the country to be able to oversee the programmatic approaches to climate change through proper access modalities and to move towards a transformational GCF project pipeline.

As discussed in the section 1, above, RPSP activities in Lao PDR are designed around national and sectoral plans and align with country priorities. The NDA has been recognized by consulted stakeholders as being responsive and engaged and as taking a leadership role in liaising with the GCF and connecting other country stakeholders with the Fund. In order to keep AEs and DPs involved, the NDA organizes internal meetings twice a year to discuss programming and implementation. New actors, including civil society and private sector organizations, consider this model as difficult, often preventing them from accessing the Fund.

In addition, RPSP grants in Lao PDR are contributing to stakeholder engagement in climate action. Specific efforts are made to engage with the private sector. One DP mentioned that, as a result of the RPSP, they now consider the private sector as a partner and aim to develop a business model in which private sector engagement is sustainable.

However, while RPSP grants relevant to country needs have been developed and implemented, DPs and RPSP beneficiaries still strongly depend on external support when it comes to capacity-building and funding for moving the activities' outputs forward and taking them to the next level. In addition, there is no indication that DPs and RPSP beneficiaries are fully equipped to independently access GCF project funding, as a result of and after the RPSP activity.

First, there is no evidence that the RPSP has facilitated or resulted in approved funded projects with the GCF. Second, there is no clarity on how the systems, policies and guidelines developed in the context of the RPSP to support climate projects will be managed, used and financed beyond the RPSP. There is a risk that, without additional and continued support, these will be abandoned or will lack capacity to be fully operationalized. Third, there is currently no DAE in Lao PDR. Two RPSP grants have been used to support the accreditation of a first national entity; however, the process is still not complete.<sup>90</sup>

The extent to which the GCF's RPSP support has contributed to country ownership is also limited. In fact, two issues hindering country ownership were raised during stakeholder consultations. First, as noted in the section 1, several DPs mentioned that the GCF tends to request that DPs use the support of external consultants instead of in-house staff. This limits the capacity strengthening of national stakeholders. Country stakeholders opined that RPSP support is not only limited in providing in-house staff in Laos but also does not allow for sustained capacity-building efforts in the country.

Second, a few DPs reported not interacting directly with the GCF but instead having to go through the United Nations Office for Project Services (UNOPS), which acts as an intermediary between the DPs and the GCF. The relationship with UNOPS has been described as difficult, with UNOPS being seen as unresponsive. It is not clear to the DPs why they have to interact with UNOPS instead of the GCF Secretariat. According to the DPs, this situation prevents them from building a direct relationship with the GCF. The GCF has not been able to clearly communicate its modality using UNOPS.

## 4. EFFECTIVENESS

For the most part, the RPSP in Lao PDR is on track for achieving the five RPSP objectives, though to different degrees, as detailed below.

### a. Objective 1: Capacity-building for climate finance coordination

In Laos, the RPSP has contributed to building the capacity of different stakeholders to drive low-emission and climate-resilient development, or is expected to do so. One significant output of the capacity-building provided to the NDA is the development of a CP, submitted in 2019 and updated in 2021.

Capacity-building to support the accreditation process was delivered to a national entity seeking accreditation, by two different DPs. Training on climate finance, project and finance management, M&E, ESS and gender inclusion was also provided. Technical workshops on GCF FP development

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<sup>90</sup> Another RPSP activity, "Stage 1 Accreditation support of Direct Access Entities for on-lending and/or blending fiduciary functions", has started being implemented to support the accreditation process of two national banks.

were also organized. However, DPs and RPSP beneficiaries consider that the resources allocated and the duration of RPSP grants are inadequate to successfully get the entity through accreditation, considering the length and complexity of the process. The lack of a DAE in the country is a significant roadblock for addressing RPSP objective 1 on country capacity, as well as objective 4 on pipeline development.

Capacity-building activities linked to the policy work undertaken during RPSP grants were also organized, attracting an audience from different sectors. For instance, the Ministry of Industry and Commerce (MOIC) conducted a total of 200 hours of training on energy savings for public and private sector actors. Another example is the Ministry of Public Works and Transport, which has started developing an e-training module on EV regulations that will be targeting EV car inspectors.

It was strongly recognized among DPs and RPSP beneficiaries who have conducted technical preparatory work during RPSP grant that academic and vocational training that goes beyond the RPSP is needed to fully operationalize the policy work undertaken, particularly in the sectors of e-mobility and energy savings. This indicates that in Laos, there might be a gap between country needs to address RPSP objective 1 and activities that are within the scope of the RPSP. In addition, staff turnover was widely recognized as a risk to establishing capacities. There is a need to develop and implement mechanisms that ensure the knowledge gained during an RPSP activity is not lost when staff members leave the organization that was supported.

### **b. Objective 2: Strategies for climate finance implementation**

The RPSP enabled the realization of policy work and systems that aim at informing the development of strategies and attract climate finance in Lao PDR. For instance, one RPSP grant was used to develop a system that keeps track of all climate finance that has been channelled to the country through the GCF, the GEF and the AF, which will help inform national strategies such as the NDC with timely and accurate data. It is also expected that such a tracking system will help the country with better planning and allocation of the resources from these international climate funds and minimize potential redundancies while enhancing transparency. Another example comes from MOIC, which conducted an energy audit in 25 factories across the country. This has led to recommendations on how to improve energy usage in these factories to be more efficient. Finally, RPSP grants enabled the development of different national policies, guidelines, labels and regulations in sectors such as e-mobility, industry and energy use. These grants are meant to prepare markets for future investments.

### **c. Objective 3: National adaptation plans and/or adaptation planning processes**

In Laos, no RPSP activity has been delivered to specifically support the development of a NAP.<sup>91</sup> Nevertheless, two RPSP grants are being implemented to advance and strengthen adaptation in national and sectoral planning. First, the RPSP activity “Advancing Lao PDR’s national adaptation plan (NAP) through Climate Change Vulnerability Assessments for Disaster Risk Management in human settlements” enabled the sensitization of municipal governments on the importance of climate adaptation in five cities and towns of the East–West Economic Corridor (EWEC), an area that is highly vulnerable to droughts and floods.

Second, the RPSP activity “Support for Mainstreaming Climate Change Adaptation into Sectoral Planning in Lao PDR” is still ongoing and aims at “integrating adaptation at the sector level by

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<sup>91</sup> The NAP development is being supported by the GEF’s Least Developed Countries Fund.

developing sectoral adaptation plans for key vulnerable sectors and CNs featuring gender analyses for priority adaptation projects to access GCF funding” (Green Climate Fund, 2022b).

#### **d. Objective 4: Paradigm-shifting project pipeline development**

Developing quality CNs and FPs remains a significant challenge in Lao PDR. There are limited RPSP outcomes on the increased number and quality of GCF CNs and FPs developed and submitted, and thus on addressing Objective 4 of the RPSP. Most consulted DPs and RPSP beneficiaries expressed an interest in developing and submitting CNs. However, they also mentioned that they need more support to do so.

For instance, one DP reported that the GCF has not been satisfied with the quality of the CNs they developed during the RPSP activity. According to this DP, the GCF requirements are challenging and the GCF should provide more support for studies and TA with regard to concept note development. Another DP mentioned that although the RPSP helped for stage one process, more support is needed to address all the additional requirements. Finally, a few DPs reported difficulties in finding an AE, which has been a barrier for concept note approval, especially in a context where there is no DAE in the country.

#### **e. Objective 5: Knowledge-sharing and learning**

Raising awareness and sharing knowledge is an important component of Laos' RPSP portfolio. Different types of stakeholders have been targeted by dissemination activities, such as government authorities, subnational actors, business owners and investors.

Activities to engage with the private sector were included in all RPSP grants. In fact, all DPs consulted for this case study mentioned that one of their objectives is to raise the awareness of and strengthen their engagement with the private sector. In some cases, DPs reported not being successful at creating an interest among private actors. In other cases, DPs reported having been able to liaise with the private sector – for instance, through capacity-building sessions on climate investment. It was also suggested that one key to attract the private sector is to present climate investment as a business and commercialization opportunity rather than presenting it from a purely climate and environmental perspective.

However, several DPs and RPSP beneficiaries mentioned that RPSP grants did not provide sufficient resources to conduct enough dissemination, piloting or testing of smaller-scale activities and knowledge-sharing activities and that more resources are needed to ensure that the policy work undertaken during RPSP activities is shared with the appropriate audience and effectively deployed.

One exception is with MOIC, which developed recommendations to improve energy efficiency in the industrial sector. The recommendations have been taken into consideration by at least one factory in the country, which invested in improving its technology to become more energy-efficient. This result is an achievement towards the objective set in the National Policy on Energy and Conservation of reducing energy consumption by 10 per cent compared to the business-as-usual scenario by 2030. However, consulted stakeholders at MOIC also mentioned that more funding is needed, beyond the RPSP, to allow for a wider dissemination at the national scale and to expand the utilization of their work.

## **5. UNEXPECTED AND UNINTENDED RESULTS**

Based on stakeholder interviews, the RPSP activity “Urban climate change resilience in cities along the Greater Mekong Sub-region East–West Economic Corridor in Lao PDR” led to unexpected positive results. The essence of this grant is to develop this corridor and the cities and towns along it that are more climate-sensitive, through the integration of climate-sensitive planning that includes

private sector funding and information communication technologies. With the GCF RPSP funding, stakeholders shared with the evaluation team that the stakeholder base surrounding the EWEC became much more diverse than initially expected, and the DP got to engage more with local private sector entities. This aspect of private sector engagement, which was made possible through the RPSP, was one of the strong positive results most appreciated by the DP. Another unexpected positive result was that the GCF RPSP funding triggered more donor interest and support from elsewhere surrounding the EWEC, such that it led to the revitalization of the corridor and the economy of the surrounding region.

## 6. IMPACT

The RPSP in Lao PDR has contributed to enhancing an enabling environment for climate finance, particularly through the development of necessary policy work and regulatory frameworks (two examples are presented below) and, to a more limited extent, technology deployment and dissemination. However, the country's capacity to develop markets for green investment is still low. Without enhanced progress towards the five RPSP objectives, leading to an enabling environment for implementing country-relevant transformational climate projects and programmes, the chances that RPSP grants result in long-term impacts are limited.

Examples already discussed in the report include the RPSP activity "Groundwork for e-mobility investments in Lao PDR", which is enabling the development of a policy and regulations on e-mobility as well as capacity-building and awareness-raising. However, it will require significant investments beyond the RPSP for the country to deploy the preparatory work.

Another example is the RPSP activity "Market Preparation for Industrial Energy Efficiency in Lao PDR", which resulted in the formulation of recommendations on energy efficiency. It also requires significant capacity and funding beyond the RPSP to scale up the work to a national level.

## 7. PARADIGM SHIFT AND TRANSFORMATION

The RPSP in Lao PDR is being used to unlock new attitudes and develop new approaches to address climate action, particularly in the sectors of e-mobility, energy, industry and health. As already discussed in the section 4, several DPs and RPSP beneficiaries – including the Ministry of Public Works and Transport, MOIC, the Ministry of Energy and Mines, as well as WHO – are using the RPSP to conduct policy work and develop new guidelines, regulations and systems to reduce emissions in energy-intensive sectors and increase national capacity for adaptation.

For instance, MOIC is developing energy efficiency guidelines for the industrial sector. Consulted stakeholders at MOIC reported that at least one factory in the country has used these guidelines to replace their technology with a new one that is more energy-efficient. Technology replacement has been financed by the factory's own investment, an indication that the private sector is needed to unlock climate action.

In all cases, consulted DPs mentioned that more resources are needed to expect significant changes at the country level. The extent to which DPs have a clear understanding of the pathway to change from RPSP to paradigm shift differed from one to another. This indicates that the GCF is insufficiently explicit in its understanding of "paradigm-shift potential" in such a way that enables the RPSP to inform actions at the country level. However, DPs who had a clear understanding of their needs to be able to take RPSP achievements forward and expect significant changes identified some needs that are actually out of the scope and scale of the RPSP, such as large-scale infrastructure development.

In addition, there is no evidence that the RPSP has contributed to enhancing the scale of climate interventions in Laos. Two DPs suggested that the RPSP should have a modality that allows for the

implementation of small-scale pilot grants that demonstrate tangible results or help the stakeholders visualize what a larger-scale climate project could achieve. For instance, this can be done through a small-scale infrastructure development grant under the RPSP, and if proven to be beneficial and successful, the same project concept and design can be replicated for larger-scale climate projects, beyond the RPSP. According to these DPs, showing concrete results is key to convincing national and subnational authorities to invest resources to scale up and replicate a successful project.

Evidence in Lao PDR illustrates a disconnect between RPSP outputs and the achievement of transformational changes and paradigm shift at the national level. As previously discussed, the RPSP enabled progress towards all five RPSP objectives; yet there is no concrete indication or perception among consulted stakeholders that significant changes at the country level should be expected from RPSP activities. This indicates that although the RPSP is a key tool to conduct preparatory work and build foundations for climate investment and programming with the GCF, the RPSP alone may not be a mechanism to generate paradigm shift.

## 8. SUSTAINABILITY

In Lao PDR, there is no strong evidence that RPSP results are or will be sustainable. In fact, all DPs and RPSP beneficiaries mentioned that more support will be needed in the future to sustain progress and move forward. Nevertheless, contributions to the policy and strategy landscape are important factors of sustainability.

Stronger engagement with the private sector was also raised by several DPs and RPSP beneficiaries as a condition for sustainability, particularly for RPSP grants that contributed to the development of policies, regulations and guidelines in sectors that now require investments to operationalize RPSP outputs.

For most DPs, a way to improve RPSP sustainability is through multi-year RPSP grants, which would provide more resources and allow for better planning and more flexibility for the execution of RPSP activities. Finally, staff turnover at MoNRE and relevant ministries has been identified as a significant risk threatening the sustainability of RPSP results.

## 9. GENDER EQUALITY AND INCLUSION

Consulted stakeholders acknowledged the need to enable an inclusive environment for RPSP activities and climate projects in general. However, specific challenges to operationalizing gender and inclusion policy requirements in the context of RPSP grants being implemented in Laos were reported.

Indeed, sector-specific RPSP activities in Laos mostly target the energy, transport, industry and health sectors. As reported by DPs and RPSP beneficiaries, the participation of women in the sectors of energy, transport and industry is low. Requirements on gender and inclusion often take the form of quantitative targets that must be satisfied. For instance, the RPSP activity “Groundwork for e-mobility investments in Lao PDR” has a target of 50 per cent participation of women in their stakeholder engagement workshops (Green Climate Fund, 2022a).

However, such targets are difficult to achieve when the share of women involved in the specific sectors is significantly lower to begin with. In fact, some DPs questioned the robustness of these quantitative targets as a measure of inclusion and a tool for improving inclusiveness. More flexibility may be needed in the application of gender and inclusion policies and action plans to fit the different contexts.

In addition, DPs and RPSP beneficiaries reported the need to promote climate-sensitive sectors among women to increase their participation. The NDA acknowledged the need. However, the focal

point had no specific activity planned for any future RPSP grant. One suggestion provided during stakeholder consultation is to offer scholarships to women to undertake academic studies in these fields, which is beyond the scope of the RPSP.

## 10. EFFICIENCY

The GCF's heavy procedures remain a significant challenge for accessing RPSP support. Several consulted stakeholders mentioned that RPSP processes need more flexibility. For instance, the international AEs have their own rules and oversight mechanisms, and therefore in some cases they questioned the need for them to also comply with the GCF's requirements. One DP also mentioned that RPSP processes are too heavy and stringent, in comparison to the value of RPSP support.

Long delays and lack of responsiveness from the GCF were also reported as significant challenges by most stakeholders. An issue encountered repeatedly is that of delays when requesting a no-cost extension or a change to an RPSP grant due to an evolving context. The latter was raised as a significant issue in the context of multi-year as well as regional RPSP grants.

First, the situation on the ground evolves quickly and the design of multi-year grants may have not considered unexpected events that affect the delivery of RPSP activities. A lack of timeliness from the GCF in the approval of a change needed to adapt to an evolving context threatens activities' close alignment with the country's needs and priorities.

Second, when requesting a change in the context of a regional RPSP grant, the DP needs to go back to the NDA of every country involved in the grant and request new NOLs. Delays in obtaining a NOL vary across countries, from a day to several months, which was described by a DP as creating timeline coordination issues.

The GCF's heavy procedures for CNs and FP approvals is another challenge for DPs who would like to move on from RPSP activities to investment projects but are still unable to satisfy all GCF requirements. In some cases, this indicates that more RPSP support is needed to further build capacity on concept note development. In other cases, it is rather a signal that GCF requirements for funded projects are too strict for enabling a smooth transition from the RPSP to an FP.

## C. CONCLUSIONS

In Lao PDR, the RPSP's objectives respond to the country needs and priorities overall. The RPSP is seen as an opportunity to create an enabling environment through establishing human, technical and institutional capacities for climate finance; developing the necessary standards and regulations; conducting relevant policy work and studies; preparing the grounds to achieve country sectoral strategies; and engaging with a diverse range of stakeholders. While the RPSP is seen by the NDA as a strategic tool to build the country's foundations and prepare for climate investments, it also presents a trade-off with country ownership.

RPSP activities in Laos are progressing towards RPSP objectives, although to different degrees. The RPSP has contributed to improving the human, technical and institutional capacities of the NDA, DPs and RPSP beneficiaries, including the first national entity seeking accreditation. The RPSP also enabled the development of policy work and systems that aim at informing the development of national strategies and sectoral plans, attracting climate finance in Lao PDR, and preparing markets for future climate investments. On the other hand, not all stakeholders benefited from such support, in particular those from civil society and the private sector. Country ownership is important to build a comprehensive set of actors for national climate finance management and to foster climate action that can be sustained in the long term.

Synergies between the RPSP and other GCF modalities are not strongly supported by the GCF. The GCF is so far not able to build on its efforts to build capacity in the country. More capacity and resources are needed for the country to independently drive low-emission and climate-resilient projects and effectively engage with the GCF. Developing quality CNs and FPs remains a significant challenge in Lao PDR, as does, in some cases, finding an AE to partner with. Indeed, RPSP funding has been used to support the accreditation process and even pipeline development. However, there is still no DAE in the country and no evidence that the RPSP led to approved funded projects with the GCF.

The RPSP has contributed to enhancing country ownership in Lao PDR, to a certain extent. While RPSP grants in Laos are designed around the national and sectoral plans and are aligned with country priorities, DPs and RPSP beneficiaries still strongly depend on capacity-building and external funding for taking activity outputs forward. More capacity is needed for the country to have the ability to oversee the programmatic approaches on climate change through proper access modalities and to move towards a transformational GCF project pipeline.

Overall, the RPSP has contributed to creating an enabling environment for climate finance, particularly through the development of policy work and regulatory frameworks and, to a more limited extent, technology deployment and dissemination. However, the country's capacity to develop markets for green investment is still rather low. Stronger engagement with the private sector is considered key for sustainability, particularly for RPSP grants that have contributed to the development of policies, regulations and guidelines in sectors that now require significant investments for fully operationalizing the various RPSP outputs.

## APPENDIX 5–1. PORTFOLIO OVERVIEW

*Table A - 5.1. RPSP portfolio*

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
<b>Approved</b>								
1705-14694	Green Climate Fund Readiness Preparatory Support for Laos PDR	Approved	UNDP	2016/07/27	2017/06/30	300,000	18 months	Framework agreement
1709-14885	Support for the accreditation of the Lao PDR Environment Protection Fund to the GCF	Approved	GIZ	2017/07/07	2018/04/01	367,632	18 months	Framework agreement
1801-15051	Readiness support to enhance green finance in the areas of green cities in Lao PDR	Approved	GGGI	2017/09/29	2018/02/09	476,485	18 months	Framework agreement
1801-15052	Incentive mechanisms for private sector engagement under REDD+ in the Lao People's Democratic Republic	Approved	FAO	2017/10/30	2018/03/28	345,803	18 months	Framework agreement
1810-15472	Enhancing NDA Capacity and Access to the GCF in Lao PDR	Approved	GGGI	2018/09/28	2019/12/24	239,368	18 months	Framework agreement
1810-15507	Development of Action Plan for Designing and Implementing Standards and Labelling Programme in Lao PDR	Approved	UNEP	2018/10/05	2019/08/07	344,556	18 months	Framework agreement
2003-16100	Market Preparation for Industrial Energy Efficiency in Lao PDR	Approved	GGGI	2020/06/30	2020/10/30	299,457	18 months	Framework agreement
2102-16695	Resilient COVID-19 recovery and transformational pipeline to boost climate actions in agriculture, land and water sectors in Lao PDR	Approved	FAO	2021/07/13	2021/12/30	550,000	18 months	Framework agreement
2106-	Groundwork for e-mobility investments in	Approved	GGGI	2022/02/03	2022/09/23	300,000	12 months	Framework

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
16900	Lao PDR							agreement
2106-16901	Support for Mainstreaming Climate Change Adaptation into Sectoral Planning in Lao PDR	Approved	GGGI	2021/10/08	2022/11/22	1,000,000	36 months	Framework agreement
2206-17225	Stage 1 Accreditation support of Direct Access Entities for on-lending and/or blending fiduciary functions	Approved	GGGI	2022/11/15	2023/03/01	250,000	18 months	Framework agreement
1810-15516	Urban climate change resilience in cities along the Greater Mekong Sub-region East–West Economic Corridor (EWEC) in Lao PDR	Approved	UN-Habitat	2018/09/30	2019/10/31	349,992	18 months	General grant
1909-15892	Completion of the accreditation of the Environmental Protection Fund as DAE for Lao PDR	Approved	EPF	2020/10/30	2021/01/21	399,805	24 months	General grant
2004-16144	Enhancing Lao PDR National Capacity and Coordination in Health and Climate Change	Approved	WHO	2020/08/10	2021/12/11	300,762	18 months	General grant
2012-16622	Advancing Lao PDRs National Adaptation Plan (NAP) through Climate Change Vulnerability Assessments for Disaster Risk Management	Approved	UN-Habitat	2021/10/08	2022/06/24	1,998,870	36 months	General grant

Source: GCF Tableau server as of 1 June 2023

**Table A - 5.2. PPF portfolio**

NAME	AE	DATE OF APPROVAL
<b>Approved</b>		
Collaborative R&DB Programme for Promoting the Innovation of Climate Technopreneurship*	KDB	2021/06/29

Source: GCF Tableau server as of 1 June 2023

Note: \*Multi-country activity

**Table A - 5.3. FP pipeline**

NAME	AE	DATE OF APPROVAL/ SUBMISSION
<b>Approved</b>		
Implementation of the Lao PDR Emission Reductions Programme through improved governance and sustainable forest landscape management	GIZ	2019/11/14
ASEAN Catalytic Green Finance Facility (ACGF): Green Recovery Program*	ADB	2021/03/19
Green Guarantee Company (“GGC”)*	MUFG Bank, Ltd	2022/10/20
Scaling up the implementation of the Lao PDR Emission Reductions Programme through improved governance and sustainable forest landscape management (Project 2)	GIZ	2023/03/16
Building resilience of urban populations with ecosystem-based solutions in Lao PDR	UNEP	2019/11/14
<b>PAP CNs</b>		
Community Resilience Partnership Program*	ADB	2020/08/05
Collaborative R&DB Programme for Promoting the Innovation of Climate Technopreneurship*	KDB	2020/09/21
Green Fund: Investing in Inclusive Agriculture and Protecting Forests	FMO	2021/12/15
Freshwater wetlands-based adaptation in the Indo-Burma region*	AFD	2022/04/22
Lao People’s Democratic Republic: REDD+ RBP for results period [2015–2018]	JICA	2020/09/09
<b>Simplified approval process CNs</b>		
Scaling up climate-responsive planning and decision making for resilient agriculture and livelihoods in Lao PDR	FAO	2021/11/25
Building capacity in Lao PDR to understand, anticipate and adapt to climate change impacts on food security	WFP	2022/04/05

Source: GCF Tableau server as of 1 June 2023

Notes: \*Multi-country activity; WFP = World Food Programme

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## 6. MEXICO COUNTRY CASE STUDY REPORT



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## A. BACKGROUND AND CONTEXT

This case study covers Mexico, a Latin American country that has received a relatively low level of RPSP support. Since the launch of the RPSP, four grants have been approved in Mexico, with a total value of approximately USD 1.6 million and covering four of the five RPSP objectives.<sup>92</sup> A proposal was submitted by the Corporación Andina de Fomento (CAF) in 2018, in the amount of USD 2.9 million, but it was never approved. In addition, Mexico has benefited from two regional RPSP grants: one on e-mobility, implemented by the United Nations Environment Programme (UNEP), and one on COVID-19 green recovery, implemented by the Instituto Interamericano de Cooperación para la Agricultura (IICA). Funding allocated to Mexico through these two regional grants totalled USD 498,155. The country's portfolio as of 1 June 2023 is presented in Appendix 6–1.

### 1. OVERVIEW OF THE COUNTRY

Mexico, situated in North America, boasts a vast and diverse landscape, spanning approximately 1.96 million km<sup>2</sup>. Bordered by the United States to the north and Guatemala and Belize to the south, Mexico's geography includes rugged mountain ranges such as the Sierra Madre Occidental and Sierra Madre Oriental, volcanic belts, fertile valleys and coastal plains. Its climate exhibits considerable diversity, ranging from tropical conditions with abundant rainfall along the coasts, to arid and semi-arid climates in the north and central regions (World Bank Group, 2021).

As of 2022, Mexico had a population of approximately 127.5 million. It is the most populous Spanish-speaking nation in the world. Its population has been steadily growing, with a moderate annual growth rate of approximately 0.6 per cent in 2022 (World Bank Group, 2023a). This growth contributes to Mexico's population density, which was around 65 people per km<sup>2</sup> in 2021 (World Bank Group, 2022), with variations between urban and rural areas. Mexico is predominantly an urban nation, with over 80 per cent of its population residing in urban centres (World Bank Group, 2023c). Approximately 25 per cent of the population was aged 0–14 years old in 2022, compared to 30 per cent in 2010, indicating an ageing demographic (World Bank Group, 2023b). Mexico is also known for its ethnic diversity, with a majority of the population being of mestizo origin. Indigenous groups, such as the Maya and Aztec descendants, also contribute to the country's cultural richness and diversity.

Mexico ranks as the thirteenth-largest exporter worldwide and is the leading exporter in Latin America and the Caribbean (LAC). The country's robust economic position is underpinned by an extensive network of 14 free trade agreements with 50 nations, including the United States–Mexico–Canada Agreement, effective since 1 July 2020, building on the earlier North American Free Trade Agreement (NAFTA). Macroeconomic stability has been bolstered by judicious monetary and tax policies, maintaining Mexico's appeal as an investment destination. Despite the COVID-19 crisis, the country maintained its investment-grade sovereign debt rating from leading rating agencies such as Moody's, Standard & Poor's, and Fitch in 2021. On the social front, Mexico ranked 86th on the Human Development Index in 2021. The country has a Gini coefficient of 45.4, meaning considerable wealth inequality persists, with the poorest 40 per cent of the population accounting for just 14.3 per cent of total income, while the wealthiest 10 per cent hold a disproportionate 35.5 per cent of income. Indigenous communities face particular hardship, with 69.5 per cent living in poverty. Women, and particularly those who are marginalized due to their ethnicity or lack of

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<sup>92</sup> These being capacity-building, strategic frameworks, pipeline development, and knowledge-sharing and learning.

education, are especially vulnerable to climate change (Mexico, Ministry of Finance and Public Credit, 2023).

Mexico is divided into 32 states (including the Federal District of Mexico City). There are three levels of government (central, state and local, or *municipio*), with each state electing its own Governor and Congress (Embassy of Mexico, United Kingdom, n.d.). The current President, Andrés Manuel López Obrador, was elected in 2018. Elections take place every six years, with the next general elections planned for 2024 (Parkes and others, 2023).

## 2. CLIMATE CHANGE CONTEXT

Mexico is highly susceptible to climate change, with approximately 68 per cent of the population already exposed to climate change related events. Over the past half-century, Mexico has experienced a significant temperature rise of 0.85°C, leading to an increase of extremely hot days and a decrease of extremely cold days and frosts. Precipitation patterns and droughts have shown unpredictability, with tropical cyclones occurring from mid-March to late November and droughts primarily affecting northern regions and the Bajío area. Mexico's initial adaptation communication to the UNFCCC highlights that 1,448 municipalities (58.6 per cent) face high or very high risk in at least one of six specific vulnerabilities identified in the country's National Atlas of Vulnerability to Climate Change.<sup>93</sup> These vulnerabilities encompass human settlements susceptible to landslides, flooding and dengue fever; livestock production vulnerable to water stress and flooding; and forage crop production prone to water stress (Mexico, Secretaría de Medio Ambiente y Recursos Naturales, 2022). Mexico also faces significant economic risks due to climate change, with projected GDP losses ranging from 5 per cent to 12.7 per cent by 2050 and 7 per cent to 44.4 per cent by 2100. Vulnerable sectors, such as agriculture, could experience damages of 1.2 per cent to 4.2 per cent of GDP by 2050 and 2.1 per cent to 16.5 per cent by 2100, underscoring the urgency of climate action (Mexico, Ministry of Finance and Public Credit, 2023).

Mexico acknowledges the need for mitigating GHG emissions and black carbon. In 2019, the country emitted 736.6 million tons of carbon dioxide equivalent (MtCO<sub>2e</sub>), which represents an emission rate of 3.47 tons of CO<sub>2e</sub> per capita. Between 1990 and 2019, CO<sub>2e</sub> emissions increased by 57.8 per cent, though there has been an 8.8 per cent reduction of emissions since 2010. The largest share of emissions originates from electricity generation (23.3 per cent), and other significant sources included road transportation (18.5 per cent) and cattle livestock (13.2 per cent). Mexico's updated NDC for 2022 commits to a 35 per cent reduction in GHG emissions and a 51 per cent reduction in black carbon by 2030 (Mexico, Ministry of Finance and Public Credit, 2023). In 2022, efforts involving reforestation and the conservation of forests, agricultural land and grasslands resulted in the absorption of 201.94 MtCO<sub>2e</sub> from the atmosphere (Mexico, Secretaría de Medio Ambiente y Recursos Naturales, 2022).

More specifically, in the energy sector, there was a substantial reduction of 88.4 MtCO<sub>2e</sub> in cumulative emissions during the 2018–2020 period, primarily driven by the electricity sector's reduction of 69.5 MtCO<sub>2e</sub>. This achievement accounted for a significant 78.6 per cent of the energy sector's mitigation efforts during this time frame. Mexico has set an ambitious target to generate 35.1 per cent of its electricity from clean energy sources by 2024, having reached 25.6 per cent in 2020. Notably, the expansion of photovoltaic solar energy from 19 GWh in 2013 to a remarkable 13,528 GWh in 2020, and similarly the expansion of wind energy, which increased from 4,185 GWh

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<sup>93</sup> The atlas is an online tool; further details are available at <https://atlasvulnerabilidad.inecc.gob.mx/>.

to 19,702 GWh during the same period, have been pivotal in this progress (Mexico, Secretaría de Medio Ambiente y Recursos Naturales, 2022).

In the transportation sector, there was a commendable mitigation of 8.2 MtCO<sub>2e</sub>, with 6.6 MtCO<sub>2e</sub> attributed to federal actions, 0.6 MtCO<sub>2e</sub> to state initiatives and 1.0 MtCO<sub>2e</sub> stemming from Clean Development Mechanism projects. Notable national measures included “Clean Transport” programme to curb emissions from freight transport and the establishment of updated regulations for light vehicle efficiency. Furthermore, states and municipalities have actively pursued the implementation of bus rapid transit public transport systems (Mexico, Secretaría de Medio Ambiente y Recursos Naturales, 2022).

Within the agriculture, forestry and other land-use sector, a cumulative mitigation of 48.6 MtCO<sub>2e</sub> was achieved between 2018 and 2020. Key contributors included community forest management and payments for environmental services programmes, resulting in a cumulative absorption of 39.8 MtCO<sub>2e</sub>. Preserving protected natural areas also played a vital role, absorbing 4.7 MtCO<sub>2e</sub>. Additionally, federal initiatives such as Sembrando Vida (Sowing Life) contributed a cumulative reduction of 3.9 MtCO<sub>2e</sub> from 2019 to 2020. State governments have been active in reforestation efforts and biodigester installation, collectively contributing 0.03 MtCO<sub>2e</sub> in cumulative mitigation (Mexico, Secretaría de Medio Ambiente y Recursos Naturales, 2022).

### 3. CLIMATE CHANGE POLICIES AND INSTITUTIONAL CONTEXT

#### a. National policies and strategies for climate change

Mexico has a robust legislative and institutional framework addressing climate change. In terms of the legal framework, the 2012 General Law on Climate Change (GLCC) is the foundation for the country's compliance with the Paris Agreement. It sets out the framework for planning and policy tools, establishes institutional structures, and offers general directives for executing climate policies. It incorporates a comprehensive, long-term, decentralized, participatory and integrated approach to both adaptation and mitigation efforts. According to the GLCC, it is the responsibility of the Government of Mexico to formulate and guide national climate change policies, while subnational governments have defined roles, including the development of state-level climate inventories and programmes. The GLCC also established the National Climate Change System and outlines policy principles that must be adhered to in the design of climate policies. In addition, several key sectoral laws address climate change issues, as follows:

- The General Law on Sustainable Forestry contains regulations aimed at promoting the sustainable stewardship and preservation of forests.
- The Agrarian Law governs the allocation, structuring, utilization and management of agricultural resources.
- The Sustainable Rural Development Law encourages the strategic planning and coordination of agricultural initiatives associated with rural landscapes in Mexico.
- The General Water Law oversees the management, utilization and safeguarding of the nation's water resources.
- The General Law for Waste Prevention and Management ensures everyone's right to a healthy environment and supports sustainable development by addressing hazardous and solid urban waste while preventing site contamination.

In its 2015 NDC, Mexico outlined several objectives addressing climate change mitigation and adaptation. These goals included bolstering the resilience of the most vulnerable municipalities by 50 per cent, establishing prevention and early warning systems, and enhancing risk management structures at all government levels. Additionally, Mexico aimed to achieve a net-zero deforestation

rate by 2030 and to promote the acquisition, adaptation and technological innovation necessary for safeguarding infrastructure, water resources, transportation and soil restoration. In its 2022 NDC update, Mexico further reinforced its commitment to adaptation through the integration of 27 action lines within five priority areas. These include (i) prevention and attention to negative impacts on human population and the territory; (ii) resilient productive systems and food security; (iii) conservation, restoration and sustainable use of biodiversity and ecosystem services; (iv) integrated management of water resources with a climate change approach; and (v) protection of strategic infrastructure and tangible cultural heritage (Mexico, Ministry of Finance and Public Credit, 2023). In alignment with Article 19 of the Paris Agreement, in 2016 Mexico submitted *Mexico's Climate Change Mid-Century Strategy* to the UNFCCC. The strategy serves as the pivotal tool for directing Mexico's climate change policy over both the short and long run. It outlines the vision, guiding principles, objectives and primary courses of action necessary to create a society that can withstand the challenges of a changing climate while shifting towards a lower-emission development path. It aligns with the worldwide objective of limiting the rise in the global average temperature to significantly less than 2°C, with a particular focus on achieving the more ambitious target of 1.5°C. Functioning as a guiding instrument, it outlines the strategic courses of action that influence policies at all three levels of government (Mexico, Ministry of Environment and Natural Resources and National Institute of Ecology and Climate Change, 2016).

## **b. Institutional and governance mechanisms for climate change**

The GLCC establishes the National Climate Change System as a mechanism aimed at promoting the alignment, communication, collaboration, coordination and harmonization of the national climate change policy. The system is managed by the Inter-ministerial Climate Change Commission (CICC), which serves as the governance body for climate change matters within the various agencies of the Federal Public Administration. It consists of 14 ministries,<sup>94</sup> along with relevant institutions as observers, with the primary objective of developing and executing national policies for both climate change mitigation and adaptation. It is also responsible for driving the necessary actions to fulfil the objectives and commitments made with the UNFCCC and other derived instruments. The CICC includes the Climate Finance Working Group (GT-FIN), which is overseen by the Ministry of Finance. The GT-FIN seeks to facilitate the coordination, consultation and dissemination of information related to financial resources, both domestic and foreign, that are directed towards climate change initiatives. Additionally, the GT-FIN aims to identify these resources within budget programmes dedicated to climate mitigation and adaptation. It also plays a crucial role in identifying financing and investment prospects for projects aimed at mitigating and adapting to climate change. Furthermore, the GT-FIN plays a pivotal role in easing access to national and international financial mechanisms for CICC members who are involved in projects contributing to Mexico's climate commitments. Such mechanisms include entities such as the GCF, the GEF and the AF.

In March 2020, the Sustainable Finance Committee was established as part of the Financial System Stability Council. The committee comprises the Ministry of Finance and Public Credit (SHCP), the National Banking and Securities Commission, the Central Bank and other regulatory bodies within the financial sector. Its primary objective is to raise awareness and emphasize critical policy matters

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<sup>94</sup> These being the Ministry of Environment and Natural Resources, National Institute of Ecology and Climate Change, Ministry of Foreign Affairs, Ministry of Energy, Ministry of Finance and Public Credit, Ministry of Social Development, Ministry of the Interior, Ministry of the Navy, Ministry of Economy, Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food, Ministry of Communications and Transportation, Ministry of Public Education, Ministry of Health, and Ministry of Tourism.

within both federal and local institutions. This mechanism is designed to encourage dialogue concerning a nationwide sustainable classification system, a framework enabling financial regulators to advance regulations related to the disclosure of environmental, social and governance information and standards, as well as the incorporation of climate risk assessments into the routine risk analysis conducted by financial intermediaries (Green Climate Fund, 2022).

The Ministry of Environment and Natural Resources (SEMARNAT) is entrusted with several crucial roles, including promoting environmental education within formal educational settings, training technicians for sustainable development, and engaging in educational communication efforts to raise awareness about environmental matters. SEMARNAT is responsible for coordinating the CICC, and it also spearheaded the development of the NCCS. The National Institute of Ecology and Climate Change (INECC) is a decentralized public organization affiliated with SEMARNAT. Its primary goal is to generate and consolidate technical and scientific knowledge while enhancing the pool of qualified human resources for the development, implementation and assessment of public policies related to environmental protection, ecological preservation and restoration, as well as climate change mitigation and adaptation within the country. Among other responsibilities, INECC compiles the information needed to prepare the national communications Mexico submits to the UNFCCC (Mexico, Secretaría de Medio Ambiente y Recursos Naturales, 2022).

SHCP is committed to national climate change policy, working with SEMARNAT, INECC, SADER, and other governmental institutions and relevant actors. Since 2019, the Ministry has been implementing a Sustainable Finance Mobilization Strategy to mainstream and scale up access to sustainable financing and, more importantly, to secure environmental and social justice by ensuring that each sustainable project finds a source of funding and contributes to mitigating the effects of climate change and closing social gaps. The strategy is divided into three pillars, containing 19 working lines and 97 strategic activities.

#### 4. INSTITUTIONAL ARRANGEMENTS AND IN-COUNTRY DELIVERY PARTNERS

SHCP serves as the NDA to the GCF and is responsible for supervising all actions and procedures associated with the Fund. Additionally, it communicates the country's priorities concerning domestic investments aimed at mitigating GHG emissions and addressing climate change adaptation. The NDA works in close collaboration with SEMARNAT and INECC, which also play an active role in establishing thematic priorities for climate change during each GCF replenishment period. Moreover, they are involved in assessing CNs and FPs and overseeing the progress of approved projects (Mexico, Ministry of Finance and Public Credit, 2023).

There is currently one DP in the country, the GGGI, which is not an AE. In addition, a second DP, PricewaterhouseCoopers (PwC), implemented a small RPSF grant in 2016, aimed at supporting a due diligence study of a potential DAE, Nacional Financiera (NAFIN).

Mexico currently has two national DAEs, the Mexican Fund for the Conservation of Nature (FMCN) and NAFIN, which obtained accreditation in 2019 and 2021, respectively. A candidate DAE, the Banco Nacional de Obras y Servicios Públicos (BANOBRAS), is currently receiving RPSF support for the accreditation process, and two prospective DAEs, the North American Development Bank (NADB) and Trust Funds for Rural Development (FIRA), are receiving institutional strengthening support, with a view to potentially undergoing the accreditation process in the future. Table A - 6.1 provides information on the status of DAEs and prospective DAEs.

**Table A - 6.1. Description and status of current and potential DAEs**

NAME	DESCRIPTION	DAE STATUS
FMCN	<p>Private sector fund mobilizing resources for land use on a national scale. FMCN is not a public development bank but still holds AE status.</p> <p>FMCN is receiving RPSP support for its reaccreditation process in 2023, seeking to upgrade the category of GCF projects that it can implement from C to B.</p>	Accredited (2019)*
NAFIN	<p>NAFIN is a national development bank that serves as financial agent for the federal government. NAFIN has traditionally focused on assisting micro-, small-, and medium-sized enterprises, entrepreneurs and prioritized investment endeavours by delivering financial and business development services.</p> <p>NAFIN has been receiving support since 2020 for its accreditation process. It received conditional accreditation in 2021 and is receiving RPSP support to become fully accredited.</p>	Accredited (conditional accreditation since 2021)
BANOBRAS	<p>Provides funding for essential infrastructure and public service initiatives, including communication and transportation, energy, education, health care, and water and sanitation infrastructure. It has a nationwide mandate.</p> <p>BANOBRAS has been receiving support for its accreditation process since 2020. It is not yet accredited.</p>	Candidate (stage 2 of accreditation process); supported by the RPSP
NADB	<p>A first- and second-tier bank, established alongside NAFTA. It focuses on projects related to water, wastewater and solid waste, primarily categorized as adaptation infrastructure. In Mexico, its mandate is restricted to projects situated within 300 kilometres of the US–Mexican border, encompassing the country’s five northern border states.</p> <p>Since 2023, NADB has been receiving institutional strengthening support from the RPSP, intent on setting the stage for its future accreditation process.</p>	Potential candidate
FIRA	<p>FIRA, a second-tier development financial institution under the Central Bank, provides credit, guarantees, training, TA and technology transfer support to Mexico’s agriculture, livestock, fisheries, forestry and agribusiness sectors. FIRA is the sole development bank focused on activities within Mexico’s primary economic sector, which ranks as the second-largest contributor to GDP and is among the top eight sources of CO<sub>2</sub> emissions covered in Mexico’s NDCs.</p> <p>Since 2023, FIRA has been receiving institutional strengthening support from the RPSP, intent on setting the stage for its future accreditation process.</p>	Potential candidate

Notes: \*FMCN was accredited in 2019 without RPSP support.

## B. KEY FINDINGS

### 1. RELEVANCE

The RPSP in Mexico has demonstrated high relevance in the context of climate finance readiness, following a structured and logical trajectory that positions the country for the development of a comprehensive climate finance landscape. Government stakeholders indicate that the support provided through the RPSP has been relevant, strategically coherent and instrumental in preparing

Mexico to access GCF resources. The RPSP's approach has been outlined in three distinct grants, each strategically designed to address specific aspects of readiness in the country. The initial RPSP grant in 2019 focused on foundational support, emphasizing the development of a CP and capacity-building for the NDA. As further discussed below, while relevant, this support comes several years after the approval of the 2012 GLCC. Still, key accomplishments included the establishment of the no-objection procedure, crucial for ensuring national oversight in project selection and implementation. Subsequent RPSP grants, particularly the second grant in 2021, prioritized the organizational strengthening and accreditation process of DAEs such as FMCN, NAFIN and BANOBRAS. This approach has ensured a logical progression in building Mexico's climate finance capabilities. Importantly, the third RPSP grant in 2023 marks a significant expansion by extending accreditation support to additional DAEs, including NADB and FIRA, as well as introducing support for subnational entities.

The RPSP's activities focusing on the accreditation process have been particularly relevant. Stakeholders acknowledge the inherent complexity of the accreditation process, and the RPSP DP, GGGI, with its deep knowledge and expertise, has been invaluable in guiding candidate DAEs along the right path. Capacity assessments conducted through the RPSP have identified institutional gaps, and subsequently facilitated targeted capacity-building efforts to address these deficiencies. DAEs highlight the increasing importance of demonstrating their commitment to environmentally sustainable practices, which has prompted the integration of environmental safeguards and risk management mechanisms. DAEs noted that, through capacity-building, the RPSP has contributed to ensuring that their organizational processes and practices are aligned with international standards and best practice. Accreditation support is viewed as indispensable, given the intricacies of GCF procedures, with DAEs expressing the belief that obtaining accreditation would be a significant challenge without this assistance. Similarly, support for the development of four CNs has proved mostly relevant, as the RPSP has empowered DAEs with a comprehensive understanding of the stringent requirements governing concept note development. However, the fact that none of the CNs developed with RPSP support have been approved yet limits its relevance overall.

To further enhance the relevance of the RPSP in Mexico, stakeholders have emphasized the critical need for support in the area of M&E. As GCF projects are approved and commence implementation, the DAEs will face increasing accountability for reporting on the outcomes and impact of their projects. However, there is a pressing gap in terms of measuring the contributions of climate finance projects, particularly in areas such as carbon emissions reduction. Therefore, support for robust M&E mechanisms is seen as essential to ensure that climate finance investments result in tangible and measurable benefits, ultimately strengthening the effectiveness of the RPSP in achieving its climate action objectives.

## 2. COHERENCE AND COMPLEMENTARITY

### a. Internal coherence

Concerns have been raised about the internal coherence of GCF programmes, specifically the RPSP and the PPF. A key issue revolves around the level of detail and robustness expected in GCF CNs. These requirements often necessitate comprehensive studies, including feasibility assessments. However, such studies are typically supported by the PPF, which follows RPSP support. This presents a challenge akin to a "chicken and egg" situation, as the sequencing of support between the RPSP and the PPF can affect the readiness and preparation process for GCF-funded projects.

## **b. External coherence**

One notable aspect of external coherence is the positioning of the NDA within the Unit of Public Credit and International Affairs of the Ministry of Finance. This unit is responsible for coordinating international funds, including the GCF, GEF and AF. This coordination has been instrumental in ensuring alignment and coherence among these funds. The RPSP, through its capacity-building support to the NDA, has played a vital role in reinforcing this external coherence.

Furthermore, the RPSP's unique focus on institutional development and capacity-building sets it apart from the programmes of similar organizations. While various donors and institutions provide support in the climate finance landscape, the RPSP's emphasis on enhancing the capacity of key stakeholders, particularly the NDA and the DAEs, adds a distinct value proposition.

Additionally, there is evidence of complementarity between the RPSP and support provided by other donors. For instance, the Inter-American Development Bank (IDB) has extended support to NAFIN by hiring a consultant to aid in the development of a complaint mechanism. This complements the RPSP's support to NAFIN in the realm of environmental risk management, highlighting how different donors can collaborate to address specific needs and challenges faced by their beneficiaries. Overall, the RPSP's alignment with external partners and its focus on capacity-building have contributed to a coherent and coordinated approach to climate finance readiness in Mexico.

## **c. Suitability of mechanisms and capacities**

In terms of the suitability and coherence of RPSP mechanisms, there is a consensus that multi-year readiness grants are more advantageous than one-year grants. Multi-year grants provide the space for long-term thinking and policy change, which is often essential for achieving meaningful climate action outcomes. While multi-year grants have been instrumental in setting the landscape for climate finance and supporting organizational strengthening, administrative hurdles have been encountered, affecting overall efficiency.

When examining the coherence and suitability of national versus regional RPSP grants, it becomes evident that national grants are favoured by the NDA due to the higher level of ownership they provide. In contrast, regional grants are perceived as being less participatory, with the NDA being more so "informed" about their development and implementation rather than actively engaged in shaping them. For example, the regional RPSP grant on COVID-19 recovery had as an output the development of a concept note by the international DP IICA and the Ministry of Agriculture. The NDA did not learn about this concept note until it had already been developed, although it has recently been shared with and is currently being evaluated by the NDA and the SEMARNAT for its inclusion in the CP. Still, this underscores the importance of enhancing NDA involvement in regional grants and ensuring greater coherence between these regional initiatives and the national climate finance landscape from the early design stages.

## **3. COUNTRY OWNERSHIP**

A universally accepted definition of "country ownership" does not exist within the GCF, but the evaluation has defined some parameters that can point to such ownership. These include, for instance, a country's capacity to strategically plan and effectively organize efforts to address climate change challenges. In practical terms, this is exemplified by having an empowered and efficiently operating NDA, the ability to engage stakeholders effectively, the presence of DAEs, the existence of a CP or other strategic documents, and a tangible portfolio of climate projects.

Overall, the evaluation found that there is strong country ownership of the projects and activities funded by the GCF and RPSP in Mexico. The RPSP has contributed to strengthening the NDA,

which has the capacity to convene various stakeholders involved in climate finance. Within the country, the NDA's responsibilities extend to coordination with other ministries, fostering a whole-of-government and multi-sectoral approach to GCF investments. There is a consensus among interviewed stakeholders that the Ministry of Finance is the most appropriate entity to assume the NDA function, allowing for transparency and neutrality in prioritizing and planning GCF investments. This positioning ensures that GCF investments align seamlessly with national priorities, transcending the traditional confines of environmental ministries. Acknowledging the Ministry of Finance's limited expertise in climate change and environmental matters it has established collaboration with SEMARNAT. This collaboration provides vital technical support and guidance for the development of the CP and the formulation of CNs.

Crucially, it is important to highlight that ownership extend beyond the RPSP, reflecting Mexico's well-structured landscape that sets the stage for climate financing, coupled with a clear national vision to address climate change. The presence of the GLCC and an institutional framework, including the CICC and its GT-FIN, forms the bedrock upon which RPSP efforts are anchored. This pre-existing foundation has allowed for a seamless integration of RPSP activities, fostering a sense of strong ownership within Mexico's climate finance landscape. As a result, the RPSP has effectively leveraged and enhanced Mexico's existing structures, ensuring a holistic and integrated approach to climate finance that aligns with the nation's overarching climate goals.

The development of the CP has emerged as a pivotal instrument in fostering strong ownership of climate finance action within Mexico. Through an inclusive and consultative process, the NDA has effectively identified and prioritized key climate action areas spanning various sectors such as environment, agriculture and energy. This process has resulted in the formulation of a CP characterized by a portfolio of GCF projects meticulously aligned with the provisions of the GLCC and highly reflective of each sector's climate priorities. Nevertheless, it is crucial to acknowledge that the GCF's inherent lack of flexibility and its perceived "one-size-fits-all" approach initially posed challenges to the principles of country ownership. At first, the GCF stipulated a limitation of only five projects within the CP, a rule that did not sit well with the diverse landscape and needs of Mexico. Overcoming this constraint required extensive efforts by the NDA to persuade the GCF that Mexico's unique circumstances warranted a more flexible approach. Ultimately, this collaborative endeavour led to the inclusion of eight projects within the CP, underscoring the importance of tailoring climate finance mechanisms to the specific context and priorities of each nation to fully embrace the principles of country ownership. Additionally, it is worth noting that the concept note on resilient and low-emissions livestock and green markets in Mexico, developed with the support of IICA through the regional RPSP project on COVID-19 recovery, was not originally included in the CP. This points to a more limited ownership of regional RPSP projects by the NDA and other national stakeholders.

The accreditation process for DAEs stands as a pivotal element in fostering ownership of climate finance within Mexico's climate action landscape. It is a crucial step towards ensuring that GCF projects are executed by national entities, aligning with the country's vision and priorities. However, as with the CP, national stakeholders and the DP, GGGI, expressed concerns that the GCF appears to employ what they call a "one-size-fits-all" approach, which has been incongruent with Mexico's diverse reality. Mexico's vast geographical expanse and multi-faceted population require a nuanced approach to accreditation. The country boasts six distinct development banks, each possessing unique mandates related to sectors and geographical areas. For instance, NADB focuses on the border region with the United States, whereas FIRA operates primarily in rural environments. Moreover, entities such as NAFIN cater to small- and medium-sized enterprises, whereas others, such as NADB, concentrate on water and sanitation and wastewater management. Therefore, relying

solely on one DAE would hinder Mexico's ability to implement GCF projects that address needs across sectors and geographies.

Presently, Mexico has one AE (FMCN), one entity with accreditation conditions (NAFIN) and a third entity in the process of accreditation (BANOBRA). However, the accreditation process has encountered significant delays, with BANOBRA requiring over two years to advance from stage 1 to stage 2. Furthermore, other entities such as NADB and FIRA are currently undergoing institutional strengthening through an ongoing RPSP grant. Nevertheless, the bottlenecks in the accreditation process have given rise to scepticism regarding Mexico's ability to achieve its objective of accrediting its national development banks. These concerns underscore the need for a more tailored approach that accommodates Mexico's unique circumstances, to bolster ownership in climate finance endeavours.

#### 4. EFFECTIVENESS

Overall, most stakeholders interviewed agree that the RPSP's greatest contribution has been the strengthening of the NDA's capacity and that of DAEs; however, they noted that the programme has fallen short of contributing to pipeline development and ensuring that all of the efforts result in actual GCF projects for the country.

##### a. Capacity-building

The RPSP has made significant contributions to capacity-building within Mexico's NDA and DAEs, playing a pivotal role in strengthening their institutional capabilities. The RPSP's contribution to building the capacities of the NDA is particularly noteworthy, as it has enabled this body to enhance its coordination function, including formalizing the no-objection process. This capacity-building support has empowered the NDA to effectively carry out its role in coordinating and overseeing the country's engagement with the GCF.

Moreover, the RPSP has been instrumental in the capacity and institutional development of the DAEs, particularly in the context of the accreditation process. Notably, the RPSP has provided critical support to NAFIN, which received conditional accreditation in 2021 thanks to RPSP support and is currently receiving further assistance to achieve full accreditation. Similarly, the RPSP is actively assisting BANOBRA in its accreditation process and is supporting the reaccreditation process of FMCN, which achieved accreditation in 2019 independently of the RPSP. The RPSP has facilitated capacity assessments for all DAEs that received RPSP support (i.e. NAFIN, FMCN, BANOBRA), offering insights into areas that require improvement and helping them align their institutional procedures and practices with international standards. Key outcomes of this support include the adoption of enhanced ESS and improved communication mechanisms.

However, while the RPSP has been instrumental in enhancing the organizational capabilities of the DAEs, some concerns persist. DAEs expressed that they still face challenges in understanding the intricacies of the GCF, perceiving its processes and ways of working as complex. Additionally, stakeholders noted that the RPSP has primarily focused its capacity-building efforts on the NDA and DAEs, with limited engagement beyond these entities. Ministries such as SEMARNAT and the Ministry of Agriculture have received some information sessions regarding the GCF, but they still lack comprehensive familiarity with the Fund's operations. This lack of visibility and capacity-building beyond the NDA and DAEs can lead to delays and challenges in processes involving other government bodies and international entities, highlighting the need for broader outreach and knowledge dissemination regarding GCF requirements and procedures among relevant stakeholders in Mexico.

## **b. Development of a country programme**

The RPSP has made substantial contributions to the development of the GCF CP in Mexico, marking a pivotal step in shaping the strategic vision for GCF investments within the country. The first readiness grant in particular, through the GGGI consultant, played a crucial role in this consultative process, culminating in the formulation of the CP in 2020. For the NDA, this initiative held exceptional value as it provided a platform to delineate a comprehensive and strategic approach to GCF resource utilization. The NDA initiated a call for proposals, inviting various institutions to submit their project ideas. This inclusive process afforded invaluable insights into the demand for climate finance from government and banking institutions, ultimately enabling the NDA to construct a multi-faceted programme that could holistically address Mexico's climate priorities. All national stakeholders consulted for this evaluation acknowledged that the development process of the GCF CP in Mexico represents a good practice because it enabled consultation with a wide range of ministries in order to understand the demand for climate finance programming and conceptualize a pipeline based on those needs, using a bottom-up approach. National stakeholders noted that this was the first time that such a comprehensive process had been undertaken for climate finance investments and that it would be worth replicating for other organizations such as the AF – although, as noted below, the evaluation noted areas for improvement to keep stakeholders engaged beyond the design stage.

The resultant CP comprises a collection of eight national projects spanning various sectors, encompassing agriculture, energy, mass transportation and water management, among others. These parallel projects are expected to be implemented by DAEs (i.e. NAFIN, BANOBRAS and FMCN) and IAEs (i.e. IFAD, IDB, FAO and Fundacion Avina). However, despite the CP's merits, stakeholders have expressed concerns regarding significant delays in its approval. The process has spanned nearly three years, and the programme was only officially approved by the GCF in August 2023. Notably, the NDA has cited significant delays attributed to the GCF Secretariat's prolonged feedback process. Additionally, national stakeholders have voiced their concerns about limited engagement following the initial consultations intended to inform the programme's design. Many stakeholders report being unaware of the programme's content and express a desire for greater transparency and information-sharing regarding the projects and their complementarity with existing initiatives. These issues underscore the importance of expediting the approval process and enhancing stakeholder engagement beyond conceptualization, to maximize the impact of the GCF CP in Mexico.

## **c. National adaptation planning**

In 2018, the NDA requested support from the RPSP, through the CAF, for the development of Mexico's NAP. However, progress on the NAP was hindered as the Government of Mexico had competing priorities at that time, and a FP was never finalized and approved.<sup>95</sup> Despite this setback, discussions surrounding the NAP were reignited in 2023. The NDA, in partnership with GGGI, is gearing up to issue a request to the GCF for renewed RPSP support in the forthcoming months.

## **d. Development of concept notes/pipeline**

The RPSP, through GGGI, has provided support to all DAEs (FMCN, NAFIN, BANOBRAS) for the development of CNs for the following four out of eight projects identified in the CP:

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<sup>95</sup> Because of the high staff turnover of the NDA prior to 2020, the evaluation team was unable to obtain detailed information regarding requests for RPSP support for the NAP. Similarly, documentation on this RPSP support was also lacking.

- Federal Support to Mass Electrical Transportation Projects Financing Program (EMT program), BANOBRAS
- Energy efficiency promotion program for Micro, Small and Medium-sized enterprises (MSME), NAFIN
- Program to achieve national objectives on climate change (NDC) in the transport sector, NAFIN
- Sustainable Communities for Climate Action in the Yucatan Peninsula (ACCIÓN Yucatan), FMCN

All DAEs have highly valued the support provided by GGGI, recognizing its invaluable expertise in navigating the complex landscape of GCF requirements. GGGI's assistance has played a pivotal role in helping DAEs craft robust project proposals that align with GCF criteria. Additionally, the RPSP has been instrumental in conducting community consultations, ensuring that project designs are firmly rooted in the needs and priorities of the beneficiaries, thereby enhancing the quality and relevance of proposed initiatives.

However, despite the progress made in concept note development with RPSP support, there has been a notable bottleneck in moving these concepts to the proposal stage. All stakeholders have noted that the cumbersome bureaucratic processes within the GCF Secretariat have hindered the swift progression of project proposals. A few stakeholders have also noted that GGGI, being the only DP, sometimes appears to be overstretched, which has further contributed to these lengthy processes. While CNs nurtured through RPSP assistance are at various stages of development, they have yet to advance to the proposal stage. In fact, only one project proposal has been submitted to the GCF as part of the CP, and this project was developed by an IAE, the International Fund for Agricultural Development, without RPSP support. Stakeholders universally expressed deep concern over the protracted timeline, as the RPSP was initiated at the beginning of the current administration, and yet, after four years, no projects had as yet materialized. This disconnect between bureaucratic processes and political timelines poses a challenge; although Mexico's overarching climate vision is expected to remain consistent across administrations, certain project-specific details may necessitate re-evaluation and discussion with the incoming administration if projects do not commence during the current term ending in 2024.

#### **e. Sharing of lessons**

The RPSP has facilitated effective sharing of experiences and lessons learned among DAEs in Mexico, fostering a collaborative environment that promotes knowledge exchange and mutual growth. One noteworthy outcome has been the robust knowledge-sharing network that emerged among DAEs, primarily regarding critical processes such as the accreditation journey, the development of gender policies, and the establishment of ESS. The unique feature of having a single DP overseeing the RPSP has served as a catalyst for DAEs to connect with one another and share valuable insights and best practices. These interactions have not only enriched their understanding of GCF procedures but have also cultivated relationships that are poised to translate into more substantial impacts in the realm of climate action. For instance, BANOBRAS has established a connection with UNEP and is expected to play a role in the implementation of the CityAdapt Initiative, which is being implemented by UNEP with GCF resources outside of the RPSP.

However, while the RPSP has facilitated fruitful interactions among DAEs, there remains room for further enhancement in the sharing of experiences and lessons on climate financing at a regional level. Regional RPSP projects, such as those focused on COVID-19 resilience and e-mobility, have fostered some collaboration among countries. Nevertheless, these efforts have primarily centred on discussions pertaining to project coordination, rather than capitalizing on the sharing of innovative

practices and climate finance solutions. As approved projects commence their implementation, stakeholders have highlighted the pivotal role that the RPSP can play in further supporting the dissemination of ground-breaking practices and facilitating cross-country knowledge transfer to advance climate innovation regionally and globally.

#### **f. Enabling/hindering factors**

Several key factors have played instrumental roles in either enabling or hindering the effectiveness of the RPSP in Mexico. One pivotal enabling factor has been the exceptional expertise of the DP, GGGI. All national stakeholders mentioned that GGGI's extensive knowledge of GCF procedures has provided them with invaluable support, particularly given the intricate nature of these processes. The continuity achieved by GGGI's involvement in all three national readiness projects has strategically built upon previous initiatives, fostering synergies and facilitating knowledge exchange among beneficiaries, notably the DAEs.

Another noteworthy enabling factor is the presence of a GGGI consultant embedded within the Ministry of Finance, the NDA. This embedded consultant has developed a profound understanding of the national context, offering continuous support to the NDA in its leadership and coordination role. Additionally, the strong commitment of the Government of Mexico to environmental sustainability and climate change issues, evident through its clear vision and 2012 GLCC, has provided a solid foundation and clear direction for the RPSP's endeavours.

Conversely, a hindering factor has been the relatively high turnover rate within the NDA, which has witnessed four key staff member changes during the evaluation period. While stakeholders unanimously commend the Ministry of Finance for effectively fulfilling its NDA role, the frequent changes in NDA leadership have introduced inefficiencies, necessitating repetitive explanations of critical aspects. Nevertheless, the stability maintained by the GGGI consultant embedded within the NDA has played a pivotal role in ensuring the continuity of communications with the GCF, mitigating the impact of high turnover rates with the NDA.

It is also important to mention that Mexico only started receiving RPSP support to strengthen the NDA in 2019, which is seven years after the approval of the 2012 GLCC. Prior to this, Mexico had had limited engagement with the RPSP: in 2016, PwC conducted a small due diligence consultancy to identify key gaps in NAFIN, with a view to supporting its eventual accreditation to the GCF, but it was not until 2020 that NAFIN started receiving RPSP support for its institutional strengthening, subsequently resulting in its conditional accreditation to the GCF in July 2021. Similarly, as noted above, the NDA started working on a request for funding with CAF support for the development of a NAP, which was deprioritized by the Government of Mexico. High turnover of the NDA prior to 2020 resulted in a lack of institutional memory, and interviewees were not able to provide detailed information about RPSP support during those years. Still, it is fair to say that despite recent progress in strengthening institutional capacity and building a climate finance landscape, RPSP support has come late in the process.

## **5. UNEXPECTED AND UNINTENDED RESULTS**

The RPSP in Mexico has led to at least two positive unintended results. The first unintended positive result stems from the unique expertise of the GGGI as the sole DP for the RPSP in Mexico. GGGI has a well-established track record in enhancing the capacities of DAEs to facilitate their accreditation to the GCF. In this context, NADB, initially not part of the RPSP, recognized the proficiency of GGGI and observed other banks improving their organizational processes with GGGI's support. As a proactive response, NADB utilized its own resources to engage with GGGI independently, aiming to strengthen its internal processes, including the development of ESS

mechanisms and a gender policy. This means that support for the accreditation process of NAFIN and BANOBRAS had an unforeseen positive consequence as it triggered a ripple effect for NADB, which has improved its organizational processes and is now benefiting from the latest RPSP grant to strengthen its processes even further and position itself for accreditation in the upcoming years.

Another positive unintended result has been that the enhanced capacities of DAEs have bolstered their ability to showcase their robust capabilities and alignment with international standards to external organizations. In the eyes of international institutions, GCF processes are perceived as exceptionally robust. Consequently, once accredited, DAEs find that other organizations readily acknowledge their proficiency, often eliminating the need for additional capacity-building efforts. For instance, the FMCN successfully crafted a USD 12 million FP for the Kreditanstalt für Wiederaufbau Development Bank (KfW) within a stringent timeline. KfW accepted FMCN's proposal without reservation, primarily because of FMCN's GCF accreditation status, recognizing their ability to deliver the proposal on time. This demonstrates the far-reaching positive impact of the RPSP in fortifying DAEs and positioning them as exemplars of international best practices within the climate finance landscape.

The evaluation did not find any evidence of negative unintended results.

## 6. IMPACT

The evaluation team did not observe evidence of any impact-level results materializing thus far, in terms of accessing GCF financing. Although the RPSP has encountered challenges in facilitating the country's access to GCF resources, it has played an instrumental role in enhancing the institutional capabilities of the NDA and the DAEs and has enabled the adoption of strategic policies such as the recently published Sustainable Finance Mobilization Strategy. Through this strategy, the Ministry of Finance has established strategic objectives and actions to be implemented by the public, private and civil society sectors to support the Mexican financial system transformation towards sustainability, including DAEs.

The RPSP's contributions to capacity-building and institutional strengthening have been commendable, but the ultimate test lies in its ability to translate these advancements into tangible climate finance projects that drive transformative change and sustainable climate action within Mexico.

## 7. PARADIGM SHIFT AND TRANSFORMATION

The concept of "paradigm shift and transformation" within the context of climate finance can be somewhat ambiguous and lacks a universally agreed-upon definition among stakeholders. The GCF frequently employs this wording and expects implementing entities, such as DAEs, to incorporate it into their concept note development, despite the lack of a clear definition.

Nevertheless, some stakeholders highlighted the role of the RPSP in fostering paradigm shifts and transformations in Mexico's climate action. RPSP support has been instrumental in the development of innovative approaches aimed at achieving net-zero emissions. For instance, it has backed initiatives related to mass transportation, particularly in the field of e-mobility, which have the potential to transform the way people move and thereby reduce carbon emissions.

Additionally, Mexico's CP features a project focused on agricultural production and economic development, particularly addressing soil decarbonization. However, stakeholders have expressed concerns about the limited capacity within both the GCF and SEMARNAT to assess these types of projects fully. Some stakeholders believe that an excessive emphasis on conservation efforts that do not sufficiently consider socioeconomic development components can potentially hinder the realization of true paradigm shifts in climate finance. Thus, while RPSP support has contributed to

innovative approaches, there is room for refining the understanding and implementation of paradigm shift and transformation within the GCF context.

## 8. SUSTAINABILITY

Overall, the evaluation found indications that many of the results achieved through RPSP support are likely to be sustained over time. First and foremost, the capacity-building efforts facilitated by the RPSP, particularly among DAEs, are expected to be sustainable. Institutional changes have been implemented, including the approval of gender policies and ESS by the boards of various development banks. These policy changes are set to remain in place, demonstrating a commitment to sustainability. Even in cases where accreditation processes may not be immediately successful, the institutional mechanisms and practices introduced through RPSP support are embedded within the organizations and are likely to persist.

Despite the challenges posed by frequent turnover within the NDA, the capacity developed in areas such as the no-objection procedure is expected to be sustained. This institutionalization of processes ensures that the results achieved remain sustainable. The RPSP's support for existing platforms and mechanisms for climate financing further strengthens the prospects for sustainability. For example, the RPSP has supported strategic and operational planning for the GT-FIN, embedding the results within an already established structure. Furthermore, the RPSP's current assistance in developing a national sustainable financing strategy, which incorporates environmental, social and governance considerations into investment decisions across the financial sector, is expected to encourage long-term investments in sustainable economic activities and projects. Additionally, the development of a national taxonomy<sup>96</sup> for environmentally sustainable investments, approved in the second quarter of 2023, positions Mexico as a leader in Latin America in this regard, with very few other LAC countries having developed their taxonomy to date. These achievements are poised to leave a lasting impact, reinforcing Mexico's commitment to sustainability in climate finance and investment decisions.

As noted above, the continued lack of knowledge of GCF procedures beyond the NDA and DAEs could potentially affect the sustainability of results. In addition, despite the important benefits of having a GGGI consultant embedded in the NDA, the potential withdrawal of this consultant could potentially pose risks to the sustainability of results. However, these risks have been mitigated by the fact that NDA staff members have worked in close collaboration with the consultant, having themselves gained strong familiarity with the GCF, and that key procedures (e.g. the no-objection process) have become institutionalized.

## 9. GENDER AND SOCIAL INCLUSION

The RPSP has made significant strides in advancing gender equality and social inclusion for climate financing in Mexico. One noteworthy accomplishment is the robust support provided to the NDA

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<sup>96</sup> As explained by the OECD, "In recent years, investors have increasingly taken actions to integrate climate change and broader sustainability concerns into their investment decisions and portfolio allocations. However, there is a widely perceived need for greater certainty on the environmental sustainability of different types of investments and economic activities. In response, a number of jurisdictions have started to legislate to create official definitions of sustainable finance. [...] Taxonomies are definitions of sustainable finance that aim to be comprehensive classification systems, while definitions of sustainable finance are less ambitious in scope. When appropriately designed, sustainable finance definitions and taxonomies can bring potential benefits. These include improving market clarity. More precise and consistent definitions of which investments are 'green' and 'sustainable' could facilitate investment by giving confidence and assurance to investors. Other potential benefits include easier tracking of sustainable finance flows in order to measure them, and/or in order to take a policy action such as setting incentives" (Organization for Economic Cooperation and Development, 2020).

and the DAEs, such as BANOBRAS, FMCN and NADB, to enhance the integration of gender equality and social inclusion into their organizational policies. Thanks to the RPSP, these DAEs have successfully developed gender policies that have recently received approval from their respective boards. Furthermore, DAEs are in the process of formulating organizational plans and associated budgets, enabling the operationalization of these gender policies. Some DAEs have even established dedicated units, such as NAFIN's gender unit, which showcases the important contribution of RPSP support in enhancing organizational structures and processes to address gender equality and social inclusion.

The RPSP has also been instrumental in ensuring that gender equality and inclusion principles are embedded throughout Mexico's CP. Guided by the GCF Secretariat, the CP development process was characterized by comprehensive participation. It involved a comparative analysis aligning national guidelines with GCF policies on gender equality, Afro Mexicans and indigenous peoples. This exercise aimed to integrate the specific needs of these marginalized groups into Mexico's climate planning, fostering shared objectives between Mexico and the GCF. Notably, the development process prioritized historically underrepresented sectors, emphasizing gender equality and social inclusion in social and environmental projects. Additionally, local stakeholder consultations during project planning ensured that local needs were integrated into programme goals, minimizing potential adverse effects during implementation.

In addition, GGGI has conducted training sessions on gender mainstreaming for climate change, benefiting both the NDA and DAEs. This training has yielded tangible results, including the development of a gender screening tool for the transport sector. Moreover, a key informant confirmed that, as a result of GGGI's gender-focused training, NAFIN is currently adapting its corporate systems to collect and report on disaggregated data, a significant step forward in tracking the gender-specific impacts of their investments. Despite these advances, DAEs acknowledge that the integration of gender equality into their work is still in its nascent stages. Challenges arise, particularly in sectors such as infrastructure, where it can be complex to incorporate gender equality considerations effectively. DAEs express the need for additional training to achieve fuller integration successfully.

However, it is important to note that the application of a gender-sensitive approach is not always straightforward in every country context. Some stakeholders have observed that a one-size-fits-all gender approach may not fully align with the nuances of the Mexican context. For instance, in a society where gender-based violence is pervasive, openly addressing gender issues without sensitivity to cultural dynamics can lead to unintended consequences. In such contexts, a more subtle and culturally sensitive approach may be necessary to avoid exacerbating violence and mistrust. Striking the right balance is crucial to ensure that gender considerations are integrated effectively without inadvertently causing harm or misunderstanding.

## 10. EFFICIENCY

The efficiency of the GCF and its RPSP has been a subject of growing concern. For instance, the multi-year readiness grants (36 months), which are critical for building capacities and preparing countries for GCF funding, are managed using a yearly budgeting process. This creates a cumbersome situation where a no-cost extension is often required to move activities to the following year, leading to delays in project implementation. The lengthy approval process for these extensions by the GCF Secretariat further exacerbates the issue, making it challenging for GGGI to plan effectively because it is uncertain if their funds will be approved. In some cases, this has resulted in the loss of funds that could not be spent within the strict yearly budgeting process. The inability to carry forward funds from one year to the next has also limited the ability of the DP to adopt an

adaptive management approach and to make timely adjustments in project implementation, ultimately impacting the overall effectiveness of the RPSP.

The accreditation process for DAEs has also faced criticism for its inefficiencies. Long periods of silence and uncertainty, particularly in the case of BANOBRAS, have caused frustration among the NDA and DAEs. Improved communication regarding timelines and delays from the GCF Secretariat is essential to address these concerns and maintain stakeholder trust. Some DAEs have even expressed reservations about the entire accreditation process, questioning its worthiness due to the substantial efforts required, coupled with uncertainty about accreditation and project approval.

In addition, all consulted national stakeholders have extensively criticized the slow pace at which the GCF Secretariat reviews CNs, which is a crucial step in project development. The NDA and DAEs have reported significant delays: some DAEs initiated the development of CNs years ago, but none of their projects have yet been approved by the GCF. This inefficiency seriously impedes the effectiveness of RPSP support since its primary objective is to facilitate access to GCF resources. Consulted stakeholders have grown increasingly sceptical about the feasibility of accessing GCF resources in the near future. Two years after the initiation of the CP, none of the associated projects have received approval. This delay is particularly concerning for a country such as Mexico, which is a significant financial contributor to the GCF. According to national stakeholders, the failure to approve projects promptly could undermine their justification to the Government of Mexico for continued financial support to the GCF in its next replenishment, thus further intensifying the concerns about the GCF's efficiency and its ability to fulfil its climate finance commitments.

The lack of a nuanced understanding of the country and regional context within LAC by the GCF Secretariat has resulted in inefficiencies in the development of CNs. Notably, the individuals reviewing these CNs often hail from regions outside of Latin America, leading to challenges in comprehending the specific nuances and priorities of LAC countries. Additionally, the requirement for all documents to be submitted in English has added an extra layer of complexity for DAEs, further contributing to the overall inefficiency of the concept note development and approval process.

Efficiency concerns are exacerbated by the fact that GCF procedures and requirements are not always well understood by key partners. The NDA and DAEs have expressed their apprehension regarding what they understand to be the presence of “unwritten rules” within the GCF, which have contributed to inefficiencies in their engagement with the Fund. An illustrative example of this is the absence of a written rule specifying a maximum number of AEs per country. Despite the lack of such a rule, there is an implicit understanding that the GCF generally accredits only one entity per country. This perception has raised concerns among partners, particularly in the context of accrediting BANOBRAS, as Mexico already has a DAE, leading to a perception that supporting an additional DAE may not be a priority for the GCF.

Furthermore, partners have noted that GCF rules appear to be applied inconsistently, depending on the interpretation of staff at the GCF Secretariat. For instance, in one case, the GCF declined to provide a comprehensive technical review of BANOBRAS' concept note, citing that it could not do so because BANOBRAS was not yet an AE. In contrast, on another occasion, the GCF did offer a full technical review of the concept note, even though BANOBRAS had not achieved accreditation at that time. These discrepancies in the application of GCF procedures have added to the confusion and frustration among partners, highlighting the need for greater clarity and consistency in the Fund's engagement protocols.

## C. CONCLUSIONS

The RPSP in Mexico has demonstrated considerable relevance, effectiveness and efficiency in advancing the nation's readiness for climate finance. The RPSP's strengths lie in its strategic and coherent support, particularly in building the capacities of Mexico's NDA and DAEs to engage with the GCF effectively. By structuring support across multiple grants, the RPSP has progressively equipped Mexico with the tools and knowledge needed to develop and implement GCF projects.

The RPSP's role in supporting the accreditation process of DAEs has been pivotal, given the complexity of GCF procedures. The programme has facilitated institutional capacity assessments of the DAEs, identifying institutional gaps and fostering improvements in ESS and risk management. Furthermore, the RPSP's support for concept note development has helped DAEs navigate the stringent GCF requirements.

The RPSP's focus on strengthening Mexico's NDA has contributed to the development of the GCF CP, aligning investments with national priorities across various sectors. However, there have been concerns about the GCF's inflexibility and its perceived one-size-fits-all approach, which initially limited the number of projects in the CP. This one-size-fits-all approach has also inhibited Mexico from taking full ownership of GCF's investments by not recognizing the importance for Mexico of having multiple accredited DAEs.

In addition, the administrative bottlenecks within the GCF's project approval process have significantly hindered the transition from concept note development to project implementation. Despite the RPSP's success in supporting the development of CNs and building the knowledge and skills necessary for project development, these achievements have not yet translated into tangible on-the-ground impacts. The delays in project approval and implementation have raised concerns about the RPSP's ability to contribute to real climate financing results in Mexico.

## APPENDIX 6–1. PORTFOLIO OVERVIEW

*Table A - 6.2. RPSP portfolio*

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
<b>Approved</b>								
1705-14660	Direct Access Entity Support	Completed	PricewaterhouseCoopers	2016/01/18	2016/01/18	35,445	N/A	N/A
1902-15686	Readiness Support for Country Programming and Direct Access in Mexico	Disbursed	GGGI	2019/02/28	2019/07/27	798,975	18 months	Framework agreement
2101-16657	Support for Enhanced Accreditation of National Entities, and High-Quality Concept Notes through a Climate Finance Acceleration Facility	Disbursed	GGGI	2021/04/20	2021/12/31	618,510	36 months	Framework agreement
2206-17205	Enhancing Subnational Climate Finance via Direct Access Entities, Innovative Financial Mechanisms and High-Quality Concept Notes in Mexico	Disbursed	GGGI	2022/10/12	2023/01/11	164,234	36 months	Framework agreement
LAC-RS-005	Advancing a regional approach to e-mobility in Latin America*	Disbursed	United Nations Environment Programme	2019/08/12	2019/11/08	200,000	24 months	Framework agreement
LAC-RS-010	Post COVID-19 Green Recovery for Food, Health, and Water Security strengthened by financial and technological innovations in Latin-American countries*	Disbursed	IICA	2020/08/21	2020/11/13	298,155	18 months	N/A

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
<b>Pipeline</b>								
1805-15193	National Adaptation Plan: Mexico	Sent back to applicant	CAF	2018/04/28	N/A	2.89 million	N/A	N/A

Source: GCF Tableau server as of 1 June 2023

Notes: \*Multi-country activity

**Table A - 6.3. PPF portfolio**

NAME	AE	DATE OF APPROVAL/ SUBMISSION
<b>Approved</b>		
Sustainable Communities for Climate Action in the Yucatan Peninsula (ACCIÓN Yucatan)	Mexican Fund for the Conservation of Nature (FMCN)	2022/06/06
Enhancing the resilience of vulnerable families in Mexico City to the impacts of climate change on water	FundacionAvina	2022/11/15
<b>Pipeline</b>		
Alternative Response Options for Mitigation & Adaptation of Coffee Farms (AROMA) Program	CI	2023/02/15

Source: GCF Tableau server as of 1 June 2023

**Table A - 6.4. FP pipeline**

NAME	AE	DATE OF APPROVAL/ SUBMISSION
<b>Approved</b>		
River Restoration for Climate Change Adaptation (RIOS)	FMCN	2021/03/19
Low Emissions and Climate Resilient Agriculture Risk Sharing Facility*	IDB	2017/10/02

NAME	AE	DATE OF APPROVAL/ SUBMISSION
CRAFT – Catalytic Capital for First Private Investment Fund for Adaptation Technologies in Developing Countries*	Pegasus Capital Advisors (PCA)	2021/10/07
Global Fund for Coral Reefs Investment Window*	PCA	2021/10/07
Global Subnational Climate Fund (SnCF Global) – Technical Assistance (TA) Facility*	IUCN	2022/03/28
Global Subnational Climate Fund (SnCF Global) – Equity*	PCA	2020/11/13
CATALI.5°T Initiative: Concerted Action To Accelerate Local I.5° Technologies – Latin America and West Africa*	GIZ	2022/01/20
Programme for Energy Efficiency in Buildings (PEEB) Cool*	Agence Française de Développement	2022/10/20
<b>PAP CNs</b>		
Federal Support to Mass Electrical Transportation Projects Financing Program (EMT program)	Banco Nacional de Obras y Servicios Públicos (BANOBRAS)	2022/05/17
Energy efficiency promotion program for Micro, Small and Medium-sized enterprises (MSME)	Nacional Financiera	2023/02/22
Ensuring Water Security in Remote Rural Communities Affected by Climate Change	IDB	2022/07/07
Enhancing resilience to climate change through the Re-carbonization of Agrosilvopastoral Land in Mexico (RECSOILMEX)	FAO	2021/12/15
Program to achieve national objectives on climate change (NDC) in the transport sector	NAFIN	2023/02/22
Sustainable Communities for Climate Action in the Yucatan Peninsula (ACCIÓN Yucatan)	FMCN	2021/06/22
GeoPlus Programme*	IDB	2020/10/29
<b>PAP FP</b>		
Project to reduce emissions and climate vulnerability in the Balsas Basin in Southern Mexico	IFAD	2021/07/21
E-Motion: E- Mobility and low carbon transportation*	AFD	2022/06/16
<b>Simplified approval process CNs</b>		
GAN-Mexico: Resilient and low-emissions livestock and green markets in Mexico	IICA	2023/02/20

NAME	AE	DATE OF APPROVAL/ SUBMISSION
Enhancing the resilience of vulnerable families in Mexico City to the impacts of climate change on water	Fundacion Avina	2020/10/26

Source: GCF Tableau server as of 1 June 2023

Notes: \*Multi-country project

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## 7. PANAMA COUNTRY CASE STUDY REPORT



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## A. BACKGROUND AND CONTEXT

This case study presents insights from Panama, a Latin American country that has received a relatively high level of RPSP support. Since the launch of the RPSP, six grants have been approved in Panama, with a total value of approximately USD 8.4 million and covering all five RPSP objectives. In addition, the country has benefited from five multi-country RPSP grants. The country's portfolio as of 1 June 2023 is presented in Appendix 7–1.

### 1. OVERVIEW OF THE COUNTRY

Panama, situated in Central America's south-eastern region, is a narrow country running from east to west, bordered by the Caribbean Sea to the north, the Pacific Ocean to the south, Colombia to the east and Costa Rica to the west. Its unique geographical location provides for diverse ecosystems at the juncture of Caribbean Sea, Gulf of Chiriquí and Gulf of Panama, positioning Panama as a vital biological corridor for species migration. However, its slender width, measuring just 100 kilometres, makes the nation particularly susceptible to natural disasters and climate-related disruptions, which could impact these critical corridors and habitats. The country is experiencing notable land-use changes driven by factors such as agricultural expansion, urban development and a growing tourism industry.

Panama's designated protected areas cover approximately 38 per cent of its national territory, with over a third of this area designated as marine protected zones. Panama has also identified 57 key biodiversity areas, 53 of which overlap with important bird areas, and nearly 35 per cent of these key biodiversity areas intersect with protected areas (Convention on Biological Diversity, n.d.). Panama's rich biodiversity is reflected in its diverse ecosystems, including tropical forests, wetlands, mangroves, coral reefs and islands, which play a pivotal role in connecting north and south America through the Mesoamerican Biological Corridor. Local communities rely heavily on these ecosystems for their livelihoods (Panama Wildlife Conservation, n.d.).

Panama, with a population of just over 4.4 million people, is currently undergoing a demographic transition marked by consistent declines in fertility, mortality and overall population growth. The country is home to eight distinct indigenous groups, who contribute to its rich cultural diversity. Approximately 25 per cent of the population falls within the age range of 0–14 years. Panama maintains a population growth rate of 1.51 per cent and a fertility rate of 2.37 children born per woman. Life expectancy stands at 78.44 years, reflecting the country's overall health and well-being. The urban population accounts for 69.5 per cent of the total population, with an annual urbanization rate of 1.92 per cent (Central Intelligence Agency, 2023). Panama faces significant disparities, particularly among indigenous communities. These disparities contribute to exclusion and poverty, with indigenous peoples in Panama's indigenous regions, called *comarcas*,<sup>97</sup> experiencing an extremely high poverty rate of 70 per cent, compared to a rate of 5 per cent in urban areas. Indigenous women experience specific hardships, including lower education levels and hourly income and high teenage pregnancy rates. Other marginalized groups, such as Panamanians of African descent, people with disabilities, and sexual and gender minorities, face social and

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<sup>97</sup> In Panama, there are seven groups of Indigenous Peoples (Ngäbe, Buglé, Guna o Dule, Emberá, Wounaan, Bri bri and Naso Thèrdi), living in six Indigenous regions, called *comarcas*. According to the 2010 census, 417,559 members of these groups were living in the *comarcas*, making up approximately 12 per cent of the population (International Work Group for Indigenous Affairs, n.d.).

economic challenges. The country is also contending with a surge in transit migrants, further straining its resources and capacities (World Bank Group, 2023).

Panama has achieved impressive economic growth and poverty reduction over the past three decades. With an average GDP growth rate of 5.8 per cent between 1990 and 2019, the country has made substantial progress. Notably, Panama's per capita GDP increased from 17 per cent to 47.6 per cent of the US level during this period. This economic success can be attributed to several key factors, including an outward-looking economic model focused on activities such as the Panama Canal, the Colon Free Trade Zone, construction, finance and tourism. The Panama Canal alone handles approximately 6 per cent of global trade, and the Colon Free Trade Zone is the world's second-largest such zone, contributing significantly to exports and GDP. Private and public investment rates have also been consistently high, driving growth in various sectors, including tourism, finance, real estate and agribusiness. The country's sustained growth has led to a substantial increase in employment opportunities, resulting in a significant reduction in poverty and improved living standards. Over 1.2 million new jobs were created between 1991 and 2019, even as the working-age population doubled in size. Despite these economic achievements, Panama continues to face challenges. High levels of informal employment, especially among the bottom 40 per cent of income earners, contribute to labour income disparities. The urban–rural divide in labour earnings persists, with rural workers, particularly in the *comarcas*, facing low-quality jobs, contributing to a high poverty rate in these regions. In fact, these labour-market disparities make Panama one of the most economically unequal countries in the LAC region (World Bank Group, 2023).

## 2. CLIMATE CHANGE CONTEXT

Even though Panama's share of total global emissions in 2019 amounted to just 0.04 per cent, and the country maintains negative net GHG emissions due to its vast forests, its GHG emissions per capita have been on the rise, surpassing the averages of both the LAC and the Organisation for Economic Co-operation and Development (OECD) groupings of countries (World Bank Group, 2023, figure A34c).

In Panama, the key contributors to GHG emissions and absorption include the energy sector (comprising electricity generation and ground transportation) and activities related to land-use, land-use change and forestry. Deforestation and forest degradation are notably influential factors in this context (Panama, Ministerio de Ambiente, 2020a). Historically, fossil fuels dominated Panama's primary energy supply, but the country has diversified its energy mix in recent years. Panama has invested in renewable energy, with 21.9 per cent of its energy coming from renewable sources. To meet emissions-reduction targets, decarbonizing land transportation is critical (World Bank Group, 2023; Panama, Ministerio de Ambiente, 2020b).

Climate change has already left a significant imprint on Panama, with far-reaching implications for its economy and society. The country ranks 14th globally for exposure to multiple hazards and 35th in terms of mortality risk associated with these hazards. Average temperatures have increased by 1–3°C since the 1970s, and the frequency and intensity of El Niño and La Niña events have surged, leading to severe floods and droughts. Indigenous communities, especially those residing in coastal regions, bear a disproportionate burden, with the Guna ethnic group members already undergoing relocation due to sea level rise. The rural areas, particularly the *comarcas*, grapple with maintaining their agricultural livelihoods amidst shifting climatic conditions. Agriculture constitutes two thirds of labour income in the *comarcas*, these communities being remote and lacking skills for alternative employment.

This vulnerability is further compounded by the increasing frequency and intensity of natural disasters, which have resulted in significant economic damage and fatalities. Panama is vulnerable

to a spectrum of natural hazards, including floods, storms, droughts, wildfires, earthquakes, landslides, tropical cyclones, tsunamis, and El Niño and La Niña events. Between 1982 and 2008, Panama experienced 32 natural disasters, which led to an estimated USD 86 million in economic losses. The last decade has seen four of Panama's most intense storms and several of its worst droughts, which underscores the urgency of preparing for a future with more extreme weather events and building resilience in the face of climate change (World Bank Group, 2023).

Furthermore, Panama, despite having the world's 24th largest per capita freshwater reserves, faces significant water sustainability challenges. These include inefficient water management, growing pressure on water resources, climate change effects leading to decreased water levels and operational slowdowns in the Canal, and water pollution. The hydroelectric sector is the largest consumer of fresh water (23 per cent), followed by transportation (1.9 per cent). Climate change, which contributed to a severe drought in 2019, has already affected water levels, reducing surface water and intensifying droughts, especially in the Canal region.

The 2019 commencement of operations at the Cobre Panama mine, one of the world's largest copper mines, brought forth notable environmental concerns. The mine has been associated with environmental issues such as river contamination and pollution, resulting from accidents involving fuel transportation vehicles supplying the mining sites and from elevated sediment movement (World Bank Group, 2023). Following large demonstrations by environmental groups against the mine's activities, the Government of Panama ordered the mine to shut down its operations in November 2023. In addition, the loss of native forest cover in Panama is a pressing environmental issue, exacerbated by inadequate legal frameworks and regulatory implementation. Over the past decade, more than 250,000 hectares of mature forest have been lost, through uncontrolled deforestation. This destructive trend has elevated erosion rates and heightened the threat of desertification, which is further exacerbated by the impacts of climate change. These adverse consequences impact nearly 28 per cent of Panama's continental territory with forest suitability, particularly affecting regions such as the Arco Seco, the Veraguas savanna and the Ngäbe-Buglé Comarca (Panama, 2017).

### 3. CLIMATE CHANGE POLICIES AND INSTITUTIONAL CONTEXT

#### a. National policies and strategies for climate change

Panama is party to several international treaties and conventions on climate change, including the UNFCCC (1995), the Kyoto Protocol (1998), the Doha Amendment to the Kyoto Protocol (2015) and the Paris Agreement (2016). It has a number of policies and strategies that translate these international commitments into action.

In the area of climate change specifically, Panama adopted its first National Policy on Climate Change in 2007 (Panama, Autoridad Nacional del Ambiente, 2007). In 2019, Panama adopted its National Strategy on Climate Change (Panama, Ministerio de Ambiente, 2019). The strategy aims to establish a road map leading to a low-carbon economy through both mitigation and adaptation actions. These efforts are intended to contribute to achieving Sustainable Development Goals. The strategy positions Panama on a trajectory towards a green economy as part of the national climate agenda, emphasizing the importance of a national public policy that balances economic growth, social integration and environmental management – key drivers in meeting Sustainable Development Goals. The National Policy on Climate Change was updated in 2023 (Panama, Ministerio de Ambiente, 2023).

Panama also has laws, programmes and strategies that address climate change across multiple sectors, including forestry, agriculture, water and energy.

In the area of reforestation, the Reforest Panama Fund was created in 2015, and the Forest Incentives Law was adopted in 2017. The latter seeks to promote reforestation and the restoration of one million hectares of degraded areas, as well as the conservation of natural forests within the national territory. In 2019, the Government of Panama adopted its National Forest Strategy to 2050, which is accompanied by the National Forest Restoration Programme 2021–2025, through which Panama aims to restore 51,000 hectares of forest. Lastly, the National REDD+ Strategy (2022) seeks to help mitigate global climate change by reducing deforestation and forest degradation, conserving forest ecosystems, increasing carbon reserves in forests, and promoting the sustainable management of forests. It is implemented in 33 priority hydrographic basins where there is a greater deterioration due to the loss and degradation of forests.

In agriculture, the National Climate Change Plan for the Agricultural Sector (2017), covering 2018 to 2030, guides climate change adaptation and mitigation planning for the agricultural sector, including agricultural and livestock production, food security, sustainable land and natural resource management.

For energy, the National Energy Plan (2015) is a planning instrument for the country's energy policy, whose long-term pillars are framed in universal energy access and the reduction of energy poverty, decarbonization of the energy matrix, energy efficiency and consumption moderation, and energy security.

For water, the National Water Security Plan (2015) outlines a long-term strategy encompassing five goals over a 35-year period. The first goal focuses on ensuring universal access to quality water and sanitation services. The second goal aims at leveraging water resources to foster inclusive socioeconomic growth. The third goal emphasizes proactive management to prevent water-related risks. The fourth goal centres on maintaining the health of hydrographic basins, and the fifth goal centres on achieving water sustainability.

To promote e-mobility, the National Strategy for Electric Mobility (2019) outlines the long-term strategy for Panama to transition to usage of electric mobility solutions through participation of numerous public and private actors and the lines of action required to make the transition to electric mobility solutions (Panama, Ministerio de la Presidencia, 2019).

Panama's updated NDC of 2020 reflects a comprehensive approach to climate change and resilience planning, integrating these aspects into the country's development. The plan envisions a transformative process across Panama's economic, social and productive dynamics, emphasizing circularity, resilience and a progressive reduction of emissions. The plan places climate action at the highest level of planning, involving the Ministry of Economy and Finance, other public institutions, local governments, the private sector and civil society. The sector-specific commitments are the result of a participatory process, considering political and sectoral priorities, capacities and existing barriers, and involving various stakeholders such as the public sector, private sector, youth, academia, civil society and NGOs. In total, 10 sectors and strategic areas are identified for integrated climate action, encompassing both GHG and non-GHG targets. These are energy; forests; integrated watershed management; marine-coastal systems; biodiversity; sustainable agriculture, livestock and aquaculture; resilient human settlements; public health; sustainable infrastructure; and circular economy (Panama, Ministerio de Ambiente, 2020a).

In recent years, the Ministry of Environment has also launched several initiatives and partnerships aimed at addressing climate change. In 2014, it launched the "Alianza por el Million" (Alliance for the one million), which is a collaborative effort between the Ministry of Environment, the Ministry

of Agricultural Development and three civil society organizations<sup>98</sup> to restore forest coverage. “Reduce tu Huella Corporativa” (Reduce Your Corporate Footprint) is a voluntary state programme for managing carbon and water footprints at the level of organizations in the Republic of Panama. This programme establishes a standardized process to identify, calculate, report and verify the carbon and water footprints within the operational boundaries of public, private and civil society organizations in Panama. In 2021, Panama established its National Carbon Market, which is a commercial system where credits for carbon generated by activities are bought and sold.

### **b. Institutional and governance mechanisms for climate change**

In Panama, the Ministry of Environment has the mandate to ensure compliance with environmental laws and regulations, as well as the National Environmental Policy regarding the protection, conservation, preservation, restoration and sustainable use of natural resources (Panama, Ministerio de Ambiente, n.d.-a). In 2018, the National Directorate of Climate Change was created, under the Ministry of Environment. The Directorate’s mandate is to strategically plan for climate change action by promoting the transition towards a greener economy and a reduction in GHG emissions, with a view to supporting the adaptation of the Panamanian population and ecosystems to climate change (Panama, Ministerio de Ambiente, n.d.-b).

Created in 2009, Panama’s National Climate Change Committee is composed of 17 governmental institutions and oversees the implementation of inter-institutional coordination systems to fulfil the provisions of international agreements on climate change, focusing on adaptation and mitigation.

## **4. INSTITUTIONAL ARRANGEMENTS AND IN-COUNTRY DELIVERY PARTNERS**

The NDA sits in the Ministry of Environment. The RPSP has been implemented through five DPs. These include UNEP, FAO, AFD, CAF and the Wildlife Conservation Society.

Panama has eight regional/international AEs. These include CAF, GIZ, IDB, Pegasus Capital Advisors, the International Bank for Reconstruction and Development–International Development Association, the Central American Bank for Economic Integration, FAO and IUCN. Panama does not yet have a DAE. As part of the RPSP, Panama is currently exploring the possibility of obtaining accreditation for a DAE. The Global Bank has been identified as a potential candidate, but this process is at a very early stage.

## **B. KEY FINDINGS**

### **1. RELEVANCE**

The GCF’s RPSP holds substantial relevance in Panama, as acknowledged by all consulted stakeholders. This relevance is attributed to the type of support provided and the thematic areas it addresses. The readiness support spans various thematic areas, such as e-mobility and carbon markets, responding to the pressing needs of the country.

Notably, the regional e-mobility project emerged following the XXI Forum of Environment Ministries in LAC, held in 2018. During this forum, discussions on e-mobility led to commitments from various countries in the region to advance in this domain. This demonstrates the RPSP’s

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<sup>98</sup> These being the National Association of Reforesters and Related Industries of Panama; the National Association for the Conservation of Nature; and the Chamber of Commerce, Industries and Agriculture of Panama.

alignment with regional priorities and its role in fostering cooperation and progress on critical issues.

Furthermore, the readiness project titled “Aligning financial flows of the financial sector in Panama with the Paris Agreement climate change goals” is assisting in developing a taxonomy for Panama. The concept of taxonomy, originating in Europe, is vital for assessing the environmental sustainability of projects. In LAC, only a few countries, including Brazil, Colombia and Mexico, have established their taxonomies. Panama’s efforts in this endeavour are crucial to combat greenwashing practices and align with evolving global standards. The taxonomy is particularly significant for the banking sector, as international credit rating agencies, such as Standard and Poor’s, increasingly consider environmental sustainability and social safeguards when determining ratings.

Moreover, the regional RPSP grant “Capacity building to prepare for the implementation of Carbon Markets and Article 6 in Latin America” is highly relevant to government and private sector stakeholders. Panama currently maintains a carbon-neutral status thanks to its large forests and aims to continue this commitment in line with Article 6 of the Paris Agreement and the COP25 commitments. Private sector entities are actively engaged in reducing their carbon footprint through the national initiative “Reduce tu Huella Corporativa”, initiated by the Ministry of Environment in 2020. The development of a local carbon market is seen as a valuable mechanism to support these efforts, enabling companies to purchase carbon bonds and fulfil their new corporate commitments in a sustainable manner. The GCF’s support aligns with Panama’s goals and facilitates the transition towards a more sustainable and climate-resilient future.

Finally, both the RPSP grant “Building capacities for the development of the National Adaptation Plan in the context of the NDCs adaptation themes in Panama” and the regional RPSP grant “Increasing resilience through Nature-based Solutions in Latin American cities (Nature4Cities Latam)” are relevant to Panama’s commitment to climate change adaptation. Indeed, at the heart of Panama’s first update of its NDC is national planning for the adaptation of sectors and priority areas of the economy that are most vulnerable to climate change, including energy; integrated watershed management; sustainable infrastructure; public health; marine-coastal systems; biodiversity; sustainable agriculture, livestock farming and aquaculture; and circular economy. Through support for the development of the NAP, the RPSP seeks to strengthen governance and institutional coordination for adaptation, support the generation of evidence for adaptation planning, catalyse private sector engagement and support the development of a financing strategy for adaptation. Similarly, the Nature4Cities RPSP grant complements RPSP support for the NAP by promoting the development of nature-based solutions at the local level in six municipalities, to strengthen their adaptation and resilience to climate change. However, there have been significant delays in securing RPSP support for the NAP, which has somewhat diminished its relevance. According to an interviewee, discussions for NAP support began in 2017, but a proposal was only submitted in 2021. It took nearly two years for the proposal to be approved, in November of 2022. These delays have also meant that the Ministry of Environment has had to find other sources of support to conduct studies initially planned through RPSP support in order to move forward with its adaptation agenda.

## 2. COHERENCE AND COMPLEMENTARITY

The GCF’s RPSP has demonstrated good coherence in Panama through a series of coordinated efforts with various development partners and institutions. One such example is the regional e-mobility RPSP grant, which is aligned with support from the IDB in the same domain. An objective of this RPSP grant had been the development of a national concept note for GCF funding in e-mobility for each participating country. However, midway into implementation of the regional grant,

a large GCF loan was approved for e-mobility in Panama, to be implemented through the IDB. Recognizing the limited likelihood of the GCF approving a second e-mobility loan, Panama decided not to pursue the development of a concept note for GCF funding. Instead, the regional RPSP e-mobility grant focused on providing essential TA to better prepare Panama for the forthcoming IDB loan. This cooperative approach ensured that efforts and resources were effectively channelled for maximum impact.

The national consultant, financed to manage the regional e-mobility project by the RPSP, played a crucial role in coordinating the work of the Inter-institutional Commission for e-mobility. Although the regional project has concluded, the work of the Commission continues, and efforts are under way to secure funding from other development partners, including the Economic Commission for Latin America and the Caribbean, to sustain the consultant's position. The fact that coordination has been supported by an external consultant does, however, raise some concerns regarding the sustainability of efforts to ensure coherence among the RPSP and other programmes.

With respect to carbon markets, the WB has been supporting this area through its Partnership for Market Readiness. Through its grant "Capacity Building to prepare for the implementation of Carbon Markets and Article 6 in Latin America", the GCF's RPSP complemented these efforts by supporting legislative and institutional development and conducting stakeholder mapping, thus contributing to the development of a carbon market in the country.

Finally, in 2020 the Global Environment Facility implemented the project "Development of the National Framework for Climate Transparency of Panama", which aimed to build the foundation upon which the Enhanced Transparency Framework will be implemented in the country. This includes the ability to track the progress of Panama's NDC, monitor mitigation actions and mobilized climate finances, and operationalize the Sustainable System for National GHG Inventory. Interviewees explained that this platform is expected to be used to store information generated through RPSP-supported studies and also to track progress in the implementation of the NAP, in line with the NDC.

### 3. EFFECTIVENESS

#### a. Building of capacities

Panama is yet to have a DAE accredited to the GCF. The NDA has emphasized the importance of addressing this as a priority for moving forward. The ongoing readiness initiative titled "Aligning financial flows of the financial sector in Panama with the Paris Agreement climate change goals" is actively supporting the pre-accreditation process for potential DAEs, although this process has only very recently begun and it is not yet possible to assess its effectiveness. Still, in interviews, a potential DAE has expressed concerns that they lack clarity on the accreditation process details and, most importantly, on the associated costs of GCF loans. The crucial consideration for banks revolves around whether the economic implications of GCF loans align with their financial viability.

#### b. NAP

Since 2022, UNEP has supported the implementation of "Building capacities for the development of the National Adaptation Plan in the context of the NDCs adaptation themes in Panama". The RPSP proposal identifies key challenges in Panama's climate change adaptation endeavours. Key issues include a lack of inter-institutional coordination and limited technical expertise, hindering effective long-term planning. The absence of a robust climate change knowledge base further complicates decision-making for adaptation. Weaknesses in the regulatory framework also contribute to the absence of long-term adaptation strategies in key thematic areas such as water resources and agriculture.

Monitoring and reporting prove challenging due to limited experience in designing adaptation indicators and addressing technical constraints, exacerbated by scattered and non-standardized adaptation-related data. Finally, Panama grapples with financial and technical limitations, impeding the execution of adaptation actions. Therefore, the NAP in Panama aims to strengthen adaptation planning and governance through the creation of the NAP Coordination Platform and Working Group. This involves enhancing awareness, outreach and communication strategies for stakeholders, strengthening the governance and capacities of the National Climate Change Cabinet, and assessing and providing training for relevant sectoral ministries. The plan also seeks to produce an evidence basis for designing adaptation solutions by assessing existing information, identifying knowledge gaps, and conducting climate projections, socioeconomic scenarios and theme-specific risk assessments. Additionally, it aims to catalyse private sector engagement in adaptation and increase adaptation finance by developing a financing strategy, mainstreaming adaptation into planning frameworks and submitting CNs to the GCF.

The NAP grant was approved in November 2022; at the time of writing, the delivery partner was still in the process of contracting personnel for implementation. Therefore, it is still too early to assess the effectiveness of this support.

### **c. Knowledge sharing and learning**

Panama has benefited from several regional RPSP projects, which have enabled the sharing of lessons learned between Panama and other participating countries. For example, MiBus, a public transportation company, is in the process of renewing its fleet with a portion of EVs. As part of the regional e-mobility project, MiBus exchanges with the governments of Chile and Colombia, which are among the most advanced in e-mobility in LAC, to learn about key aspects of the purchasing of EVs. Similarly, knowledge-sharing on nature-based solutions among Panamanian municipalities and those of other countries is a key element of the Nature4Cities regional grant.

### **d. Enabling/hindering factors of effectiveness**

The effectiveness of the RPSP in Panama can be attributed to several key factors, as follows.

- **Structured coordination:** The structure of regional projects, where a national consultant collaborates closely with the regional consultant, played a pivotal role in achieving positive outcomes. This approach allowed for seamless communication and support between the national and regional levels. For instance, in the regional e-mobility project, the national consultant was engaged with the Ministry of Energy, actively participating in country coordination, technical meetings and more. This involvement was particularly beneficial in coordinating the activities of the Inter-institutional Commission for Electric Mobility.
- **Pre-existing frameworks:** Projects benefited from the presence of established legal frameworks and inter-institutional mechanisms. For instance, the regional e-mobility project leveraged Panama's existing National Strategy on Climate Change and Inter-institutional Commission for Electric Mobility. These foundations enabled the project to make rapid progress in implementing the strategy, including the development of necessary regulations and partnerships with the private sector for e-mobility initiatives. The readiness project became an enabler to translate the strategies on climate change and e-mobility into actionable steps.
- **Expertise and networking:** The expertise and background of the NDA, which has extensive experience and a strong network within the finance sector, played a crucial role in advancing various initiatives. This expertise was instrumental in driving the sustainability agenda, fostering discussions on topics such as taxonomy, carbon markets and private sector engagement in e-mobility. The strong linkages established by the NDA between the Ministry of

Environment and the financial sector have been pivotal in promoting sustainable financing and ensuring the effective involvement of various stakeholders.

#### 4. UNEXPECTED AND UNINTENDED RESULTS

The evaluation did not find unexpected results.

#### 5. GENDER AND SOCIAL INCLUSION

While the inclusion of both women and men in readiness activities was seen as important, one stakeholder mentioned that some technical areas are male dominated and that it is difficult to find an equal number of women and men to receive a given training. In this sense, the GCF requirement to have an equal number of women and men attending a training event represents a trade-off in that achieving gender parity may mean having less impact because the “right people” were not selected for the training.

#### 6. COUNTRY OWNERSHIP

Readiness activities have been embedded in existing institutional frameworks and national coordination mechanisms, which demonstrates country ownership. For instance, the regional e-mobility project has integrated itself into the work of the established Inter-institutional Commission for Electric Mobility. This Commission, comprising 12 state institutions and over 80 private enterprises, testifies to the inclusive and multi-stakeholder approach adopted. Stakeholders highlighted the positive impact of this inter-institutional collaboration, fostering a sense that electric mobility is a collective responsibility of both private and public institutions in Panama.

Likewise, the regional project “Capacity Building to prepare for the implementation of Carbon Markets and Article 6 in Latin America” strategically aligns itself with Panama’s national efforts to maintain carbon neutrality. By contributing to capacity-building and supporting the development of a local carbon market, the project harmonizes with the overarching national programme “Reduce tu Huella Corporativa”. This alignment underscores the integration of international initiatives into the local context, reinforcing the country’s commitment to carbon neutrality.

Stakeholders also emphasized the important role played by the NDA in fostering broader awareness beyond the environmental sector. Through readiness activities, the NDA has assumed a leadership role in emphasizing the significance of addressing climate change issues. This outreach has effectively extended to sectors beyond the environmental domain, with the financial sector and banking institutions gaining a greater understanding of the importance of environmental sustainability for Panama’s economy. The NDA’s efforts contribute to a holistic approach, ensuring that climate change considerations permeate various parts of the national agenda.

#### 7. IMPACT

The GCF’s RPSP in Panama, with a particular emphasis on e-mobility, has contributed to key outcomes that are expected to have an important impact on GHG emissions in the longer term. The RPSP has done so by supporting the development of strategic frameworks, legal regulations and the acquisition of EVs. These collaborative efforts have paved the way for Panama to embrace e-mobility as a sustainable transportation solution, although more work is needed to fully create an enabling environment for e-mobility, in particular by ensuring the availability of EVs.

The RPSP made notable progress due to the country’s existing e-mobility strategy. This strategic foundation enabled Panama to take substantial strides in advancing e-mobility solutions within its borders.

Furthermore, the programme provided critical support to the subcommissions operating within the Inter-institutional Commission for Electric Mobility. These subcommissions addressed various vital aspects, including the development of normative frameworks and fiscal incentives – essential components for a thriving e-mobility ecosystem.

The collaborative efforts supported by the e-mobility project led to the drafting and subsequent adoption of Law 295 in 2022. This legislation incentivizes the integration of electric mobility in ground transportation. Additionally, Executive Decree No. 51 was introduced in 2023 to regulate and facilitate the effective implementation of Law 295. The legal framework was further complemented by the approval of regulations governing electric vehicle charging services.

As per Article 4 of Law 295, all public institutions within the Panamanian government are now required to renew their vehicle fleets and reach a minimum of 40 per cent EVs by 2030. This obligation marks a significant step towards reducing the environmental footprint of public sector transportation. A notable example of this commitment is MiBus, which is currently in the process of renewing its fleet of 1,300 vehicles and expects to acquire 400 new EVs. This fleet renewal is facilitated through an IDB loan, illustrating the coordination of efforts across different funding sources.

The uptake of EVs in Panama has seen gradual progress as of July 2023, with 160 EVs purchased in the country. While there has been a positive trend in electric vehicle adoption since the inception of the readiness project, it is important to note that there is still a considerable distance to cover. Various challenges persist, most notably the limited availability of prominent electric vehicle brands within the Panamanian market. The RPSP has played a valuable role in establishing a foundation for electric mobility's growth, but the transition to an electric vehicle fleet accessible to individual consumers remains a work in progress. Anticipated growth in electric vehicle acquisitions by 2023 indicates some positive momentum but acknowledges the need for continued efforts to drive this transformation more comprehensively.

Aside from this, the RPSP grant "Preparation of strategic frameworks and climate finance to reduce deforestation and forest degradation and guide the investment of the GCF in Panama" is likely to have an impact on reducing emissions from deforestation through the development of CNs related to REDD+ and AFOLU. Interviewees explained that this grant was also used to build the capacities of indigenous community organizations in protected areas of Panama on how to access GCF funding for these purposes.

## 8. PARADIGM SHIFT AND TRANSFORMATION

The RPSP contribution to a paradigm shift in Panama is exemplified by the regional project on e-mobility. This initiative played a pivotal role in advocating for the integration of EVs within the banking sector, resulting in some changes. Specifically, Banco General has adopted a financial product dedicated to facilitating the purchase of EVs and chargers. This strategic shift within the banking sector underscores the RPSP's influence in promoting sustainable practices and fostering green investments.

The regional dimension of the e-mobility project has been instrumental in reshaping perspectives within the transportation sector, a domain that inherently transcends national borders. This was underscored by the project's contribution to the introduction of 80 electric vehicle chargers along two cross-border journeys. The launch of the first journey from San Jose, Costa Rica, to Panama City and of the second from Guatemala City to Panama City proved to be transformative events, engaging a diverse range of stakeholders including government entities, the private sector and development banks. According to government stakeholders, these events played a fundamental role in instilling confidence in the viability of EVs for long-distance travel, positioning them as a

worthwhile and sustainable investment. The RPSP has facilitated an important step towards paradigm shift and transformation. However, consulted stakeholders also mentioned that there is still a way to go increase the availability of EVs and further incentivize purchases of them in Panama.

Although it is still too early to assess the RPSP's contribution to the NAP, interviewees noted that RPSP support seeks to change the way that the country addresses climate change issues, ensuring a multi-sectoral approach with improved coordination between key sectors such as energy, water, agriculture and infrastructure, among others. However, interviewees mentioned that the lack of capacity of personnel for climate change adaptation, especially at the local level, will likely hinder implementation in this area.

## 9. SUSTAINABILITY

One key element promoting sustainability is the development of relationships across sectors and at multiple levels. As noted elsewhere in the report, progress is being made in securing the commitment of the financial sector and private enterprises. For example, although it has only recently started, the RPSP grant “Aligning financial flows of the Panamanian financial sector with the Paris Agreement climate change goals” is promoting a multi-stakeholder process involving the Superintendency of Banks of Panama, the Ministry of Finance and the Ministry of Environment. As part of this process, key national stakeholders from the government and the private sector have started to work together to establish a national taxonomy, which will enable financial investors to determine what constitutes a green investment. Once adopted, this taxonomy will be part of the normative framework and is expected to be sustainable.

In addition, as part of the regional project Nature4Cities, the Ministry of Environment has started developing relationships with municipalities. So far, there have been exchanges between municipalities and other countries, facilitated by the delivery partner, UNEP, as part of regional exchanges. However, consulted stakeholders at the municipal level noted that more could be done at that level to establish operational plans for nature-based solutions, although it should be acknowledged that it is still early in implementation and that work with municipalities is expected to be further developed in the coming months. The Ministry of Environment has acknowledged that lack of staff in the Ministry and the long distances between the capital and some of the municipalities has made it challenging to develop and nurture these relationships.

## 10. EFFICIENCY

The RPSP has faced several challenges and delays in project implementation in Panama. These delays encompass disbursement of funds and feedback from the GCF Secretariat. For instance, in the regional e-mobility project, there was a significant seven-month delay in funds disbursement to the delivery partner, UNEP, which led to a cash flow shortage and a temporary halt in project activities. This delay was attributed to reduced personnel within the GCF Secretariat and the practice of UNEP sending consolidated requests to the GCF from its main office in Nairobi, which can introduce additional delays, as the main office waits to receive multiple requests from several country offices before submitting a request.

Delays were also noted in the approval of readiness projects. The proposal for the NAP project, for example, underwent a prolonged approval process, with seven rounds of comments and concerns raised about meticulous oversight and multiple, sometimes conflicting, comments from various reviewing teams. Staff turnover within the GCF Secretariat has further complicated the review process, with different experts providing comments on different versions of the proposal.

Administrative delays had financial repercussions, as the NAP readiness project could not be approved on time by 31 December 2021, due to staffing shortages within the GCF Secretariat. As a result, Panama lost a substantial amount of its readiness funding for that year. The GCF has since adjusted the cut-off date for approving 2022 projects to March of the following year, alleviating some of these concerns.

Moreover, the bureaucratic processes associated with the RPSP have not been conducive to adaptive management. While rigorous financial management processes are appreciated, there are concerns about their lack of flexibility, making it difficult to modify activities defined in the proposal. This lack of adaptability can be especially challenging in regional projects, where evolving needs in different contexts may require changes to planned activities, necessitating a lengthy and bureaucratic approval process that may deter and delay the implementation of these valuable activities.

Despite these challenges, there were instances of no-cost extensions provided to account for delays incurred during the COVID-19 pandemic, demonstrating a degree of flexibility and responsiveness to unexpected events in project timelines.

## C. CONCLUSIONS

The GCF's RPSP in Panama demonstrates substantial relevance through its support in thematic areas such as e-mobility and carbon markets, thereby aligning with the country's priorities. Notably, the e-mobility project showcases regional cooperation, emphasizing the RPSP's role in advancing critical issues collectively. The coherence and complementarity of GCF efforts with other partners, such as the IDB and the WB, amplify impact and effectiveness. The RPSP's success is reflected in the paradigm shift achieved in e-mobility, influencing the banking sector's acceptance of EVs. The development of a taxonomy for Panama is a noteworthy initiative that enhances transparency and aligns with global standards, contributing to the GCF's broader impact. Despite challenges and delays, the sustainability of efforts in Panama is reinforced by developing cross-sectoral relationships and engaging the financial sector. Administrative inefficiencies pose challenges, but the GCF's flexibility in response to evolving needs and the emphasis on initiatives such as the taxonomy demonstrate adaptability. Overall, the RPSP contributes to Panama's commitment to sustainability and climate resilience, fostering collaboration and transformative change.

## APPENDIX 7–1. PORTFOLIO OVERVIEW

*Table A - 7.1. RPSP portfolio*

REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	APPROVED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
<b>Approved</b>								
1801-15026	Panama's Readiness Support Proposal 2017	Disbursed	CAF	2017/11/01	2017/12/22	895,667	24 months	Framework agreement
2004-16111	Preparation of strategic frameworks and climate finance to reduce deforestation and forest degradation and guide the investment of the GCF in Panama	Disbursed	FAO	2020/07/24	2020/10/30	800,000	24 months	Framework agreement
2106-16723	Building capacities for the development of the National Adaptation Plan in the context of the NDCs adaptation themes in Panama	Disbursed	UNEP	2021/04/29	2022/11/05	2,973,648	36 months	Framework agreement
2106-16869	Aligning financial flows of the Panamanian financial sector with the Paris Agreement climate change goals	Disbursed	UNEP	2021/12/21	2022/08/25	796,133	24 months	Framework agreement
2207-17265	Capacity Building to prepare for the implementation of Carbon Markets and Article 6 in Latin America *	In process	UNEP	2022/09/19	2023/02/03	2,249,616	30 months	Framework agreement
2007-16258	Strengthening the capacities of national and regional development banks, which are members of the International Development Finance Club (IDFC), to access GCF resources*	Disbursed	Agence française de développement	2020/08/19	2020/10/30	700,000**	18	General grant

Source: GCF Tableau server as of 1 June 2023

Note: \*Multi-country project. \*\*This is the total amount for the regional project, covering all countries including Panama.

**Table A - 7.2. PPF portfolio**

NAME	AE	DATE OF APPROVAL/ SUBMISSION
<b>Approved</b>		
N/A		
<b>Pipeline</b>		
2204-17148   A Regional Fund for the Great Forests of Mesoamerica and the Dominican Republic*	Conservation International Foundation	2022/04/14
2304-17513   Boosting the implementation of practices to reduce methane emissions in rice cultivation in Panama	IICA	2023/04/13

Source: GCF Tableau server as of 1 June 2023

Notes: \*Multi-country project

**Table A - 7.3. FP pipeline**

NAME	AE	DATE OF APPROVAL/ SUBMISSION
<b>Approved</b>		
FP195   E-Motion: E-Mobility and Low Carbon Transportation*	CAF	2022/10/20
FP189   E-Mobility Program for Sustainable Cities in Latin America and the Caribbean*	Inter-American Development Bank	2022/10/20
FP180   Global Fund for Coral Reefs Investment Window*	Pegasus Capital Advisors	2021/10/07
FP177   Cooling Facility*	International Bank for Reconstruction and Development–International Development Association	2021/11/23
FP174   Ecosystem-based Adaptation to increase climate resilience in the Central American Dry Corridor and the Arid Zones of the Dominican Republic*	Central American Bank for Economic Integration (CABEI)	2021/10/07
FP152   Global Subnational Climate Fund (SnCF Global) – Equity*	Pegasus Capital Advisors	2020/12/09
FP151   Global Subnational Climate Fund (SnCF Global) – Technical Assistance (TA) Facility*	International Union for Conservation of Nature	2020/12/09
FP149   Green Climate Financing Facility for Local Financial Institutions in Latin-America*	CAF	2020/12/09

NAME	AE	DATE OF APPROVAL/ SUBMISSION
FP097   Productive Investment Initiative for Adaptation to Climate Change (CAMBio II)*	CABEI	2018/11/28
<b>Project approval process CNs</b>		
23760   Kualí Fund	Compañía Española De Financiación Del Desarrollo (COFIDES)	2023/02/24
27350   Project GAIA (“GAIA”)	MUFG Bank	2023/02/20
<b>Simplified approval process CNs</b>		
Boosting the implementation of practices to reduce methane emissions in rice cultivation in Panama	IICA	2023/05/16
Incorporating Climate Change into Public Investment Processes	N.D <sup>99</sup>	2022/05/10

Source: GCF Tableau server as of 1 June 2023

Notes: \*Multi-country project

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<sup>99</sup> Country has not selected an AE yet for this CN.

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## 8. TANZANIA COUNTRY CASE STUDY REPORT



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## A. BACKGROUND AND CONTEXT

This case study presents insights from Tanzania, an African country that has received a moderately low level of RPSP support. Since the launch of the RPSP, two grants have been approved in Tanzania, with a total value of approximately USD 3.3 million. The grants contribute to RPSP objectives 1, 2 and 3. The country's portfolio as of 1 June 2023 is presented in Appendix 8–1.

### 1. OVERVIEW OF THE COUNTRY

#### a. Geography and climate

Tanzania is in east Africa and comprises mainland Tanganyika and the semi-autonomous coastal archipelago of Zanzibar. The country has a total land area of 885,800 km<sup>2</sup> (World Bank Group, 2023b) and is bordered by Kenya and Uganda to the north; Rwanda, Burundi and the Democratic Republic of the Congo to the west; and Zambia, Malawi and Mozambique to the south. Its Indian Ocean coastline extends some 1,424 km (World Facts, 2008). Tanzania is also bordered by some of the largest lakes in Africa, including Lake Victoria, Lake Tanganyika and Lake Nyasa (CountryReports, n.d.). The country is divided into four climate zones: the hot and humid coastal plain, a semi-arid central plateau, temperate highlands and high-rainfall lake regions (Makoi, n.d.).

#### b. Demography

Tanzania's population is around 65.5 million, with a recent annual growth rate of 3 per cent (World Bank Group, 2023d). As of 2020, population density was 70 people per km<sup>2</sup> of land area, compared to 51 in 2010 and 29 in 2000 (World Bank Group, 2023c). The urban population is about 23 million, roughly 36 per cent of the total population (World Bank Group, 2023g). The largest city is Dar es Salaam, with nearly 2.7 million people; Dodoma, which became the official capital of Tanzania in 1996, has just over 180,000 people (World Population Review, 2023a). More than 44 per cent of the population is under the age of 15, and the median age is 17.7 years (World Population Review, 2023b). Life expectancy is 66 years (World Bank Group, 2022a). The population is very diverse, with more than 120 ethnic groups and more than 100 dialects.

#### c. Economy

With a GDP per capita of USD 1,192 in 2022, Tanzania is classified by the WB as a lower-middle-income country (World Bank Group, 2023d). In 2022, the country is estimated to have experienced 4.6 per cent growth, with most sectors rebounding to pre-COVID-19 levels (World Bank Group, 2023f). Although Tanzania has emerged from the COVID-19 pandemic in "good shape" according to a WB report (World Bank Group, 2022b), the poverty and unemployment rates in the country have not returned to pre-pandemic levels. The country's public debt is low compared to GDP and remains sustainable (African Development Bank, 2023), and revenue growth has outpaced development spending; however, the appreciation of the USD, the war in Ukraine and a corresponding rise in food prices pose economic challenges. This includes rising inflation, which shifted from 3.7 per cent to 4.4 per cent towards the end of the pandemic (World Bank Group, 2023a).

Agriculture is the most important economic sector in Tanzania, accounting for more than 25 per cent of GDP and employing 65 per cent of the population (Lloyds Bank, 2023). The service industry (particularly tourism) is also important, accounting for 34.4 per cent of GDP and employing 28 per cent of the population. The processing of agricultural products and the mining of Tanzania's various

minerals are two key parts of the country's manufacturing sector. The energy sector is also growing, and the country has extensive potential for hydroelectric power and natural gas.

#### **d. Politics**

In 1964, Tanganyika and Zanzibar merged to form the United Republic of Tanzania, after gaining independence from Britain in 1961 and 1963, respectively. Prior to this, both regions experienced centuries of colonial rule by European and Middle Eastern powers. Today, Tanzania is a presidential constitutional republic, with a central government as well as a devolved semi-autonomous government in Zanzibar. Within the executive branch, the President serves as both the Chief of State and Head of Government. The President and Vice President run on the same election ticket, and the Prime Minister is appointed by the President to serve as the leader of the National Assembly. Zanzibar has its own President and Vice President. In addition to the unicameral National Assembly of Tanzania, Zanzibar has the Revolutionary Council and House of Representatives.

Elections in Tanzania take place at both national and local levels. General elections at the national level include the President and National Assembly Members, both of which have five-year terms. The general election in October 2020 resulted in a win and second five-year term for President John Magufuli, with more than 84 per cent of the vote, as well as for members of his Chama Cha Mapinduzi party. After President Magufuli passed away in March 2021, Vice President Samia Suluhu Hassan became Tanzania's sixth and first female President. Following the 2020 general election, women held nearly 29 per cent of National Assembly seats. Tanzania's various ministries sit underneath the President's Office, the Vice President's Office (VPO) or the Prime Minister's Office; they can be transferred to another office by the President.

Local governance and the role of communities are important parts of the Tanzanian political system. The country is divided into 30 regions and 184 urban and rural districts, also referred to as local government authorities (LGAs). In 1982, the Local Government Act reintroduced a system of local governance in Tanzania, including the LGAs. Localization has continued with the 1999 launch of the initial Local Government Reform Programme (World Bank, 2001), which aimed to improve access to public services. A second phase of the programme (2008–2013) sought to improve LGA capacity. The Government of Tanzania does not recognize the existence of indigenous peoples.

## **2. CLIMATE CHANGE CONTEXT**

Like many other countries around the world, Tanzania is experiencing the negative effects of climate change. This includes an increase in mean temperature, from 22.31°C in 1960 to 22.81°C in 2000 and 23.09°C in 2020 (World Bank Group, 2023e). The country has also been threatened by extreme weather events such as drought and flood as a result of climate change (Tanzania, Vice President's Office, 2021b). A 2023 report by the IMF notes that Tanzania and its population are highly susceptible to flood and drought, in no small part because a majority of its population is dependent on rain-fed agriculture, herding or fishing for their livelihoods (Alfi and others, 2023). These disasters contribute to forced displacement, food insecurity, energy challenges, and property and infrastructure damage. Climate-induced migration and displacement could also contribute to instability and conflict in the country (Blocher and Kileli, 2020). Additionally, the WHO reports that extreme weather events in Tanzania present health risks, as water quality and quantity are affected (World Health Organization and Department for International Development 2018). As a result of these and other factors, Tanzania is characterized as having high vulnerability to and low readiness in the face of climate change (Notre Dame Global Adaptation Initiative, 2023). It is estimated that climate change will have economic costs of between 1 and 2 per cent of GDP by 2030 (European Commission, n.d.), or around USD 1 billion per year (Tanzania, Vice President's Office, 2021b).

Tanzania is a relatively small emitter of GHG emissions, producing around 13.06 million tons of CO<sub>2</sub> in 2021, or 0.21 tons per person (Ritchie, Roser and Rosado, 2020). This is about 0.04 per cent of global CO<sub>2</sub> emissions. The vast majority of GHG emissions in Tanzania come from the land-use change, forestry and agricultural sectors.

Nearly 40 per cent of Tanzanians had access to electricity in 2020, with an average per capita energy consumption of 947 kilowatt hours (kWh) in 2019 (Ritchie, Roser and Rosado, 2022). As of 2020, 57 per cent of Tanzania's energy came from non-renewable sources, with an additional 40 per cent coming from hydropower (International Renewable Energy Agency, 2023). Tanzania would like to increase electrification in the country to 75 per cent by 2033 and has sought increased private sector participation in the energy sector since the 1990s to do so, although it still prefers public-private partnerships (PPPs) (International Trade Administration, 2022). Natural gas, hydropower and solar are key energy subsectors open for investment (International Trade Administration, 2022).

### 3. CLIMATE CHANGE POLICIES AND INSTITUTIONAL CONTEXT

In Tanzania, the VPO's Division of Environment is the entity primarily responsible for coordinating climate change related work in the country, although numerous ministries are responsible for providing input into climate-related decisions, policies and documents as well as for implementing adaptation and mitigation activities in coordination with LGAs. Tanzania also has a National Climate Change Steering Committee and the Zanzibar Climate Change Steering Committee. These entities are responsible for coordinating the implementation of Tanzania's NDC. The National Climate Change Technical Committee provides technical advice.

In 2003, the VPO published Tanzania's initial communication under the UNFCCC (Tanzania, Vice President's Office, 2003). The document, which was supported by the United Nations Environment Programme (UNEP), includes current circumstances in Tanzania, its national GHG emissions, mitigation analysis and measures, the impact of climate change, adaptation measures, national policies, research observations, and an outline of the national institutional framework and strategies. It serves as an initial, comprehensive picture of how Tanzania is experiencing and should respond to climate change. Key issues highlighted include the need to balance economic growth and environmental resource management, the need for public awareness and technical training, and the need for additional technology for research.

Tanzania's NAPA was published in 2007 and references some of the initial effects of climate change such as drought and poor crop yields in 2004 and 2005. It is predicated on the fact that the country's economy was and is largely dependent on agriculture. The NAPA proposes specific climate change related projects based on sectors, including agriculture, water, energy, forestry, health, wildlife, industry, coastal and marine resources, human settlements and tourism. Of the 72 projects identified, 14 were listed as priority projects and formed the basis of Tanzania's climate action.

By 2012, Tanzania had developed its NCCS to guide the country and coordinate key stakeholders in enhancing capacity to respond to climate change through adaptation, mitigation and cross-cutting measures (Tanzania, Vice President's Office, Division of Environment, 2012). Specific objectives include capacity development, enhancing ecosystem resilience, enabling access to and use of climate change opportunities, enhancing participation in climate change mitigation, increasing public awareness, enhancing information management, improving institutional arrangements and mobilizing resources. The strategy reflects increasing opportunities for developing countries to finance climate change interventions, including with GCF support. It is based on national consultations, including at the community level, which also created awareness of climate change.

The government of Zanzibar published its own Climate Change Strategy in 2014, which prioritized capacity-building, interventions that mitigate and help it adapt to climate change (so called “win-win” approaches), the mainstreaming of climate-resilient and low-carbon interventions, and early action on future challenges (Omar, 2020). It considers the built environment, coastal and marine areas, agriculture and natural resource management, forestry, energy and tourism.

Tanzania’s 2015 INDC describes the efforts the country has made to address climate change through national strategies and policies (Tanzania, 2015). Its development was based on a “consultative and inclusive” process that involved stakeholders from civil society, academia, research institutions, government and the private sector. In terms of adaptation, the INDC notes that Tanzania seeks to reduce climate-related disasters; reduce the impacts of droughts, floods and declining rainfall; increase the accessibility of clean and safe water; and mitigate the impacts of sea level rise. Prioritized sectors for adaptation include agriculture, livestock, forestry, energy, the coastal and marine environment and fisheries, water resources, tourism, human settlements, and health. To mitigate climate change, Tanzania commits to reducing GHG emissions by 10-20 per cent by 2030, focusing on the energy, transport, waste management and forestry sectors. Implementation is estimated to cost more than USD 60 billion.

In 2021, the VPO published both the updated NDC (Tanzania, Vice President’s Office, 2021b) and the National Climate Change Response Strategy 2021–2026. The updated NDC lays out specific challenges facing the country – namely, weak institutional and financial capacities, a lack of technology access and climate knowledge management, low public awareness, and inadequate stakeholder participation. Regarding adaptation measures, it outlines priorities in the areas of clean and safe water, coastal communities and marine management, community livelihoods, resilient farming, infrastructure, climate-resilient energy systems, tourism, land use, health, research, disaster risk reduction, gender mainstreaming, capacity-building and technology transfers. For mitigation, the NDC highlights the importance of reducing GHG emissions in the priority sectors of energy, forestry, transport and waste management. Taken together, the NDC estimates that Tanzania needs more than USD 19 billion for its adaptation and mitigation requirements and will seek financing through multilateral and bilateral funds, the private sector, and philanthropic and non-government investors. Although the NDC mentions the GEF and the AF, it does not mention the GCF.

The National Climate Change Response Strategy 2021–2026 updates the previous NCCS and reflects Tanzania’s transition to a lower-middle-income country, regional climate policies, the COVID-19 crisis and the increase in extreme weather events in the country (Tanzania, Vice President’s Office, 2021a). It seeks to increase the importance of climate change in Tanzania’s national development agenda, “enhancing adaptation and resilience measures as well as harnessing mitigation opportunities for enhancing economic and development growth” (Tanzania, Vice President’s Office, 2021a, p. vi). This updated strategy notes previous gaps in climate change awareness and risk assessment; limited data availability and research capacity; and generally inadequate financial, human resource and infrastructure capacity to address, monitor and assess climate change impacts. Strategic objectives therefore include enhanced mainstreaming and alignment of climate change, better implementation and monitoring of the NDC, strategic adaptation and mitigation measures, enhanced research and education, increased public awareness, increased coordination and institutional capacity, mobilization of financial and technological resources, climate-smart technology transfer, gender responsiveness, and inclusive engagement. Overall, this strategy represents a more nuanced, comprehensive and developed approach to climate change for Tanzania.

A 2021 report from the United Nations Department of Economic and Social Affairs notes that the main sources of climate finance for Tanzania are multilateral funds linked to the UNFCCC and other development partners such as the WB, AfDB and GIZ, among others (United Nations Department of

Economic and Social Affairs, 2021). Sources of funding received over the years include USD 200,000 from the Global Environment Facility for a NAPA project between 2003 and 2019 (Global Environment Facility, n.d.); a 2017 grant from the African Development Bank's Africa Climate Change Fund to support capacity for climate resilience mainstreaming within the Government of Zanzibar (African Development Bank, 2021); more than USD 38 million from the Climate Investment Funds for renewable energy and the Clean Technology Fund (Climate Investment Funds, 2022); and nearly USD 15 million from the AF.

#### 4. INSTITUTIONAL ARRANGEMENTS AND IN-COUNTRY DELIVERY PARTNERS

Unlike in many other countries where the role of the NDA rests with a specific ministry, the NDA for Tanzania is the VPO. As the Government of Tanzania has changed, the GCF focal point within the VPO has also changed. Tanzania does not have a CP. Currently, there is one national DAE, CRDB Bank Plc, which was accredited in 2019. Over the years, several other entities, both private and public, have sought accreditation. In February 2018, the NDA submitted a nomination letter for the Ministry of Finance.<sup>100</sup> Other entities seeking accreditation include the President's Office, Regional Administration and Local Government; the National Bank of Commerce; the National Environment Management Council; the NMB Bank; and the Tanzania Agriculture Development Bank. The NDA has been advised by the GCF to prioritize accreditation efforts for these entities. However, despite several communications to the GCF by the NDA about accreditation, there are as yet no updates on the way forward.

Tanzania has two approved RPSP grants to date: the 2019 "National Framework for Leapfrogging to Energy Efficient Appliances and Equipment in Tanzania (Refrigerators and Distribution Transformers) through regulatory and financing mechanisms", and the 2021 "Integrating Climate Change Adaptation into Tanzania's Planning Processes". The DPs for these two RPSP grants are UNEP-CTCN and the UNDP; both are IAEs.

The 2019 UNEP readiness grant responds to concerns about electricity access and increasing energy demands in the country by creating an enabling environment for the adoption of energy-efficient appliances and other equipment. This includes the development of a Minimum Energy Performance Standard, an associated labelling scheme, a national policy road map, the development of financing mechanisms, and strengthened national capacity for the future development of standards and labels. As a result, the grant anticipates multiple benefits, including energy savings and a resulting reduced pressure on the energy grid, as well as benefits for household savings and a reduction in GHG emissions.

The 2021 readiness grant implemented by UNDP focuses on national adaptation planning processes. It seeks to strengthen government and institutional capacities and coordination mechanisms, strengthen the evidence base on climate risks and vulnerabilities to feed into adaptation planning, and develop and validate a NAP.

CRDB Bank does not have any RPSP grants; however, the bank is the DAE for the GCF-funded "Tanzania Agriculture Climate Adaptation Technology Deployment Programme (TACATDP)" (FP179). In addition to this project, Tanzania has four other GCF-funded projects: one single-country project and three multi-country projects. The IAEs for these projects include the KfW, the AFD and Deutsche Bank.

According to the NDA, there are also RPSP grants in development. This includes a proposal submitted to the GCF on climate-resilient health systems, which is a collaboration between the

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<sup>100</sup> Available at <https://www.greenclimate.fund/sites/default/files/document/nda-nomination-tanzania.pdf>.

Ministry of Health, WHO and Pathfinder International. The NDA is currently reviewing a second proposal from the Global Water Partnership on capacity-building.

## B. KEY FINDINGS

### 1. RELEVANCE

Stakeholder feedback from in-person and virtual interviews indicates that the objectives of the RPSP align with climate finance needs in Tanzania. Many of those interviewed described needing support with technical capacities related to understanding climate issues and being able to effectively design and assess potential projects. Relatedly, some stakeholders (particularly those outside the government) expressed the need for more concrete climate change policies and frameworks as well as associated coordination mechanisms for more diverse stakeholder engagement. Additionally, several entities are seeking GCF accreditation and expressed needing support for that process. Stakeholders also indicated an interest in more opportunities to learn from others about their climate change and climate finance experiences. The five RPSP objectives align well with these needs.

Tanzania's two current RPSP grants are relevant to some of these needs, particularly capacity strengthening and the development of strategic frameworks and adaptation planning processes. UNDP's RPSP work includes building a framework for institutional collaboration along with technical assessments of climate-related factors that will increase the government's capacity to monitor climate change. UNEP will work to develop national capacity and energy-related standards for appliances and equipment. It is important to note that although many of Tanzania's climate change documents refer to energy-related needs (see above), none of the Tanzanian stakeholders consulted mentioned this grant or energy-related needs in the context of the RPSP. This suggests a disconnect between RPSP activities and the inclusion and ownership of in-country stakeholders.

While RPSP objectives are relevant to and aligned with stakeholder needs in Tanzania, the programme has yet to be optimized on the ground. As described by those interviewed, the GCF has not been proactive in engaging with in-country stakeholders or supporting the development of a clear purpose for readiness support. In fact, many describe the GCF as unresponsive, confusing and even unfriendly. This has led to a lack of understanding of RPSP support and delivery modalities among most stakeholders consulted, many of whom have experienced significant delays in communication with the GCF (largely related to accreditation) and who are unaware of existing RPSP resources such as the *Readiness and Preparatory Support Programme Guidebook*.<sup>101</sup> The result has been opportunistic, grant-by-grant readiness engagement with a limited number of stakeholders, rather than a holistic and inclusive approach to drive readiness relevant to the country's needs as a whole.

Additionally, some stakeholders describe GCF correspondence and feedback as detrimental to the relevance of its support. For example, some stakeholders described feedback on existing RPSP grant proposals as increasingly diminishing their relevance, as those proposals had to be refined to be more reflective of GCF policies and less so of country needs. GCF mechanisms for readiness are also depicted as contradictory to how things work on the ground. For example, accreditation – which could drive readiness work as additional institutions are able to access these funds – requires that an entity have several internal policies and frameworks in place. Yet some government entities in Tanzania must rely on frameworks at the ministerial level and therefore cannot have their own. This leaves them out of compliance with the GCF and largely stuck in the accreditation process, unable to

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<sup>101</sup> Available at <https://www.greenclimate.fund/sites/default/files/document/readinessguidebook-version1-1.pdf>.

directly access readiness support. Overall, numerous government stakeholders described the GCF's requirements for accreditation, and, thus accessing funding, as overly burdensome for entities that are already overwhelmed and under resourced.

## 2. COHERENCE AND COMPLEMENTARITY

While there is some indication that GCF support is coherent and complementary with other international climate finance entities, this complementarity has been circumscribed by GCF and in-country capacity limitations. For example, there are opportunities to fast-track accreditation for AF-accredited entities in the country, but the GCF has seemingly placed accreditation on hold until the NDA prioritizes the outstanding requests. Some stakeholders reported that GIZ and others had provided readiness support that could assist them in accessing GCF funding, but the outcomes of that support were unclear. And while numerous other funders were mentioned in relation to climate change, stakeholders did not identify any ways in which those funders aligned or connected with the GCF or the RPSP.

Coherence is also negatively affected by the limited coordination of in-country stakeholders. The NCCS 2021–2026 stipulates that the VPO will coordinate environmental management in the country and that the National Climate Change Technical Committee and National Climate Change Steering Committee will support the implementation of the strategy (Tanzania, Vice President's Office, 2021a). However, stakeholder feedback from interviews indicates that Tanzania lacks an effective coordination mechanism and that there is some disagreement among those stakeholders about whether the VPO is best placed to lead climate-related work. There is also a sense that private sector stakeholders are less willing to collaborate with each other due to concerns about competition. In response, the NDA has indicated that there are several efforts to improve coordination, including a plan to establish a climate finance unit at the Ministry of Finance. Without sufficient dialogue on climate change issues among the government, private sector and civil society, there is limited ability to engage in a comprehensive, coordinated and complementary way with international donors.

The GCF's primary advantage in Tanzania currently is how well known it is. There was some mention of other climate finance entities such as the Global Environment Facility (which has a better reputation among stakeholders who know of it), the AF, GIZ, other bilateral funders and regional programmes. For many of those interviewed, however, the GCF was the only option they were aware of for accessing dedicated climate financing. One stakeholder also mentioned the GCF's value addition is that it supports both mitigation and adaptation.

An important factor affecting the GCF's value add is the overall lack of awareness of the kind of support that is available through the RPSP. For example, government and private sector actors have hired consultants to guide them through the GCF accreditation process; they reported being unaware that the GCF RPSP could also support them in accreditation. Some civil society stakeholders have reported being told that readiness does not apply to them. The feeling among some of those interviewed was that the GCF constantly changes its policies, which further limits opportunities to coordinate.

## 3. EFFECTIVENESS

There is limited evidence to date of the RPSP achieving its five objectives in Tanzania, or indeed of making significant progress towards doing so. While current readiness grants seek to strengthen capacities by establishing a country coordination mechanism and engaging relevant stakeholders, to develop strategic frameworks, and to identify and prioritize climate solutions, the related outputs have yet to be achieved according to the GCF's Readiness Results Management Framework. This limited effectiveness is confirmed by in-country stakeholders, who cite significant and remaining

gaps in the areas of institutional capacities and climate-related strategies. These gaps were particularly noted with regard to the NDA.

Stakeholders also indicate that there is a general lack of awareness about the GCF and RPSP in Tanzania as well as limited opportunities to learn from the experiences of others in engaging with the GCF or receiving RPSP support. It should be noted that there are no RPSP grants in Tanzania that address objective 5: Knowledge-sharing and learning.<sup>102</sup>

The most prominent challenges to RPSP effectiveness in Tanzania are related to low awareness of the GCF's policies and modalities (including the RPSP), the absence of an overarching strategy for accessing GCF and broader climate financing support, and obstacles to the accreditation of DAEs. As mentioned previously, an initial and important factor hindering effectiveness is the lack of understanding among a broad range of government, civil society and private sector stakeholders about what kind of GCF support can be accessed through the RPSP and how that support is obtained. Many stakeholders, particularly those seeking accreditation or among civil society, are keen to receive information on the GCF and how it works (objective 5) as well as getting support for capacity strengthening (objective 1). However, these stakeholders reported a lack of opportunities to learn about and connect with the GCF as well as misunderstandings about who can receive RPSP support (see above). In addition to other examples provided that illustrate a general lack of awareness of who and what the RPSP is for, some of those interviewed also expressed the belief that readiness funding could only benefit those already accredited. These are examples of the prevalent misperceptions among Tanzanian stakeholders, which are compounded by what they described as limited communication with the NDA about readiness. As one stakeholder pointed out, what may be perceived as a lack of capacity among Tanzanian stakeholders to engage with the GCF and develop proposals may actually be a misunderstanding of the GCF and its policies.

Further exacerbating the challenge of a lack of understanding and awareness about the GCF and the RPSP is the absence of a CP that could guide readiness support decisions and ensure that RPSP objectives are effectively met. As noted previously, Tanzania does not have any kind of strategy for accessing GCF or other climate financing. While some government stakeholders feel that the country has sufficient climate change and climate finance policies and frameworks in place already, others noted that there is no specific strategy or framework to clearly direct climate finance-related work. Those interviewed also noted that they would like to learn more about what other countries are doing and about international climate frameworks more generally. Relatedly, there is no platform or other mechanism to bring together relevant stakeholders with the NDA to ensure awareness of RPSP opportunities or the participatory development of relevant policies and a climate finance pipeline. The lack of a strategy has meant that Tanzania does not have a way to prioritize RPSP support in the five objective areas.

A final barrier to readiness effectiveness that builds on the previous two is the lack of DAEs and the associated barriers and delays to accreditation. While there are IAEs active in Tanzania, some of those interviewed were either unaware of the work being done by these institutions or felt that it was not directly linked to Tanzania's readiness and climate finance needs. In response, some stakeholders expressed a strong preference for working with in-country AEs on readiness, entities that they believe would be better connected to the stakeholders and their needs and that would also subsequently develop in-country capacity. The only current DAE has not accessed the RPSP and

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<sup>102</sup> Neither of the two RPSP grants in Tanzania explicitly target Objective 5: Knowledge-sharing and learning. However, the UNDP grant for formulating national adaptation planning originally included some learning activities. For example, Activity 1.2.2: 90 participants from Tanzania Mainland and Zanzibar will be trained on monitoring and data collection specific to adaptation, and a selected number of these participants will serve as future trainers.

was not fully aware of how it could do so. Given that the DAE is a commercial bank, some of those interviewed articulated reservations about the DAE's willingness to work on grants or projects that would not generate revenue; they are consequently enthusiastic to have other entities accredited by the GCF. Standing in the way of accreditation is a lack of understanding about the process, including unclear guidance from the GCF on how to prioritize the entities that have started the accreditation process.

#### 4. UNEXPECTED AND UNINTENDED RESULTS

No evidence of unexpected or unintended results was found for this case study.

#### 5. GENDER AND SOCIAL INCLUSION

There is little to no evidence that the RPSP has assisted Tanzanian stakeholders in addressing human and technical capacity constraints in operationalizing the GCF's GESI related policies or that readiness support has increased inclusion in country-level planning processes. While government, AE and some private sector stakeholders speak of the inclusion of women, youth and other vulnerable people in their work, their descriptions often lack detail or include activities that have yet to take place. Indeed, civil society and other stakeholders point out that women, youth and other marginalized groups are not seriously involved in GCF or other climate-related work in Tanzania. While proposals may speak to inclusion, they note that the "reality of the document" on the ground "disappears".

A key challenge noted by those interviewed that stands in the way of authentic GESI is a lack of understanding about what inclusion really means as well as limited capacity, particularly within the government, to know who and how to engage. This has led some stakeholders to perceive that the GCF requirement is all about checking a gender box but not truly encouraging strategic engagement with the right stakeholders. Indigenous peoples are also not widely recognized, particularly within the government, which focuses instead on local communities. An exception to this is CRDB Bank's work with the Pastoralists Indigenous Non-Governmental Organization. Other groups that have not been taken into consideration and that were pointed to by those interviewed include those with disabilities and rural disadvantaged groups. Some called for the GCF to do more to support the Government of Tanzania to engage these groups.

#### 6. COUNTRY OWNERSHIP

Country ownership over climate finance in Tanzania is nascent, and there are limited signs that GCF readiness support is contributing to further development of that ownership. Both of the current RPSP grants include elements linked to country ownership. For example, the proposal to develop an energy-efficient appliance and equipment framework included national stakeholder consultations in its development, and the NDA, the Ministry of Energy and electric utility companies contributed directly to the proposal. Consultations were planned for the grant's implementation, including engaging stakeholders in the design of national policy road maps and the establishment of a Policy Working Group chaired by ministries and other government bodies. However, given recent changes to that grant, these are unlikely to take place.<sup>103</sup> The RPSP grant "Integrating Climate Change Adaptation into Tanzania's Planning Processes" notes that various government entities are the lead

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<sup>103</sup> UNEP-CTCN decided to discontinue its work on energy-efficient appliances. It remains to be seen what will happen with this grant.

implementers and primary beneficiaries of the work and that stakeholder consultations and an NDA-led stocktaking exercise informed the proposal's development.

However, in-country stakeholders expressed the feeling that ownership for GCF-related work belonged solely to a select few groups, whether the implementing IAEs or the NDA and other government actors. While some government ministry officials described country ownership and inclusion as part of the culture and way of working, those outside of the government were more likely to point out that those who are part of the process do feel as if they "own it", while leaving out most other stakeholders. These stakeholders, such as those from civil society and the private sector, cited examples of when they were not included by the GCF, NDA or DAE in meetings. No non-governmental stakeholders interviewed for this case study cited examples of being asked to contribute to GCF proposals, and many stakeholders in all groups expressed a lack of clarity on GCF processes.

Feelings of country ownership are also obstructed by the GCF's approach to processing RPSP proposals. Government stakeholders, in particular, felt that while the GCF emphasizes ownership in principle, the feedback it provides prioritizes GCF policies at the expense of that ownership. Some indicated that although readiness proposals were initially developed based on country needs, the long turnaround times for GCF feedback and the questions and suggestions posed diminished the connection to those needs and resulted in IAEs establishing their own priorities. In addition to the reliance on IAEs, the GCF's perceived insistence on the use of consultants from outside the country – and even the continent – is also seen to diminish country ownership. Many of those interviewed questioned why recruiting international experts was necessary, though others portrayed in-country capacity and expertise as insufficient. Overall, many Tanzanian stakeholders described it as unfortunate that GCF funding goes through "intermediaries" such as United Nations agencies and international consultants.

Further contributing to feelings of limited country ownership is the lack of formal or established mechanisms for engaging with the full variety of stakeholders, as well as the corresponding limitations on understanding GCF support options and processes. The transparency of GCF grants and projects – particularly among civil society, the private sector and youth organizations – is also an issue. A more effective coordination mechanism, stakeholders noted, would pool experience with the GCF (such as experience related to accreditation) as well as experience and expertise on climate change and climate finance. It would also serve to share information and increase understanding of GCF-related activities.

Some of those interviewed suggested that the NDA should further develop an effective coordination mechanism in addition to focusing on the capacity strengthening of a broader swath of stakeholders. While there are indications that the NDA has brought together various stakeholders for workshops and as part of studies, limited NDA capacity to serve as a convenor, educator and supporter of in-country stakeholders also constrains country ownership. Some of those interviewed described how the lack of dedicated teams or resources within government entities – for climate change broadly as well as for engaging with the GCF specifically – has hampered engagement with the GCF and systematic engagement with other stakeholders. Additionally, there was a lack of clarity among stakeholders about what exactly the NDA's role is vis-à-vis the GCF and readiness. As a response, some recommended that the GCF should engage directly with stakeholders, while including the NDA for information only. This is, however, counter to the GCF's principle of country ownership,

which promotes “a central and leading role of NDAs/[focal points] in the coordination of the Fund’s engagements within countries”.<sup>104</sup>

A final factor inhibiting country ownership is the lack of frameworks or strategies that could guide climate finance investment in ways that are particularly responsive to Tanzania’s needs. As mentioned, the country currently lacks a GCF CP, which government stakeholders attribute to a lack of readiness support through DAEs. While some stakeholders find that the *National Environmental Master Plan for Strategic Interventions 2022–2032*<sup>105</sup> is sufficient, others outside the government feel that national climate change policies and strategies are lacking. These issues are further exacerbated by latent tensions around who should oversee climate finance; although the VPO serves as the GCF’s NDA, the Ministry of Finance must receive all external funding into the country, and some believe it should therefore serve as the NDA. However, both the VPO and the Ministry of Finance currently lack dedicated climate finance teams. Taken together, these issues further fragment country ownership.

## 7. IMPACT

There is limited to no evidence that RPSP activities in Tanzania are enhancing the country’s enabling environment for climate finance investments, and there is no evidence to date that Tanzania has received more climate finance as a consequence of the RPSP. However, Tanzania’s two RPSP grants do make mention of plans to enhance the enabling environment. For example, UNDP is planning to build a framework and institutional capacity for climate action, including activities related to policies and regulations. The idea is that the RPSP grant will lead to the development of a large-scale project based on the information generated from the environmental assessments. While these outcomes are yet to manifest, progress is anticipated over the next six to 12 months.

Other stakeholders, particularly from civil society, are also hopeful that the GCF can help Tanzania to establish strategic objectives and national plans for climate. However, many of those interviewed outside of the government note that the lack of effective coordination of in-country stakeholders presents an obstacle to real change to Tanzania’s approach to climate change and climate financing. Additional barriers to impact are noted above under sections 3 and 6 respectively and include limited engagement with and understanding of the GCF among diverse stakeholders, constraints on country ownership, and the limited progress of the RPSP in achieving its five objectives.

## 8. SUSTAINABILITY

While Tanzania’s two readiness grants speak in their proposals to sustainability in the form of capacity strengthening and fostering the enabling environment (legislation and policies), there has been limited progress thus far, and there are important challenges to the sustainability of GCF readiness work in the country more broadly. One such challenge is the high degree of staff turnover in partner entities and institutions, including the NDA, which numerous stakeholders cited as negatively affecting engagement with the GCF. Relatedly, some stakeholders also described how their own lack of technical capacities might be detrimental to the sustainability of climate-related work. While turnover is outside of the GCF’s control, it does indicate the need for additional and ongoing capacity strengthening in Tanzania to make up for that turnover. Additionally, the fact that readiness projects are out of touch with key stakeholders (as described in detail in the previous

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<sup>104</sup> Decision B.17/21, annex XX, paragraph 1.

<sup>105</sup> Available at <https://faolex.fao.org/docs/pdf/tan214784.pdf>.

section) is also a challenge to the sustainability of the work, both at the level of existing grants and for the RPSP portfolio as a whole.

Finally, sustainability is also inhibited by the limited relationships that the GCF has formed with diverse stakeholders, including through the NDA and AEs. As noted throughout this case study, many stakeholders feel that the GCF is largely inaccessible to them. Those from civil society and the private sector, in particular, feel left out of GCF-related activities, with some stakeholders referencing meetings organized by the GCF or the DAE to which they were not invited. While many stakeholders noted that they had met with the GCF at COP27, those interviewed consistently recommended different mechanisms for bringing a wider variety of stakeholders together.

## 9. PARADIGM SHIFT AND TRANSFORMATION

There is currently no evidence to indicate that RPSP activities in Tanzania have contributed to innovative approaches or enhancing the scale of climate interventions. Indeed, some civil society stakeholders noted that the Government of Tanzania seems to be less advanced than its neighbours when it comes to climate finance and action.

## 10. EFFICIENCY

In general, the process of working with the GCF in Tanzania is considered by many stakeholders consulted to be inefficient, slow paced, tedious and overly bureaucratic. This is in part based on what stakeholders describe as very long time frames for feedback from the GCF on accreditation applications and other communications, despite multiple attempts to follow up, with some stakeholders noting feedback turnaround times of multiple months and up to one year; this includes at least one case of fast-track accreditation for an entity already accredited by the AF. It is important to note that stakeholders have indicated that the NDA plays a role in these challenges, as it is not always clear if communication bottlenecks lie with the VPO or with the GCF. This has led some to suggest different communication modalities, including that the GCF provide formal updates to the NDA, such as on progress made with ongoing RPSP grants or on accreditation processes, or that it communicate directly with stakeholders.

Further complicating this is a lack of understanding among in-country stakeholders of the GCF's procedures and policies, which some describe as oblique and constantly changing. As mentioned previously, the GCF has asked Tanzania to prioritize institutions seeking accreditation but has not provided further guidance on how to do this, effectively halting the accreditation process. This, in turn, has affected the development of Tanzania's CP, which the NDA is hoping will be developed with readiness funding provided to one of the entities awaiting accreditation. As a result, Tanzanian stakeholders feel that working with the GCF on an issue as urgent as climate change is unduly onerous and protracted.

Overly complicated procedures are also reported by in-country stakeholders who feel that the GCF asks for too much while also providing little information or support. Stakeholders from one entity seeking accreditation, for example, recounted that their application for accreditation came back from the GCF with more than 200 queries. Responding to these queries has been difficult given the already stretched capacity of the entity and what are described as high monetary, temporal and human resource costs to address the GCF's comments. While external support such as a consultant would be helpful, stakeholders indicated that they were not aware of the availability of this kind of support. Complex and complicated procedures pose an even bigger obstacle to efficiency when government entities such as those seeking accreditation experience high rates of turnover, which some stakeholders described as common.

## C. CONCLUSIONS

The GCF's RPSP objectives are highly relevant to Tanzania's needs and priorities. Stakeholders generally see readiness support as a way to improve technical and institutional capacities, develop climate change and climate finance strategies and frameworks, create coordinating mechanisms that increase inclusiveness, and provide opportunities to learn about readiness and climate finance from others. However, RPSP potential has yet to be optimized in practice. Current RPSP grants are seen as having limited relevance due to GCF policies and processes as well as their reliance on IAEs. Limited awareness of RPSP modalities and the existence of a single DAE also limits the RPSP's use for relevant needs.

While there is some indication that GCF support is coherent and complementary with other international climate finance entities, the potential for this is similarly circumscribed by GCF and in-country capacity limitations. Other climate finance institutions are active in Tanzania, but there are limited connections between their work and that of the GCF. This is hindered by the lack of a CP or another climate financing strategy, a limited stakeholder coordination mechanism, and the sense that the GCF is constantly changing its policies. The GCF's primary value add is based on its name recognition, although many Tanzanian stakeholders are still unclear on what RPSP funding is available and how.

There is limited evidence to date that the RPSP has been effective in achieving its objectives in Tanzania. In addition to the challenges related to lack of awareness and the absence of strategy already noted, effectiveness is also limited by difficulties in accrediting additional DAEs in the country who may then procure readiness support. The lack of a comprehensive approach to Tanzania by the GCF – as opposed to one that is grant-by-grant or project-by-project – further impedes the RPSP's effectiveness. GCF capacity to engage with Tanzanian stakeholders, in conjunction with the limited capacities of the NDA, has also affected the incorporation of GESI in readiness work.

Many of the issues already noted have also resulted in limited country ownership, which is differently felt by those within the government and those outside of it. Civil society and private sector stakeholders express being outside of GCF-related processes, including the RPSP. They point to the NDA as the gatekeeper responsible for engaging stakeholders. Yet even government stakeholders note that GCF policies have limited their ownership over readiness support. This is related to what stakeholders widely consider to be the GCF's inefficient and overly bureaucratic ways of working. Long turnaround times on communications and unclear expectations have slowed down readiness work in the country.

As a result of the current context described here, the impact and sustainability of the GCF's readiness support in Tanzania remains in question. There is also no evidence yet to indicate that RPSP activities have contributed to innovative approaches or enhancing the scale of climate interventions. Clearer expectations on GCF readiness requirements and modalities, further capacity strengthening and coordination for stakeholders, and a more grounded approach to working with stakeholders are necessary for improving GCF RPSP outcomes in Tanzania.

## APPENDIX 8–1. PORTFOLIO OVERVIEW

*Table A - 8.1. RPSP portfolio*

AGREEMENT REFERENCE / REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	AMOUNT APPROVED/ REQUESTED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
<b>Approved</b>								
TZA-RS-002	Integrating Climate Change Adaptation into Tanzania's Planning Processes	Disbursed	United Nations Development Programme (UNDP)	2016/11/25	2021/08/05	2,986,412	36 months	Framework agreement
TZA-RS-001	National framework for leapfrogging to Energy Efficient Appliances and Equipment in Tanzania (Refrigerators and Distribution Transformers) through regulatory and financing mechanism	Disbursed	United Nations Environment Programme – Climate Technology Centre and Network	2020/01/07	2019/12/31	347,838	18 months	Framework agreement
<b>Pipeline</b>								
2111-17078	Tanzania - Enhancing Climate-Resilient Health System In Tanzania	N/A	World Health Organization (WHO)	2021/11/28	N/A	40,000,000	N/A	N/A
1705-14640	NDA Strengthening + Country Programming	N/A	Ministry of Finance and Planning (MoFP)	2015/10/13	N/A	N/A	N/A	N/A
2008-16402	Tanzania Readiness Support for NDA Strengthening and Country Programming	N/A	MoFP	2020/09/21	N/A	N/A	N/A	N/A

AGREEMENT REFERENCE / REQUEST ID	NAME	STATUS	DELIVERY PARTNER	SUBMISSION DATE	APPROVED DATE	AMOUNT APPROVED/ REQUESTED (USD)	DURATION APPROVED	GRANT AGREEMENT TYPE
2111-17078	Enhancing climate-resilient health system in Tanzania	N/A	WHO	2020/11/28	N/A	N/A	N/A	N/A

Source: GCF Tableau server as of 1 June 2023

**Table A - 8.2. PPF portfolio**

NAME	ACCREDITED ENTITY	DATE OF APPROVAL
<b>Approved</b>		
PPF036 - Tanzania Agriculture Climate Adaptation Technology Deployment Programme	CRDB Bank	2020/10/27
PPF056 - Pathways to Dairy Net Zero: Promoting Low Carbon and Climate Resilient Livestock in East Africa*	International Fund for Agricultural Development (IFAD)	2022/11/14
1911-16014 - Climate Resilient Systems for SADC Water Sector: SADC Hydrological Cycle Observation System (SADC-HYCOS IV Project) *	Development Bank of Southern Africa (DBSA)	2023/05/13
<b>Pipeline</b>		
Global Climate Services for Energy	World Meteorological Organization	N/A
2302-17467 - Geothermal Energy development to promote low carbon growth pathway for the United Republic of Tanzania	CRDB Bank	

Source: GCF Tableau server as of 1 June 2023

Notes: \*Multi-country project

**Table A - 8.3. FP pipeline**

NAME	ACCREDITED ENTITY	DATE OF APPROVAL/ SUBMISSION
<b>Approved</b>		
FP179 - Tanzania Agriculture Climate Adaptation Technology Deployment Programme (TACATDP)	CRDB Bank	10/07/2021
FP122 - Blue Action Fund (BAF): GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean*	KfW	11/14/2019
FP095 – Transforming Financial Systems for Climate*	AFD	10/20/2018
FP041 – Simiyu Climate Resilience Project	KfW	04/06/2017
FP027- Universal Green Energy Access Programme (UGEAP)*	Deutsche Bank	10/14/2016
<b>PAP FPs</b>		
Enhancing Adaptive Capacity and Climate Resilience of Vulnerable Smallholder Farming Communities and Agro-pastoral Systems in Semi-Arid Areas of Tanzania Mainland and Zanzibar – ECCRA	IUCN	01/24/2019
Building climate resilience in the landscapes of Kigoma region, Tanzania	UNEP	05/10/2019
Green Guarantee Company (“GGC”)*	MUFG Bank	03/18/2021
<b>PAP CNs</b>		
Climate Resilient Systems for SADC Water Sector: SADC Hydrological Cycle Observation System (SADC-HYCOS IV Project)*	DBSA	11/20/2019
30 MW Solar PV	CRDB Bank	01/27/2021
Transformative Blue Economy Actions for enhanced Marine and aquatic resources contribution to addressing climate change in Tanzania coastal communities	CRDB Bank	07/08/2021
Bus Rapid Transit (BRT) System for the City of Dar es Salaam-A Climate Resilient Public Transport System	CRDB Bank	02/15/2022
Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM) for East Africa and Southern Africa regions	IFAD	03/28/2022
Hardest-to-Reach	Acumen	05/22/2022
Geothermal Energy development to promote low carbon growth pathway for the United Republic of Tanzania	CRDB Bank	02/20/2023
Pathways to dairy net zero in East Africa: Promoting low carbon and climate resilient livestock in East Africa*	IFAD	23/05/2023
Improved hydrometeorological services and anticipatory action to enhance resilient development within the Southern	UNDP	16/05/2023

NAME	ACCREDITED ENTITY	DATE OF APPROVAL/ SUBMISSION
African Development Community (SADC)		
Greening the sugarcane Industry in Tanzania	CRDB Bank	6/10/2022

Source: GCF Tableau server as of 1 June 2023

Notes: \*Multi-country project

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