

GREEN CLIMATE FUND
INDEPENDENT EVALUATION UNIT

Independent evaluation of the Green Climate Fund's approach to the private sector

COUNTRY CASE STUDY REPORTS

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ABBREVIATIONS

AE	Accredited entity
AF	Adaptation Fund
AFAWA	Affirmative Finance Action for Women in Africa
AFOLU	Agriculture, forest and other land uses
ARAF	Acumen Resilient Agriculture Fund
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
BOAD	West African Development Bank
CAF	Andean Corporation of Finance
CCA	Climate change adaptation
CCDA	Climate Change and Development Authority (Papua New Guinea)
CCMA	Climate Change Management Act (Papua New Guinea)
CIF	Climate Investment Funds
CONEDD	National Council for the Environment and Sustainable Development
CTCN	Climate Technology Centre and Network
DAE	Direct access entity
DMA	Division of Mitigation and Adaptation
EBRD	European Bank for Reconstruction and Development
EFCC	Financial Strategy on Climate Change
EIB	European Investment Bank
EPA	Environmental Protection Agency
EPIU	Environmental Protection Implementation Unit
ERD	Economic Relations Division
FAA	Funded activity agreement
FAO	Food and Agriculture Organization of the United Nations
FIE	Environmental Intervention Fund
FP	Funding proposal
FYNOSA	Finanzas y Negocios S.A.
GCF	Green Climate Fund
GEF	Global Environment Facility
GGGI	Global Green Growth Institute
GGW	Great Green Wall initiative
GHG	Greenhouse gas
GSGDA 2	Ghana's Shared Growth Development Agenda II
IAE	International accredited entity
IDCOL	Infrastructure Development Company Ltd
INDC	Intended nationally determined contribution
IRMF	Integrated results management framework
KIIs	Key informant interviewees
LDC	Least developed country

LT-LEDS	Long-term low emission development strategy
LULUCF	Land use, land-use change and forestry
MESTI	Ministry of Environment, Science, Technology and Innovation
MFS	Mobilising Funds at Scale
MMA	Ministry of Environment
MSMEs	Micro-, small- and medium-sized enterprises
NAP	National adaptation plan
NAPA	National action plan on adaptation
NC4	Fourth National Communication
NDA	National designated authority
NDC	Nationally determined contribution
NOL	No-objection letter
OECD	Organisation for Economic Cooperation and Development
PNUD	United Nations Development Programme
PPF	Project Preparation Facility
PSF	Private Sector Facility
RBP	Results-based payments
RMG	Ready-made garment
RPSP	Readiness and Preparatory Support Programme
SIDS	Small island developing States
SPREP	Secretariat of the Pacific Regional Environment Programme
toe	Ton of oil equivalent
TPES	Total primary energy supply
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States dollar

COUNTRY CASE STUDY REPORTS

1. ARMENIA COUNTRY CASE STUDY REPORT

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A. INTRODUCTION TO ARMENIA AND THE ROLE OF THE GREEN CLIMATE FUND

Armenia was purposely selected as a case study for the independent evaluation of the Green Climate Fund (GCF) approach to the private sector as it has a diverse portfolio that aims to increase private sector investments for both mitigation and adaptation priorities in the country. GCF investments in Armenia are being deployed through a wide array of activities. These activities are geared towards enabling conditions in policy and providing financial incentives and instruments across results areas for mitigation and adaptation that catalyse private investments. In June 2021, the virtual mission met with representatives from the national designated authority (NDA), relevant national institutions including accredited direct access entities (DAEs), and international accredited entities (IAEs). Over time, Armenia has developed a country driven approach to engaging with the GCF and accessing climate finance, including through its GCF country programming as well as under other climate funds such as the Adaptation Fund. This case study report examines the country's experience and lessons learned through engaging the private sector and leveraging private investments in alignment with its nationally determined contribution (NDC).

1. CLIMATE CHANGE PRIORITIES AND NEEDS IN ARMENIA

a. Overall context and NDC under the Paris Agreement

Armenia is a mountainous, landlocked country highly vulnerable to the impacts of climate change. With a population of 2.9 million inhabitants, as of 2020, Armenia has a gross domestic product of USD 12.6 billion. Gross domestic product in the country increased between 1990 and 2009 as a result of its economic development since the collapse of the economic system of the Soviet Union.¹ Armenia's economic recovery has been compatible with a low carbon development pathway, with widespread use of renewable energy resources and low carbon technologies.

Armenia submitted its first NDC for the period 2015–2050 in 2017. In 2021, the country submitted a revised NDC, establishing more ambitious goals for the period 2021–2030.² According to Armenia's revised NDC, the country aims to pursue economy-wide emission reductions underpinned by the principle of a green economy. To do so, Armenia has stated its commitment to double its share of renewables in energy generation, with a view to achieving carbon neutrality by the second half of the century. By adopting a 10-year NDC implementation period (2021–2030), Armenia's 2021 NDC aims to operationalize its 2050 mitigation goal to be included in its long-term low emission development strategy (LT-LEDS). This updated NDC includes a new economy-wide mitigation target of a 40 per cent reduction below 1990 emission levels by 2030, including in the following sectors: energy, industrial processes and product use, agriculture, waste, and forestry and other land use.

The main source of greenhouse gas (GHG) emissions in Armenia is the energy sector, primarily for electricity and heating generation purposes. Total primary energy supply (TPES) in the country amounted to 3.15 million ton of oil equivalent (toe) in 2018. The country broadly lacks domestic sources of fossil fuels and so depends on imports. In 2018, 64.9 per cent of Armenia's TPES was covered by natural gas and 10.2 per cent by oil products. Indigenous resources covered 28.4 per cent

¹ The World Bank, The World Bank in Armenia (2021). Available at <https://www.worldbank.org/en/country/armenia/overview>

² Government of the Republic of Armenia, Annex to the Government Decision N 610-L: Nationally Determined Contribution of the Republic of Armenia to the Paris Agreement (2021). Available at <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Armenia%20First/NDC%20of%20Republic%20of%20Armenia%20%202021-2030.pdf>

of TPES in 2018, including nuclear energy, hydro energy, biofuels and a small share of solar and wind power. In the same year, Armenia produced 0.67 million toe in electricity, while energy consumption was 2.15 million toe. Households are the largest consumers of final energy, followed by the transport sector: 33.1 per cent and 33.0 per cent, respectively. Energy efficiency, energy conservation and renewable energy development and upscale are therefore priorities for Armenia, not only to achieve its low carbon development objectives but also to achieve energy security and ensure affordable and clean energy supply.

Armenia has diverse and vulnerable mountainous ecosystems, including dry subtropical, semi-desert, forest, alpine and cold high mountainous. Average climate conditions in Armenia are rather dry, with annual precipitation of 592 mm. The country is already facing negative impacts from climate change. The past several decades have seen a significant increase in annual temperatures and a decrease in precipitation by about 9 per cent (between 1935 and 2016), which has in turn resulted in water scarcity and put agricultural production at risk. Climate change adaptation (CCA) is therefore a top priority for the country as it moves towards achieving its sustainable social and economic development objectives, particularly in relation to sustainable agriculture, food security and improved water management. From an adaptation perspective, Armenia's priority is to address vulnerability to climate change and enhance climate resilience in natural ecosystems; human health; water resource management; agriculture, fisheries and forestry; energy; human settlements and infrastructure; and tourism.³

Armenia's updated NDC already integrates guidance received under the United Nations Framework Convention on Climate Change (UNFCCC)⁴ in tracking and reporting on NDC progress and achievement consistent with the Enhanced Transparency Framework under the Paris Agreement. As a result, the NDC provides a comprehensive overview of mitigation measures to be achieved by 2030, CCA measures and planning processes, including on NDC implementation and finance.

b. Legal, policy and institutional framework for climate change in Armenia

Through Armenia's 2014–2024 Strategic Programme of Perspective Development and the 2019 Programme of the Government, the country established a series of country driven measures, focused on renewable energy and the promotion of energy efficiency, which includes the development of nuclear energy and the introduction of new technologies. Moreover, since the realization of small hydro potential (from 2000 onwards), the country has shifted its focus to solar and wind energy; aiming to increase solar energy capacity from a current amount of 59.7 MW to 1000 MW by 2030. The national 2021–2030 Energy Efficiency and Renewable Energy Programme will define specific sectoral targets. The National Forestry Programme 2021 established the target to increase forest cover to 12.9 per cent of Armenia's territory by 2030. Armenia has made a pledge under the Bonn Challenge to restore 50,000 hectares by 2030, as part of the ECCA30 initiative, which aims to restore 30 million hectares of degraded land in Europe, the Caucasus and Central Asia.⁵ Moreover, through the Transport Strategy, the 2020–2030 Agriculture Strategy and the Solid Waste Management System Development Strategy for 2017–2036, Armenia aims to reduce its emissions in other sectors towards its economy-wide target by 2030.

³ Ibid.

⁴ United Nations Framework Convention on Climate Change, Decisions 4/CMA.1, 9/CMA.1 and 18/CMA.1 (2016). Available at <https://unfccc.int/resource/docs/2016/cma1/eng/03a01.pdf#page=2>

⁵ International Union of Nature Conservation, Info FLR, Bonn Challenge, Regional Initiatives, ECCA30 (2021). Available at <https://infoflr.org/bonn-challenge/regional-initiatives/ecca30>

While still under development, the objective of Armenia's National Adaptation Plan 2021–2030 (NAP) is to “promote reduction and management of climate risks” by addressing climate change impacts in natural, human, production and infrastructure systems. To do so, Armenia is committed to pursuing ecosystem-based adaptation approaches to CCA. Such approaches are expected to underpin a policy mix under sectoral adaptation plans, consistent with the country's environmental policy and Armenia's 2050 LT-LEDS.

The Ministry of Environment is the national authority responsible for coordinating national communications and overall commitments under the UNFCCC. In 2015, a Climate Change and Atmospheric Air Protection Policy Division was established under the Ministry of Nature Protection. The Division is responsible for ensuring coordination in the development of national communications to the UNFCCC. The Inter-agency Coordinating Council on Climate Change was established by the Prime Minister in 2012, with the overall mandate of planning, coordinating and monitoring climate change mitigation and adaptation in Armenia. This Council provides a platform to ensure cross-sectoral coordination of short-, mid- and long-term climate actions. The Council includes 10 ministries, three governmental agencies and two independent bodies (the Armenian Public Services Regulatory Commission and the Statistical Committee of the Republic of Armenia). Moreover, in 2018, Armenia ratified the Comprehensive and Extended Partnership Agreement with the European Union, which aims to foster cooperation in research, development and knowledge transfer in areas of climate change mitigation, adaptation and innovative low carbon technology. Armenia is a member of the NDC Partnership.^{6,7}

Armenia is currently working on a national implementation plan for its 2021–2030 NDC, which will provide the foundations for implementing sectoral strategies for achieving Armenia's NDC. The following ministries and state agencies are envisioned with a role in the NDC implementation plan: Ministry of Environment, Ministry of Territorial Administration and Infrastructure, Ministry of Finance, Ministry of Economy, Statistical Committee, Public Services Regulatory Commission, Urban Development Committee and Cadastre Committee.

2. CLIMATE FINANCE LANDSCAPE AND THE ROLE OF THE GREEN CLIMATE FUND

a. Climate finance landscape under relevant climate funds

To analyse the climate finance landscape in Armenia, the evaluation team looked at the climate-related development finance data from the Organisation for Economic Cooperation and Development (OECD). The team considered activities with principal and significant contributions to climate objectives (calculated using the OECD Development Assistance Committee (DAC) Rio markers for climate) from 2015 to 2019.^{8,9} Against this backdrop, Armenia has three main types of climate finance providers: climate funds, bilateral, and multilateral development partners. In terms of climate finance volume and number of projects, the main actors in climate finance are the bilateral development partners: they support 56 out of 87 projects that address climate change in Armenia (Figure A - 1). The remaining portfolio of 31 projects is equally divided between climate

⁶ Republic of Armenia, United Nations Development Programme and Global Environment Facility, Fourth National Communication on Climate Change under the United Nations Convention on Climate Change (2020). Available at https://unfccc.int/sites/default/files/resource/NC4_Armenia_.pdf

⁷ Government of the Republic of Armenia, Annex to the Government Decision N 610-L: Nationally Determined Contribution of the Republic of Armenia to the Paris Agreement (2021).

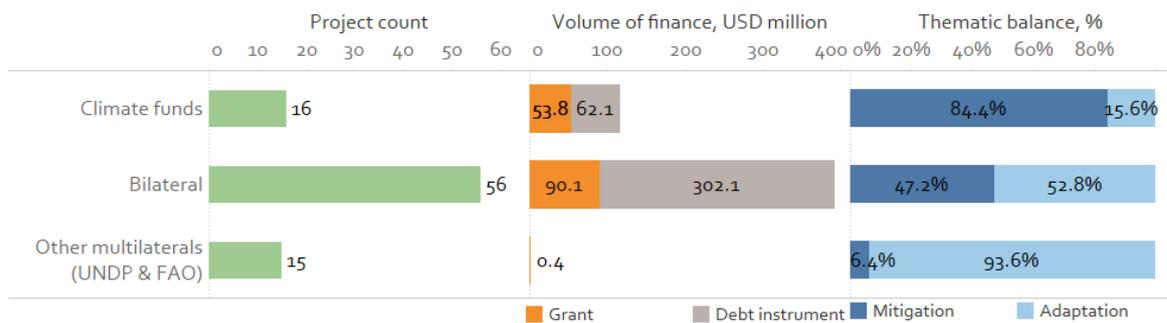
⁸ For details, see https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

⁹ GCF project approval began in 2015.

funds and other multilateral organizations. The average size of projects in Armenia is USD 4.63 million for climate fund projects, USD 3.96 million for projects supported by bilateral agencies, USD 0.02 million for projects supported by other multilateral organizations (in this case, the United Nations Development Programme (UNDP) and the Food and Agriculture Organization of the United Nations (FAO)).

In terms of financial instrument use, bilateral development partners tend to use debt instruments, whereas climate funds do not demonstrate a preference in their choice of instruments. In supporting projects in the country, the climate funds use 46 per cent grant finance versus 54 per cent non-grant finance. The climate funds do not maintain a 50:50 ratio in their finance allocation between adaptation and mitigation at the country level: only 15.6 per cent of overall climate finance is channelled towards adaptation activities.

Figure A - 1. Portfolio of climate finance in Armenia

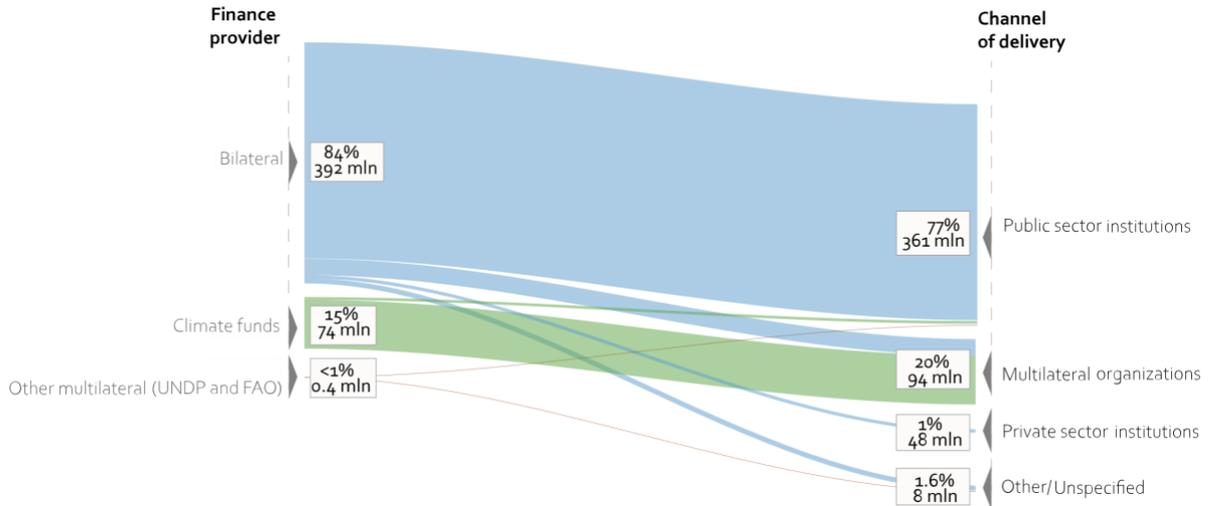


Source: OECD climate-related development finance (2015–2019), GCF Tableau server data (2019).

Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. The data cut-off date in the external finance section of the brief is therefore 2019. The further analysis of GCF finance has a cut-off date of 1 July 2021.

From the programmatic perspective, the channel of climate finance delivery can play a crucial role in catalysing and mobilizing the private sector in countries. According to the newest available data on climate-related development finance (as reported to OECD in 2019), the private sector is currently underused as a channel of delivery of climate finance in Armenia. At the country level, only 1 per cent of climate finance is channelled through private sector institutions. This is a very small amount and the channel is only used by bilateral development partners (Figure A - 2). In all, 77 per cent of overall climate finance in Armenia is delivered through public sector institutions, with 20 per cent delivered by multilateral organizations (20 per cent). Finance from climate funds is largely channelled through multilateral organizations.

Figure A - 2. Delivery channels of climate finance to Armenia



Source: OECD climate-related development finance (2015-2019), GCF Tableau server data (2019).

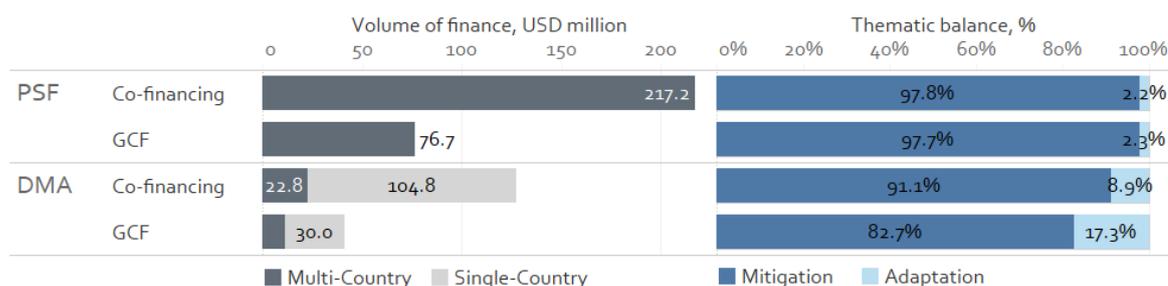
Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. Due to such availability, data cut-off date in the external finance section of the brief is 2019. The further analysis of GCF finance has cut-off date of July 1st, 2021.

Armenia’s national implementation plan for its 2021–2030 NDC will also provide a financing needs assessment to support the implementation of sectoral strategies. The country seeks to develop a debt-for-climate innovative financial swap mechanism. Such a mechanism will allow the leveraging of finance for implementing and achieving the country’s mitigation and adaptation objectives, as well as to inform the prioritization and valuation of commitments well beyond Armenia’s NDC. Moreover, while Armenia aims to achieve its NDC commitments with domestic actions, it also intends to participate in market and non-market mechanisms under Article 6 of the Paris Agreement. Cooperative approaches to carbon markets under the Paris Agreement are seen by the country as an opportunity to enhance its NDC ambition, drawing on previous experience in carbon offsetting with the European Union.

b. The role of the GCF in Armenia

Armenia is one of the nine countries eligible to receive GCF financing in eastern Europe. As of July 2021, Armenia had received a total of USD 118.2 million in GCF financing and USD 344.7 million in co-financing, which brings its co-finance ratio to 2.9 (see Armenia Country Brief). The GCF is channelling climate finance through five projects: FP140, FP086, FP025, FP010 and SAP014. Projects FP140, FP086 and FP025 are all implemented through EBRD, all of them are multi-country projects, and both FP140 and FP025 represent the majority of GCF finance that is committed to Armenia under the Private Sector Facility (PSF). As previously observed at the macro level across other climate funds’ investments in Armenia, more than 80 per cent of finance across the GCF’s Division of Mitigation and Adaptation and the PSF is channelled towards mitigation activities (Figure A - 3). The country level thematic balance in the GCF portfolio is also skewed: of the overall USD 118.2 million in the country (as of 1 July 2021), the Fund is channelling 92 per cent to mitigation and 8 per cent to adaptation.

Figure A - 3. Volume of finance and thematic balance across GCF divisions, Armenia



Source: GCF Tableau server data (2021).

Note: Left: volume of finance across divisions; right: thematic balance across divisions. For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

Beyond the uneven finance allocation across mitigation and adaptation in Armenia, there is also a tendency to focus on selected results areas. Out of the overall USD 118.2 million committed to GCF activities in Armenia, 67 per cent is committed to activities under the buildings, cities, industries and appliances result area (USD 52.4 million under PSF projects and USD 27.2 million under Division of Mitigation and Adaptation projects) and USD 22.5 million to energy generation and access under PSF projects (Figure 4). With the aim of enhancing the capacity of the country, the GCF is supporting four projects through the Readiness and Preparatory Support Programme (RPSP). The GCF's pipeline currently contains one funding proposal and one proposal submitted to the RPSP, but no proposals under the Project Preparation Facility are targeting Armenia.

Figure A - 4. Finance by result area in USD million

Mitigation	DMA	PSF	Adaptation	PSF	DMA
Buildings, cities, industries, and appliances	27.2	52.4	Ecosystems and ecosystems services	0.0	2.6
Energy generation and access	0.0	22.5	Health, food and water security	0.0	0.0
Forests and land use	3.7	0.0	Infrastructure and built environment	1.8	2.3
Transport	3.5	0.0	Livelihoods of people and communities	0.0	2.3

Source: GCF Tableau server data (2021).

Note: For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

B. FINDINGS

1. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A COUNTRY DRIVEN APPROACH

a. Portfolio of Accredited Entities

The accreditation of public and private DAEs in Armenia has ensured direct and country driven access to climate finance from the GCF and other actors. It has provided the country with a strategic advantage to access diverse financial instruments through a country-led climate finance architecture, with greater levels of independence, country-drivenness and country ownership. A country driven portfolio of DAEs has also provided strategic advantage

in building a portfolio aligned with the country's needs and priorities, and with a view to inform monitoring and reporting on NDC implementation.

Armenia is willing and able to increase its climate ambition towards achieving carbon neutrality, including through an increased role for the private sector. With its NDA hosted under the Ministry of Environment and making strategic use of the GCF's Readiness support for country programming, Armenia has pursued and secured the accreditation of the Ministry's Environmental Protection Implementation Unit (EPIU). Accreditation of the EPIU under the GCF, as well as under the Adaptation Fund, has provided Armenia with direct access to climate finance through diverse instruments for both mitigation and adaptation. This not only gives the country strategic advantage in achieving its NDC objectives but will enable leveraging national private sector investments, including through the promotion of green finance instruments and investments.

EPIU's accreditation has paved the way for other national entities to pursue accreditation. ARMSWISSBANK is a national financial institution with a well-established niche in green finance. As the implementing agency under the RPSP grant, ARMSWISSBANK is developing a green finance road map that aims to leverage private sector investments consistent with Armenia's climate change priorities. This road map will help in developing the market and strengthening national capacities for the sustainability of green private investments. It will do this by conducting a situational analysis and identifying lessons learned from other countries to inform Armenia's regulatory framework and develop guidelines for streamlining green investments in the financial system. In the context of this Readiness support, ARMSWISSBANK is in close coordination with the NDA and EPIU towards accreditation as a DAE. Accreditation of ARMSWISSBANK is seen as a means to enable the development of a green finance market and strengthening national capacities for the sustainability of such investments from the private sector, as stressed by interviewees.

Armenia is also pursuing accreditation for the E2R2 Fund, which is a public-private partnership established by the Government of Armenia in 2005. Accreditation of E2R2 will enable Armenia to leverage GCF and private investments geared to the energy sector. The role of E2R2 as a DAE is seen as critical to supporting market analysis and feasibility studies that can further influence the renewables market in Armenia. It is envisioned that accreditation of E2R2 will enable the provision of grants to small companies working on energy efficiency and renewables. It is also expected that access to diverse financial instruments will help E2R2 establish partnerships with national banks to provide loans to local private sector partners through a revolving fund. Because E2R2 is a public-private entity, leveraging climate finance through it can ensure greater levels of alignment with the country's needs as stated in its NDC and LT-LEDS. It can also ensure complementarity with financial and technical assistance from other development partners in the energy sector (e.g. the European Commission).

As stressed by an interviewee, "having more DAEs will reduce bureaucracy in accessing to the GCF, reduce intermediaries and transaction costs, and ultimately, ensure more funding comes to the country." Interviewees in Armenia see DAE accreditation and subsequent engagement with the GCF through DAEs as a key priority in unlocking access to climate finance to address country priorities; they also view it as an opportunity to build the capacity of national entities.

b. Project portfolio

Despite efforts for a country driven engagement with the GCF, Armenia's private sector portfolio is dominated by multi-country programmes led by IAEs, with low country ownership and uncertain implementation in the country. It can therefore be inferred that the no-objection letter (NOL) is not an effective guarantee of country-drivenness and actual implementation of GCF-funded activities under these programmes in Armenia.

Armenia has a stable policy environment through its Interagency Council on Climate Change, chaired by the Prime Minister and including high-level participation from national governmental institutions, international development partners, private sector entities and representatives from civil society organizations. Such a cross-sectoral and multi-stakeholder platform has facilitated broad consultations and stakeholder engagement, including in relation to the development of Armenia's GCF country programme. While a complex process requiring a profound understanding of the GCF's business model and operations, it is setting the conditions to ensure a country driven project/programme portfolio.

Although implemented through an IAE (UNDP) under the GCF's Readiness programme, the development of Armenia's NAP illustrates a country driven process, conceived and implemented in close coordination with the NDA. Despite being in the early stages of implementation, the development of the NAP has drawn on previous country-led assessments and progress on adaptation, is aligned with Armenia's national communications to the UNFCCC, and complements ongoing activities, including activities under a European Union-funded project to prepare a national adaptation budget. Building on a long-term relationship between the NDA and the UNDP country offices, the NAP process will provide the enabling framework for sectoral adaptation plans. The process will also contribute to a clearer understanding of the financing landscape in Armenia for both its mitigation and adaptation objectives, including identifying opportunities to increase the private sector appetite for CCA, such as closer coordination with key private sector entities (e.g. ARMSWISSBANK). This includes, for instance, working on regulatory reforms in relation to irrigation norms and internalizing climate risks in water utilities. A similar country driven project origination process has been described by interviewees in relation to the Forest Resilience project (SAP104). In that project, although FAO acts as the IAE, implementation is happening in close coordination with Armenia's EPIU and is geared towards ensuring energy efficiency in households, which largely rely on unsustainable fuelwood consumption.

The origination of private sector led programmes and projects has followed a different approach. As stressed by interviewees, from the financial sector perspective developing a project idea requires consultations with potential partner finance institutions to secure their buy-in and support, followed by market surveys to determine feasibility. The preparation of the Readiness proposal for the development of a green finance road map in Armenia entailed a series of feasibility studies and engagement with the Central Bank, the Central Union of Banking Institutions and a network of private sector actors that could become beneficiaries from such a road map. As a local private sector entity, ARMSWISSBANK ensured direct communication and coordination with the NDA from the early stages of project origination, as stressed by interviewees.

The project origination of multi-country private sector projects—which dominate Armenia's portfolio in terms of finance volume—has been led by the IAE at headquarters level. As described by interviewees, the priority in the early stages of project design has been to engage with local financial institutions to get them to endorse the proposal. In the case of these projects, the case study team found that engagement with NDAs took place only when a NOL was required at an advanced stage of funding proposals development. Preparation of project FP025, Sustainable Energy and Climate Resilience Financing Facility, required EBRD to conduct a market survey to determine the private sector appetite to upscale solar power in all target countries. Project FP025 entails a great potential to open the market for green finance and foster private sector investments. As stressed by interviewees, feasibility studies in Armenia showed that the regulatory framework for renewables was still under development and the market was not ready in terms of financial risks. Nevertheless, Armenia issued a NOL. It is still unclear which direction this programme will take in the country, as underscored by interviewees.

In the case of project FP140, High Impact Programme for the Corporate Sector, interviewees stress there was a close coordination with the Ministry of Finance during the project origination stages, drawing on the long-term institutional relationship already in place. While interviewees acknowledge that engagement with the NDA is essential to ensure the programme's contribution to broader national objectives, they underscore that private sector investments for large scale transformations in the energy sector are driven by private sector demand. Such an approach to engaging the private sector at scale responds to the need for more efficient project preparation and implementation, as well as to the reluctance of some private sector stakeholders to engage with the government. Moreover, the limited institutional and financial capacities of public institutions to invest time and resources in this kind of project preparation means that “interventions of this scale cannot be led by governments or national private sector alone”, according to one interviewee.

c. Enabling environments required for catalysing private sector engagement and investments

Armenia has broad experience in catalysing the local private sector in both mitigation and adaptation, from both an implementation and an investment perspective. Leveraging local private sector investments consistent with Armenia's NDC objectives requires addressing regulatory, legal, institutional and knowledge barriers towards a private-sector-friendly environment to de-risk investments and open markets, particularly in the residential energy, agricultural and forestry sectors.

Achieving Armenia's mitigation objectives requires the enhancement of institutional capacities that enable the understanding of the economic, environmental, social and financial benefits, opportunities, barriers and risks of proposed mitigation policies and measures, as stressed in its most recent national communication to the UNFCCC. Institutional strengthening in terms of knowledge and capacity development is essential to enable public-private partnerships under the recently adopted National Energy Efficiency Programme and other climate policies in relation to agricultural waste management, forest coverage expansion and sustainable land management. Similarly, a series of regulatory, legal and institutional developments are key for a systematic and accurate monitoring and reporting of GHG inventories consistent with Armenia's economy-wide NDC target, as well as institutional strengthening to implement and monitor sectoral mitigation policies. From an adaptation perspective, sector-specific knowledge and capacity development are required to streamline climate change responses at a strategic level, particularly in relation to water management, agricultural production, ecosystems and biodiversity, and human health. This includes vulnerability assessments, consultations with sectoral stakeholders, and the introduction of new technologies and insurance systems. Moreover, the systematic introduction of the Climate Public Expenditures and Institutional Review System is identified as a critical step for comprehensive and strategic planning that enables the effective implementation of climate policies, particularly in terms of adaptation led by the public sector.¹⁰

Box A - 1. Leveraging private investments in green housing infrastructure, the forestry-energy sector nexus and adaptation

According to Armenia's national GHG inventory, the infrastructure sector is a key emitter. Interviewees stress that energy transition in this sector is rather complex and there is little to no appetite from the private sector to invest in energy-efficient residential buildings. Conceived by Armenia's NDA, the UNDP-led project FP010, De-risking and Scaling-up investment in Energy Efficient Building Retrofits, builds on a previous project under the GEF and a long-term collaboration with the national government to improve

¹⁰ Republic of Armenia, United Nations Development Programme and Global Environment Facility, *Fourth National Communication on Climate Change under the United Nations Convention on Climate Change* (2020).

energy efficiency in residential buildings. FP010 has a significant potential to contribute to Armenia's mitigation objectives but will also improve housing conditions and the overall well-being of the population, who can face indoor temperatures in winter reaching minus 19 degrees Celsius in multi-family buildings. However, achieving such transformation requires a series of enabling conditions to open the market for local private investments from both residents and technology developers. Interviewees stress the need for a 360-degree approach to address legal barriers through the development of standards, de-risk the financial market for residential retrofits through developing and testing financial schemes to co-finance the retrofit, and ultimately provide grants-based financing to residents to incentivize the transition, which is conceived under the investment component of the project. Interviewees moreover reflect on the potential of replication of this kind of project through country driven portfolios yet emphasize the need for the GCF's high-risk investments to put enabling conditions in place to leverage local private sector investments in this sector.

Around 74 per cent of Armenia's population relies on fuelwood from forests for household heating. An integrated approach to reducing deforestation, sustainable management of forest resources and energy efficiency is therefore a top priority for Armenia. The Forest Resilience project promotes a mitigation-based adaptation approach in the forestry–energy sector nexus to support Armenia's transition to more sustainable management of its forest resources as well as increased energy efficiency in rural households. With local private actors being the end beneficiaries of this project, SAP014 has great innovation and replication potential through responsibly leveraging private investments in the forestry sector. Market analysis of local private companies with the potential to produce biomass for household heating purposes, awareness-raising and capacity-building for the private owners of seedling nurseries and technology transfer will set the conditions for generating local green jobs in community-based companies. Similarly, climate-responsive management plans and the enforcement of Armenia's Forest Code in relation to community forest concessions are an essential enabling condition to catalyse private investments. Moreover, strengthening national capacities to monitor forests—including through remote-sensing and establishing country-led measuring, reporting and verifying systems—and the development of standards are critical to enable Armenia's development of a national carbon offsetting scheme and its ability to engage in international forest carbon markets through evidence-based and robust emissions reductions accounting, monitoring and reporting.

Armenia has broad experience in engaging the private sector in adaptation actions, from both an implementation and an investment perspective. With financial support from the German Development Bank, the Central Bank of Armenia is providing an insurance product targeted at the agricultural sector and is developing similar financial instruments geared to the infrastructure and housing sectors. Similarly, drawing on previous experience in piloting solar greenhouses in Armenia, the government is providing loans to national private sector initiatives working on climate-smart agriculture. However, interviewees underscore that the uniqueness and context-specificity of adaptation measures and the lack of a common and robust taxonomy to measure and demonstrate successful adaptation, hinder the opportunities to leverage private sector investments in adaptation, both international and local.

2. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A PARADIGM SHIFTING PORTFOLIO IN ARMENIA

Armenia aims to ensure a balance between mitigation and adaptation activities in alignment with its NDC. Interviewees stress an increasing appetite from the private sector in green finance. Yet such interest remains focused on large scale investments in renewable energy, as illustrated by GCF private sector programmes in the country. Interviewees emphasize the urgency of creating an enabling environment for the private sector, to catalyse its engagement consistent with Armenia's mitigation and adaptation priorities. The pursuit of an adaptation portfolio under the GCF is regarded as unyielding by respondents because adaptation is perceived to be a low priority under the Fund.

Armenia's recently updated NDC establishes an economy-wide mitigation target, including through the sectors of energy, industrial processes and product use, agriculture, waste, and forestry and other land use. Armenia is already facing negative impacts from climate change, and so CCA is also considered a top priority for the country, including towards achieving its sustainable social and

economic development objectives, particularly through sustainable agriculture and food security and improved water management.

The objectives established in the NDC in relation to sustainable forest management and increased forest cover, together with its commitment under the Bonn Challenge, have the potential to create the demand for private sector engagement and investments in the forestry sector, particularly for small and medium agricultural enterprises and farmers to engage in the implementation of GCF-funded projects or programmes. The Forest Resilience project is bringing a 360-degree approach to catalyse the role of the private sector in climate change mitigation and adaptation in the forestry and energy sectors nexus, with a view to increasing the appetite of private investors in nature-based actions.

While Armenia has broad experience in engaging the private sector in adaptation efforts, interviewees underline that there is a widespread perception that the GCF is prioritizing only mitigation projects. Interviewees refer to an increasing interest in green finance from local private sector stakeholders, drawing from and moving beyond previous experience with Corporate Social Responsibility schemes. Yet, private sector engagement and investments in Armenia have traditionally been geared towards the energy sector. As a result, this increasing appetite for green investments is focused on renewables only.

From the financial sector perspective, interviewees refer to mainstreaming green finance in financial markets and systems as the opportunity to achieve a paradigm shift and where the GCF can bring an added value. For instance, through the GCF's support, ARMSWISSBANK is supporting awareness-raising efforts with national and local financial and banking systems, including in relation to the opportunities and potential impact of green investments. A country driven programming process is seen therefore as a critical opportunity for Armenia to catalyse the role of the private sector in a manner consistent with its priorities, including by improving the understanding of climate finance and its opportunities. Nevertheless, climate change mitigation continues to be a priority area of interest in the view of the private sector. Interviewees emphasize the risk-averse nature of the private sector, who tend to make long-term investments, and so getting buy-in from local private sector investors through the provision of the right financial instruments, accompanied by technical assistance, will be essential to support the paradigm shift to low emission and climate-resilient economic systems and infrastructure as defined in Armenia's NDC.

3. EFFICIENT AND EFFECTIVE ACCESS CATALYSING PRIVATE SECTOR ENGAGEMENT

a. Participation of the local private sector

The accreditation of DAEs has been largely motivated by Armenia's interest in having direct access to GCF funding, as examined above. However, it has also been motivated by its interest in accreditation as a learning and visibility opportunity for the country and local entities to further engage with large development funds and leverage private sector financing. Moreover, in-country stakeholders emphasize that engagement with the GCF was motivated by an overall perception of a straightforward and transparent investment criteria and overall project approval process.

Nevertheless, demonstrating systems and procedures vis-à-vis the GCF's Environmental and Social Safeguards and Gender Policy, during accreditation for instance, proved to be a rather challenging process for local entities, as stressed by interviewees. While previous experience in engaging with international development partners was critical in enabling local entities to navigate the GCF's accreditation policy and requirements, interviewees emphasize the need for the GCF's business model to ensure more flexibility to facilitate the efficient accreditation of country driven DAEs.

Even though the GCF's investment criteria have been described as one of the motivations for engaging with the GCF, interviewees reflect on the practical challenges faced during implementation and monitoring, given the lack of adequate monitoring and reporting frameworks. Interviewees refer to this lack of alignment in terms of monitoring and reporting as potentially hindering the ability to demonstrate the contribution of GCF-funded activities towards implementation of Armenia's NDC. For the private sector multi-country programmes, the NDA has little opportunity to engage in implementation, reporting and monitoring, and has no access to annual performance reports. Moreover, interviewees reflect on the lack of adequacy of the GCF's adaptation indicators, as using only beneficiary count is hindering private sector investments. The context-specific nature of adaptation requires adequate, common and robust impact indicators that can demonstrate successful adaptation and foster the appetite of the private sector. While both national and international interviewees underscore experience in developing monitoring frameworks for estimating the impact of adaptation in financial terms, the existing GCF investment framework indicators and reporting templates are hampering the possibility of reconciling such monitoring and reporting.

International interviewees highlight the opportunities that the GCF provides for engaging international capital markets to support large scale, programmatic and multi-country interventions, underscoring that “piece-meal single country interventions can be inefficient when the objective is to open markets at scale, unless countries are of the size of India or Brazil. The real game-changer in energy efficiency is not about innovative financial instruments but rather about bringing costs down and ensure uptake.” Dedicated market driven modalities are therefore seen as an enabler for more efficient private sector engagement, and to truly reflect the short windows of opportunity that emerge with large scale private investors.

b. Efficiency and timeliness of the engagement with the GCF Secretariat

As examined above, interviewees stress that while successful accreditation of DAEs as a process is largely facilitated by their own experience in engaging with international development partners, engagement with the GCF Secretariat was rather challenging. Interviewees stress that although the project was conceived by the NDA—a high priority project for the country from the mitigation, adaptation and sustainable development perspectives—there was no opportunity for the national team leading the proposal to directly interact with the Secretariat, and engagement was only possible through the IAE's regional advisers or headquarters. Moreover, interviewees emphasize that the prioritization and approval of projects had not been as efficient or straightforward as expected, as there seemed to be other sectoral priorities taking more space in relation to the GCF's portfolio for Board consideration. Not only were prioritization and approval slow, but they required a series of adjustments to the original proposal at a structural level, including in relation to the financing component. This in turn had a trickledown effect in terms of the need for the project to look for additional sources of co-financing and ultimately had an impact on the time frames for funded activity agreement negotiations.

APPENDIX 1-1. LIST OF INTERVIEWEES

NAME	ORGANIZATION
Ara Makaryan	ArmSwissBank CJSC
Anvar Nasritdinov	European Bank for Reconstruction and Development
Dimitri Gvindadze	European Bank for Reconstruction and Development
Dimitri Koufos	European Bank for Reconstruction and Development
Dmitry Halobouski	European Bank for Reconstruction and Development
Elodie Loppe	European Bank for Reconstruction and Development
Jacopo Gadani	European Bank for Reconstruction and Development
Jan Willem van de Ven	European Bank for Reconstruction and Development
Oleh Sybira	European Bank for Reconstruction and Development
Solomiia Petryna	European Bank for Reconstruction and Development
Yvonne Mitschka	European Bank for Reconstruction and Development
Gayane Nasoyan	Food and Agriculture Organization of the United Nations
Irina Ghaplanyan	Food and Agriculture Organization of the United Nations
Jacopo Monzini	Food and Agriculture Organization of the United Nations
Meri Sahakyan	Food and Agriculture Organization of the United Nations
Norbert Wikler	Food and Agriculture Organization of the United Nations
Sofya Papyan	Food and Agriculture Organization of the United Nations
Ruzanna Grigoryan	Ministry of Environment
Vahagn Babayan	Ministry of Environment / EPIU
Karen Asatryan	Renewable Resources and Energy Efficiency (R2E2) Fund
Zaruhi Gharagozyan	Renewable Resources and Energy Efficiency (R2E2) Fund
Diana Harutunyan	United Nations Development Programme
Gohar Hovhannisyan	United Nations Development Programme
Sergey Sayadyan	United Nations Development Programme
Vahram Jalalyan	United Nations Development Programme

2. BANGLADESH COUNTRY CASE STUDY REPORT

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A. INTRODUCTION

Despite its rapid growth and development – the World Bank describes Bangladesh as one of the fastest-growing economies in the world over the past decade¹¹ – Bangladesh is also often referred to as “ground zero for climate change”¹² and is ranked seventh on the 2021 Global Climate Risk Index.¹³ For many Bangladeshis, particularly the rural communities in low-lying coastal areas, climate change risks have already become unmanageable. Riverbank erosion displaces 50,000 to 200,000 people here each year. Thousands more flee every time a major cyclone hits the coast. Moreover, climate experts from the Bangladesh Centre for Advanced Studies predict that by 2050, rising sea levels will submerge some 17 per cent of the nation’s land and displace about 20 million people.¹⁴

It is against this backdrop that climate change investment becomes critical. In Bangladesh, the demographic dividend, strong ready-made garment (RMG) exports and stable macroeconomic conditions enabled the country to reach lower-middle-income status in 2015 and also mean it is predicted to graduate from the United Nations list of least developed countries (LDCs) in 2026. However, the onslaught of climate change affects the whole country. Bangladesh is often painted as the “poster child for climate vulnerability”¹⁵ due to its unique geographic location, dominance of floodplains, low elevation from the sea, high population density, high levels of poverty, and dependence on nature, its resources and services.

The NDA for the GCF is located within the Ministry of Finance. Ministry of Finance interviewees throughout show keenness to explore the investment component of sustainable development, which as has been explored throughout the evaluation, could potentially be a reflection of Bangladesh’s NDA being located in this Ministry as opposed to the traditional Ministry of Environment, or equivalent. This country case study report provides an overview of Bangladesh’s experience with the GCF towards catalysing private sector investments in alignment with its NDC under the Paris Agreement, through a country driven and paradigm shifting portfolio.

1. CLIMATE CHANGE PRIORITIES IN BANGLADESH

Bangladesh submitted its first NDC to the UNFCCC in September 2015, with the main objective of reducing its GHG emissions by 15 per cent from a business-as-usual level by 2030; of this, a 5 per cent reduction was unconditional and 10 per cent was contingent on technical and financial support from the global community.

In 2020, Bangladesh submitted an interim NDC, pending further guidance from the UNFCCC and the Conference of the Parties. The NDC clearly outlines the mitigation and adaptation priority activities of Bangladesh, despite the country clearly declaring its predilection for adaptation work.

¹¹ World Bank, “Bangladesh”, country overview. Available at <https://www.worldbank.org/en/country/bangladesh/overview>

¹² Marcin Szczepanski, Frank Sedlar and Jenny Shalant, “Bangladesh: A Country Underwater, a Culture on the Move”, On Earth In-depth, National Resources Defence Council, 13 September 2018. Available at <https://www.nrdc.org/onearth/bangladesh-country-underwater-culture-move>

¹³ David Eckstein, Vera Künzel and Laura Schäfer, *Global Climate Risk Index 2018: Who Suffers Most from Extreme Weather Events? Weather-related Loss Events in 2016 and 1997 to 2016*, Briefing Paper (Bonn, Germanwatch, 2017). Available at <https://germanwatch.org/sites/default/files/publication/20432.pdf>

¹⁴ Golam Rabbani, A. Atiq Rahman, and Nazria Islam, (2011). Climate Change Implications for Dhaka City: A Need for Immediate Measures to Reduce Vulnerability. In K. Otto-Zimmermann (Ed.), *Resilient Cities* (pp. 531–541). Springer Netherlands. https://doi.org/10.1007/978-94-007-0785-6_52 Bangladesh Centre for Advanced Studies, “Climate Change Implications for Dhaka City: A Need for Immediate Measures to Reduce Vulnerability”, 2018. Available at http://www.bcas.net/article-full-desc.php?article_id=3

¹⁵ Szczepanski, Sedlar and Shalant, “Bangladesh: A Country Underwater, a Culture on the Move”. Available at <https://www.nrdc.org/onearth/bangladesh-country-underwater-culture-move>

The document builds on past mitigation efforts, ensuring a move towards a low carbon, climate-resilient economy, with the goal of becoming a middle-income country, without crossing the average per capita emissions of the developing countries. In terms of mitigation activity, Bangladesh outlines key achievements made since the 2015 NDC, including the installation of 5.8 million solar-powered homes, the distribution of 4.5 million improved cooking stoves, and significant improvements to the public transportation infrastructure to discourage private transportation usage. Moving forward, Bangladesh has committed to a reduction of approximately 118 million tons of carbon dioxide equivalent (MtCO₂eq) by 2030, achieved through continued supply of improved cooking stoves, installation of biogas waste disposal centres in over 100 municipalities and the introduction of over 10,000 hybrid and electric cars, among other crucial activities.¹⁶ In addition, the Bangladesh Delta Plan 2100 reaffirms the country's commitment to reducing GHG emissions from key sectors through efforts such as promoting an improved rice parboiling system to reduce carbon emissions and ensure energy efficiency, research on the suitability of various tree species for their carbon-locking properties for designing various forestry programmes, and promoting low carbon development in the waste sector.

Regarding adaptation planning, Bangladesh is currently in the process of drafting and approving its NAP, aiming for it to be the main strategic document under the UNFCCC process to guide adaptation actions in the country and also to orient potential GCF investment. The document incorporates symbiotic mitigation and adaptation activities to maximize co-benefit potential, and the Government of Bangladesh has therefore put in place key financial incentives to bolster this activity, which will be described in the following sections. Despite being among the LDCs in the world, Bangladesh has developed good adaptation approaches, especially in the field of disaster management. Worthy of note in this regard is the Bangladesh Climate Change Action Plan, updated in 2009 to the Bangladesh Climate Change Strategy and Action Plan (BCCSAP). The BCCSAP also builds on the work undertaken for the 2009 national adaptation programme of action. The BCCSAP provides a review of the country's adaptation needs by priority area, including food security, social protection and health, disaster management, research and knowledge management, and capacity-building and institutional strengthening. While the interim NDC does not delve into greater detail, the BCCSAP will serve as the basis for the NAP and ensure CCA concerns are integrated into existing development planning processes in an inclusive and participatory way.¹⁷ The BCCSAP is expected to be reviewed periodically in line with national development priorities, emerging scientific and technological knowledge and the outcomes of global negotiations under UNFCCC and other UN-led climate change negotiation processes.

2. BANGLADESH'S INSTITUTIONAL CONTEXT FOR CLIMATE ACTION

The interim NDC implementation will be taken forward by existing governance arrangements already established by the BCCSAP: a National Steering Committee on Climate Change was established to coordinate and facilitate national actions, with coordination being managed by the Climate Change Secretariat within the Ministry of Environment and Forests, reporting to the Advisory Committee and the National Environment Committee (chaired by the Prime Minister). The National Steering Committee also provides guidance on international climate change negotiations, including bilateral, multilateral and regional programmes for collaboration, research, exchange of

¹⁶ Bangladesh, Ministry of Finance, First Updated National Determined Contribution (Dhaka, 2020). Available at

https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Bangladesh%20First/Updated_NDC_of_Bangladesh.pdf

¹⁷ United Nations Development Programme, "Bangladesh leads the way in the NAP Process", Climate Change Adaptation, n.d. Available at <https://www.adaptation-undp.org/resources/bangladesh-leads-way-nap-process>

information and development.¹⁸ In addition, a Climate Change Unit was set up within the Ministry of Environment and Forests to support the National Steering Committee, as well as to work with each of the climate change focal points established within each of the eight existing ministries. Specific implementation activities will be carried out by the appropriate line ministries and agencies with fiscal support under the fiscal framework of the Government.

In terms of engagement with the GCF, since November 2014 the designated NDA has been the Secretary/Senior Secretary of the Economic Relations Division (ERD) of the Ministry of Finance. The United Nations wing of ERD serves as the NDA Secretariat, which is the core interface and focal point of communication between Bangladesh and the GCF, ensuring that activities supported by the GCF align with strategic national objectives and priorities, and helping to advance ambitious action on adaptation and mitigation in line with national needs.

3. CLIMATE FINANCE LANDSCAPE

Addressing climate change is a national priority for Bangladesh, and the country is recognized internationally for its cutting-edge achievements. Bangladesh has invested more than USD 10 billion in climate change actions, including by enhancing the capacity of communities to increase their resilience, increasing the capacity of government agencies to respond to emergencies, strengthening river embankments and coastal polders (low-lying tracts of lands vulnerable to flooding), building emergency cyclone shelters and resilient homes, adapting rural households' farming systems, reducing saline water intrusion, especially in areas dependent upon agriculture, and implementing early warning and emergency management systems. To this end, the Government of Bangladesh has established a National Climate Change Fund with the objective of gathering contributions from development partners towards financing activities under the NAP.

Throughout the BCCSAP, Bangladesh makes clear that while adaptation and mitigation activities are the national priorities, investments in technology and sustainable development are the pathways through which to achieve impact. Bangladesh calls for adaptation financing through grants, given the historical GHG emissions by industrialized countries. On mitigation, Bangladesh has incorporated investment activities to contribute towards global goals; however, contributions from developed countries are expected to elevate potential impact.

Climate finance landscape under relevant climate funds

To analyse the climate finance landscape in Bangladesh, the evaluation team looked at the climate-related development finance data from the OECD. The team considered activities with principal and significant contributions to climate objectives (calculated using the OECD DAC Rio markers for climate) from 2015 to 2019.^{19,20} Against this backdrop, Bangladesh has a diversified portfolio across four main climate finance provider types: climate funds, private donors, and bilateral and multilateral development partners.²¹ In terms of project coverage, bilateral development partners rank the highest, with 384 out of 427 projects; they are followed by multilateral partners (excluding climate funds) with 27 projects. Climate funds support 13 projects, while private donors support only three projects (Figure A - 5). In terms of the average project size, climate funds take the lead with an average of USD 23.07 million per project, followed by bilateral partners (USD 9.74

¹⁸ Bangladesh, Ministry of the Environment and Forests, Climate Change Strategy and Action Plan (Dhaka, 2009). Available at <http://nda.erd.gov.bd/files/1/Publications/CC%20Policy%20Documents/BCCSAP2009.pdf>

¹⁹ For details, see https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

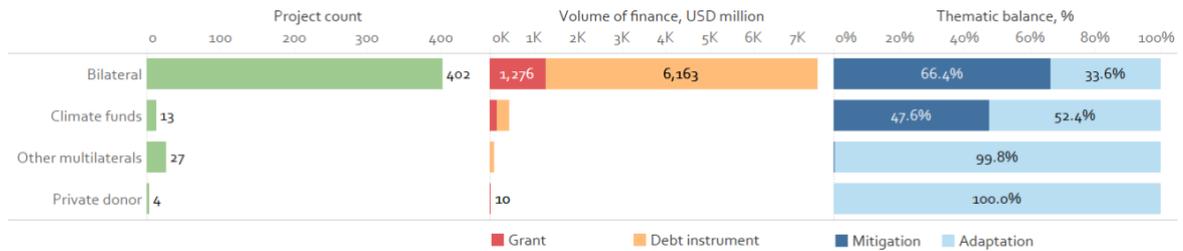
²⁰ GCF project approval began in 2015.

²¹ Terms such as "private donor" and "private sector institution" are used to maintain consistency with the standardized classifications provided by the OECD and used in its climate-related development finance data. The data are available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>

million); private donors finance projects of an average of USD 1.2 million. Of the financial instruments used, grants and debt instruments are a general preference across the partner types. This is especially the case for bilateral partners.

Looking at the balance in finance allocation between adaptation and mitigation efforts, adaptation is favoured, although climate funds appear to be closing the gap. Private donors and multilateral partners are heavily focused on supporting adaptation activities. In contrast, bilateral partners support twice as much mitigation as adaptation by USD value. The country level thematic balance in the GCF portfolio is also skewed: of the total USD 351 million in GCF support in the country (as of 1 July 2021), 78.7 per cent is channelled to mitigation and 21.3 per cent to adaptation.

Figure A - 5. Portfolio of climate finance in Bangladesh

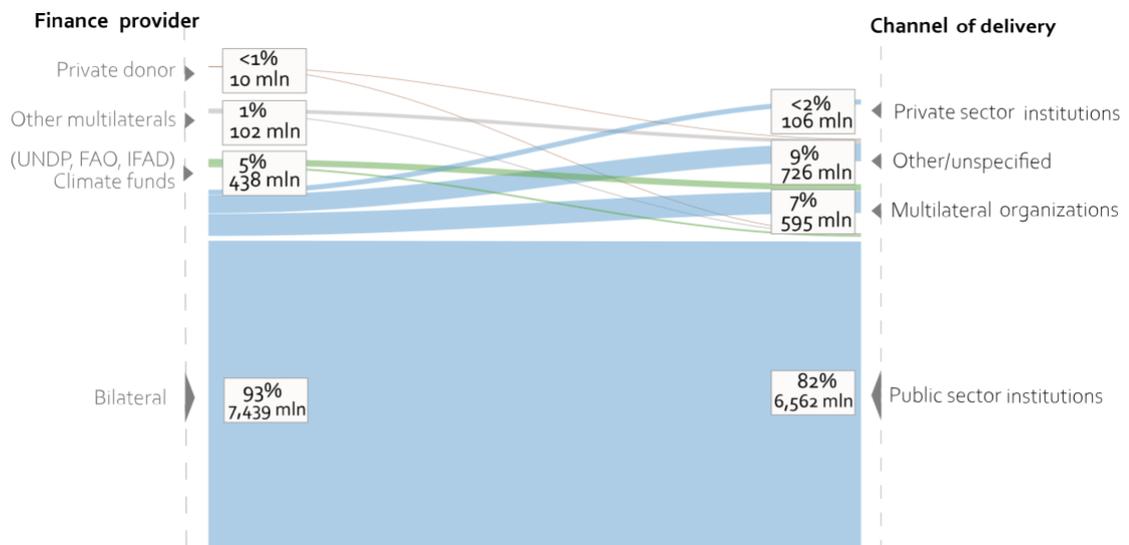


Source: OECD climate-related development finance (2015–2019), GCF Tableau server data (2019).

Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. The data cut-off date in the external finance section of the brief is therefore 2019. The further analysis of GCF finance has a cut-off date of 1 July 2021.

From the programmatic perspective, the channel of climate finance delivery plays a crucial role in catalysing and mobilizing the private sector in countries. According to the newest available data on climate-related development finance (as reported to OECD in 2019), the private sector is currently underused as a channel of climate finance delivery in Bangladesh. On a country level, only about 1 per cent of climate finance is channelled through private sector institutions. This is a very small proportion, and this channel is mainly used by bilateral partners (Figure A - 6). Nearly all climate finance in Bangladesh is sourced from bilateral partners and delivered through public sector institutions (81.3 per cent).

Figure A - 6. Delivery channels of climate finance to Bangladesh



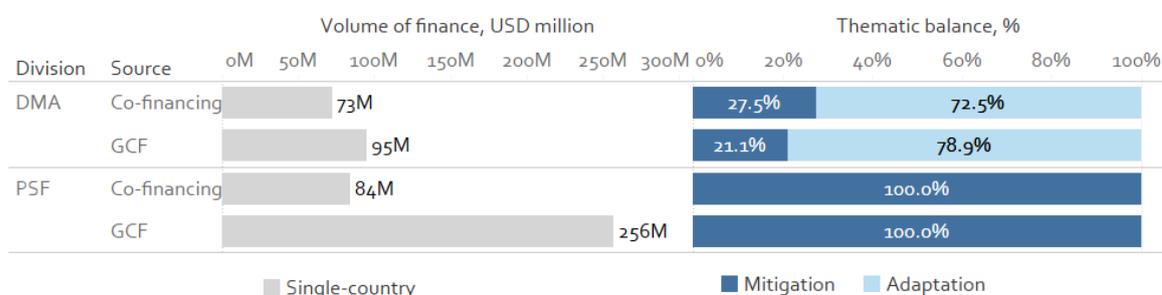
Source: OECD climate-related development finance (2015–2019), GCF Tableau server data (2019).

Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. The data cut-off date in the external finance section of the brief is therefore 2019. The further analysis of GCF finance has a cut-off date of 1 July 2021.

The role of the GCF in Bangladesh

Bangladesh is an LDC and one of the 55 countries eligible to receive GCF financing in the Asia-Pacific Region. As of July 2021, a total of USD 351 million of GCF financing, alongside USD 157 million in co-financing, has been approved for projects covering Bangladesh. The co-finance ratio in Bangladesh is therefore 0.4. The GCF channels all its finance through five single country projects: FP150, FP070, FP069, FP004 and SAP008. As previously observed at the macro level across other climate finance partners, the imbalance between mitigation and adaptation efforts persists in Bangladesh; in fact, all projects financed by the PSF are directed towards mitigation efforts, whereas those supported by the Division of Mitigation and Adaptation focus on adaptation (Figure A - 7).

Figure A - 7. Volume of finance and thematic balance across GCF divisions, Bangladesh



Source: GCF Tableau server data (2021).

Note: Left: volume of finance across divisions; right: thematic balance across divisions. For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

Beyond the imbalance between mitigation and adaptation, there is a tendency to focus specifically on the mitigation result area of buildings, cities, industries and appliances (USD 256.5 million out of USD 351 million). This accounts for 73 per cent of the GCF's finance and is all managed by the PSF (Figure A - 8). The GCF has seven active Readiness grants in Bangladesh, and the GCF pipeline contains three funding proposals, 10 concept notes and one RPSP grant application.

Figure A - 8. Finance by result area in USD million, Bangladesh

	Mitigation		Adaptation	
	DMA	PSF	PSF	DMA
Buildings, cities, industries, and appliances	20.0	256.5		
Energy generation and access	0.0	0.0		15.9
Forests and land use	0.0	0.0		35.3
Transport	0.0	0.0		23.4

Source: GCF Tableau server data (2021).

Note: For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

B. FINDINGS

1. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A COUNTRY DRIVEN APPROACH

a. Portfolio of Accredited Entities

While Bangladesh is in the process of building a strong portfolio of accredited entities, the current status does not mirror the active nature of the national private sector working on climate change in the country.

To date, Bangladesh has two (national) DAEs accredited with the GCF: the Infrastructure Development Company Ltd (IDCOL) and the Pali-Karma Sahayak Foundation. While both entities have a strong presence in the country – with over a decade of experience and a project apiece at the GCF – the reality is that neither of them are strictly private sector organizations. Key informant interviews have also underlined this point, suggesting that the reality on the ground – an active, climate-engaged private sector – is not reflected in the accredited entity portfolio of the GCF.

Evidence gathered from the interviews suggest this could be due to a number of reasons. The first relates to the capacity and role of the NDA. Evidence gathered by the evaluation team has shown that the selection and position of the NDA within the country's architecture is a key consideration. Interviewees suggested that in the case of Bangladesh the location of the NDA in the ERD is considered to be a political signal, with one interviewee describing the selection as “a lot of political manoeuvring” and that while located within the Ministry of Finance, staff there are “bureaucrats, and additional capacity-building is needed to strengthen understanding on leveraging private sector for climate action”. In addition, and as has also been noted throughout the evaluation, the GCF gives a strong role to the NDA in both the accreditation and project origination phases of the climate finance life cycle. In practice, this means NDAs can have a deciding role in which organizations within their territory can access GCF accreditation. One interviewee described this as a “critical design flaw in the GCF machinery”, alleging that high turnover rates in the NDA and lack of sufficient understanding of the climate science meant that the ERD could be perceived as a “gatekeeper to Bangladeshi private sector access to GCF funding”.

The second key factor that could explain the lack of a larger DAE portfolio is a lack of sufficient awareness among private sector entities of how to engage with climate finance. Stakeholder interviewees overall stressed this point, too, “awareness-raising among private sector entities on how to engage with the GCF is sorely needed, and not just in Dhaka but in rural communities and coastal regions, too.” Moreover, this need to enhance knowledge of the GCF in order to access its funds is an additional layer of complexity for LDCs, who are faced with a maze of international development organizations' standards, requirements, forms and thresholds when simply trying to access funds to support their urgent needs. As one interviewee described it, “GCF unique terminology, approach and processes [are] just another layer of the so-called forum shopping we developing countries need to go through to access funding.”

b. Project portfolio

Bangladesh's current portfolio under the GCF is a noteworthy example of innovative, scalable and country driven projects; however, the private sector has not been sufficiently engaged to date.

Bangladesh currently has five active projects with the GCF, of which three are classified as adaptation, one is mitigation, and one is classified as “cross-cutting”, which could be broadly described as an accurate reflection of the country's priority areas as a climate vulnerable LDC. An

overview of the current project portfolio can be found in the Bangladesh Country Brief. In addition, all five projects are single country, which means Bangladesh is not faced with the country ownership challenge that these types of projects can sometimes present, especially to LDCs, in terms of pressure to accept the finance flow even when it might not necessarily align with national priorities. That said, the lack of private sector DAEs in the country also means the projects may not necessarily engage the private sector as meaningfully as they could.

An example of a GCF-funded project seeking to engage the private sector is FP150, on “Promoting private sector investment through large scale adoption of energy saving technologies and equipment for Textile and RMG sectors of Bangladesh”. The programme seeks to engage the RMG private actors by providing an integrated package of concessional financing and technical assistance to create an enabling environment and ultimately reduce 14.5 MtCO₂eq in emissions. This is facilitated through capacity-building, awareness-raising, policy development and support in loan disbursement, and monitoring and evaluation of the programme parameters.²² The project, brought forward by IDCOL, has received approximately USD 256 million in funding from the GCF, of which approximately USD 6.5 million was in the form of a loan. This is an interesting project for a country such as Bangladesh as it seeks to engage micro-, small- and medium-sized enterprises (MSMEs) by funding IDCOL as a financial intermediary. This ensures GCF funding can reach these small, local actors and also empowers national DAEs such as IDCOL to engage in green finance activities.

However, interviewees suggest that more could be done to enhance private sector engagement in the private sector portfolio. Interviewees indicate that a lack of awareness of how to engage with the GCF is a key factor in this, but also that the rigid GCF architecture poses too much of a burden on a private sector that is already undertaking efforts in the area of adaptation. As one interviewee underlined, “the NDA has no incentive to work with Bangladeshi private sector because they have other actors already presenting funding proposals to GCF”. They also noted that “a lack of strategy of long-term vision from the GCF on how to engage with the private sector is also having an impact on where the private sector see themselves fitting into the GCF model, and whether it is worth the effort to go through the accreditation process.”

c. Enabling environments required for catalysing private sector engagement and investments

While Bangladesh has availed itself of some of the GCF tools to support an enabling environment in the country, gaps remain.

To date, Bangladesh has benefited from seven grants through the RPSP, totalling more than USD 5 million in approved funding. From capacity-building of the NDA to supporting entities with their development of environmental and social safeguards requirements under the GCF, Bangladesh has utilized the available funding to reinforce and strengthen the capacities of its national institutions and the private sector to better equip them for engagement with the GCF. One example of RPSP funding used to set the stage for private sector engagement is the RPSP-funded project on “Up scaling regulatory landscape of Green Banking for Shariah Based Banks and Financial Institutions in Bangladesh”, implemented by the Bangladesh Bank. The project hopes to make a paradigm shift in the policy horizon on green banking for shariah-based banks and financial institutions in the country.²³ The project will fund the drafting of an evidence-based policy framework on shariah-

²² Green Climate Fund, FP150: Promoting private sector investment through large scale adoption of energy saving technologies and equipment for Textile and Readymade Garment (RMG) sectors of Bangladesh, Funding Proposal, (Songdo, 2020). Available at <https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp150.pdf>

²³ Green Climate Fund, Up scaling regulatory landscape of Green Banking for Shariah Based Banks and Financial Institutions in Bangladesh, Readiness Proposal (Songdo, 2018). Available at

based green financing and an updated environmental and social risk management framework for the Bangladeshi Central Bank and any other interested commercial banks and financial institutions. Another example of RPSP support for private sector engagement could be the project approved in October 2015 to design the Bangladesh country programme under the GCF, which would serve as a road map of climate priorities and potential areas of desired investment in the country. These activities put in place key steppingstones for effective investment down the line. However, use of the RPSP in Bangladesh received mixed reviews in key informant interviews, with one interviewee describing it as “insufficient, it is only a Band-Aid; greater support is needed from the GCF”, or “while the readiness did raise awareness and understanding on the potential for climate finance in Bangladesh, a more coherent, strategic approach from the GCF might have been more effective.” Bangladeshi DAEs have also availed themselves of the GCF’s Project Preparation Facility support for the preparation of two projects: on “Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change induced salinity” and FP150 on “Promoting private sector investment through large scale adoption of energy saving technologies and equipment for Textile and RMG sectors of Bangladesh”. For both of these projects, support was sought – and approved – for the DAE regarding the most strategic design for both the proposal and the project to ensure the greatest impact as well as GCF financing. Both projects are classified as adaptation, with a typically higher classification and approval threshold, and harder-to-quantify results indicators. As a result, in-depth analysis and study was deemed necessary for the projects to reach their highest impact, in this case supported by the GCF’s Project Preparation Facility funding.

2. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A PARADIGM SHIFTING PORTFOLIO IN BANGLADESH

Bangladesh’s private sector has not yet been sufficiently and successfully engaged by the GCF to achieve a paradigm shifting portfolio.

As previously noted, Bangladeshi private sector engagement with the GCF has not yet reached its potential, with many key private sector areas still unable to access GCF financing or unaware of how to best engage with the GCF. As one interviewee underlined, the “GCF needs to be flexible on how it views private sector, and thus engages with it: it is hard to incite private sector investment in adaptation in an LDC”. As a country where those most vulnerable to climate change are also among the poorest in the world – 20.5 per cent of the population is currently living under the poverty line and 5.6 per cent of the employed population currently earns under USD 1.90 per day purchasing power parity – investment opportunities for the private sector are low, particularly where it is most needed: adaptation. As one interviewee highlighted, “we need investment in adaptation for vulnerable populations, but what kind of return on investment can we offer where the average salary doesn’t reach USD 2 per day?”

Thus, the paradigm shifting potential will come from a deeper analysis of the Bangladeshi private sector and how to harness its particularities into a business model that works. Some interviewees called for innovative financial instruments that played to the strengths and weaknesses of the Bangladeshi private sector, while others suggested a change in perspective altogether: “We need to focus more on capacity-building and funding nationals for these [GCF] projects, not copying western projects that aren’t always scalable to Bangladeshi context.” In addition, some interviewees suggested the paradigm shift for private sector investment could come from the GCF’s use of

<https://www.greenclimate.fund/sites/default/files/document/readiness-proposals-bangladesh-bangladesh-bank-strategic-frameworks.pdf>

scalability: “If you want adaptation, Bangladesh is the pinnacle – we can teach you, we just need financing.”

3. EFFICIENT AND EFFECTIVE ACCESS CATALYSING PRIVATE SECTOR ENGAGEMENT

a. Participation of the local private sector

While DAEs in the country have done much to engage the local private sector in Bangladesh, meaningful participation is still hindered by excessive GCF thresholds, rigid accessibility requirements and low awareness.

An International Monetary Fund country report on Bangladesh found that 99 per cent of its non-farm private sector was composed of MSMEs.²⁴ In practice, this poses a challenge for GCF engagement with the local private sector for a number of reasons.

First, the smallest financing instrument available at the GCF – the micro level – is USD 10 million. For an MSME in an LDC this threshold is simply too high. As one interviewee noted, “Bangladesh is a poor country, we cannot think about a USD 10 million project”. In addition to this, GCF requirements and characteristics seem very distant for an MSME in Bangladesh: “it feels like this fortress in Songdo that makes all these decisions about what will happen in Bangladesh, about whether something is adaptation or not – we need GCF to come and see and engage, otherwise it feels too far away.”

The second issue is the rigid accessibility requirements, which will be expanded on in the next section but which pose an insurmountable challenge for the local private sector in Bangladesh. The prospect of an 18-month average timeline for accreditation (please refer to Volume I for details), followed by the project origination and approval phase can be overly daunting to an MSME. As one interviewee noted, “There are people [in Bangladesh] doing things, lots of goodwill and intent and piloting, but not really up to full GCF scale yet.”

The third challenge is linked to the lack of sufficient awareness of how, why and when to engage with the GCF. Despite the number of Readiness grants approved, most are quite specifically tuned to tackling a particular knowledge gap, with no funding geared towards general capacity-building for general engagement with the GCF. This knowledge gap is felt not just at the local private sector level but also within the NDA, with one interviewee underscoring that “we really need to engage people in Bangladesh on how we can make the most of the GCF.” This need not only come from the GCF directly but could perhaps come indirectly through enhanced opportunities for peer-to-peer knowledge-sharing. As one interviewee put it, “Sometimes it would be great if the GCF could just allow us a platform to share our lessons learned with each other.”

b. Efficiency and timeliness of the engagement with the GCF Secretariat

As mentioned above, slow timelines and often inaccessible requirements mean engagement with the GCF can be a challenge for a national private sector.

Throughout interviews conducted by the evaluation team, the concept that repeatedly came through was the incompatibility of GCF timelines with the private sector working method. With interviewees describing project pipelines delayed by over two years, or GCF responses taking “months and months”, it is clear that this is a challenge for effective engagement. Some interviewees reported GCF staff turnover as a major factor in these delays, with one interviewee describing how

²⁴ Rodrigo Cubero and others, Bangladesh: Selected Issues, IMF Country Report No. 16/28 (Washington D.C., International Monetary Fund, 2016). Available at <https://www.imf.org/external/pubs/ft/scr/2016/cr1628.pdf>

one change in staff at the GCF had caused a project to be delayed by over half a year, and then the replacement staff member having to be brought up to speed by a DAE staff member. Others noted how staff turnover had resulted in contradicting feedback and suggestions from within the same team at the GCF – all of which leads to a lack of predictability and an overall atmosphere of opaqueness and disengagement, which are not conducive to effective engagement. As one interviewee underlined, “it is hard not to have a pessimistic view of the GCF when there is delay after delay, even after staff tell you that it is progressing.”

In terms of inaccessible requirements, interviews have indicated a range of challenges in engaging effectively with the GCF, from unclear scientific thresholds for approval by the independent Technical Advisory Panel (“Priority should be delivering to poor people not judging whether the correct scientific knowledge has been employed or whether some local DAE has learned the highfalutin vocabulary of the GCF”) to a lack of clear guidelines on designing monitoring and reporting, especially for adaptation projects (“the GCF one-size-fits-all reporting requirements are not ideal, but we just fill them in to get the process over and done with, and use our own internal indicators”). This lack of flexibility means it can be a challenge to engage in countries such as Bangladesh where the private sector is fast-paced and flexible because it needs to adapt to the constantly evolving needs of the country’s most vulnerable populations.

APPENDIX 2-1. LIST OF INTERVIEWEES

NAME	AFFILIATION
Monir Zaman	BRAC
Md Ashadadzuman	BRAC
Mahbub Alam	ERD
Firdaus Ara Hussain	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
Paula Rolffs	GIZ
Shanin Muntaha	GIZ
Saleemul Huq	International Centre for Climate Change and Development (ICCAD)
Enamul Karim Pavel	IDCOL
M. Mosleh Uddin	IDCOL
Christina Bartz	KfW
Fazle Rabbi Sadeque Ahmed	Pali-Karma Sahayak Foundation

3. BURKINA FASO COUNTRY CASE STUDY REPORT

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A. INTRODUCTION TO BURKINA FASO AND THE ROLE OF THE GREEN CLIMATE FUND

As a landlocked LDC, Burkina Faso is especially vulnerable to the effects of climate change. With limited resources and over 80 per cent of the population reliant on agriculture and livestock, finding innovative solutions to adapting and mitigating the country's vulnerability to climate change is imperative.

As will be expanded upon throughout this study, Burkina Faso has demonstrated commitment to participative climate action. This commitment is also reflected in the mobilization of GCF projects in the country, even private sector ones. As of 2020, Burkina Faso has nine active projects, with at least one that has all funded activity agreement conditions approved. For this reason, Burkina Faso was an illustrative example of national level stakeholder mobilization leading to private investment in climate change projects. The virtual mission was conducted between June and July 2021, and interviews were held with representatives from the NDA and relevant national institutions, DAEs, IAEs and other stakeholders, including representatives from civil society and the private sector.

This country case study report provides an overview of Burkina Faso's experience with the GCF towards catalysing private sector investments in alignment with its NDC under the Paris Agreement, through a country driven and paradigm shifting portfolio.

1. CLIMATE CHANGE PRIORITIES IN BURKINA FASO

Burkina Faso's 2015 intended nationally determined contribution (INDC) places adaptation at the heart of its climate change priorities. The country is a low emitter of GHG, with an economy heavily based on the farming sector, so the government has homed in on the need to focus climate change efforts on reducing the country's vulnerability to climate change through adaptation, with a twofold goal:

- Reduce vulnerability to the impacts of climate change on the development of adaptation and resilience capabilities.
- Facilitate the coherent integration of CCA in policies, programmes or activities, be they new or existing, in the specific processes of development planning and in the strategies of the relevant sectors at different levels.²⁵

To this end, and with the goal of designing an "integrated" approach to adaptation, Burkina Faso prepared and implemented its national adaptation programme of action in 2007, followed by its NAP in 2014, to target those most vulnerable to climate change in the country. Burkina Faso's NAP covers the period between 2015 and 2050 and is structured around priority sectors including agriculture, livestock breeding, water, forests and natural ecosystems, energy, infrastructure and housing, and health. This planning has gone hand in hand with other key strategic documents, including the Strategy for Accelerated Growth and Sustainable Development and the Strategic Framework for Investment in Sustainable Land Management, which define quantifiable goals for investment in sustainable rural production systems that take into consideration local knowledge and know-how to preserve the fertility of the soil and restore effective functioning of local ecosystems.²⁶ The need to promote sustainable land management and enhance access to climate information in this

²⁵ Burkina Faso, Ministry of the Environment, Green Economy and Climate Change, *Intended Nationally Determined Contribution* (Ouagadougou, 2015), p. 16.

²⁶ Burkina Faso, Ministry of the Environment, Green Economy and Climate Change, *Strategic Framework for Investment in Sustainable Land Management* (Ouagadougou, 2014).

regard was determined as the number one priority throughout the NAP stakeholder consultations, with 88 per cent of participants classing it as such.²⁷

In parallel with these activities, Burkina Faso has also continued its efforts on mitigation work, making significant efforts to modify production techniques in the country. To do so, it has drawn a baseline using three potential scenarios: business-as-usual; a “conditional” scenario that takes into account all the mitigation projects that have been developed and/or are being developed, but without any acquired financing; and an “unconditional” scenario, taking into account all the public policies adopted after 2007, technological developments and recent studies, with financing that has been acquired or is being acquired.²⁸ In addition, the Government of Burkina Faso has adhered to the Sustainable Energy for All initiative of the United Nations Secretary-General, which aims to achieve three major objectives between now and 2030: assure efficient access to modern energy services, double the rate of energy efficiency and double the share of renewable energy.

2. BURKINA FASO’S INSTITUTIONAL CONTEXT FOR CLIMATE ACTION

As noted above, Burkina Faso has taken robust action to enhance both mitigation and adaptation activities at the national level. In November 2011, during Burkina’s annual, interministerial Assembly on Climate Change and Sustainable Development, the National Sustainable Development Policy was developed, accompanied by a law shortly thereafter. This policy is the fruit of extensive consultations across government ministries and was an effective framework for the subsequent development of the Strategy for Accelerated Growth and Sustainable Development. This economic framework document, together with “Outlook Burkina 2025” and subsequent policy framework instruments, contributed to placing the concept of sustainability at the heart of public action and the activities of other non-state actors such as technological and financial partners, civil society organizations, non-governmental organizations and the private sector. In addition, with the goal of addressing and following up on climate change issues, a permanent Secretariat of the National Council for Management of the Environment was created within the Ministry of Environment and which was subsequently transformed into the National Council for the Environment and Sustainable Development (CONEDD) with expanded responsibilities in 2019. The CONEDD is a multi-stakeholder Council charged with promoting sustainable development by facilitating the effective integration of fundamental principles of environmental management into national and sectoral development policies, and it does so by bringing together stakeholders from across the Board (such as the private sector, religious groups, government departments, civil society and trade unions) to provide advice and insights on government decision-making on climate change action. Burkina Faso also established the Inter-Ministerial Committee to Implement the Actions of the UNFCCC in 1995, which has since been fully involved in the preparation of the first National Communication, the INDC and other climate change related documents.

3. CLIMATE FINANCE LANDSCAPE

Burkina Faso’s INDC plans for an “integrated adaptation” approach, with mitigation and adaptation closely intertwined: to “mitigate” it is necessary, in principle, to “adapt” since the agriculture, forestry, land-use sector is an emission sector but also a major sequestration sector. Consequently, adaptation contributes to a great extent to mitigation revenues (CO₂ sequestration and emissions avoided x the price per ton of carbon on the exchanges). However, the country’s adaptation needs necessitate substantial funding. Although the price per ton of CO₂ has collapsed on the global

²⁷ Burkina Faso, Ministry of the Environment, Green Economy and Climate Change, *Intended Nationally Determined Contribution* (Ouagadougou, 2015), p. 18.

²⁸ *Ibid.*, p. 5.

markets, the reduction of CO₂ emissions remains an excellent indicator of the performance and impact of the mitigation programmes and projects in Burkina Faso. In the case of mitigation (approach and results), the objective is to link activities in adaptation, clean technology and projects whose end objective is a society with low carbon emissions and a greener rural world. For example, the Strategic Framework for Investment in Sustainable Land Management has a budget of 869 billion CFA francs (approximately USD 1.5 million) for five years. While this is an important investment for vulnerable rural populations, national needs continue to far outweigh the available funding.

Developed countries committed to contribute USD 100 billion per year by 2020 to the fight against climate change, particularly in support of developing countries' CCA and limiting of their GHG emissions. Thus, throughout its INDC Burkina Faso makes the case for areas where this funding commitment would be most impactful; for example, many of the required adaptation actions rely on clean technologies that in turn contribute to the lowering of GHG emissions, including on land management and the conservation of water, soil and forests in order to increase the resilience of the population – all clear areas for green investment.

Climate finance landscape under relevant climate funds

To analyse the climate finance landscape in Burkina Faso, the evaluation team looked at the climate-related development finance data from the OECD. The team considered activities with principal and significant contributions to climate objectives (calculated using the OECD DAC Rio markers for climate) from 2015 to 2019.^{29,30}

Against this backdrop, the main actors in climate financing are the bilateral partners: they support 426 out of 486 projects and are followed by multilateral partners (26 projects), climate funds (25 projects) and private donors (9 projects) (Figure A - 9).³¹ In terms of the average project size, climate funds take the lead with an average of USD 2 million, followed by bilateral partners (USD 1.2 million); private donors support projects of an average of USD 0.9 million.

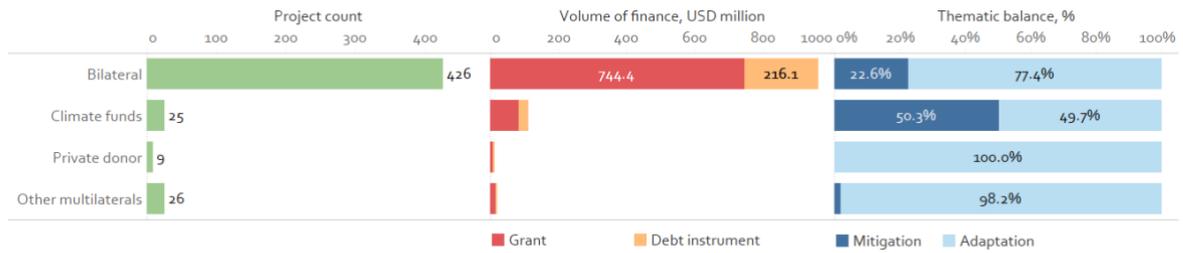
From the perspective of financial instrument usage, grants are generally preferred across the portfolio. This is especially the case for bilateral partners (USD 744.4 million). In terms of the balance in finance allocation between adaptation and mitigation, climate funds appear to be moving towards equilibrium, whereas other actors are more focused on adaptation. The GCF portfolio's country level thematic balance is slightly more skewed towards mitigation (57.6 per cent) than adaptation (42.4 per cent).

²⁹ For details, see https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

³⁰ GCF's project approval began in 2015.

³¹ Terms such as "private donor" and "private sector institution" are used to maintain consistency with the standardized classifications provided by the OECD and used in its climate-related development finance data. The data are available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>

Figure A - 9. Portfolio of climate finance in Burkina Faso

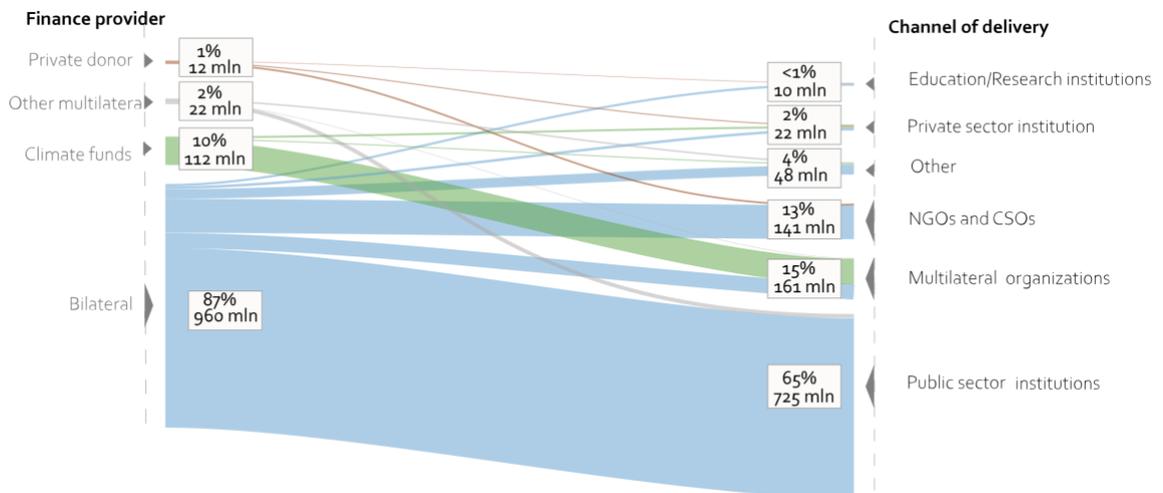


Source: OECD climate-related development finance (2015–2019), GCF Tableau server data (2019).

Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. The data cut-off date in the external finance section of the brief is therefore 2019. The further analysis of GCF finance has a cut-off date of 1 July 2021.

From the programmatic perspective, the channel of climate finance delivery plays a crucial role in catalysing and mobilizing the private sector in countries. According to the latest available data on climate-related development finance (as reported to OECD in 2019), the private sector is currently underused as a channel of climate finance delivery in Burkina Faso. On a country level, less than 2 per cent of climate finance is channelled through private sector institutions, and the private sector is mainly used as a channel by bilateral partners and climate funds (Figure A - 10).³¹ In addition, a large portion of the total climate finance in Burkina Faso is provided by bilateral partners and delivered through public sector institutions (64 per cent).

Figure A - 10. Delivery channels of climate finance to Burkina Faso



Source: OECD climate-related development finance (2015–2019), GCF Tableau server data (2019).

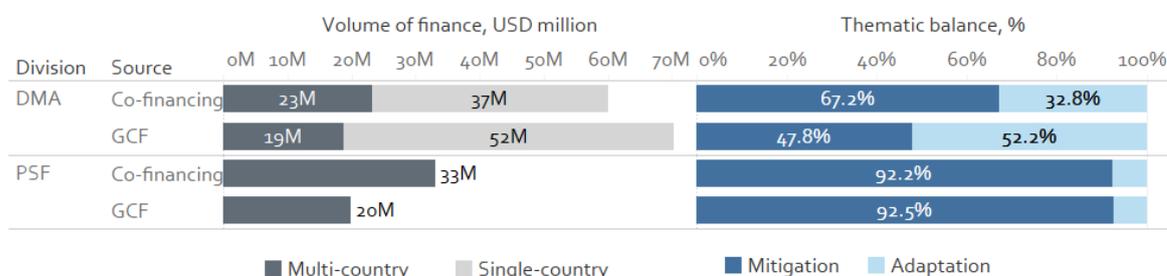
Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. The data cut-off date in the external finance section of the brief is therefore 2019. The further analysis of GCF finance has a cut-off date of 1 July 2021.

The role of the GCF in Burkina Faso

Burkina Faso is an LDC and one of the 54 countries eligible to receive GCF financing in Africa. As of July 2021, a total of USD 90 million of GCF financing, alongside USD 93 million in co-financing, has been approved for projects covering Burkina Faso. The co-finance ratio in Burkina Faso is therefore 1. The GCF channels finance to Burkina Faso through eight projects, only two of them being single country projects. The portfolio of projects covering Burkina Faso includes FP162,

FP152, FP151, FP105, FP095, FP093, FP092 and FP074. As observed at the macro level, the gap between mitigation and adaptation finance persists in Burkina Faso. In fact, nearly all finance for PSF projects is directed towards mitigation efforts (92 per cent); in contrast, finance from Division of Mitigation and Adaptation (DMA) projects is almost equally shared between mitigation (47.8 per cent) and adaptation (52.2 per cent) (Figure A - 11).

Figure A - 11. Volume of finance and thematic balance across GCF divisions, Burkina Faso



Source: GCF Tableau server data (2021).

Note: Left: volume of finance across divisions; right: thematic balance across divisions. For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

Within this portfolio, there is an emphasis on the mitigation result area of energy generation and access, consisting of USD 29.5 million in financing under the DMA and USD 14.9 million under the PSF. This accounts for 49 per cent of the overall finance amount (Figure A - 12). To help build the country's capacity, the GCF is providing RPSP grants through three projects. The GCF pipeline contains four funding proposals, seven concept notes and five RPSP proposals for Burkina Faso.

Figure A - 12. Finance by result area in USD million

	Mitigation		Adaptation	
	DMA	PSF	PSF	DMA
Buildings, cities, industries, and appliances	0.0	2.4		
Energy generation and access	29.5	14.9		
Forests and land use	4.1	1.2		
Transport	0.0	0.0		
			Ecosystems and ecosystems services	0.0
			Health, food and water security	0.8
			Infrastructure and built environment	0.4
			Livelihoods of people and communities	0.4

Source: GCF Tableau server data (2021).

Note: For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

B. FINDINGS

1. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A COUNTRY DRIVEN APPROACH

a. Portfolio of Accredited Entities

While significant efforts have been made to build a strong portfolio of accredited entities to work with the government, currently Burkina Faso has only one (regional) DAE.

As will be expanded upon later in this report, Burkina Faso has availed itself of the GCF's RPSP on three occasions. While each RPSP project has had different objectives, each has also included an

element on strengthening national entities with a long-term view to enhance their access to and knowledge of the GCF. This in turn has had an important impact on the local private sector, with one interviewee noting, “there is a real understanding among private sector of the need to incorporate green finance into their portfolio, and they are increasingly excited at the opportunity to engage with the GCF”. Therefore, despite potential knowledge gaps, there is interest in the community to engage with the GCF, but the GCF machinery and requirements are often viewed as a deterrent, with one interviewee indicating: “yes, private sector in Burkina Faso are interested to engage [with the GCF], but when we explain the characteristics of submitting a project they don’t come back”.

To date, Burkina Faso has just one entity accredited as a (regional) DAE, the West African Development Bank (BOAD), which is a regional financial institution mandated to promote development in West Africa and foster economic integration within the subregion. The entity delivers on its mandate by contributing towards the mobilization of domestic resources in its member state countries, outsourcing foreign capital through loans as well as providing funding through equity investments, loans, guarantees and interest rebates. The entity uses the financial resources that it mobilizes to invest in public and private sector projects and programmes aimed at building basic and modern infrastructure, improving rural livelihoods, generating energy, and CCA and mitigation. Thus, while a strong tool in Burkina Faso’s toolbox in terms of prioritizing the region’s climate change needs, and also in understanding the regional context, evidence presented throughout this evaluation has shown that having national DAEs is crucial to ensuring a country driven portfolio and is also key for empowering NDAs to meaningfully engage with the climate projects being financed in their territory.

Interviews conducted by the evaluation team have found that at least two other national private sector entities who integrated the RPSP projects in the country have sought or are currently in the process of pursuing accreditation, although neither have received a final approval to date. Both entities – Coris Bank and the Environmental Intervention Fund (FIE) – are financial institutions, have been active participants in all capacity-building workshops held in the country and come to the accreditation process equipped with a potential pipeline of projects for the GCF. However, as one interviewee noted, “so far the RPSPs have only focused on ensuring financial institutions are accredited to the GCF, but this does not reflect the heterogenous private sector we have in Burkina Faso”.

b. Project portfolio

Burkina Faso has taken decisive steps to build a robust project portfolio that targets some of its priority areas; however, a significant number of national needs currently remain unmet, potentially due to a lack of national DAEs.

Burkina Faso has one of the largest GCF project portfolios among the countries selected for this evaluation, with nine active projects and three Readiness projects (see Burkina Faso Country Brief). In terms of the country ownership of Burkina Faso’s project portfolio, the projects currently approved do largely reflect national climate priorities, with at least one approved project going directly towards adaptation, and two others categorized as “cross-cutting”. The adaptation project is FP074, “Africa Hydromet Programme – Strengthening Climate Resilience in Sub-Saharan Africa: Burkina Faso Country Project”, which strengthens the capacity of Burkina Faso’s national weather forecasting agency, and also enhances and optimizes the supply and demand side of climate information systems in the national context. However, of the remaining projects, at least three are multi-country projects. As has been noted throughout this evaluation, multi-country projects can sometimes present a challenge for developing countries, especially LDCs, as there are concerns that country ownership is diluted in favour of perceived enhanced impact. As one interviewee suggested,

“sometimes there are projects happening in our country, but the implementers are not here and they do not understand the situation on the ground – this is very difficult to achieve real-time impact”.

To address the challenge of incorporating country ownership into Burkina’s project pipeline, the NDA is currently piloting the use of the CONEDD as a sort of review committee for climate investment projects. By incorporating this multi-stakeholder layer of review, the NDA is hoping to streamline their project portfolio, ensuring alignment with top-tier country priorities and needs. However, one interviewee underscored that while seemingly efficient, this additional layer would “add more bureaucracy without necessarily shortening the already long process”. To date, information available to the evaluation team indicates that the committees are still informal and the pilot stage has yet to be formalized.

c. Enabling environments required for catalysing private sector engagement and investments

While Burkina Faso has made strong progress in building its institutional capacities for a country driven engagement of its private sector under the GCF, gaps remain and additional support is needed.

Burkina Faso has been engaging with the GCF since 2016, when it nominated the Ministry of the Environment to be the NDA for the country, and since then has made significant progress in increasing its institutional capacities to engage with the GCF, including through the private sector. Much of this progress stems from the country’s strategic use of the GCF’S RPSP. Over the course of three RPSP projects, in 2016, 2017 and 2018, the NDA has seen a strong reinforcement of different capacities that strengthen its ability to foster an enabling environment for private sector investment.

The first such project was undertaken by the International Union for the Conservation of Nature. The project was dedicated to both formulating a country programme and building the country’s engagement with the GCF by establishing and strengthening national institutions to undertake such engagement. The objective cited in the funding proposal was to build on a previously formulated NAP and climate change strategies and policies to develop a robust and forward-looking country programme³² as well as to raise awareness among national stakeholders around the benefits to engaging with the GCF. Interviews with key stakeholders involved suggested that this RPSP project built a strong foundation for engagement with the GCF, which led to not only a more aware and capable NDA but also the nomination of the BOAD as the country’s first (regional) DAE. Among other key outcomes, as outlined in the logical framework for the project, are setting up a no-objection procedure for the NDA, establishing a formal stakeholder consultation process and supporting the newly accredited entity to submit a funding proposal under the GCF’s PSF, which was the case for BOAD.

The second RPSP project in Burkina Faso was less geared towards “direct” capacity-building and instead focused on gathering information that would serve as a baseline for key forestry projects in Burkina Faso, including the Great Green Wall initiative (GGW).³³ As interviewees suggested, this Readiness grant aimed to tackle the capacity issue by building a knowledge repository that would benefit the NDA and broader stakeholder base in the long term. One interviewee described trying to access GCF funding as “seeing all the water in the bottle, but not being able to drink it”. Thus, this 12-month RPSP project, executed by the FAO[Food and Agriculture Organization of the United

³² Green Climate Fund, Readiness Proposal: NDA Strengthening and Country Programming. Available at <https://www.greenclimate.fund/sites/default/files/document/readiness-proposals-burkina-faso-iucn-nda-strengthening-and-country-programming.pdf>

³³ Food and Agriculture Organization, “In Burkina Faso, the Great Green Wall is taking shape”, *Action against Desertification*, 5 July 2019. Available at <http://www.fao.org/in-action/action-against-desertification/news-and-multimedia/detail/ru/c/1200852/>

Nations], was used to undertake a strategic analysis of adaptation and mitigation potential – building on the currently available evidence base – and climate investment opportunities in the region’s forest and land-use sectors, and also to identify the adaptation and mitigation measures needed to execute the GGW. In addition, a portion of the preparation funds was used for Burkina Faso’s stakeholder participation in regional consultations and the development of a regional (multi-country) framework programme to harmonize monitoring and the sharing of experience and technical expertise. Furthermore, the programme was heavily country driven, as Burkina Faso had recently signed and ratified the Convention creating the Pan-African Agency of the GGW and had expressed interest in participating in the development of the regional programme. By supporting this project, the GCF effectively integrated institutional capacity-building at the country and stakeholder levels by fostering a knowledge repository that would enable the country to more effectively tackle its most pressing adaptation needs – an area where private investment is remarkably weaker.

Finally, the third RPSP project was led by the Global Green Growth Institute (GGGI) and served to tackle another key challenge facing Burkina Faso: the lack of a DAE portfolio. The project, “Support for accreditation of DAEs, pipeline development and private sector mobilization in Burkina Faso”, built on the previous two programmes by seeking to strengthen and empower another national entity to gain accreditation to the GCF, and simultaneously build the capacities of other relevant stakeholders.³⁴ In this case, the FIE was nominated by the NDA for accreditation, although since then other participants in the programme have also sought accreditation. While the objective of the project goes to the heart of enhancing a country driven portfolio by actively selecting entities for accreditation, the limited scope (only one entity was officially selected for this RPSP) did hinder the overall potential. As one stakeholder underlined, “the limited scope of the programme meant only one entity could be accredited, but it would have been more fruitful to have the diversity of Burkina’s private sector reflected in the portfolio if we could have increased capacity for the project”.

With these Readiness grants, significant progress has been made in ensuring Burkina Faso has the tools and partners needed to effectively engage with the GCF in a country driven manner: the funds have built no-objection procedures, accreditation of national and regional bodies and even workshops to strengthen the knowledge and understanding of the NDA on how the GCF operates and the key opportunities for catalytic action. Nevertheless, the majority of the accredited entities and other stakeholders interviewed indicated that while the NDA was cooperative, engaging and had the relevant scientific expertise on mitigation and adaptation, a crucial gap remained in terms of their climate finance expertise. With the GCF machinery allocating such a critical role to the NDA in the project origination process through the NOL, it is imperative that the NDA is equipped with the necessary technical expertise to take executive action swiftly and strategically.

2. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A PARADIGM SHIFTING PORTFOLIO IN BURKINA FASO

While GCF projects in Burkina Faso have made robust progress in enhancing the national infrastructure to better tackle climate change, many of the country’s most pressing needs – including in the sustainable land management area – remain relatively untouched by GCF investment.

Burkina Faso’s “integrated adaptation” approach, as presented in its INDC, has been partially reflected in its project portfolio under the GCF, with many of the funded projects tackling key

³⁴ Green Climate Fund, Readiness Proposal: Entity Support Strategic Frameworks. Available at https://www.greenclimate.fund/sites/default/files/document/readiness-proposals-burkina-faso-gggi-entity-support-strategic-frameworks_2.pdf

national priorities including strengthened national bodies to be better equipped for adaptation work – for example, through the Africa Hydromet project. However, other areas identified as high priority – including sustainable land management, farming and agriculture – have yet to be touched upon in currently active GCF projects. As clearly noted throughout this evaluation, adaptation projects are less favoured by the private sector for reasons such as the difficulty in measuring impact and the less clear parameters for swift investment returns. However, as one interviewee noted, “The private sector must adapt also to the needs and situation to support the Government of Burkina Faso.”

Many of those interviewed noted that having national DAEs would completely change the project portfolio in Burkina Faso and allow for real-time change in the country, with one interviewee underlining “for Burkina to move forward with its climate change agenda, we [local actors] need to be involved so the change can come from within, not just projects that the IAEs think are best for our country.” One interviewee from an IAE also touched on this idea by suggesting implementation challenges would also have an important impact on the paradigm shifting potential of GCF projects in Burkina Faso, as many international development banks struggled to find national consultants to support implementation – and who would also have a grasp on the context on the ground – and that this could skew impact. This disconnect between high-level international and multi-country projects, as opposed to country driven projects, is particularly flagrant in emerging markets such as Burkina Faso, where contextual knowledge provided by the local private sector is so critical to project success. As one interviewee described it, “only we Burkinabé can truly understand our context and how best to overcome our implementation challenges”, with another stating, “developing countries don’t want top-down anymore, we are going further to seek local collectives, people want to take the reins of their own development.”

3. EFFICIENT AND EFFECTIVE ACCESS CATALYSING PRIVATE SECTOR ENGAGEMENT

a. Participation of local private sector

While RPSP projects have been successful in targeting national entities and engaging them in GCF activities, the focus has been centred on large scale national bodies, and gaps remain in terms of regional access and local informal sectors, who also play an important role in the national economy.

As noted throughout this report, Burkina Faso has a very heterogenous private sector, with many actors spread out across the country and a “formal informal sector” that plays a crucial role in CCA activities, especially in vulnerable rural areas. When referring to the need for the GCF to engage with this formal informal sector, one interviewee described it as “you have a super-smart child so you need to follow their rhythm, otherwise they will leave you behind”. Rigid GCF processes, including an elevated minimum project size threshold (GCF micro projects are USD 10 million), pose an impediment to the involvement of local private sectors, especially entities such as formal informal sectors, who although they may have much to teach the GCF in terms of local adaptation implementation, cannot push through the GCF bureaucracy.

In this area, the GCF runs the risk of becoming out of touch by not stepping up to meet the rapidly changing needs and realities of LDCs such as Burkina Faso. When urgent needs are not met by the international development sector, national agencies have become frustrated at the status quo and sought alternative methods to adapt to the effects of climate change that they are facing. As one interviewee underscored, “You [GCF] need to be flexible and listening to the actors on the ground.

At these large meetings like COP³⁵ and so on, the negotiators are not from the private sector, they are states who know nothing about how the private sector works, and so all that is negotiated is irrelevant to them. We need to give more space to the private sector”.

One potential bridge noted by some interviewees was innovative financing tools or more flexible thresholds to help these smaller, local actors to engage with the GCF. One entity seeking accreditation to the GCF suggested financial intermediation between larger national entities and these local actors as a potential solution, but flagged that doing so would still necessitate strong DAE and civil society participation to ensure actors understood the GCF structure and how they could fit in. One interviewee described it as a “chicken and egg situation: we want to engage with GCF to learn how to bring more green finance into our country, but we need experience in green finance in order to engage – how can we bridge this issue as an LDC?”

b. Efficiency and timeliness of the engagement with the GCF Secretariat

All actors interviewed as part of this case study flagged the language barrier and extensive delays as the two key obstacles faced when engaging with the GCF.

As a francophone country where only 0.8 per cent of the population speaks English, according to the World Francophone Organization,³⁶ engaging with the GCF purely in English poses a considerable challenge. Interviewees described this challenge as posing a resource-heavy burden in terms of how they were able to engage, as well as being a financial burden. Some interviewees indicated they had to hire translators to support them throughout their engagement with the GCF: “we had to translate not only all of our submissions, but when we received feedback, all the Microsoft Word comments – it was extremely cumbersome”. With the GCF prioritizing engaging with developing countries, being unable to effectively communicate is a crucial obstacle. As another interviewee highlighted, “this language issue is not just about translations, but goes deeper into how we design a funding proposal or how we express ourselves – English has a whole other structure. We are always worried it will affect our chances of project approval.”

The second key challenge consistently reported across those interviewed was the GCF’s timeliness – or lack thereof. Stakeholder interviewees across the Board expressed concern that GCF delays in approval, response and even interaction significantly slowed down any activities in Burkina Faso and were also a major deterrent for private sector entities considering engagement: “the first problem to fix is the delays – this will get many people to come to you. The private sector cannot wait 18–20 months for a project, their money loses value”. As a country with urgent adaptation needs, with an engaged private sector who have profited from three RSPs, then having to wait almost three years to go through accreditation and present a funding proposal, losing momentum is inevitable. As one interviewee aptly described it, “As a citizen of Burkina Faso – we need quicker action from you. It is a broken system – we see the money, it just feels like we will never access it.”

³⁵ COP stands for Conference of Parties.

³⁶ Moussa Bougma, “Dynamique des langues locales et de la langue française au Burkina Faso : un éclairage à travers les recensements généraux de la population (1985, 1996 et 2006)”, Research report at Observatoire démographique et statistique de l’espace Francophone (University of Laval, Quebec, 2010). Available at http://observatoire.francophonie.org/wp-content/uploads/2016/11/odsef_rmbougma2010_18022010_110928.pdf

APPENDIX 3-1. LIST OF INTERVIEWEES

NAME	ORGANIZATION
Ibrahim Traore	Banque Ouest Africaine de Développement (West African Development Bank)
Boris Sonny	Coris Bank
Diakarya Ouattara	Coris Bank
Vincent Tiao	Coris Bank
Adama Ouattara	Fonds d'Intervention pour l'Environnement
Jean Marie Sourwema	Fonds d'Intervention pour l'Environnement
Polycarpe Bationo	Fonds d'Intervention pour l'Environnement
Damas Poda	Food and Agriculture Organization
Lamine Ouedraogo	Global Green Growth Institute
Malle Fofana	Global Green Growth Institute
Jacques Somda	International Union for Conservation of Nature
Etienne Traore	Ministry of Environment
Habraham Somda	Ministry of Environment
Issaka Ouedraogo	Ministry of Environment
Jean Victorien Toe	Ministry of Transport
Mahamadi Ouedraogo	Ministry of Transport
Fatimara Siri-Ira	Ministry of Water and Sanitation
Guillaume Nakoulma	National Meteorological Agency
Koffi Hounkpe	World Bank
Nombre Issaka	World Bank
Timothy Afful-Koomson	African Development Bank

4. CHILE COUNTRY CASE STUDY REPORT

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A. INTRODUCTION TO CHILE AND THE ROLE OF THE GREEN CLIMATE FUND

Chile is internationally recognized for its pioneering efforts on climate change, such as its establishing a public–private dialogue platform on climate finance, the Public–Private Roundtable on Green Finance. Chile was thus purposely selected for the private sector approach case studies given the prominence of the private sector in the country’s portfolio under the GCF. The virtual mission was conducted between June and July 2021 and met with representatives from the NDA and relevant national institutions, including representatives from the Ministry of Environment as part of the Technical Secretariat for the NDA; DAEs; and IAEs. This country case study report provides an overview of Chile’s experience and lessons learned from engaging with the GCF in the country’s efforts to catalyse the role of the private sector and investments – in alignment with its NDC under the Paris Agreement – through a country driven and paradigm shifting portfolio.

1. CLIMATE CHANGE PRIORITIES AND NEEDS IN CHILE

a. Overall context and NDC under the Paris Agreement

Chile’s geographical, climatic, economic and sociocultural conditions make the country highly vulnerable to climate change impacts. With a population of 19.12 million inhabitants as of 2020, Chile has made significant progress in terms of economic development. Chile had a gross domestic product of USD 252.94 billion in 2020. The country’s poverty rate is expected to have increased to 12.2 per cent in 2020 (from 8.1 per cent in 2019) as a result of the pandemic.³⁷ Chile has traditionally positioned itself at the multilateral level as a leader on climate action, including through its introduction of a carbon tax in 2017.

The country presented its intended NDC to the Paris Agreement in 2015. In 2020, the country submitted its updated NDC, which reiterates Chile’s commitment to ambitious climate action. Chile’s goal under its 2020 NDC is to achieve GHG neutrality by 2050, aligned with its draft Framework Law on Climate Change. Chile’s preparation of a Climate Change Framework Bill in parallel with updating its NDC ensured the alignment and integration of international climate commitments with guidelines and instruments proposed under the bill. Such alignment has been ensured through common long-term national climate targets, the development of regulations to mainstream climate action and the establishment of governance structures and arrangements towards low emission and climate-resilient economic development.^{38,39}

The energy sector is the highest emitter in the country, accounting for 77 per cent of GHG emissions in 2018, primarily from use of mineral coal for electricity generation and fossil fuel consumption for terrestrial transportation. The land use, land-use change and forestry (LULUCF) sector is the only sector consistently absorbing GHG emissions and is therefore a GHG sink in the country.⁴⁰ From a mitigation standpoint, Chile’s 2020 NDC states a long-term vision to simultaneously reach a sustained decrease in GHG emissions and increase and maintain natural carbon sinks. The country has defined its unconditional mitigation contribution to the Paris Agreement as an economy-wide

³⁷ World Bank, *The World Bank in Chile* (2021). Available at <https://www.worldbank.org/en/country/chile/overview>

³⁸ Chile, *Chile’s Nationally Determined Contribution (NDC). Updated 2020 NDC* (2020). Available at https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Chile%20First/Chile%27s_NDC_2020_english.pdf

³⁹ Chile, Ministry of Environment, Global Environment Facility (GEF) and United Nations Development Programme (UNDP), *Fourth National Communication of Chile to the United Nations Framework Convention on Climate Change (UNFCCC)* (2021). Available at <https://cambioclimatico.mma.gob.cl/wp-content/uploads/2021/06/Compilado-V3.pdf>

⁴⁰ Chile, Ministry of Environment, and Global Environment Facility (GEF), *Fourth Biennial Update Report of Chile on Climate Change* (2020). Available at https://unfccc.int/sites/default/files/resource/Chile_4th%20BUR_2020.pdf

absolute goal of 95MtCO₂eq by 2030, peaking by 2025, and an overall GHG emissions budget of no more than 1,100 MtCO₂eq for the period 2020–2030. Such ambitious commitment in turn constitutes an intermediate goal towards GHG neutrality by 2050, as defined in the draft Framework Law on Climate Change.^{41,42} Achieving Chile's GHG neutrality goal entails the development and implementation of instruments and incentives to protect, maintain and increase natural carbon sinks. This has been further reflected in a twofold contribution in the 2020 NDC for the LULUCF sector: (i) sustainable forest management and recovery of 200,000 ha of native forests, with a mitigation potential of between 0.9 and 1.2 MtCO₂eq annually, and (ii) an increase in forest cover of 200,000 ha, including 70,000 ha of native species, with a mitigation potential of between 3 and 3.4 MtCO₂eq annually.

Chile's geomorphology is characterized by mountainous systems, including the Andes, the Chilean Coastal Range, the coastal plains, the Altiplano and the Magellan Steppe. Flat areas in the country constitute no more than 20 per cent of its continental territory. Chile has diverse climate zones as a result of the varying latitude and altitude, including tropical, Mediterranean, temperate and antiboreal.⁴³ Northern areas and the mountainous areas in the Andes are facing a greater intensity in average temperature increase than the coastal zones: between 1.5°C and 2.0°C above historical average. Trends in annual precipitation suggest a potential further decrease in the period between 2031 and 2050, particularly in the regions between Atacama and Los Lagos, which is the area with the highest population density and where most of the agricultural production in the country takes place.

Scientific evidence attributes at least 25 per cent of the drought experienced in Chile since 2009 to anthropogenic climate change, making it the most temporally and spatially extensive drought on record.⁴⁴ Adaptation and enhanced resilience are thus a high priority for the country. As emphasized in its NDC, adaptation commitments place an emphasis on establishing the policy and institutional framework and capacities, including in relation to (i) updating the country's national adaptation plan and preparation of sectoral adaptation plans, (ii) updating climate risk analysis and monitoring systems and arrangements, and (iii) implementing information and regulatory mechanisms to strengthen resilience in relation to water management and on disaster risk management.⁴⁵ According to the country's Fourth National Communication (NC4) to the UNFCCC, in assessing progress in the implementation of its 2014 national adaptation plan, Chile has identified at least 48 CCA initiatives led by the local private sector, particularly in the forestry, agriculture, energy, industrial production, mining and sanitary services sectors.⁴⁶

Chile's leadership under the Paris Agreement is reflected in a holistic approach to ensure complementarity between mitigation and adaptation strategies. The country has included an "integration component" in its NDC, which includes the specific targets for the LULUCF sector, and others in relation to the circular economy, oceans and short-lived pollutants. Moreover, Chile introduced the principle of "just transition and sustainable development" as a cross-cutting pillar to inform the design, implementation and monitoring of its NDC implementation. Chile emphasizes the need to move towards sustainable development and a just transition in a pragmatic and holistic manner that simultaneously allows the country to overcome the COVID-19 health crisis.⁴⁷

⁴¹ Under revision in the Congress by the time of submission of Chile's NDC.

⁴² Chile, *Chile's Nationally Determined Contribution (NDC). Updated 2020 NDC*.

⁴³ Chile and GEF, *Fourth Biennial Update Report of Chile on Climate Change*.

⁴⁴ Chile, *Chile's Nationally Determined Contribution (NDC). Updated 2020 NDC*.

⁴⁵ *Ibid.*

⁴⁶ Chile, GEF and UNDP, *Fourth National Communication of Chile to the United Nations Framework Convention on Climate Change (UNFCCC)*.

⁴⁷ Chile, *Chile's Nationally Determined Contribution (NDC). Updated 2020 NDC*.

b. Legal, policy and institutional framework for climate change in Chile

Chile's ambition under the Paris Agreement relies on a robust and stable institutional framework and capacity, which are essential for the effective implementation of policies and measures to address climate change. Since 2008, Chile has been strengthening its institutional framework including through policy development at the national and subnational levels, and from a sectoral perspective. This includes the Draft Framework Law on Climate Change, providing management and sectoral responsibilities towards carbon neutrality and resilience by 2050; the National Climate Change Action Plan 2017–2022; the National CCA Plan, which mandates the development and implementation of sectoral adaptation plans in nine priority sectors;⁴⁸ and Chile's Long Term Climate Change Strategy, which has a 30-year time frame towards low emission and climate-resilient development in alignment with the NDC and establishes a GHG budget for 2030 and 2050 and guidelines for integrating climate risks in priority sectors.⁴⁹

The country launched its first Financial Strategy on Climate Change (EFCC) in 2019, in the context of its COP25 Presidency.⁵⁰ The EFCC sets the foundations for catalysing public and private investments to finance the “transition to a resilient and low carbon economy, while implementing the climate and sustainable development objectives”. The strategy was led by the Ministry of Finance, with the participation of the financial sector, and focuses on three main areas: (i) strengthening the institutional framework and capacity in relation to generation of information, data and analysis; (ii) promoting green finance instruments, for both low carbon and climate-resilient markets; and (iii) streamlining green finance in financial systems. Since the launch of the EFCC, Chile has issued USD 6.2 billion in green bonds, building a green bond project portfolio for USD 4.3 billion in 2019, USD 4.4 billion in 2020 and USD 369 million by January 2021. Green bonds are mobilizing financing for clean transportation, renewable energy, green buildings and water management.⁵¹

Chile has a clear governance structure to support the implementation of its international commitments and national climate policies and measures, and the COP25 Presidency has further provided a strong political stimulus in the country in terms of institutional development and strengthening, including in relation to stakeholders' participation. The Ministry of Environment (MMA, following its name in Spanish) is at the core of this institutional structure and is responsible for achieving the objectives set in the NDC as well as for the development of policies, strategies, programmes and action plans, in coordination with relevant sectoral institutions. Cross-sectoral and across-level coordination is ensured through a series of coordinating bodies, including (i) the Ministerial Council for Sustainability and Climate Change, the highest governing body and responding directly to the President's office; (ii) the Inter-Ministerial Committee on Climate Change, presided over by the MMA; (iii) the Regional Committees on Climate Change; and (iv) the National Advisory Board for Sustainability and Climate Change, which includes representation from multiple sectors of society and is under the leadership of the MMA. Moreover, the MMA is informed by a Scientific Advisory Committee on Climate Change and is responsible for leading

⁴⁸ Sectoral plans are currently in place for the following sectors: Forestry and Agriculture, Biodiversity, Fisheries and Aquaculture, Health, Infrastructure Services, Energy, Cities and Tourism. A sectoral plan for Water Resources is under development.

⁴⁹ Chile, GEF and UNDP, *Fourth National Communication of Chile to the United Nations Framework Convention on Climate Change (UNFCCC)*.

⁵⁰ Chile, Ministry of Finance and Ministry of Environment, *Estrategia Financiera frente al Cambio Climático* (2019). Available at <https://cambioclimatico.mma.gob.cl/wp-content/uploads/2020/04/Estrategia-financiera.pdf>

⁵¹ Chile, Ministry of Finance, *Republic of Chile's 2021 Green Bond Project Portfolio* (2021). Available at <https://www.hacienda.cl/english/work-areas/international-finance/public-debt-office/sustainable-bonds/green-bonds/2021-usd-2032-eur-2031->

extensive participatory processes to ensure civil society participation, including from the private sector.

Chile established its Public–Private Roundtable on Green Finance in 2019, underpinned by the EFCC.⁵² This platform aims to “define specific policy for the use of markets by streamlining climate risks and opportunities in the financial system, while considering the need to ensure environmental integrity, avoid double-counting and promote sustainable development”⁵³. This public–private platform, constituted by the main national financial authorities in the country,⁵⁴ highlights the relevance of climate impacts on global and national financial systems.^{55,56} Chile has established a Technical Secretariat to support the role of its NDA under the GCF, composed of the Ministry of Finance – Chile’s NDA – the Ministry of Foreign Affairs and the Ministry of Environment. This institutional arrangement is expected to enable standardizing calls for all public and private projects, including under the GCF, consistent with the neutrality goal.

2. CLIMATE FINANCE LANDSCAPE AND THE ROLE OF THE GCF

a. Climate finance landscape under relevant climate funds

To analyse the climate finance landscape, the evaluation team looked at the climate-related development finance data from the OECD. The team considered activities with principal and significant contributions to climate objectives (calculated using the OECD DAC Rio markers for climate) from 2015 to 2019.^{57,58}

Against this backdrop, there are three climate finance development partner types in Chile’s climate finance landscape: climate funds, bilateral partners, and private donors.⁵⁹

Regarding climate finance volume and number of projects, the main actors in climate finance are the bilateral partners: they support 61 out of 75 projects and are followed by climate funds with 10 projects. Private donors support only four projects (Figure A - 13). The average size of projects in Chile is USD 18.57 million for climate fund projects, USD 2.02 million for bilaterally supported projects and USD 0.04 million for projects supported by private donors.⁶⁰

In terms of financial instruments, climate funds use diverse instruments, whereas bilateral development partners strongly prefer debt instruments. Looking at the balance in finance allocation between adaptation and mitigation, climate funds do not preserve a 50:50 ratio on the country level: only 4.7 per cent of overall climate finance is channelled towards adaptation activities. Even though a thematic balance is observed among private donors, it represents a low volume of finance (USD 0.3 million).

⁵² Chile, Ministry of Finance and Ministry of Environment, *Public–Private Roundtable on Green Finance* (2021). Available at <https://mfv.hacienda.cl/mesa-de-finanzas-verdes>

⁵³ Idem

⁵⁴ Ministry of Finance, the Financial Market Commission, the Superintendence of Pensions, and the Central Bank of Chile.

⁵⁵ Chile, *Chile’s Nationally Determined Contribution (NDC). Updated 2020 NDC*.

⁵⁶ Chile, GEF and UNDP, *Fourth National Communication of Chile to the United Nations Framework Convention on Climate Change (UNFCCC)*.

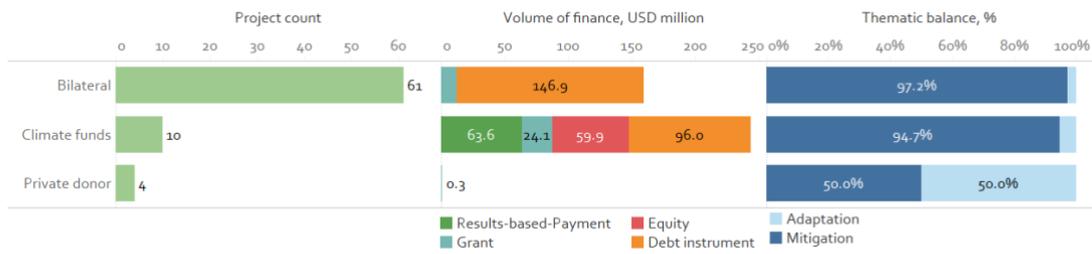
⁵⁷ For details, see https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

⁵⁸ GCF project approval began in 2015.

⁵⁹ Terms such as “private donor” and “private sector institution” are used to maintain consistency with the standardized classifications provided by the OECD and used in its climate-related development finance data. The data are available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>

⁶⁰ These are the Bloomberg Family Foundation and Children’s Investment Fund Foundation.

Figure A - 13. Portfolio of climate finance in Chile

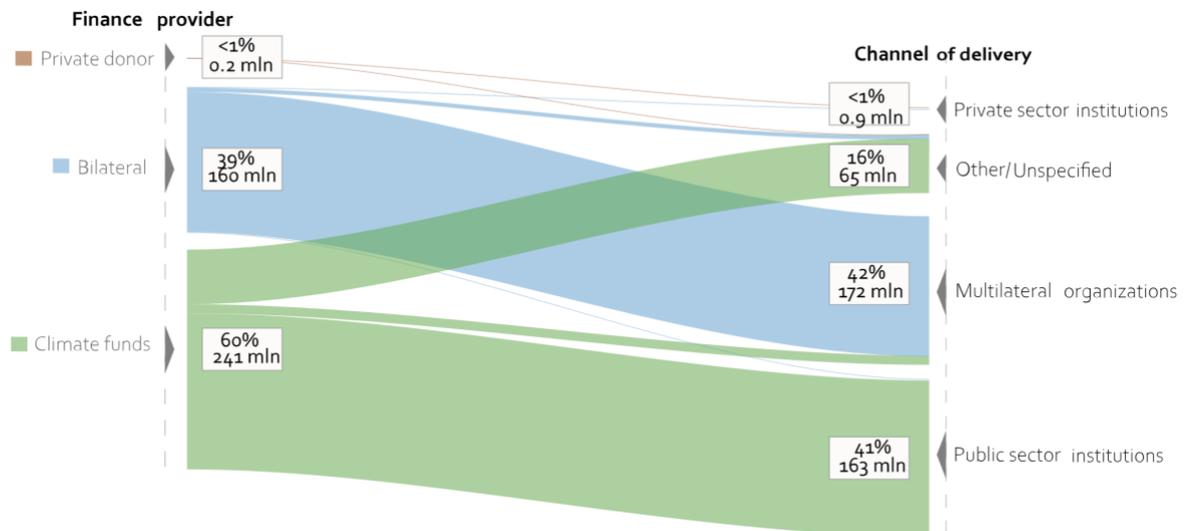


Source: OECD climate-related development finance (2015-2019), GCF Tableau server data (2019).

Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. Due to such availability, data cut-off date in the external finance section of the case study is 2019. Analysis of GCF finance has cut-off date of July 1st, 2021.

From the programmatic perspective, the channel of climate finance delivery plays a crucial role in catalysing and mobilizing the private sector in countries. According to the newest available data on climate-related development finance (as reported to the OECD in 2019), the private sector is currently underused as a channel of climate finance delivery in Chile. At the country level, less than 1 per cent of climate finance is channelled through private sector institutions. This is a very small amount, and the channel is used mainly by bilateral development partners (Figure A - 14). Nearly half of the overall climate finance in Chile is sourced from climate funds and delivered through multilateral organizations (46 per cent), followed by bilateral organizations channelling finance to Chile through public sector institutions (36 per cent).

Figure A - 14. Delivery channels of climate finance to Chile



Source: OECD climate-related development finance (2015-2019), GCF Tableau server data (2019).

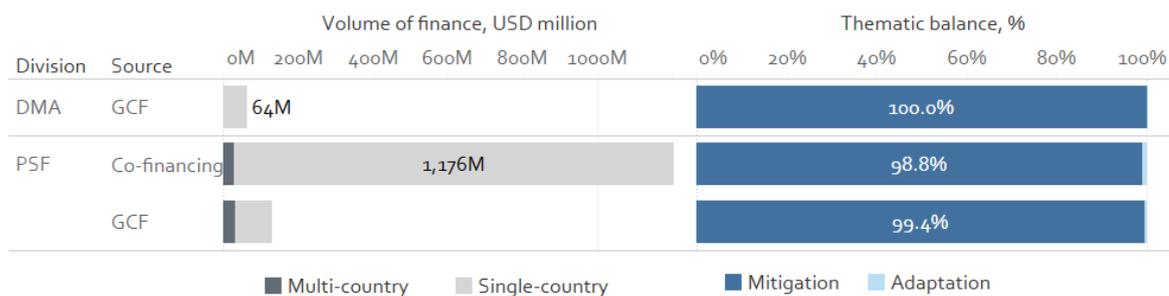
Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. Due to such availability, data cut-off date in the external finance section of the case study is 2019. Analysis of GCF finance has cut-off date of July 1st, 2021.

b. The role of the GCF in Chile

Chile is one of the 33 countries in the Latin America and Caribbean region that are eligible to receive GCF financing. By May 2021, Chile had submitted a first version of its country programme, noting it could be further improved with additional readiness support. Nonetheless, as of July 2021,

Chile has received a total of USD 194 million of GCF finance alongside USD 1,204 million in co-finance, which brings the co-finance ratio in Chile to 6.2. However, the entire volume of co-finance is leveraged by the PSF. The GCF channels climate finance through six projects: FP152, FP151, FP149, FP120, FP115 and FP017 (see Chile Country Brief). Of these, three are multi-country projects, and the other three are single country projects. The latter group take up the most significant share of the GCF finance (83 per cent, USD 162 million). As previously observed at the macro level across other climate funds' investments in Chile, the country level thematic balance in the GCF portfolio is skewed: of the total USD 194 million in the country (as of 1 July 2021), the GCF is channelling 99.57 per cent to mitigation and 0.43 per cent to adaptation (Figure A - 15).

Figure A - 15. Volume of finance and thematic balance across GCF divisions, Chile



Source: GCF Tableau server data (2021).

Note: Left: volume of finance across divisions; right: thematic balance across divisions. For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

Beyond uneven finance allocation across mitigation and adaptation in Chile, there is a tendency to focus specifically on the mitigation result area of energy generation and access. Out of an overall USD 194 million committed to GCF activities in Chile, 56 per cent is committed to activities focused on energy generation and access (USD 108 million) under PSF projects. Division of Mitigation and Adaptation projects receive only 33 per cent of the finance, all geared towards forests and land use (Figure A - 16). The RPSP has supported six grants, in an effort to enhance the country's capacities.

Figure A - 16. Finance by result area in USD million, Chile

	Mitigation		Adaptation		
	DMA	PSF	DMA	PSF	
Buildings, cities, industries, and appliances	0.0	12.0	Ecosystems and ecosystems services	0.0	0.0
Energy generation and access	0.0	108.3	Health, food and water security	0.0	0.5
Forests and land use	63.6	9.2	Infrastructure and built environment	0.0	0.0
Transport	0.0	0.0	Livelihoods of people and communities	0.0	0.3

Source: GCF Tableau server data (2021).

Note: For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

B. FINDINGS

1. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A COUNTRY DRIVEN APPROACH

a. Portfolio of Accredited Entities

The lack of a DAE has made it very challenging for the country to be able to identify, design and implement projects and programmes that support the implementation of the country's NDC. The NDA envisioned a country-led portfolio of DAEs to be consistent with mitigation and adaptation priorities, so the NDA originally proposed nine national entities for accreditation. Since the country is no longer eligible to access Official Development Assistance, interviewees further stress a perceived push for Chile to accredit DAEs with access to only non-grant financial instruments. The latter, together with perceived inefficiencies and lack of predictability in the accreditation process, and the slow rates of project approval, have resulted in accreditation requests having been withdrawn, a situation underscored by interviewees. This has ultimately caused high levels of frustration about accessing climate finance through the GCF. As a result, Chile's portfolio of accredited entities (AEs) is dominated by international and regional AEs, such as the World Bank, United Nations agencies, or the Andean Corporation of Finance (CAF).

Ensuring a balance in terms of GCF financial instruments available for Chile through fit-for-purpose DAEs is emphasized by interviewees as critical to ensuring the GCF effectively provides climate finance consistent with the country's goals, priorities and needs as defined in its NDC, including through an enhanced role for the private sector. Accreditation of Finanzas y Negocios S.A. (FYNSA), Chile's only DAE, is generally seen as a positive signal to promote country driven engagement. Interviewees refer to FYNSA as a DAE with a well-established presence in the country and good relations with both the NDA and local private and financial entities. Interviewees further emphasize the expectation is that other domestic private sector entities will have the opportunity to work on a public-private project through FYNSA. However, interviewees also highlight that FYNSA's strengths in catalysing local private financial institutions lie only in the mitigation area. In-country stakeholders stress that Chile would benefit from having a DAE that can access grant instruments, which would support the enabling environment to implement public sector projects while providing opportunities to engage the local private sector.

b. Project portfolio

The lack of a country driven DAE portfolio has resulted in few opportunities for Chile to effectively access GCF financing and consequently, translate its strategic priorities into a project portfolio that reflects national needs. This is evidenced by an imbalanced resource allocation between private sector and public sector projects under the GCF in Chile. Of the single country private sector projects in Chile's portfolios under the GCF, the bulk of the projects are led by IAEs, which translates into USD 39 million in GCF loans (FP017) and USD 60 million in GCF equity (FP115), in addition to the USD 63.6 million undertaken through results-based payments (RBPs) for emission reductions that have been fully measured, verified and reported for a 2-year period (FP120).

Given the IAE-dominated portfolio in Chile, in-country stakeholders reflected on whether the NOL is enough to ensure a country driven project portfolio. Interviewees reiterate that the NOL has a nominal role and seems to be a "box ticking exercise" to promote country ownership. The size of funding proposals being put forward by private sector IAEs, together with the advanced stage of discussions and support from the GCF, have made it challenging for the NDA to consider refusal via

a NOL (see Box A - 2). IAEs are ultimately in the driver's seat when building a portfolio under the GCF. The NDA has little leverage or influence to ensure a country driven portfolio, which has resulted in high levels of frustration. Interviewees refer to project FP120⁶¹ as the only project in Chile's portfolio that can be considered truly country driven, in terms of both project origination and implementation. While led by an IAE, following the conditions of the GCF's RBP Programme, this project has been fully conceived and is being implemented by Chile's National Forestry Commission. FP120 is directly implementing Chile's National Strategy on Climate Change and Vegetation Resources – from a mitigation and adaptation perspective – and is also fully geared to achieving the NDC targets for the LULUCF sector. While officially a public sector project, interviewees underline that the implementation of FP120 will catalyse the role of private sector associations and local private investments towards a paradigm shift in the land and forestry sector in the short and medium terms.

Interviewees strongly emphasized the need for a country driven project origination process. The establishment of the Technical Secretariat for the NDA is seen as a means to strengthen a country driven engagement with the GCF going forward. The Technical Secretariat aims to improve and standardize project origination procedures in a country driven manner, including by establishing evaluation methodologies for assessing and prioritizing project proposals prior to issuing a NOL.

Box A - 2. Project origination and the Mobilising Funds at Scale Request for Proposals

Project FP115, Espejo de Tarapacá, is a large scale private sector project leveraging USD 1.1 billion in GCF and international private sector investments to de-risk solar power energy in the country. Conceived by a local technology start-up, Energía Valhalla, a concept note was presented by the local start-up to the GCF's PSF in response to its campaign "Pitch for the planet", under the private sector-dedicated Mobilising Funds at Scale (MFS) request for proposals. At the time of submission of the concept note, FYNSA was proposed as the potential DAE. While still undergoing accreditation under the GCF, the MFS conditions at the time not only allowed this but were also supposed to fast-track FYNSA's accreditation. Given its great innovation and impact potential, and originally being a country driven project idea in terms of proposed AE and executing entity, the concept note was shortlisted for funding proposal preparation together with another 30+ concept notes, from over 300 project ideas presented. Yet by the time of preparation of a full funding proposal, criteria under the request for proposals had changed and Energía Valhalla was no longer allowed to move on with FYNSA as the proposed DAE. Not only was FYNSA's accreditation not fast-tracked and Energía Valhalla urgently had to find an accredited AE, but the project ultimately came to be led by an IAE, following conversations facilitated by the PSF to move forward with the project.

The last coal plant in Chile had been inaugurated in 2016; interviewees highlight the great potential that a project of the scale of FP115 has to transform energy systems, particularly given the incipient development of energy storage technologies. Interviewees reflect on the fact that climate risks are still not fully internalized in Chile's market driven energy sector and so this transition is difficult to finance. While evidence shows that development of renewables in Chile is already largely funded through multilateral development banks and other development partners, interviewees underscore that high-risk investments from the GCF are critical to overcome price and regulatory barriers to de-risk solar energy storage facilities.

c. Enabling environments required for catalysing private sector engagement and investments

The local private sector has a key role in the implementation of Chile's NDC, in terms of both investments and implementing innovative mitigation and adaptation actions. Yet technical and financial support from the GCF is not aligned with the country's need to catalyse the role of the local private sector to implement its NDC and GHG neutrality goal.

Chile's NDC underscores that its EFCC will serve to put in place enabling conditions to design and implement financial green instruments and open markets for both mitigation and adaptation

⁶¹ Chile REDD-plus results-based payments for results period 2014–2016.

objectives. The country has also committed to the promotion of long-term public–private cooperation to ensure a better understanding and management of climate risks and opportunities in the financial sector.⁶² Financial systems and markets, together with adequate technological, policy and regulatory conditions, are critical to accelerate climate actions and could lead to a 30 per cent emission reduction by 2030. Institutional strengthening of the financial system is critical for effectively streamlining climate risks in the financial sector including through the adoption of internal policies, mechanisms and procedures, in alignment with the environmental, social and corporate governing principles according to Chile’s EFCC.⁶³

According to the country’s NC4, there are remaining unmet needs that are barriers to achieving enhanced private sector engagement consistent with the country’s neutrality goal and adaptation priorities.⁶⁴ In the case of the water management sector, the lack of an adequate institutional framework, the need to strengthen its governance and the remaining need for technology transfer are some of the barriers to addressing the sector’s vulnerability to droughts and extreme events, including through payments for ecosystem services schemes.⁶⁵ Achieving the country’s 2050 neutrality goal requires a sustainable transition in the energy sector to make a structural shift towards green transport. This in turn requires stable policy, regulatory and institutional enabling environments that catalyse private sector engagement and investments through offsetting schemes and financial incentives from the financial sector.

Interviewees stress the urgent need for local public entities to access grants under the GCF to strengthen national capacities that enable public–private partnerships to leverage private sector investments. This kind of financing under the GCF is seen by in-country stakeholders as critical for sustainably transforming local financial systems and putting in place the conditions to catalyse blended finance at the national level. Private sector programmes under the GCF, such as FP149, are essential for providing financial solutions to small and medium-sized companies. However, their success relies on complementary technical assistance that strengthens institutional capacities to use such instruments and internalize climate risks in the operations of financial institutions. Local financial institutions like FYNOSA have been largely motivated to get accredited under the GCF with a view to accessing to both grant and non-grant instruments. Interviewees emphasize that baseline financing is urgently required to complement climate finance under carbon markets, and this is the added value the GCF could bring. Moreover, interviewees underscore the need for grant instruments to provide technical assistance that enables sustained CCA. From a private investor perspective, however, there is no appetite to invest in adaptation, and so programmes like FP149 could be instrumental in providing the technical and financial support that the public sector needs to enable public–private partnerships.

2. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A PARADIGM SHIFTING PORTFOLIO IN CHILE

Chile envisions a comprehensive approach to simultaneously pursue mitigation and adaptation objectives, which is reflected in the country’s dedicated target in the LULUCF

⁶² Chile, GEF and UNDP, *Fourth National Communication of Chile to the United Nations Framework Convention on Climate Change (UNFCCC)*.

⁶³ Ibid.

⁶⁴ Including in the following: Commerce, Telecommunications, and Tourism; Infrastructure; Mining; Fisheries; Waste and Recycling; Agriculture, Forestry and Livestock; Food and Packaging.

⁶⁵ Ibid.

sector expressed in both hectares⁶⁶ and their respective mitigation potential. Yet the country has not been able to pursue a portfolio aligned with the above.

Interviewees highlighted the low rates of project/programme approvals under the GCF, stressing that in the past six years only three projects aligned with the country's priorities have been approved, two of which were only approved in 2019. Interviewees underscore that given Chile's low emissions compared to other countries, the GCF should be doing more to ensure a true alignment between the approved portfolio and the country's climate strategies, and so focus more on adaptation. Water security is a national priority and so a policy mix for improving water management at the watershed level and enhancing the resilience of health services is critical to build climate resilience in the country. Given the public sector led nature of CCA, Chile's NDC outlines a series of commitments in terms of the enabling conditions required for sectoral climate action, the need for systematically and sustainably streamlining CCA in policies and programmes, and engagement with the private sector.

As stressed by interviewees, a truly paradigm shifting portfolio in Chile should foster cross-sectoral and hybrid approaches – for instance, to boost efficiency and enhance the resilience of irrigation systems for both agricultural and water management purposes; disaster risk reduction in public infrastructure, such as bridges built to withstand floods; and increasing energy efficiency through the better design of public infrastructure such as hospitals or schools. There are already public and international resources – under the GEF or EUROCLIMA – being deployed to build resilience in the country and supporting this transition to climate-resilient public investments, but there is an urgent need for more climate finance flows geared towards adaptation. The country remains highly vulnerable to climate change on many fronts. With a long coastline, a high number of forest fires, and an economy and society highly dependent on natural resources, interviewees indicate that “even if Chile has a high potential for mitigation and renewables, the bet for GCF projects, including with the private sector, should be geared towards adaptation”. While aligned with Chile's neutrality goal, the focus on renewables has limited the NDA's bandwidth to pursue a portfolio consistent with sectoral and adaptation priorities under the NDC and NC4.

Interviewees also stressed the introduction of the principle of “just transition and sustainable development” in Chile's NDC as a means to bridge the gap between the climate and the development agendas. By the time the updated NDC was published for public consultation, Chile faced a series of social protests that, among other concerns, underscored the urgency of integrating the climate agenda with the social agenda. There was a concern among local actors that Chile's COP25 Presidency was not fully acknowledging inequalities in the country, and so the just transition and sustainable development principle would allow maximizing synergies between climate mitigation, adaptation and sustainable development at the strategic level. The criteria defined to operationalize this principle will serve as a basis to measure, report and verify integrated climate, social and development benefits resulting from NDC implementation as well as a basis to design, prioritize and implement climate policies, including those developed through or for projects supported by the GCF.⁶⁷

⁶⁶ To be restored with native species and to be brought into sustainable forest management practices.

⁶⁷ Criteria under the just transition and sustainable development pillar: (i) contribution to at least one or more SDG; (ii) ensuring a just transition, particularly in the decarbonization of Chile's energy matrix; (iii) contribution to water security; (iv) ensuring gender equality and equity; (v) cost-efficiency; and (vi) promotion of nature-based solutions.

3. EFFICIENT AND EFFECTIVE ACCESS CATALYSING PRIVATE SECTOR ENGAGEMENT

a. Participation of the local private sector

The lack of alignment between the GCF's business model and those of regional and local financial institutions is ultimately being seen as barrier to promoting their engagement effectively and efficiently. The very limited funding made through grant instruments by the GCF for projects led by financial intermediaries and local financial institutions illustrates the lack of accommodation of this type of private sector actor in the GCF's business model. This in turn hinders their potential to catalyse structural transformations in financial systems. According to interviewees, "mainstreaming green finance in financial markets and systems is the real paradigm shift". Yet interviewees emphasize that the GCF has not yet internalized in its business model and operations "who they are engaging with, how the financial system works and the commitments they have with their clients".

CAF's project FP149, Green Climate Financing Facility for Local Financial Institutions in Latin America, is a multi-country project under the PSF endorsed by Chile through the provision of a NOL. This project aims to provide technical assistance and financial solutions to local financial institutions and small and medium-sized enterprises, with a view to effectively streamlining climate risks and sustainable development considerations in their operations. However, doing so requires a combination of grant and non-grant instruments, the former being critical to establishing enabling conditions in national and local financial and banking systems towards fostering green investments from the local private sector.

As a regional financial entity with a long history of working with national governments in Latin America, CAF has a niche role in the region. It provides technical assistance to public sector institutions that is geared towards institutional strengthening, with a view to enabling public-private investments for both climate and sustainable development agendas. As emphasized by interviewees, such institutional strengthening entails building institutional capacities or revising/updating regulatory frameworks that in turn lay the foundations for private investments. This is where grant instruments deployed by the GCF are critical for leveraging local private sector investments in the medium and long term. Interviewees emphasize that this is where the GCF could bring added value, however accessing the right financial instruments remains a challenge.

Projects FP151 and FP152, Global Sub-national Climate Fund – Technical Assistance Facility and Equity, have secured 42 NOLs from NDAs in all GCF regions, including Chile and 19 countries from GCF's priority groups (LDCs, SIDS and African States). With a view to streamlining climate risks in private sector investments, interviewees stress that projects like FP152 entail a great potential to fund mid-size projects (USD 5 million to 75 million) at the subnational level, which are historically underfunded by the private sector as they are perceived to be high-risk investments and so have traditionally relied on grant instruments. As a result, interviewees highlight that such funds are strategic and innovative partners for the GCF, to support its efforts in deploying climate finance efficiently at subnational and landscape scale. However, interviewees further emphasize the lack of fit of a subnational fund like this under the GCF's business model and its policy and institutional framework, which has only been evident in the post-approval process.

The lack of fit of financial systems and financial intermediaries under the GCF's business model has had a trickle-down effect on the operationalization of its institutional and policy framework. As underscored by interviewees, inadequate templates and reporting indicators not only result in bottlenecks in the post-approval process but also pose significant barriers for monitoring and reporting the real impact of the financial sector vis-à-vis the GCF's integrated results management

framework. Ultimately, this has raised concerns about the extent to which projects such as FP149 will even be implemented.

Box A - 3. *Monitoring and reporting challenges for private sector projects targeting local financial systems*

As a regional development financial institution, CAF has in place a series of internal policies purposefully designed to accommodate compliance and reporting conditions and the capacities of local partners, as well as being adaptable to national policy and regulatory frameworks. As a result, CAF has developed flexible indicators to measure impacts from its investments, as well as associated social and environmental impacts. Yet the standardized indicators under the GCF's integrated results management framework in terms of mitigation and adaptation impact are seen as inadequate for capturing the real impact of financial institutions, and so it has been impossible for regional IAEs such as CAF to reconcile internal monitoring and reporting indicators with those under the GCF.

This is the case not only for monitoring and reporting on projects' impact but also in relation to compliance with social and environmental management conditions applicable as per the accreditation policy. As stressed by interviewees, it is only during unpredictable, lengthy and burdensome funded activity agreement negotiations that private sector IAEs have been made aware of the need to transfer responsibilities to their local partners providing co-financing – for instance, in terms of conformity to and monitoring and reporting on the GCF's environment and social safeguards. Institutional capacities of small and medium private sector companies involved at this scale of implementation cannot possibly meet such legal conditions. This not only poses the risk of projects not being materialized but also entails a huge reputational risk for financial institutions with their partners and clients, as underscored by interviewees.

b. Efficiency and timeliness of the engagement with the GCF Secretariat

While accreditation is not necessarily seen as a complex process, inefficiencies arise from the lack of predictability and transparency. According to interviewees, the GCF Secretariat seems to be unaware of the practical implications that the lack of fit for financial institutions under its business model has in relation to accreditation and project origination, approval, implementation, monitoring and reporting.

As examined above, as a regional financial institution with long-term presence and operations in the region, CAF already had regulations in place in relation to the GCF's policies at the time of accreditation. Said policies had been designed in a way that allowed enough flexibility to accommodate the regulatory and institutional frameworks regulating both national public and private sector entities. Interviewees refer to “endless iterations during the accreditation process questioning or flagging concerns about national legal frameworks. This not only inconceivable for a multilateral entity but ultimately results in a bottleneck.” When reflecting on the PSF's MFS, which was supposed to fast-track FYNSA's accreditation, interviewees reflect on the lack of transparency of the accreditation process (see Box A - 2). Moreover, interviewees refer to the need for the accreditation policy to be revised to ensure that, at the very least, a recovery sum is provided for costs incurred throughout the accreditation process, recalling a recent report by the World Resources Institute that argues that, “otherwise the GCF is becoming an institution that not only charges for accreditation but has made entities spend time and resources inefficiently”.⁶⁸

Interviewees reflect that developing a concept note or a funding proposal that is ready for GCF consideration already requires investing time and resources. Yet lengthy and inefficient interactions and iterations are a disincentive for the private sector. Iterations in relation to readiness support

⁶⁸ M. Caldwell and G. Larsen, “Improving Access to the Green Climate Fund: How the Fund Can Better Support Developing Country Institutions”, World Resources Institute (2021)

proposals have sometimes taken over a year, with substantial feedback being provided very late in the process. The same is true for post-approval negotiations and execution. As one interviewee noted, “A three-year post-approval negotiation period not only implies the investment of additional time and money by the AE but has triggered internal discussions on whether new sources of finance should be explored and considering the possibility of withdrawing the proposal”.

At an operational level, interviewees refer again to the practical implications of the lack of fit that the financial sector has under the GCF’s business model in terms of efficient engagement with the Secretariat. Interviewees stress a perceived lack of expertise and flexibility in the Secretariat in relation to financial projections and budgets required in funding proposals, following the GCF’s standardized templates: “The business model of a fund at design stage cannot accurately produce a 50-year budget given all the uncertainties this kind of project entails at this stage: you don’t know when operations will start, the rate of implementation, the selected portfolio, closure date, etc.” This lack of flexibility has resulted in made up information that can fit into standardized templates, which is seen as rather time-consuming and inadequate.

Finally, interviewees highlight the need for more flexibility under the GCF’s business model and operations, particularly in the context of a green recovery from the still ongoing COVID-19 pandemic. Local financial institutions in Latin America and the Caribbean have entered survival mode, and so investment priorities continue to change as national economies face second and third waves of the pandemic. The GCF has a critical role to play in economic reactivation and the green recovery, with a view to increasing productivity and competitiveness. Yet the complexities and inefficiency of the engagement with the GCF examined above are seen as barriers to catalysing private sector engagement in this recovery process.

APPENDIX 4-1. LIST OF INTERVIEWEES

NAME	ORGANIZATION
Agustin Fregossi	CAF
Alejandro Miranda	CAF
Cesar Vargas	CAF
Edgar Salinas	CAF
Jaily Gomez	CAF
Luis Toro	CAF
Miguel Guzman	CAF
Trinidad Lecaros	Deloitte / Former NDA Focal Point
Juan Camus	Energia Valhalla
Dorothee Herr	IUCN
Elmedina Krilasevic	IUCN
Lucio Santos	FAO
Adriana Yepes	FAO
Daniel Urra	FAO
Andrea Sáez	FAO
María Mercedes Proaño	FAO
Carlos Torres Arroyo	FAO
Pablo Honeyman Lucchini	FAO
Rodrigo Valenzuela	FYNOSA
German Acuña	FYNOSA
Benjamín Molina	FYNOSA
Camilo Bastias Benzi	Ministry of Environment
Alfonso Enrique Galarce Jaramillo	Ministry of Environment
Joaquin Guajardo	Ministry of Finance
Chica Fukuyama	MUFG Bank
Brian Friedman	Pegasus Capital

5. GHANA COUNTRY CASE STUDY REPORT

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A. INTRODUCTION TO GHANA AND THE ROLE OF THE GREEN CLIMATE FUND

Ghana was selected as one of the countries for the independent evaluation of the Green Climate Fund's approach to the private sector case studies due to the presence of private sector projects with a particular focus on the agriculture, forest and other land uses (AFOLU) sector from the mitigation, adaptation and cross-cutting perspectives. A virtual mission to the country was conducted between June and August 2021. The Independent Evaluation Unit team met with representatives from the NDA; relevant national institutions and civil society representatives, including the private sector federation; DAEs; and IAEs. Ghana's portfolio under the GCF is broadly coherent with the country's priority sectors and goals as defined in its NDC. However, barriers remain to ensuring a truly country driven engagement under the GCF that can support NDC implementation. This country case study report provides an overview of Ghana's experience and lessons learned in relation to the GCF's approach to catalysing the role of the private sector and investments in alignment with a country driven paradigm shift.

1. CLIMATE CHANGE PRIORITIES AND NEEDS IN GHANA

a. Overall context and NDC under the Paris Agreement

Ghana is a unitary democratic republic located in West Africa on the Guinea Coast. Ghana's economy largely depends on export revenues from natural resources; gold, cocoa, timber and crude oil, with gold and oil contributing the most (34.4 and 30.6 per cent respectively). The economy increased by over 100 per cent in the period 2010 to 2018 with gross domestic products increasing from USD 32.2 billion to USD 65.6 billion. In 2020, Ghana's estimated population was 30.9 million people, representing an increase of 26 per cent compared to 2010.⁶⁹ Less than a tenth of the population lives in extreme poverty (8.2 per cent), with extreme poverty being outstandingly high in the rural Savannah (36.1 per cent).⁷⁰ Recent data suggest a contraction of Ghana's economy during 2020, "pushing the country into a recession for the first time in 38 years".⁷¹

Ghana's total GHG emissions were estimated at around 42.2 MtCO_{2eq} in 2016, an increase of 7.1 per cent from 2012 levels, and with a total increase of 66.3 per cent between 1990 and 2016. The need to reduce poverty in Ghana has resulted in a need to expand its economy, which has been accompanied by an increase in GHG emissions, particularly from road transportation, thermal electricity generation, biomass consumption for cooking, deforestation and domestic waste. The AFOLU sector is the largest source of GHG emissions, representing 54.4 per cent of national emissions. From a mitigation standpoint, Ghana's NDC states an unconditional economy-wide GHG emission reduction goal of 15 per cent relative to a business-as-usual scenario emission level of 73.95 MtCO_{2eq} by 2030. The country has defined a conditional target to go beyond this goal and achieve an additional 30 per cent emissions reduction, contingent on external support to fully cover the costs of such a transition, including through finance, technology transfer and capacity-building. The mitigation component of Ghana's NDC defines the following priority sectors: energy, transport, AFOLU, waste management and industry, including through energy efficiency. The energy sector, with scaled up renewable energy development as the top priority, and the AFOLU sector, with

⁶⁹ World Bank, *The World Bank in Ghana* (2021). Available at <https://www.worldbank.org/en/country/ghana/overview>

⁷⁰ Ghana, Ministry of Environment, Science, Technology and Innovation, *Ghana's intended nationally determined contribution (INDC) and accompanying explanatory note* (2020). Available at https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Ghana%20First/GH_INDC_2392015.pdf

⁷¹ World Bank, *The World Bank in Ghana* (2021). Available at <https://www.worldbank.org/en/country/ghana/overview>

sustainable utilization of forest resources as the top priority, are the sectors with the largest numbers of programmes of action to implement Ghana's NDC.^{72,73}

Ghana has diverse ecological zones, including savanna, dry and moist semi-deciduous, moist and upland evergreens. According to Ghana's Fourth National Communication (NC4) to the UNFCCC, "poverty and livelihoods, gender and geographic locations" have a direct impact on the level of vulnerability to climate change in the country. Ghana has a tropical climate, strongly influenced by the West Africa monsoon. Average temperature is generally warm, influenced by seasons and elevation, with one rainy season a year in northern areas, and two rainy seasons to the south. Climate records over more than 30 years suggest that climatic conditions in Ghana have deteriorated and are likely to worsen in the future. Rainfall variability is anticipated to be higher in northern regions; average temperatures are expected to increase by at least 3° Celsius by 2080; record temperatures are expected in the Savannah regions of over 30° Celsius, with dry spells posing the threat of droughts; and wet spells are likely to result in floods across the country.

Ghana's rural livelihoods are particularly vulnerable to climate change as agricultural systems are significantly threatened by climate risks. With 69 per cent of the country's area designated for agricultural production, and 41 per cent consisting of forest areas, transitioning to sustainable land-use and food production practices is critical. Disruptions in electricity systems and energy insecurity, food insecurity and urban migration are some of the potential impacts expected in the country, as per the NC4. Ghana's long-standing objective to become a middle-income economy thus requires "coordinated domestic policy actions that in effect seek to develop a policy framework that integrates adaptation, mitigation and other climate-related policies within broader development policies and planning" while building a climate-resilient economy.

From an adaptation standpoint, Ghana's NDC states the importance of efforts to be informed by good governance and intersectoral coordination, capacity-building, the role of science, technology and innovation; the adequacy of finance from both domestic resources and international cooperation; the promotion of outreach efforts to inform, communicate and educate citizens; and of adhering to accountable monitoring and reporting. Adaptation actions are expected to deliver both increased resilience as well as emissions reductions, with a focus on the following sectors: (i) agriculture and food security; (ii) sustainable forest resource management; (iii) resilient infrastructure in building environment; (iv) climate change and health; (v) water resources; and (vi) gender and the vulnerable.⁷⁴

As stated in the NC4, climate change represents a threat to Ghana's sustainable development aspirations and threatens to "erode the development gains" achieved in the country. Despite its vulnerability to climate change, Ghana has strived to implement ambitious and cost-efficient climate actions for both mitigation and adaptation including through Ghana's Shared Growth Development Agenda II (GSGDA 2), which puts forward a total of 20 mitigation and 11 adaptation programmes

⁷² Ghana, *Ghana's intended nationally determined contribution (INDC) and accompanying explanatory note*.

⁷³ Ghana, Environmental Protection Agency, Ministry of Environment, Science, Technology and Innovation, Global Environmental Facility (GEF) and United Nations Environment Programme (UNEP). *Ghana's Fourth National Communication to the United Nations Framework Convention on Climate Change*. (2020). Available at https://unfccc.int/sites/default/files/resource/Gh_NC4.pdf

⁷⁴ Ghana, *Ghana's intended nationally determined contribution (INDC) and accompanying explanatory note*.

of action for seven priority economic sectors⁷⁵ for NDC implementation in the period between 2020 and 2030.^{76,77}

b. Legal, policy and institutional framework for climate change in Ghana

Implementing climate actions that simultaneously contribute to Ghana's sustainable development objectives requires a "well-coordinated and holistic governmental strategy that integrates climate actions into national sustainable development programmes."⁷⁸ Climate change priorities have been streamlined into policy and planning instruments, particularly with the GSGDA 2, a Coordinated Programme of Economic and Social Development Policies, a National Climate Change Policy, the Low Carbon Development Strategy, and Ghana's CCA Strategy 2012. For over a decade, Ghana has been putting in place a series of enabling conditions to increase tangible climate actions, including policy development, reform and implementation. Ghana published its national climate change policy in 2014, a low carbon development strategy was presented in 2015, and the country ratified the Paris Agreement in 2016. Climate change has also been streamlined in the Coordinated Programme of Economic and Social Development Policies and the Medium-Term Development Policy Framework. Moreover, a series of flagship programmes on food security and jobs, and rural development are under implementation, with a view to increasing resilience and boosting green industrialization.⁷⁹ The NDC refers to the implementation of Ghana's first UNFCCC reporting period to be largely achieved through policies, laws and regulations; revisions of its legal frameworks are expected, as a condition to further achieve the country's midterm objectives.

The Ministry of Environment, Science, Technology and Innovation (MESTI) and Ghana's Environmental Protection Agency (EPA) are responsible for the coordination of climate change issues in Ghana. The MESTI leads the overall formulation of climate policies in the country and oversees the implementation of international commitments under the UNFCCC. The EPA is responsible for technical coordination in implementing climate change programmes, and facilitates the preparation and dissemination of international communications on climate change under the UNFCCC, in coordination with sectoral ministries. The MESTI hosts a multisectoral task force on climate change, the National Climate Change Committee, which includes representation from line ministries, local governments, academia, civil society organizations and the private sector. Together with the Ministry of Finance – Ghana's NDA – the Committee plays a key role in streamlining climate change in national development plans and efforts to mobilize climate finance. Moreover, several ministries have allocated dedicated climate change focal units or teams, as a means to effectively and sustainably mainstream climate change across priority sectors and contribute to strengthening a climate governance structure in the country. These teams include the Crop Services Directorate under the Ministry of Food and Agriculture, which leads the National Climate-Smart Agriculture Action Plan; a Climate Change Unit in the Forestry Commission, which acts as the National REDD+ Secretariat; the Renewable Energy, Energy Efficiency, and Climate Change Division in the Energy Commission; and the recently allocated climate change team in the Ministry of Local Government and Rural Development.

⁷⁵ These are (i) sustainable land use, including food security; (ii) climate proof infrastructure; (iii) equitable social development; (iv) sustainable mass transportation; (v) sustainable energy security; (vi) sustainable forest management; and (vii) alternative urban waste management.

⁷⁶ Ghana, GEF and UNDP, *Ghana's Fourth National Communication to the United Nations Framework Convention on Climate Change*.

⁷⁷ Ghana, *Ghana's intended nationally determined contribution (INDC) and accompanying explanatory note*.

⁷⁸ Ghana, GEF and UNDP, *Ghana's Fourth National Communication to the United Nations Framework Convention on Climate Change*.

⁷⁹ Ghana, GEF and UNDP, *Ghana's Fourth National Communication to the United Nations Framework Convention on Climate Change*.

Further, Ghana is involved with a series of regional initiatives relevant to meet its climate change objectives, priorities and needs, including the West African Alliance on Carbon Markets and Climate Finance; Climate change, Agriculture and Food Security, West Africa; West African Science Centre on Climate Change and Adapted Land Use; and the Regional Centre for Renewable Energy and Energy Efficiency, among others.

2. CLIMATE FINANCE LANDSCAPE AND THE ROLE OF THE GREEN CLIMATE FUND

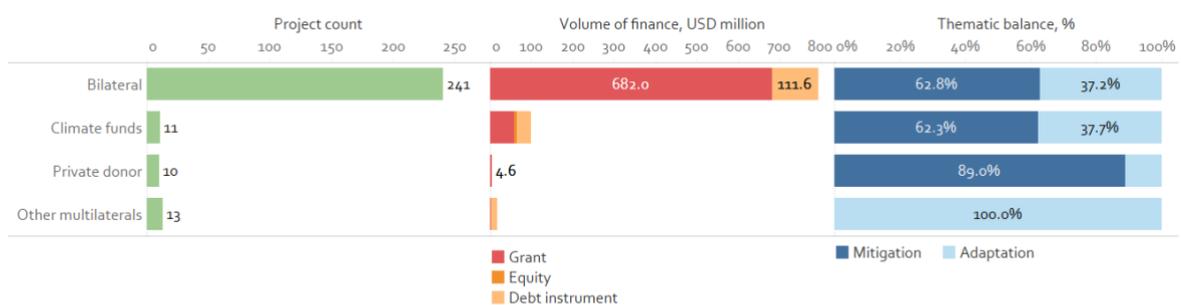
a. Climate finance landscape under relevant climate funds

To analyse the climate finance landscape, the evaluation team looked at the climate-related development finance data from the OECD. The team considered activities with principal and significant contributions to climate objectives (calculated using the OECD DAC Rio markers for climate) from 2015 to 2019.^{80,81} Against this backdrop, there are four climate finance partner types in Ghana's climate finance landscape: bilateral and multilateral partners, climate funds and private donors.⁸²

In terms of climate finance volume and number of projects, the main actors in climate financing are the bilateral partners: they support 241 out of 275 projects. They are followed by multilateral partners with 13 projects, climate funds with 11 projects and private donors with 10 projects (Figure A - 17). Climate funds and bilateral partners support the largest projects by average project size, with an average of USD 1.8 million per project; private donors support smaller projects, with an average size of USD 0.4 million.

From the financial instrument use perspective, climate finance is channelled to Ghana through grants, debt instruments and equity, with a general preference for grants among climate funds and bilateral partners. Looking at the financial balance between adaptation and mitigation, there is a gap, with more than half of the finance focused on mitigation. This is especially true for private donors: 89 per cent of private donors' finance is channelled towards mitigation. In contrast, other multilateral provider partners are heavily concentrated on financing adaptation activities.

Figure A - 17. Portfolio of climate finance in Ghana



Source: OECD climate-related development finance (2019), GCF Tableau server data (2019).

Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. Due to such availability, data cut-

⁸⁰ For details, see https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

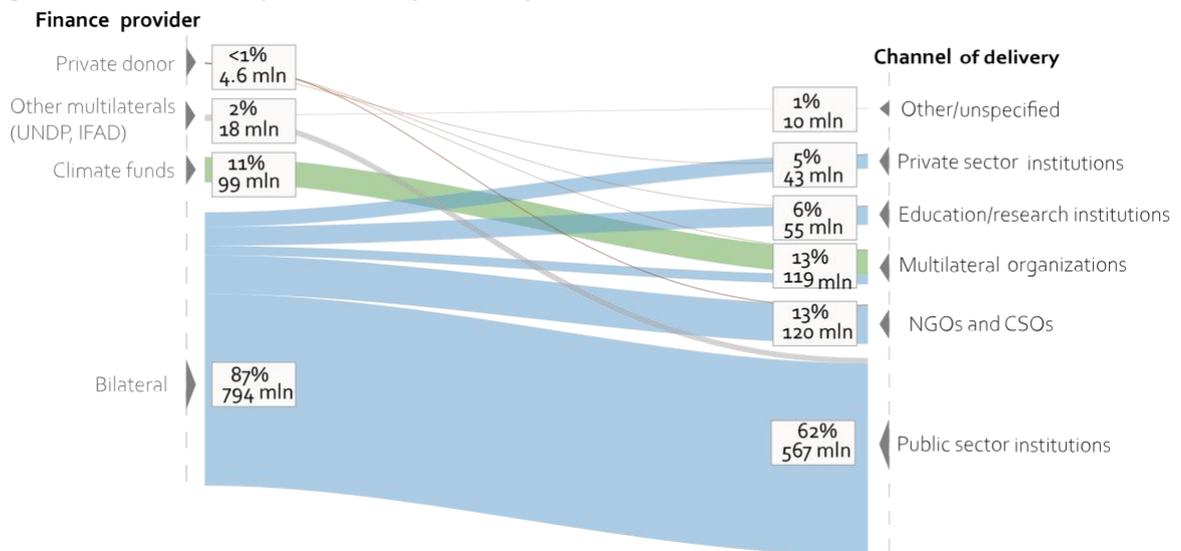
⁸¹ GCF project approval began in 2015.

⁸² Terms such as "private donor" and "private sector institution" are used to maintain consistency with the standardized classifications provided by the OECD and used in its climate-related development finance data. The data are available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>

off date in the external finance section of the report is 2019. Analysis of GCF finance has cut-off date of July 1st, 2021.

From the programmatic perspective, the channel of climate finance delivery plays a crucial role in catalysing and mobilizing the private sector in countries. According to the newest available data on climate-related development finance (as reported to the OECD in 2019), the private sector is currently underused as a channel of climate finance delivery in Ghana. Less than 5 per cent of climate finance is channelled through private sector institutions. This is a very small amount, and these institutions are mainly used as a channel by bilateral partners. Nearly all overall climate finance in Ghana is supported by bilateral partners (87 per cent), with most then delivered through public sector institutions (62 per cent) (Figure A - 18).

Figure A - 18. Delivery channels of climate finance to Ghana



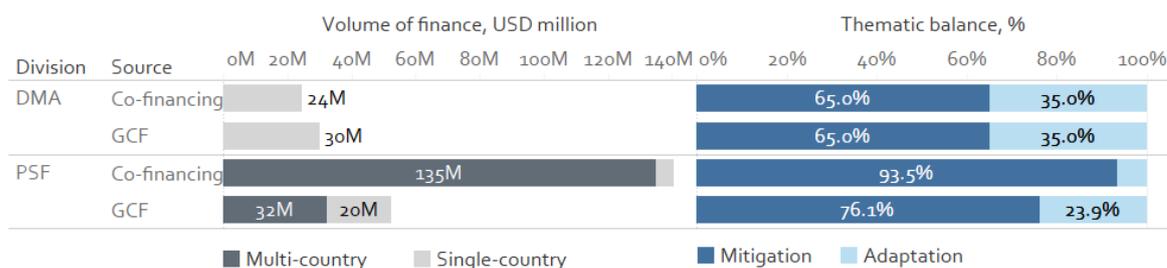
Source: OECD climate-related development finance (2015-2019), GCF Tableau server data (2019).

Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year of 2019. Due to such availability, data cut-off date in the external finance section of the report is 2019. Analysis of GCF finance has cut-off date of July 1st, 2021.

b. The role of the GCF in Ghana

Ghana is among the 21 countries that are not LDCs but that are eligible to receive GCF financing in Africa. It is also one of the countries that had funding approved at the most recent GCF Board meeting (B.29). As of July 2021, USD 82 million of GCF financing and USD 165 million in co-financing have been approved for Ghana, which brings the co-finance ratio in Ghana to 2 (see Ghana Country Brief). The GCF channels all its finance through five projects: three multi-country projects (FP168, FP128 and FP078) and two single country projects (FP128 and FP114). As previously observed at the macro level across other climate finance sources, the imbalance between mitigation (72 per cent) and adaptation (28 per cent) persists in Ghana. In fact, this is especially true among PSF projects, with 76 per cent of PSF finance focused towards mitigation. DMA projects channel 65 per cent of their finance to mitigation as well. On a country level thematic balance in the GCF portfolio is skewed: of the total USD 82 million in Ghana (as of 1 July 2021), the Fund is channelling 61.7 per cent to mitigation and 38.3 per cent to adaptation (Figure A - 19).

Figure A - 19. Volume of finance and thematic balance across GCF divisions, Ghana



Source: GCF Tableau server data (2021).

Note: Left: volume of finance across divisions; right: thematic balance across divisions. For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

Beyond the imbalance between mitigation and adaptation, there is a strong focus on the mitigation result areas of energy generation and access (receiving USD 32.2 million) under the PSF and forests and land use (USD 19.6 million) under the DMA. The adaptation theme receives only 28 per cent of the total GCF finance, which is sparsely distributed among the theme’s result areas (Figure A - 20). In efforts to build the country’s capacity to be project ready, the GCF is thus providing readiness support through four programmes. In the GCF pipeline, there are five funding proposals, seven concept notes and two RPSP proposals.

Figure A - 20. Finance by result area in USD million, Ghana

	Mitigation		Adaptation		
	DMA	PSF	DMA	PSF	
Buildings, cities, industries, and appliances	0.0	0.0	Ecosystems and ecosystems services	10.5	2.0
Energy generation and access	0.0	32.2	Health, food and water security	0.0	5.3
Forests and land use	19.6	7.6	Infrastructure and built environment	0.0	0.0
Transport	0.0	0.0	Livelihoods of people and communities	0.0	5.3

Source: GCF Tableau server data (2021).

Note: For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

B. FINDINGS

1. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A COUNTRY DRIVEN APPROACH

a. Portfolio of accredited entities

As suggested by evidence and interviewees, Ghana’s climate change priorities and needs provide interesting opportunities for the private sector to engage and invest, particularly in the energy, forest and agricultural sectors. The key questions, however, as underscored by interviewees, are how to effectively tap into those opportunities and how to leverage funding from the GCF to do so. Ghana’s NC4 already outlines a series of remaining challenges in terms of the capacity and institutional strengthening required to enable effective and efficient access to climate finance, as well as the financial needs for mitigation and adaptation and the role of the private sector. Still, early engagement with the GCF requires a better understanding of the GCF’s business model and

operation, as emphasized by interviewees. As a result of this, as well as the country's experience in relation to multi-country projects, the country has secured external support to address the urgent need to strengthen the NDA's capacities. This included unpacking the GCF's procedures and preparing guidelines that would inform country-led engagement with the GCF. This has informed Ghana's ongoing country programming efforts and will inform project prioritization.

Ecobank Ghana Ltd (hereafter: Ecobank) is Ghana's first DAE under the GCF. As a commercial bank with a close relationship with the NDA and other national public and private sector entities, Ecobank's main motivation in pursuing accreditation was to mobilize green finance in alignment with both its institutional objectives and Ghana's NDC, as stressed by interviewees. During the course of the data collection for this case study, Ecobank was working on a project idea with the Energy Commission and had already partnered as an implementing entity for the project FP114, Programme for Affirmative Finance Action for Women in Africa (AFAWA): Financing Climate Resilient Agricultural Practices in Ghana. In terms of sectoral focus, Ecobank has traditionally invested in the energy sector, yet interviewees refer to the need for building institutional capacities from a technical perspective with a view to building a portfolio of project ideas and proposals. Project origination of climate change projects from a technical perspective is a new area for national banks. As a development bank, Ecobank can only access lending instruments and so there is a need for Ghana to secure a more diversified portfolio of DAEs that can ensure effective and efficient access and deployment of diverse financial instruments.

Direct access to a diversity of financial instruments is seen as critical to putting in place the enabling environment that can in turn leverage private investments from the local private sector and financial institutions. Interviewees refer to the opportunities that Ghana's NDC provides for private sector investments, particularly in the energy sector, yet there are price barriers to overcome. Local private sector entities and financial institutions have the interest but lack the technical capacities to prepare a proposal that can be ready for GCF consideration. Doing so would require systematic technical assistance from the GCF that can support the preparation of viable business opportunities that can meet the GCF's results framework and operational policies. Similarly, when reflecting on the opportunities for greater private sector investments, interviewees underline the need for regulatory reforms in the energy sector in Ghana that can address the policy barrier posed by the suspension of licensing for energy utilities. Moreover, policy development is needed to open markets in other sectors – for instance, in relation to climate-smart agriculture. Interviewees also reflect on mitigation financing as policy-driven, whereas leveraging private investments for adaptation is more challenging because it entails behavioural changes – for instance, through upfront investments that incentivize the transition to using cookstoves.

b. Project portfolio

While Ghana's public and private portfolio under the GCF is broadly aligned with the country's mitigation and adaptation priorities in the AFOLU sector, three out of four approved projects in Ghana are led by IAEs and the private sector, and two of them are multi-country projects. Interviewees refer to a "lack of certainty of how much funding will ultimately reach the country, if any", in the case of multi-country private sector projects.

FP114 is a private sector project with an IAE, the African Development Bank, yet implementation of the project is envisioned through local financial institutions. AFAWA is a cross-cutting private sector project under the GCF's PSF, which aims to deploy USD 18.5 million in loans to MSME and farmer-based associations, with an emphasis on empowering women entrepreneurs to implement low-emissions and climate-resilient agricultural practices. While not yet under implementation, the AFAWA project has started conversations with national private and finance sector entities and has even confirmed a partnership with Ecobank as one of the local implementation partners, as

confirmed by interviewees. Ghana's Shea Landscape Emissions Reductions Project (FP137) is the only public sector project in Ghana's portfolio. FP137 is a cross-cutting project with an IAE, the UNDP; however, it is led and implemented by Ghana's Forestry Commission and directly contributes to NDC implementation through the Emission Reductions Programme for the Shea Landscape of the Northern Savanna Woodland. Underpinned by Ghana's National REDD+ Strategy, FP137 is already mobilizing private investments under the umbrella of the Global Shea Alliance.

In-country interviewees emphasize particular concerns with multi-country projects and the extent to which there is any level of alignment with national priorities. On the one hand, interviewees stress the lack of clarity and transparency in relation to budgetary allocation to each country that has issued a NOL. This is an issue not only from a programming and implementation perspective but also in terms of climate finance flows and the risk of double-counting financing.

The project Acumen Resilient Agriculture Fund (ARAF) (FP078) is one of the two private sector projects under the PSF, and it is focused on adaptation. Overall, FP078 aims to mobilize USD 23 million in equity and USD 3 million in grants to enhance resilience and productivity in small-scale farm-based agriculture through the provision of innovative financial services. It is a multi-country project geared at deploying GCF financing to small-scale farmers to address technical and financial barriers to designing and implementing climate-resilient small-scale business models. This is an innovative approach to reach local private sector actors in adaptation efforts, so the GCF financing is critical given that only 5 per cent of climate finance is flowing to adaptation, as stressed by interviewees. Nevertheless, despite the great potential and opportunities that such regional funds can provide to engage local private sector actors and investments, interviewees broadly agree that a multi-country and private sector led project cannot be truly country driven as this is against the nature of a fund and how the private sector makes decisions on its investments.

Interviewees underline the limited control the NDA has beyond project origination as well as on project implementation. The NDA has considered withdrawing NOLs but has preferred not to. There is an urgent need for the Secretariat to play a more active role in clarifying what country-drivenness really means and how this is to be understood and operationalized beyond the issue of NOLs. This is critical to ensure there is truly an alignment with countries' priorities, including with NDC implementation and monitoring. As described by interviewees, the Arbaro Fund – Sustainable Forestry Fund (FP128) was conceived by the Arbaro Fund, the executing entity, in the context of the PSF's MFS request for proposals. Once shortlisted under MFS, the PSF team facilitated the matching process that resulted in MUFG Bank being selected as the IAE. Only at this stage did engagement with the NDA start towards obtaining the NOL. As mentioned by interviewees, specific countries and national implementing partners that will benefit from the Fund will be identified by Arbaro Fund from a sustainability and commercial point of view. There is, therefore, no certainty that the implementation of the project will be aligned with or contribute to Ghana's priorities in the AFOLU sector.

With a forward-looking approach to ensure a country driven project origination and implementation, the NDA has prepared a manual to guide the formulation of new funding proposals, including specific investment criteria aligned with the GCF's own investment criteria, for both mitigation and adaptation objectives. This manual will enable the assessment and categorization of proposals, including specific indicators, on mitigation potential and direct contribution to the NDC's mitigation target; a minimum of 5,000 people for adaptation, in alignment with the NDC; and demonstration of country ownership, in alignment with climate change legal and institutional policy framework, among other things.

c. Enabling environments required for catalysing private sector engagement and investments

As defined in Ghana's NDC, the country still lacks *fiscal space* to finance overall development priorities, including alleviating poverty and investing in education, health and basic infrastructure. This relates to a lack of basic enabling environments to effectively secure and channel climate finance aligned with its mitigation and adaptation priorities. Technical and regulatory strengthening together with innovative fiscal instruments is seen as essential to enable cost-effective climate actions. Ghana's NC4 already acknowledges that the country cannot rely on grant financing over the long term and so has committed to diversifying the use of financial instruments including public funds, capital markets, bond markets, pension funds and institutional investors, among others that allow leveraging private investments and opening markets. Ghana established the SDG Delivery and the Green Fund in 2019. This public-private initiative aims to leverage funds to support the implementation of its SDG programme with a target of USD 100 million to be mobilized from the private sector, including through Corporate Social Responsibility schemes.⁸³ Moreover, the country has started exploring the potential of green bonds to mobilize financing for NDC and SDG implementation. Starting with institutional strengthening efforts, the country envisions green bonds as an opportunity to leverage domestic and international capital markets to develop renewable energy systems, implement low carbon transport, sustainable waste management, integrated water resource management and overall CCA.

Interviewees emphasize that the main challenge in effectively catalysing the role of the private sector speaks to the fact that, while “everybody talks about it, there are different ideas and expectations” on who the private sector is and which role they should play in NDCs’ implementation. From an adaptation perspective, private sector actors can be practitioners and so be beneficiaries of GCF investments (see Box A - 4). Interviewees broadly agree that climate finance channelled from the GCF to Ghana has a key role to play in effectively catalysing local private sector involvement and investments. To do so, GCF financing should be geared towards supporting sectoral market analysis and feasibility studies to further influence the low carbon and climate-resilient markets. Putting these types of enabling conditions in place can be achieved through access to financial instruments that can allow, for instance, the provision of grants to small and medium enterprises working on energy efficiency or in the agricultural sector. Similarly, access to grants under the GCF to strengthen national capacity to establish public-private partnerships with national banks can make it possible to establish revolving funds to then provide loans to national private sector actors. This entails a great potential for sustainably transforming financial systems and putting in place the enabling conditions to catalyse blended finance at the national level. However, such projects/programmes cannot secure the levels of co-financing that respondents believe would be required for a private sector-relevant proposal to be successful under the GCF. Moreover, through the provision of technical assistance and upfront funding, the GCF can directly contribute to addressing the barriers to enhanced resilience in agricultural and food systems or the transformation of rural energy consumption practices through scaling up clean cookstoves.

⁸³ Ghana, GEF and UNDP, *Ghana's Fourth National Communication to the United Nations Framework Convention on Climate Change*.

Box A - 4. Enabling environments to catalyse private sector engagement aligned with Ghana's NDC

In its NDC, Ghana stresses its intention to “generate compliance grade emission reductions units from actions in the waste and energy sectors and REDD+” towards accessing market-based financing mechanisms, as a tangible and tradable means to mobilize long-term financial support for the NDC implementation.⁸⁴ Drawing upon the country’s experience under the Kyoto Protocol’s Clean Development Mechanism and the overall experience in REDD+ results-based financing as a pioneer country in the region, Ghana’s EPA is currently working on a funding proposal for the development of a Results-Based Financing Facility. With a view to carbon markets under Article 6 of the Paris Agreement, such a facility shows a great potential to directly contribute to financing NDC implementation by providing innovative financial instruments to engage the local private sector.

The facility would work on a combination of technical assistance, policy and regulatory developments, and the design and implementation of innovative financial instruments that enable the engagement of the private sector in local carbon markets for the food, steel, and beverage industries given their contribution to GHG emissions. From the technical assistance perspective, there is still a need to generate knowledge on how the facility can help? how can this kind of instrument work? Which are the right financial services themselves? How can financial institutions produce capital under these schemes? Gaining a clear understanding of how financial instruments and incentives work in the context of Ghana is urgently required. Moreover, having technical assistance and a diversity of financial instruments deployed under the GCF is critical to secure the investments needed for this kind of facility to work. Getting private sector buy-in requires much awareness-raising effort geared at both the financial systems and beneficiaries; it is also essential to enable working with local banks towards making access to credit more accessible. Addressing policy barriers is also key. The public–private partnership law sets the tone for emissions reduction transactions, yet there is no regulation in place. As one KII noted, “*while results-based financing is a concept that is broadly understood, the lack of regulation could be a loose end and undermine confidence.*” Ghana already has bilateral cooperation in place to pilot similar results-based financing schemes in other sectors.

Ghana’s international climate change commitments and national policy framework clearly state the urgent need to enhance resilience in its agricultural and food production systems, and so interviewees reflect on the differentiated role that the local private sector plays in these kinds of climate investments in resilient local economies. In the context of technology transfer to facilitate adaptive capacity, the local private sector and farmers, their families and their suppliers, who are the end beneficiaries from technical assistance and improved climate information and early warning services, need to be understood as partners in the development and provision of technology.

Through Readiness support, Ghana is receiving technical assistance and technology development from the Climate Technology Centre and Network (CTCN). While this kind of support is country driven by nature, following UNFCCC guidance, interviewees reflect on the challenge of capturing this kind of role for the private sector in the GCF’s business model. Moreover, interviewees emphasize that this kind of technical and financial assistance is urgently needed by countries around the world, and so more support under the GCF should be allocated to meet this financial need in order to put in place information and warning systems that build the resilience of social and economic systems, thereby directly benefiting local private sector actors.

2. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A PARADIGM SHIFTING PORTFOLIO IN GHANA

In terms of international financing, Ghana is looking for opportunities to attract at least USD 16 billion of private impact investments to implement its NDC, as stressed by interviewees. While thematic and sectoral coverage of Ghana’s GCF private sector portfolio is largely consistent with Ghana’s priority sectors, as per the NDC, evidence and interviewees underscore the absence of a country driven portfolio that enables country driven efforts to simultaneously achieve its development objectives while enhancing resilience and the adaptative capacity of sectors such as

⁸⁴ Ghana, *Ghana’s intended nationally determined contribution (INDC) and accompanying explanatory note*.

agriculture, water and infrastructure.⁸⁵ Ghana's NDC outlines a set of mitigation and adaptation actions aligned with its medium-term development agenda, GSGDA 2. Through 20 programmes of action for mitigation and 11 for adaptation for the period 2020–2030, the country envisions a paradigm shift towards low carbon emissions and climate resilience in seven priority economic sectors: (i) sustainable land use, including food security; (ii) climate-proof infrastructure; (iii) equitable social development; (iv) sustainable mass transportation; (v) sustainable energy security; (vi) sustainable forest management; and (vii) alternative urban waste management. Ghana is already mobilizing investments of around USD 75 million to support enhanced forest landscape productivity, blending climate funding from the Climate Investment Funds with governmental resources and other partners' investments. Similarly, another USD 13 million have been deployed by the Global Environment Facility to support landscape restoration and ecosystem management for sustainable food systems. Around USD 40 million more has been geared to scaling up renewable energy market penetration.⁸⁶ From an adaptation standpoint, the NDC outlines specific adaptation policy actions under strategic sectoral priorities to be pursued: enhanced resilience in climate vulnerable agricultural landscapes as the main priority, followed by the increased value of forest resources, managing climate-induced health risks, city-wide resilient infrastructure planning, early warning and disaster prevention, integrated water resources management, and enhanced resilience for women and vulnerable groups. Still, a portfolio dominated by private sector-led and multi-country projects is hindering Ghana's ability to effectively tap into the opportunities that its NDC provides to catalyse local private sector engagement and investments by acknowledging the different roles that the private sector has at the national level.

Interviewees further reflect on the public–private approach required under the GCF to enable country driven portfolios, with NDAs in a leadership role. Ghana is effectively financing the transformation of its cocoa and shea landscapes towards low-emissions and deforestation-free, productive and climate-resilient landscapes through an innovative approach that leverages diverse sources of funding, under multiple development partners and public–private partnerships, and mobilizes diverse financial instruments. Ghana is already leveraging private sector investments across a range of financial instruments in the implementation of its National REDD+ Strategy. International private sector companies and local private sector producers are actively engaged in the transformation of cocoa and shea supply chains in the country, including through grant-based support from the GCF for the implementation of Ghana's Shea Landscape Emission Reductions Project (FP137). This approach to support climate action through green finance in the land-use sector is further mobilizing international public and private investments through results-based forest carbon markets.

Box A - 5. A blended financial strategy to implement Ghana's National REDD+ Strategy and its NDC

Ghana's Forestry Development Master Plan, the Forestry Plantation Development Strategy and the National REDD+ Strategy are key policies for achieving the country's climate objectives in the forest sector. Efforts to reduce emissions from deforestation and forest degradation under Ghana's REDD+ Strategy are focused on addressing drivers of deforestation in the cocoa, shea and mangrove landscapes. Implemented through collaborative initiatives, Ghana's National REDD+ Strategy entails a great potential to achieve emissions reductions and generate social and environmental benefits in the country and will catalyse the role of the private sector and transform commodity value chains. The Cocoa Forest REDD+ Programme is led by the Forestry Commission and aims to restore degraded cocoa landscapes and achieve emissions reductions of over 10 million tons of carbon emissions for a 6-year period (2019–2024). Ghana's

⁸⁵ Ibid.

⁸⁶ Ghana, GEF and UNDP, *Ghana's Fourth National Communication to the United Nations Framework Convention on Climate Change*.

Forest Investment Programme is implemented by the Ministry of Lands and Natural Resources, with an emphasis on forest protection and sustainable cocoa production. The Cocoa Finance Initiative and a Dedicated Grant Mechanism complement private sector-led initiatives, the former led by the World Cocoa Foundation as a joint effort with Ghana and Côte d'Ivoire to eliminate deforestation from cocoa supply chains, engaging 34 cocoa and chocolate companies worldwide.⁸⁷ The Shea Landscape Emission Reductions Project (FP137) is part of this financial architecture to mobilize blended finance to implement Ghana's REDD+ Strategy and NDC commitments. Through a USD 30.1 million grant implemented directly by Ghana's Forestry Commission project, FP137 is mobilizing over USD 24 million in in-kind co-financing from local private sector entities under the umbrella of the Shea Alliance, geared towards a paradigm shift in this commodity value chain.

With a similar thematic and sectoral approach, the Arbaro Fund – Sustainable Forestry Fund (FP128) is a private sector led cross-cutting project that aims to increase carbon stocks while delivering adaptation co-benefits through sustainable forestry plantations in degraded lands in Ghana, three other African countries and three countries in Latin America. As stressed by interviewees, projects to be funded will be chosen based on sustainability and commercial viability criteria. While USD 25 million in equity have been approved through the PSF, this project has not been designed and is not being implemented in coordination with the NDA or the Forestry Commission. So, the extent to which and how it will contribute at all to meeting Ghana's financing needs for sustainable forest management is rather unclear. In terms of monitoring and reporting against the GCF investment criteria, a dedicated methodology to estimate carbon sequestration based on hectares planted will be applied. GHG accounting will be tailored to the location and feasibility of the plantations, and it is thus unclear the extent to which this is consistent with Ghana's policy and monitoring framework to implement mitigation actions in the sector.

3. EFFICIENT AND EFFECTIVE ACCESS TO GCF FUNDING TO CATALYSE PRIVATE SECTOR ENGAGEMENT

a. Effectiveness of the private sector engagement under the Green Climate Fund

Ghana has gone through an extensive process to fully understand and successfully grasp the accreditation process. The NDA played a key role in facilitating the engagement with the GCF towards the accreditation of Ecobank, and so the accreditation process overall is seen by interviewees as a smooth process. Despite this positive experience, however, in-country stakeholders emphasize the challenges for local associations at the community level to secure direct access to funding, since it is virtually impossible for them to meet the high standards required to achieve accreditation. As a result, more direct access and enabling conditions, as examined in sections A.1 and A.2 above, are emphasized by interviewees as remaining challenges for the GCF resolve in order to effectively facilitate country driven access to climate finance, while catalysing the role of local private partners. A truly country driven engagement requires the NDA in a leadership role, bringing proposals forward. Interviewees stress that ensuring alignment with NDCs substantially and at the implementation level requires enabling public–private partnerships, as the private sector cannot achieve this on their own. Conversely, if the GCF pursues a private sector-driven approach, then this is not really possible as long as NDAs have a role. Such complexity is associated with the lack of a clear definition on which role the private sector is supposed to play in alignment with the country's priorities.

⁸⁷ Ghana, GEF and UNDP, *Ghana's Fourth National Communication to the United Nations Framework Convention on Climate Change*.

Box A - 6. Financial intermediaries catalysing the role of local private sector partners

Only 5 per cent of climate finance goes to adaptation. This is why interviewees emphasize the invaluable role that the GCF can play in de-risking investments in adaptation and opening markets to invest in increased resilience at the farm level. The GCF funding approved for FP078, ARAF, has already proved to be catalytic. Taking the highest risk, the GCF financing made it possible to raise more than the USD 50 million expected to fund adaptation actions with smallholder farmers. ARAF aims to provide technical and financial assistance to farmers towards increasing income and productivity; strengthening capacity to access inputs, supplies and markets; as well as strengthening farmers' own operational capacities, including helping them develop a second source of income and have savings.

In terms of operation of the ARAF, and the selection of projects and investments, interviewees refer to an innovative tool developed to conduct due diligence to inform investments. This tool is being refined and applied under project FP078 and is based on a survey to gather information at the farm level in relation to the ability to adapt, access to enablers, or the capacity to incorporate existing tools and repurpose towards adaptation actions. This tool will not only help build a baseline to decide on investments with clear enhanced resilience potential, it will also enable monitoring and measuring increased resilience. While this fit-for-purpose tool entails a great potential to demonstrate the actual impact of project FP078 in terms of achievement of its adaptation objectives, reporting from this tool cannot be integrated with the reporting under annual performance reports for the GCF, given the lack of flexibility of the monitoring and evaluation framework to adapt to the monitoring and reporting conditions of complex interventions such as those made through subnational funds.

Moreover, interviewees reflect on the lack of fitness of the GCF's overall business model for projects like this. Interviewees refer particularly to the tension created by this lack of fitness when it comes to the role of NDAs and the expectations created by the issuing of NOLs, which is counterproductive given the confidential and return-driven nature of private sector decision-making. As a fund, decisions are made by an investment committee that is looking for the best investment opportunity. This in turn, means that the fund cannot operate with a minimum resource allocation to each country but rather has a cap. As one interviewee highlighted, "if there is no company worth investing, why would a fund invest if there won't be a return?"

This of course creates tensions with NDAs as they often have different expectations, based on their role under the GCF business model. Similar expectations and misunderstandings have emerged concerning the technical assistance component. Technical assistance will be targeted to train farmers on management practices, supporting monitoring and reporting against the survey, and business development. This component was not designed to build national capacities through NDAs. It is critical that the Secretariat can provide clarity on how the private sector could fit better in its business model and clarify how to ensure a country driven approach that manages the expectations on this type of private sector-driven intervention.

b. Efficiency and timeliness of the engagement with the Green Climate Fund's Secretariat

In-country interviewees broadly agree on having had a positive experience in engaging with the GCF during the DAE accreditation process, yet stress this was possible because of the good relationship between the NDA and the designated focal point in the Secretariat for Ghana. Interviewees do recognize concerns in terms of time frames when compared to other financial entities. Private sector interviewees stress the threat that the length of the approval processes could create for decreasing the appetite of the private sector: processes of over a year and a half are far too long for the private sector. Although there is some degree of understanding from in-country interviewees who recognize the GCF as a relatively new fund that is still learning from others' experiences, interviewees suggest there are high levels of frustration given the lack of opportunities they see to effectively and efficiently mobilize funding from the GCF that can accelerate local private engagement. Similarly, interviewees reflect on the substantial resources required to prepare proposals and the lack of cost-effectiveness of the project preparation and approval process. In some cases, not even what has been invested has been recovered yet. However, institutions continue to engage with the GCF in response to countries' needs and their institutional mandate, including under

the UNFCCC. Having to rework numerous iterations of proposals in relation to substantive elements, as well as due to issues related to “font, bullet, a comma”, has resulted in inefficiencies, and interviewees broadly agree on the lack of transparency and predictability as a source of such inefficiencies.

Box A - 7. Navigating the GCF's project approval and post-approval processes

Preparation and approval of FP137, Ghana's Shea Landscape Emission Reductions Project, has proven to be a rather long process, and implementation has not yet started. While directly contributing to the implementation of Ghana's NDC, and led by the Forestry Commission, the role of the private sector in in-kind co-financing resulted in a series of complexities that were not expected when developing the proposal. Led by UNDP as the IAE for the project, interviewees agree that there was an initial understanding that a significant level of co-finance from the private sector would be needed to secure approval. However, this understanding appeared not to be definitive, with UNDP obliged to explore alternative ways to materialize co-finance. UNDP facilitated a liaison with the Global Shea Alliance to bring private sector investors on-board, as the project's objectives to restore the degraded shea landscape is an interesting engagement opportunity for local shea producers and markets. The Global Shea Alliance was thus part of the development of the proposal and provided letters of commitment in relation to the co-financing. However, it took two years for the project to be approved, given all the changes requested by the Secretariat halfway through the approval process. On one hand, although it was originally conceived as a mitigation project, there was a push to integrate an adaptation lens and for it become a cross-cutting project. The straightforward alternative would have been to define indicators of hectares restored; yet to move forward, indicators for water regulation benefits had to be defined. While compatible with the project, such a late change of scope required additional resources from UNDP and required follow-up with partners who had expressed support for a mitigation project. On the other hand, there was a lack of clarity and predictability regarding the implications of the GCF's policies regarding the implications of the GCF's policies for the project's private sector partners. The letter of commitment in terms of co-financing was not considered enough by the GCF, but private sector partners would need to become fully accountable for the monitoring and reporting on both project activities and had to comply with GCF safeguards. Moreover, while local partners could only commit in terms of in-kind support, there was a lot of pressure to put numbers to this. This experience has flagged concerns about whether the GCF is focusing too much on private finance, “money in and money out”, when in reality the kind of projects the GCF should be funding in countries like Ghana should not be demonstrating a return. Interviewees further stressed that “if there were already markets for this kind of project, they wouldn't come to the GCF”. Countries need efficient and effective access to climate finance that enables public-private partnerships to transform value chains. Therefore, interviewees wonder to what extent the GCF business model really allows for complementarity with NDCs' needs and priorities.

APPENDIX 5-1. LIST OF INTERVIEWEES

NAME	ORGANIZATION
Tamer el-Raghy	Acumen
Foster Gyamfi	Ministry of Finance
Mark Ofori Kwafu	Ecobank
Joanna Mensah	Ecobank
Kingslet Adofo-Addo	Ecobank
Daniel Benefor	Environmental Protection Agency
Dennis Osei	Private Enterprise Federation
Victor Baahdaanqua	Private Enterprise Federation
Wisdom Adong	Private Enterprise Federation
Nana Osei-Bonsu	Private Enterprise Federation
Wahida Shah	UNDP
Bruno Guay	UNDP
Gareth James Loyd	United Nations Environment Programme - CTCN
Rajiv Garg	United Nations Environment Programme - CTCN

6. PACIFIC COUNTRIES CASE STUDY REPORT

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A. INTRODUCTION TO THE PACIFIC ISLANDS AND THE ROLE OF THE GREEN CLIMATE FUND

Papua New Guinea and Solomon Islands were purposely selected for the private sector approach case studies to provide a snapshot on the experience from the Pacific Region, including small island developing States (SIDS). The virtual mission met with representatives from the NDA, relevant partners and IAEs between July and August 2021.

This case study takes a deeper look at the cases of Papua New Guinea and Solomon Islands. It examines the role that the GCF has had and should have in catalysing country driven private engagement and investments in response to the region's urgent need to strengthen adaptive capacity and enhance the resilience of its social, environmental and economic systems. The experience and lessons learned from Papua New Guinea and Solomon Islands in attempting to engage the private sector and leverage private investment in alignment with their NDCs under the Paris Agreement, including in the context of multi-country projects under implementation in the country, are explored in detail throughout this case study report.

1. CLIMATE CHANGE PRIORITIES IN PAPUA NEW GUINEA AND SOLOMON ISLANDS

Papua New Guinea is an island nation located in the southwest Pacific. Known for its immense cultural and linguistic diversity, Papua New Guinea is home to over 10,000 ethnic clans spread across 600 islands. The nation is ranked as one of the 10 most vulnerable countries in the world to climate change risks. Sea level rise and climate change pose risks to socioeconomic activities and infrastructure development, which are primarily clustered in coastal areas and vulnerable areas around rivers and highlands.⁸⁸

Papua New Guinea's climate priorities are laid out in its INDC⁸⁹ (submitted in 2015) and its enhanced NDC (submitted in 2020).⁹⁰ The enhanced NDC provides a range of targets to mitigate and adapt to the impacts of climate change. On the matter of mitigation, Papua New Guinea committed to the headline target of carbon neutrality within the energy industry subsector by 2030. This target includes reducing energy demand, enhancing levels of renewables in the energy mix to 78 per cent by 2030, establishing a framework for fossil fuel emissions offsetting, and enhanced data collection on energy use and emissions. Moreover, Papua New Guinea committed to a reduction of 10,000 GgCO₂eq by 2030 compared to 2015 levels.

Adaptation remains a "high priority" for Papua New Guinea.⁹¹ The enhanced NDC commits to four key adaptation targets. The first target aims for 100 per cent of Papua New Guinea's population to benefit from introduced health measures to respond to malaria and other climate-sensitive diseases. The second target provides that 6 million people (70 per cent of population) will benefit from improved early warning information to respond to climate extremes. The third target states that 10

⁸⁸ Papua New Guinea, *Papua New Guinea Second National Communication to the United Nations Framework Convention on Climate Change* (2014). Available at <https://unfccc.int/sites/default/files/resource/Pngnc2.pdf>

⁸⁹ Papua New Guinea, *Papua New Guinea Intended Nationally Determined Contribution (INDC) under the United Nations Framework Convention on Climate Change* (2015). Available at https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Papua%20New%20Guinea%20First/PNG_INDC%20to%20the%20UNFCCC.pdf

⁹⁰ Papua New Guinea, Climate Change Development Authority, *Enhanced Nationally Determined Contribution* (2020). Available at

<https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Papua%20New%20Guinea%20Second/PNG%20Second%20ONDC.pdf>

⁹¹ Papua New Guinea, *Intended Nationally Determined Contribution*, p. 7.

per cent of the total population (0.8 million beneficiaries, including 25 per cent that are women) will have increased resilience of food and water, security, health and well-being. The final target states that USD 1.7 billion in transport, building, and utility infrastructure and assets will be built and or rehabilitated in accordance with climate-resilient codes and standards. Further, the enhanced NDC introduced additional sector targets for adaptation and LULUCF and increasing information on the nature of these targets in alignment with the Enhanced Transparency Framework.

Solomon Islands is an archipelago of 994 islands in the Pacific Region. Spanning mountainous volcanic islands and low-lying coral atolls, the nation lies on the earthquake-prone “Ring of Fire”. Solomon Islands’ climate priorities are laid out in its INDC (submitted in 2015)⁹² and its enhanced NDC (submitted in 2020).⁹³ The nation has placed “equal importance” on mitigation and adaptation to climate change.⁹⁴ In terms of mitigation efforts, Solomon Islands committed to a 27 per cent reduction in GHG emissions by 2050, and a further 45 per cent reduction in GHG by 2030 compared to 2015 levels. Acknowledging that it requires appropriate international assistance as a developing country, Solomon Islands aims to achieve net zero emissions by 2050. In the focus area of renewable energy, Solomon Islands aims to increase accessibility to electricity to achieve 100 per cent renewable energy by 2050.

In terms of adaptation, Solomon Islands does not specifically detail the priority sectors it intends to focus on, but does outline the action it plans to take, including to implement its urgent and medium-term adaptation plans as stated in its national action plan on adaptation (NAPA); acknowledge its adaptation gaps, barriers and needs; highlight financing needs for priority adaptation interventions, as well as gaps in national, subnational, community and sector level adaptation and climate resilience programmes; and finally, provide innovative financing approaches to address CCA.⁹⁵

2. INSTITUTIONAL CONTEXT FOR CLIMATE ACTION IN THE PACIFIC ISLANDS

In terms of Papua New Guinea’s institutional context, it is worth highlighting that the country has been a signatory to the UNFCCC since June 1992 and has been engaged in international climate change negotiations since, ratifying the UNFCCC in March 1993. In 2015, the Paris Agreement was adopted, and Papua New Guinea ratified the agreement on 21 September 2016. In 2016, Papua New Guinea enacted the United Nations Paris Agreement Act 2016, which was incorporated in national legislation under the Climate Change Management Act (CCMA) 2015.

In terms of institutional implementation, the Climate Change and Development Authority (CCDA) is the NDA that coordinates all climate change related matters in Papua New Guinea and is also the focal point for the UNFCCC. As the coordinating agency, CCDA works in collaboration with stakeholders, with the objective of providing a coordination mechanism at the national and provincial level for research, analysis, and development of the policy and the legislative framework to move towards a low carbon economy and achieving climate-resilient development in the country.⁹⁶

Papua New Guinea’s 2016 NDC was prepared in line with its national strategies and plans. The commitments were drawn from the National Climate Compatible Development Management Policy,

⁹² Solomon Islands, Ministry of the Environment, Climate Change, Disaster Management and Meteorology, *Intended Nationally Determined Contribution (2015)*. Available at <https://pacificndc.org/pacific-ndcs/solomon-islands>

⁹³ Solomon Islands, Ministry of Environment, Climate Change, Disaster Management and Meteorology, *Nationally Determined Contribution (2020)*. Available at [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Solomon%20Islands%20First/NDC%20Report%202021%20Final%20Solomon%20Islands%20\(1\).pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Solomon%20Islands%20First/NDC%20Report%202021%20Final%20Solomon%20Islands%20(1).pdf)

⁹⁴ Solomon Islands, *Intended Nationally Determined Contribution (2015)*, p. 8.

⁹⁵ Ibid.

⁹⁶ Papua New Guinea, *Enhanced Nationally Determined Contribution (2020)*.

under which Papua New Guinea aspires to reduce its emission to 50 per cent by 2030 and to be carbon neutral by 2050. Papua New Guinea is also currently in the process of developing its NAP as part of an innovative and best-of-class approach, aligning all of its domestic policies, legislation and institutional arrangements with the Paris Agreement.

Solomon Islands on the other hand faces some obstacles in terms of its institutional arrangements on climate change. As noted in its updated NDC, while the Ministry of Environment, Climate Change, Disaster Management and Meteorology has made incisive steps to map out the country's climate change needs and potential financing avenues to overcome them, challenges relating to high staff turnover rates in senior executive positions, limited sector-specific training, and a lack of clarity on internal roles and responsibilities in some sectors hamper national efforts on adaptation.⁹⁷ Moreover, adaptation knowledge-sharing, coordination and collaboration among ministries as well as with non-governmental organizations, the private sector, faith-based organizations and development partners remains a critical gap. The updated NDC highlights the government priority to focus on the development of knowledge and skill levels to address capacity gaps with regard to CCA and disaster risk reduction, particularly in the outer islands and among marginalized populations. There is a need to translate the climate science and predicted impacts into messages that support action by Solomon Islanders.

3. CLIMATE FINANCE LANDSCAPE

As underlined throughout its INDC, Papua New Guinea is fully committed to taking action on climate change. The targets identified within the NDC are fully in line with existing policy documents and commitments. As a result, the government has committed to taking a central role in the implementation of proposed actions while also working to create a positive environment for private sector investment and partnerships with other Parties to the Convention. For example, to commit to reducing GHG emissions levels and increasing climate resilience, Papua New Guinea will require the appropriate financial support, technology, capacity-building, and a good means of coordination to drive the implementation of the plans laid out in its INDC. Further technology transfer and capacity development require that sufficient financial resources be made available to meet the targets. As a particularly climate vulnerable SIDS, finding the right balance between building the country's resilience and implementing the necessary adaptation and mitigation measures, while supporting the day-to-day needs of the country, will be central to Papua New Guinea's success. The government is therefore keen to implement the actions proposed in its INDC that could deliver significant emissions reductions and monetize them through RBP under GCF mechanisms and bilateral, market or non-market mechanisms under Article 6 of the Paris Agreement.

While Solomon Islands, too, has made a marked commitment to securing financing for their climate priorities, their progress is less advanced. The Government of Solomon Islands is seeking to build national capacity to enable direct access to international climate change financing including the GCF under the readiness programme. In addition, the government will ensure that technical assistance and financial resources to support CCA programmes and projects in the country is mobilized, managed and accounted for in an efficient, participatory and transparent manner. To achieve this, the government will aim to make a provision in its national recurrent budget and provincial capacity development fund to implement corporate plans, programmes and projects that address climate change, strengthen coordination with donor partners to effectively mobilize financial resources to support implementation of the climate change policy and other related national and provincial level

⁹⁷ Solomon Islands, *Nationally Determined Contribution* (2020).

programmes through the Ministry of National Planning and Development Coordination, and also strengthen coordination and consultation between government Ministries and Provincial governments to ensure that climate change funding via the government or NGOs support the implementation of this policy and includes provincial government, Honiara City Council and community representatives in the project cycle stages. The government also estimates elevated costs for NAPA and NAP planning in the near future, which will require further evaluation and costing. It is expected that a considerable portion of the necessary financing will be provided in the forms of grants from the GCF, Global Environment Facility (GEF), Special Climate Change Fund, LDCs Fund, Adaptation Fund (AF), and from other multilateral and bilateral climate change programmes.

Climate finance landscape under relevant climate funds

To analyse the climate finance landscape, the evaluation team looked at the climate-related development finance data from the OECD. The team considered activities with principal and significant contributions to climate objectives (calculated using the OECD DAC Rio markers for climate) from 2015 to 2019.^{98,99} Against this backdrop, there are four climate finance partner types in the Papua New Guinea and Solomon Islands climate finance landscapes: climate funds, private donors (only one in the Solomon Islands), and bilateral and multilateral partners.¹⁰⁰

The main actors are bilateral partners in terms of project coverage: they support 82 per cent of projects in Papua New Guinea and 80 per cent of projects in Solomon Islands. Finance from a private donor is only observed in Solomon Islands, from the Margaret A. Cargill Foundation, and is focused on community preparedness and rapid response recovery, making it an adaptation project. The average project size in Papua New Guinea (USD 6.8 million) is more than twice as large as the project size in Solomon Islands (USD 3 million).

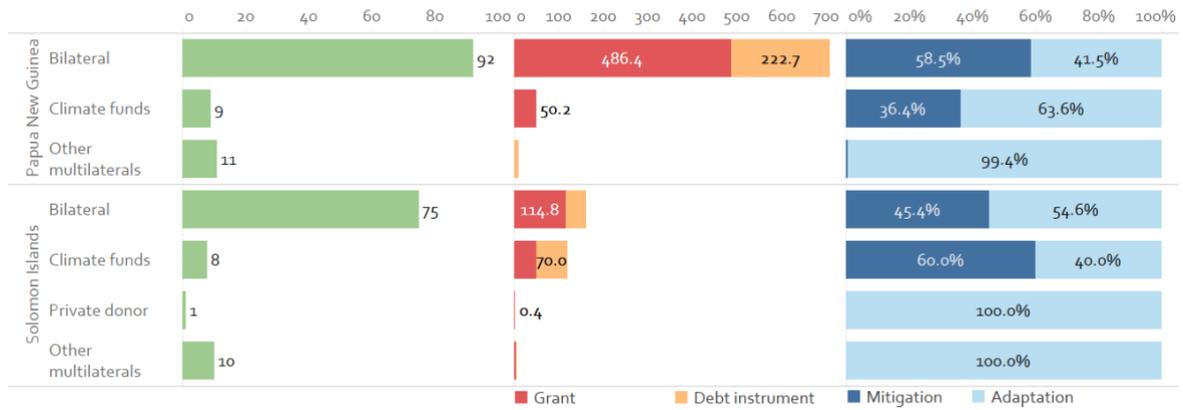
From the perspective of financial instrument usage, grants are a general preference across the partner types and in both countries. They are especially prominent among bilateral partners (Papua New Guinea: USD 486.4 million; Solomon Islands: USD 114.8 million). Looking at the balance in finance allocation between adaptation and mitigation, finance in Papua New Guinea is skewed towards adaptation among climate funds (63.6 per cent) and other multilaterals (99.4 per cent) but skewed towards mitigation for bilateral partners (58.5 per cent). In Solomon Islands, finance is skewed towards adaptation among bilateral partners (54.6 per cent), the private donor (100 per cent) and other multilaterals (100 per cent) but is skewed towards mitigation among climate funds (60 per cent) (Figure A - 21).

⁹⁸ For details, see https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

⁹⁹ GCF project approval began in 2015.

¹⁰⁰ Terms such as “private donor” and “private sector institution” are used to maintain consistency with the standardized classifications provided by the OECD and used in its climate-related development finance data. The data are available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>

Figure A - 21. Portfolio of climate finance in the Pacific Islands



Source: OECD climate-related development finance (2015–2019), GCF Tableau server data (2019).

Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year 2019. The data cut-off date in the external finance section of the report is therefore 2019. Analysis of GCF finance has a cut-off date of 1 July 2021.

From the programmatic perspective, the channel of climate finance delivery plays a crucial role in catalysing and mobilizing the private sector in countries. According to the newest available data on climate-related development finance (as reported to OECD in 2019), the private sector is currently underused as a channel of climate finance delivery in the Pacific Islands. At the country level, less than one per cent of climate finance is channelled through private sector institutions in both countries. This is a very small amount, and the channel is used mainly by bilateral partners (see Figure A - 22 and Figure A - 23).¹³ In Papua New Guinea, the majority of climate finance is provided by bilateral partners and delivered through public sector institutions (92 per cent). Similarly, in Solomon Islands, the majority of climate finance is provided by bilateral partners and delivered through public sector institutions (56 per cent).

Figure A - 22. Delivery channels of climate finance in Papua New Guinea

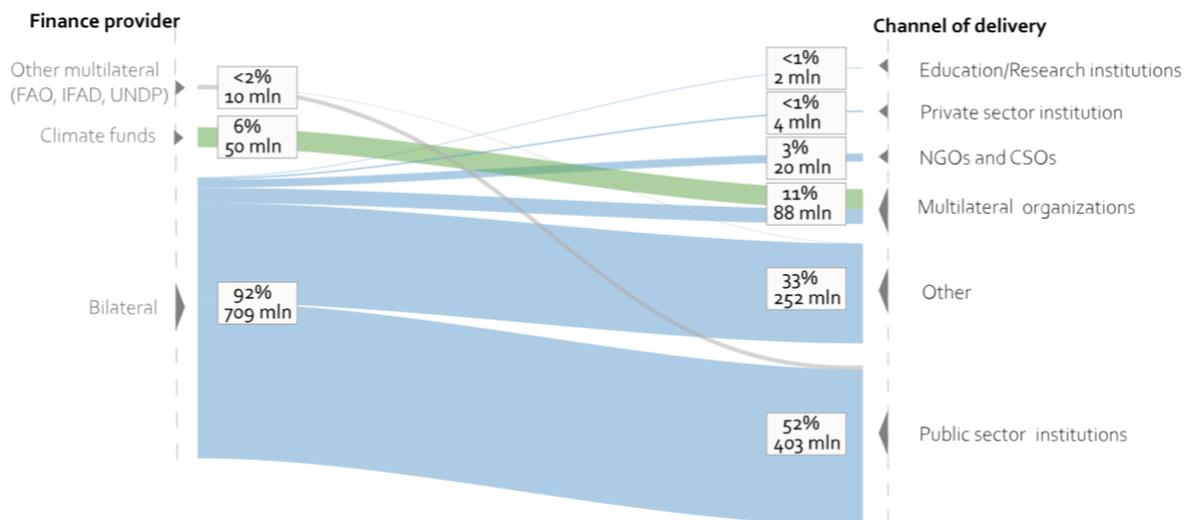
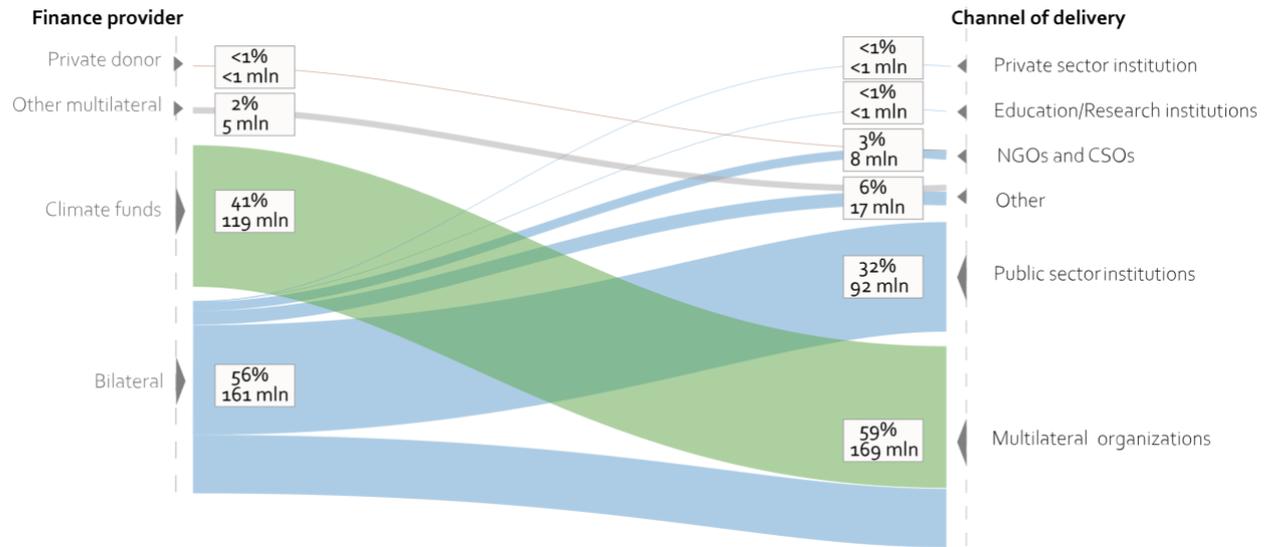


Figure A - 23. Delivery channels of climate finance in Solomon Islands



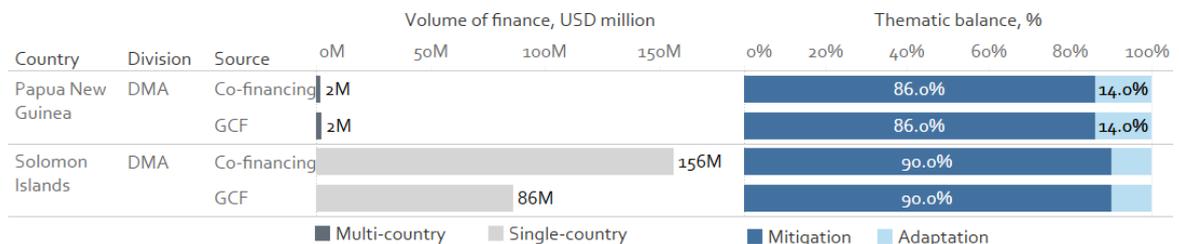
Source: OECD climate-related development finance (2015–2019), GCF Tableau server data (2019).

Note: At the time of climate finance landscape analysis, the most recent available update for OECD climate-related development finance data was for the year 2019. The data cut-off date in the external finance section of the report is therefore 2019. Analysis of GCF finance has a cut-off date of 1 July 2021.

The role of the GCF in the Pacific region

Papua New Guinea and Solomon Islands are among the 18 SIDS eligible to receive GCF financing in Asia-Pacific. As of July 2021, Papua New Guinea has been approved to receive a total of USD 2 million of GCF financing and USD 2 million in co-financing, which brings the co-finance ratio in Papua New Guinea to 1 (see Papua New Guinea and Solomon Islands Country Brief). Solomon Islands has been approved to receive USD 86 million with USD 156 million in co-financing, bringing the co-finance ratio in Solomon Islands to 1.8. There is only one GCF project in Papua New Guinea (FP036) and one in Solomon Islands (FP044). As previously observed at the macro level, the gap between mitigation and adaptation persists. In fact, all finance is concentrated among DMA projects and primarily directed towards mitigation efforts (Figure A - 24).

Figure A - 24. Volume of finance and thematic balance across GCF divisions



Source: GCF Tableau server data (2021).

Note: Left: volume of finance across divisions; right: thematic balance across divisions. For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

In addition to the imbalance between mitigation and adaptation, there is a tendency to focus specifically on the mitigation result area of energy generation and access: USD 2.1 million for Papua New Guinea (87 per cent) and USD 77.4 million for Solomon Islands (90 per cent) (Figure A - 25). Through the RPSP, the GCF is supporting three projects in Papua New Guinea and one project

in Solomon Islands to build the countries' capacity to be project ready. In the GCF pipeline, Papua New Guinea has no funding proposals, six concept notes, and two RPSP grant applications, while Solomon Islands has one funding proposal, six concept notes and two RPSP grant applications.

Figure A - 25. Finance by result area in USD million

Country	Adaptation	DMA	Mitigation	DMA
Papua New Guinea	Ecosystems and ecosystems services	0.0	Buildings, cities, industries, and appliances	0.0
	Health, food and water security	0.0	Energy generation and access	2.1
	Infrastructure and built environment	0.2	Forests and land use	0.0
	Livelihoods of people and communities	0.2	Transport	0.0
Solomon Islands	Ecosystems and ecosystems services	0.0	Buildings, cities, industries, and appliances	0.0
	Health, food and water security	0.0	Energy generation and access	77.4
	Infrastructure and built environment	6.9	Forests and land use	0.0
	Livelihoods of people and communities	1.7	Transport	0.0

Source: GCF Tableau server data (2021).

Note: For multi-country projects, country allocations were based on shares indicated in the GCF Tableau server.

B. FINDINGS

1. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A COUNTRY DRIVEN APPROACH

a. Portfolio of accredited entities

Neither Papua New Guinea nor Solomon Islands have any DAEs currently accredited at the GCF, which has an important impact on their ability to meaningfully engage with the GCF.

To date, neither Papua New Guinea nor Solomon Islands have any national private sector entities accredited to the GCF, nor are the evaluation team aware of any entities in the pipeline for accreditation. Interviewees suggested this could be related to a number of reasons, with the most cited being the lack of capacity and awareness of the national private sector to engage with the GCF. One interviewee described “not enough proactiveness from the private sector”, with another stating simply, “There is a lot of disparity in private sector capacity in the region. Papua New Guinea has the largest private sector community, but others including Marshall Islands, for example, have next to none; this affects how they can be engaged by the GCF.”

As will be expanded on in the next section, of the two active projects in Papua New Guinea and Solomon Islands, both have been presented by IAEs from outside of their region. While it is a positive development to have opportunities for climate finance geared towards supporting their NDC commitments, having local or even regional financing comes hand in hand with a greater understanding of the context on the ground. As one interviewee described,

It has been a welcoming approach to have the PSF] in place. While it has been relevant in general, what is needed more by the private sector community at the country level in the Pacific Region is more awareness of how it has worked with other countries and regions. It has been very specific to private sector actors who have been up to date with the climate

discourse as far as accessing funding is concerned, but not to those private sector actors whose countries are only starting to engage.

b. Project portfolio

While Solomon Islands and Papua New Guinea only have two active projects between them at the GCF, both make incisive steps towards fulfilling their climate goals under their NDCs. Nevertheless, there is no evidence to indicate that either project has meaningfully engaged with the private sector to date.

Examples from Papua New Guinea and Solomon Islands demonstrate that private sector portfolio projects managed with IAEs align to some degree with each country's NDC, although their ability to engage with the local private sector has been limited.

One clear example is FP044, Tina River Hydropower Development Project, in Solomon Islands. This cross-cutting project supports the construction of a hydropower facility that transitions the nation's power system from diesel generated to clean and renewable energy. The GHG emissions reductions associated with FP044 are in clear alignment with Solomon Islands' NDC. The emissions reduction potential of the project is 49,500 tCO₂e annually, more than two and a half times higher than the country's 2015 INDC goal, which was to reduce emissions by 18,800 tCO₂e annually by 2025. The IAE for this project is the World Bank. However, as indicated by one interviewee, "it is a very challenging environment to engage the private sector (...), there is a small market, and not too many players, we need more capacity-building before we can make a paradigm shift."

In another example, Papua New Guinea is one of seven SIDS participating in FP036, Pacific Islands Renewable Energy Investment Programme, presented by the Asian Development Bank. This cross-cutting project helps free SIDS from diesel dependence through "feasibility studies on how to expand renewable energy coverage, reform power utility management and encourage private sector engagement by identifying opportunities for independent power providers." Within Papua New Guinea, this project aims to improve energy access by converting 10 provincial diesel centres to renewable energy (hydropower or solar). This project contributes to Papua New Guinea's mitigation strategy under its 2020 NDC. Specifically, the enhanced NDC commits to a target of carbon neutrality by increasing levels of renewables in the energy mix and "increasing the share of installed capacity of renewable energy from 30 per cent in 2015 to 78 per cent in 2030." This project seeks to initiate a number of paradigm shifting moves across the seven SIDS, including feasibility studies on how to expand renewable energy coverage, reform power utility management and encourage private sector engagement by identifying opportunities for independent power providers. However, interviewees suggested that "private sector actors are receptive, but they are still not proactive enough", which in turn affects the effectiveness of this type of project.

Finally, it is worth noting FP038, GEREf NeXt, presented by the European Investment Bank (EIB) in 2017, which seeks to catalyse private sector capital at scale for the development of renewable energy / energy efficiency projects across the GCF eligible countries – among which is Papua New Guinea – as well as to build capacity at the local level and contribute to the necessary transfer of knowledge and technology, to support the evolution of the commercial environments and enabling ecosystems for clean energy in these countries. However, information available to the evaluation team indicates that the project has lapsed as of 13 June 2020.

c. Enabling environments required for catalysing private sector engagement and investments

While both Papua New Guinea and Solomon Islands have accessed GCF funds to contribute towards building an enabling environment in their respective countries, significant challenges remain.

To date, Papua New Guinea has benefited from two RPSP-supported projects and one from the Project Preparation Facility (PPF), amounting to a total of USD 3.6 million in approved funding. This support has ranged from NDA strengthening, to support for adaptation planning, and also support for the preparation of a funding proposal on the Melanesia Coastal and Maritime Ecosystem Resilience Programme, with the latter being through the PPF. For the two RPSP projects, while the support has gone to the heart of country needs through capacity-building workshops for NDA stakeholders and laying the groundwork for Papua New Guinea's upcoming national adaptation plan, interviewees noted it "was not nearly enough to truly build enabling conditions for private sector engagement in the country".

In terms of the PPF support, the funding was used to directly conduct stakeholder engagement in the three countries where the project was to be implemented – including in Papua New Guinea – and to fully develop all studies required for the development of the project; these studies will provide for a robust programme of building resilience and adaptation forecasts and impactful projects on the ground. While interviewees agreed this funding had been helpful, respondents noted that more funding would be needed to foster enabling conditions within which the private sector could confidently engage, with one interviewee underlining, "it would be good for GCF to help in identifying best practices of how private sector can engage in regions such as the Pacific to be more strategic".

In Solomon Islands, there has been only one RPSP project, and two PPF support programmes. One of the gaps identified in the Solomon Islands National Climate Change and Disaster Risk Finance Assessment Report 2017 was the fact that climate finance directed to the NGO community was not captured in the main government system; the report also identified significant human, policy and institutional gaps that the NDA was facing in accessing GCF resources and other global climate funds. The RPSP, delivered by the Secretariat of the Pacific Regional Environment Programme (SPREP), sought to strengthen the role of the NDA to be based within the Ministry of Environment, Climate, Disaster Risk and Meteorology. Under this RPSP, SPREP also planned to support the work of the new Climate Resilience Finance Unit, within the Ministry of Finance and Treasury, to coordinate climate change finance reporting, including that with NGOs and donors. This RPSP made significant inroads in building a strong NDA in the country and paved the way for enhanced engagement with the GCF. In terms of PPF funding, Solomon Islands has benefited from two such support programmes, both within the context of potential multi-country projects. The first, similarly to Papua New Guinea, was support for the preparation of a funding proposal on the Melanesia Coastal and Maritime Ecosystem Resilience Programme, and the second was submitted by the World Meteorological Organization in 2017 under the potential project "Enhancing Early Warning Systems to Build Greater Resilience to Hydro and Meteorological Hazards in Pacific Small Islands Developing States (SIDS)". However, to date no information is available as to whether either project has evolved into a funded project.

2. PRIVATE SECTOR ENGAGEMENT AND INVESTMENTS IN A PARADIGM SHIFTING PORTFOLIO IN THE PACIFIC

As climate vulnerable SIDS, evidence suggests the private sector in Papua New Guinea or Solomon Islands has been sufficiently and successfully engaged by the GCF to achieve a paradigm shifting portfolio.

As previously noted, Papua New Guinea's and Solomon Islands' private sector engagement with the GCF has not yet reached its potential, with many key private sector areas still unable to access GCF financing or unaware of how to best engage with the GCF. As one interviewee underlined, "there

has been good progress in terms of GCF matchmaking with Pacific Islands and private sector actors, but we need more national level dialogue”.

Both Papua New Guinea and Solomon Islands are SIDS with a geographic predilection that makes them especially vulnerable to climate change, and Solomon Islands is also a least developed country. They are both thus a clear target for GCF financing, as articulated in the Updated Strategic Plan of the GCF 2020–2023. However, engagement through GCF funding requires a better understanding of the private sector actors in the region who are willing and able to engage, and what can be expected of them. As one interviewee highlighted, “Pacific Islands are not the same as other developing countries, the logistics and geography of our region is very particular and that needs to be well understood before we can introduce investment models involving private sector actors here.”

With a variety of SIDS forming the region, each with their own ecosystem of complexities, coupled with the logistical challenges faced due to their geographic location, a context-specific approach is needed in order to deliver a paradigm shift. Some interviewees called for a greater understanding of the private sector context in the region, while others suggested awareness-raising on GCF operations as potential next steps for greater engagement. Nevertheless, as one interviewee underlined, “the [private] sector is simply not ready, and the islands need the GCF to help in identifying who – and how – they can partner with to reach GCF funds.”

3. EFFICIENT AND EFFECTIVE ACCESS CATALYSING

a. Participation of local private sector

With neither Papua New Guinea nor Solomon Islands having any DAEs, the participation of the local private sector is extremely limited.

The COVID-19 pandemic has had a huge impact on the Pacific Islands, particularly for MSMEs, which comprise almost 98 per cent of the economy.¹⁰¹ With the tourism industry almost decimated and logistic chains heavily disrupted, the domino effect on the economy in the islands is exponential. This will in turn have an important impact on private sector capacity to engage and invest in green financing long term.

Firstly, the smallest financing instrument available at the GCF – the micro level – is USD 10 million. For an MSME in a SIDS and/or least developed country this threshold is simply too high. In addition, GCF requirements and characteristics seem very far away for an MSME in the Pacific. As one interviewee noted, the “private sector in the Pacific does not operate like everywhere, they have their own particularities which may not match with GCF”. Another noted, “there are projects in the region working with the private sector, but a lot of them are not really in operation due to geographical and logistical barriers. It would be good [for the GCF] to share some good examples of private sector engagement so we can try and replicate some models in the region.”

The second issue is the rigid accessibility requirements, which will be further elaborated on in the next section but which pose an insurmountable challenge for the local private sector in the region. GCF terminology and language does not always have an equivalent in ordinary private sector terminology on the ground. As one interviewee noted, “GCF doesn’t really seem to understand the private sector in our region, it’s too far away.” This challenge is compounded with the perception that the GCF is simply too far removed from the reality in the islands, with one interviewee suggesting, “GCF is spread too thinly in this region and cannot provide enough support to each island; each island is totally different and there is no one-size-fits-all”.

¹⁰¹ Asad Ata, “The role of SMEs in Asia’s Economic Growth”, The SME Finance Forum, 25 April 2014. Available at <https://www.smefinanceforum.org/post/the-role-of-smes-in-asias-economic-growth>

The third challenge is linked to the lack of sufficient awareness of how, why and when to engage with the GCF. Despite Readiness grants approved and other NDA-led awareness-raising campaigns, most are quite specifically tuned to tackle a particular knowledge gap, with no funding specifically channelled towards private sector capacity-building for general engagement with the GCF. As one interviewee underlined, “there is simply not enough awareness on how [the private sector] can engage with the GCF.”

b. Efficiency and timeliness of the engagement with the Green Climate Fund’s Secretariat

A generalized lack of awareness of how to engage with the GCF, green investment terminology, and the potential themes and areas of investment poses a significant challenge to any kind of engagement for the private sector in the Pacific Region with the GCF.

A lack of DAEs in the region, limited RPSP projects and an overall generalized lack of awareness of how to engage with the GCF have led to a very limited number of active projects in the region, despite the acute needs. Given this lack of active projects, the evaluation team gathered limited evidence about the challenges of engagement on implementation. This said, throughout the interviews, two key challenges were repeatedly cited as obstacles for engagement with GCF.

The first challenge, as mentioned throughout this report, is the gap between GCF operations and the reality on the ground for the local private sector. Different interviewees suggested the root cause was simply insufficient engagement and awareness-raising, while others suggested the issue was terminology and processes that seem “alien” to local private sector.

The second challenge was the metaphorical distance between the GCF and the region. As previously noted, one interviewee advocated for greater GCF presence in the islands, or even increased opportunities for dialogue, but as one interviewee highlighted, “GCF needs to better understand the context of the Pacific Islands, and how the private sector works, before attempting to make any paradigm shifts.”

APPENDIX 6-1. LIST OF INTERVIEWEES

NAME	INSTITUTION
Peniamina Leavai	USAID - Climate Readiness
Renee Berthome	World Bank
Kenneth Kassem	IUCN
Ruel Yamuna	CCDA