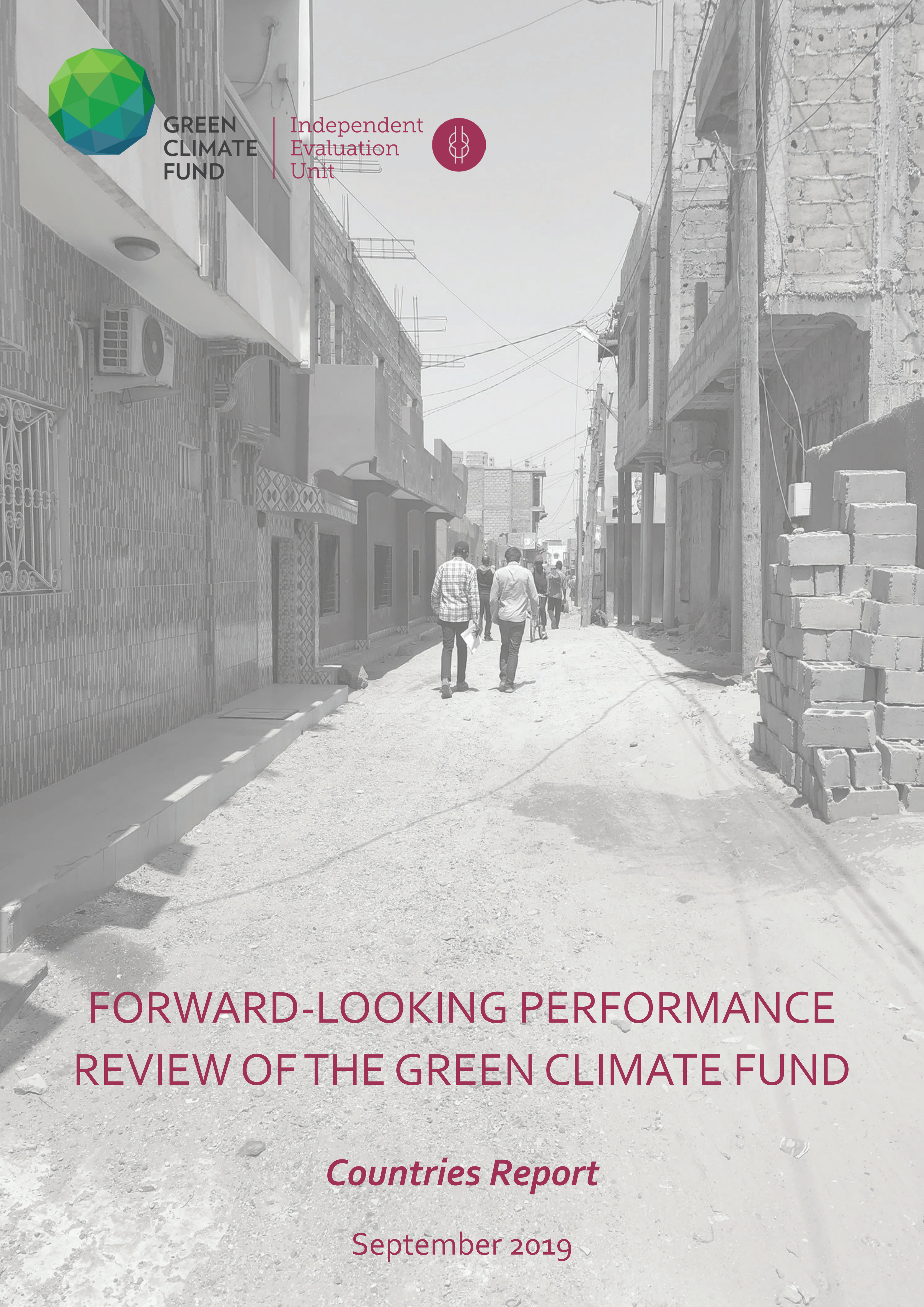


GREEN CLIMATE FUND

Independent Evaluation Unit

FORWARD-LOOKING PERFORMANCE REVIEW OF THE GREEN CLIMATE FUND

Countries Report

September 2019

GREEN CLIMATE FUND
INDEPENDENT EVALUATION UNIT

Forward-looking Performance Review of the Green Climate Fund (FPR)

COUNTRIES REPORT

September 2019

© 2019 Green Climate Fund Independent Evaluation Unit
175, Art center-daero
Yeonsu-gu, Incheon 22004
Republic of Korea
Tel. (+82) 032-458-6428
Email: ieu@gcfund.org
https://ieu.greenclimate.fund

All rights reserved.

This evaluation is a product of the Independent Evaluation Unit at the Green Climate Fund (IEU/GCF). It is part of a larger effort to provide open access to its research and work and to contribute to climate change discussions around the world.

While the IEU has undertaken every effort to ensure the data in this report is accurate, it is the reader's responsibility to determine if any and all information provided by the IEU is correct and verified. Neither the author(s) of this document nor anyone connected with the IEU or the GCF can be held responsible for how the information herein is used.

Rights and Permissions
The material in this work is copyrighted. Copying or transmitting portions all or part of this report without permission may be a violation of applicable law. The IEU encourages dissemination of its work and will normally grant permission promptly.

Citation
The suggested citation for this evaluation is:
Independent Evaluation Unit (IEU). (2019). *Forward-Looking Performance Review of the Green Climate Fund (FPR).* Evaluation Report No. 3, Green Climate Fund, Songdo, South Korea

Credits
Head of the GCF Independent Evaluation Unit: Dr. Jyotsna Puri (Jo)
Editing: Toby Pearce
Layout and design: Giang Pham
Cover photo: Visiting the project site in Pikine, Dakar, Senegal, by Andreas Reumann

A FREE PUBLICATION

CONTENTS

ABBREVIATIONS

ADB	Asian Development Bank
AE	Accredited Entity
AFD	*Agence Française de Développement* (French Development Agency)
AfDB	African Development Bank
AMA	Accreditation Master Agreement
AML	Anti-Money Laundering
APR	Annual Performance Report
CFT	Countering financing of terrorism
CIF	Climate Investment Fund
CO_2	Carbon dioxide
COP	Conference of the Parties
CSO	Civil society organisation
DAE	Direct Access Entity
DCP	Division of Country Programming
DMA	Division of Mitigation and Adaptation
DP	Delivery Partner
EBRD	European Bank for Reconstruction and Development
EDF	European Development Fund
EE	Executing Entity
EIB	European Investment Bank
EIF	European Investment Fund
ESIA	Environmental and Social Impact Assessment
ESS	Environmental and social safeguards
EWS	Early warning system
FAA	Funded Activity Agreement
FAO	Food and Agriculture Organization of the United Nations
FMO	Netherlands Development Finance Company
FP	Funding Proposal
FPR	Forward-Looking Performance Review of the Green Climate Fund
GCF	Green Climate Fund
GEF	Global Environment Facility
GGGI	Global Green Growth Institute
GHG	Greenhouse gas
GIZ	*Deutsche Gesellschaft fuer Internationale Zusammenarbeit* GmbH
GNI	Gross National Income
iAE	International Accredited Entity
IDB	Inter-American Development Bank
IEU	Independent Evaluation Unit
IFC	International Finance Corporation

IFI	International Finance Institution
IMF	International Monetary Fund
(I)NDC	(Intended) Nationally Determined Contribution
iPMS	integrated Portfolio Management System
IPP	Indigenous Peoples Policy
IRM	Initial resource mobilisation
ISP	Initial strategic plan
iTAP	Independent Technical Advisory Panel
IUCN	International Union for Conservation of Nature
JICA	Japan International Cooperation Agency
KfW	German Development Bank
LDC	Least Developed Country
LORTA	Learning-Oriented Real-Time Impact Assessment
M&E	Monitoring and evaluation
MoE	Ministry of Environment
MoF	Ministry of Finance, Economic Development, Planning and Trade (NDA)
MSME	Micro, small-and medium-sized enterprise
NAMA	Nationally Appropriate Mitigation Action
NAP	National Adaptation Plan
NAPA	National Adaptation Programmes of Action
NCCC	National Climate Change Committee
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NGO	Non-governmental organisation
PFI	Private finance institution
PPF	Project Preparation Facility
PPP	Public-Private Partnership
PSAG	Private Sector Advisory Group
PSF	Private Sector Facility, Green Climate Fund
PSO	Private sector organisation
PwC	PricewaterhouseCoopers
REDD+	Reducing emissions from deforestation and forest degradation in developing countries
RfP	Request for Proposal
RMF	Results Management Framework
ROI	Return on investment
RPSP	Readiness and Preparatory Support Programme
SAP	Simplified Approval Process
SDG	Sustainable Development Goal
SIDA	Swedish International Development Cooperation Agency
SIDS	Small Island Developing States

SRQ	Steward Redqueen
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNIDO	United Nations Industrial Development Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNOPS	United Nations Office for Project Services
WB	World Bank
WMO	World Meteorological Organization
WWF	World Wide Fund for Nature

COUNTRY-SPECIFIC ABBREVIATIONS

Bangladesh

BCAS	Bangladesh Centre for Advanced Studies
BCCRF	Bangladesh Climate Change Resilience Fund
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
CCTF	Bangladesh Climate Change Trust Fund
CRIM	Climate Resilient Infrastructure Mainstreaming
DoE	Department of Environment
ERD	Economic Relations Division
GoB	Government of Bangladesh
ICCCAD	International Centre for Climate Change and Development
IDCOL	Infrastructure Development Company Limited
LGED	Local Government Engineering Department
PKSF	Palli Karma-Sahayak Foundation

Ecuador

ATPA	*Agenda Transformación Productiva Amazónica*
CAF	*Banco de Desarrollo de América Latina*
CICC	*Comité Interinstitucional de Cambio Climático*
CONAIE	*Confederación de Nacionalidades Indígenas del Ecuador*
CONFENIAE	*Confederación de Nacionalidades Indígenas de la Amazonia Ecuatoriana*
ENCC	*Estrategia Nacional de Cambio Climático del Ecuador* (National Strategy for Climate Change)
MAE	*Ministerio del Ambiente Ecuador* (Ministry of Environment)
MAG	*Ministerio de Agricultura and Ganadería* (Ministry of Agriculture and Livestock)
PMI	Integrated Management Plans (in Spanish)

Egypt

ACZM	Alexandria Coastal Zone Management Project
EEAA	Egyptian Environmental Affairs Agency
EPF	Environmental Protection Fund

FinnFund	Finnish Fund for Industrial Cooperation Ltd.
ICBC	Industrial and Commercial Bank of China Limited
OeEB	Development Bank of Austria
SEFF	Sustainable Energy Financing Facility

Georgia

AA	Association Agreement
AOG	Administration of the Government of Georgia
CENN	Caucasus Environmental NGO Network
EEC	Energy Efficiency Centre
GEEREF	Global Energy Efficiency and Renewable Energy Fund
LEDS	Low Emission Development Strategy
MoEPA	Ministry of Environment Protection and Agriculture
NEAAP	National Energy Efficiency and Action Plan
PF	Partnership Fund
REC	Regional Environmental Centre for the Caucasus
SEFF	Sustainable Energy Financing Facility
SFM	Sustainable Forest Management
USAID	United States Agency for International Development

Grenada

3G	Getting Grenada Green Climate Fund Ready
5Cs	Caribbean Community Climate Change Center
BMU	German Federal Ministry for Environment, Nature Conservation and Nuclear Safety
CARICOM	Caribbean Community and Common Market
CDB	Caribbean Development Bank
CTO	Caribbean Tourism Organisation
DETC	Department of Economic and Technical Cooperation
DRR/DRM	Disaster risk reduction/disaster risk mitigation
EbA	Ecosystem-based adaptation
G-CREWS	Climate-Resilient Water Sector in Grenada
GAA	Grenada Airports Authority
GBD	Grenada Development Bank
GoG	Government of Grenada
GRENLEC	Grenada Electricity Services
GSU	St. George's University
ICCAS	Integrated Climate Change Action Strategy
ICI	International Climate Initiative (GIZ)
KFAED	Kuwait Fund for Arab Economic Development
MBIA	Maurice Bishop International Airport
MCR	Ministry of Climate Resilience
MFF	Ministry of Foreign Affairs

MoI	Ministry of Infrastructure Development, Public Utilities, Energy, Transport and Implementation
MoT	Ministry of Trade, Industry, Co-operatives and Caricom Affairs (also environment)
NAWASA	National Water and Sewerage Authority
NCCP	National Climate Change Policy and Action Plan
NSDP	National Sustainable Development Plan
PIMU	Project Implementation Management Unit
PPCC	Planning and Priority Consultative Committee
PSDM	Public service delivery mechanism
PSIP	Public sector investment programmes
SMB	Senior Managers Board

Guatemala

AFOLU	Agriculture, forestry and other land use
CABEI	Central American Bank for Economic Integration
CHN	National Bank for Mortgage Credit
CNCC	National Climate Change Council
CONAP	National Council for Protected Areas
FCG	Foundation for the Conservation of Natural Resources and the Environment in Guatemala
ICC	Private Research Institute on Climate Change
INAB	National Forestry Institute
INSIVUMEH	National Institute for Seismology, Volcanology, Meteorology and Hydrology
MAGA	Ministry of Agriculture, Livestock and Food
MARN	Ministry of Environment and Natural Resources
MINEX	Ministry of External Affairs
PNACC	National Climate Change Action Plan
SEGEPLAN	General Planning Secretariat
SGCCC	Guatemalan Climate Change Science System

Mauritius

MOFED	Ministry of Finance and Economic Development

Namibia

CBNRM	Community-Based Natural Resource Management
DBSA	Development Bank of South Africa
DNB	Development Bank of Namibia
HCCCC	High-level Cabinet Committee on Climate Change
MAWF	Ministry of Agriculture, Water and Forests
MET	Ministry of Environment and Tourism
MF	Ministry of Finance
MP	Ministry of Parks
NASCO	Namibian Association of CBNRM Support Organizations
NNF	Namibian Nature Fund
NPCC	National Policy for Climate Change

Rwanda

BRD	Development Bank of Rwanda
BRT	Bus rapid transit
EDPRS	Economic Development and Poverty Reduction Strategy
ENR	Environmental Natural Resources
FONERWA	Rwanda Green Fund
GGCRS	Green Growth and Climate Resilience Strategy
MIFOTRA	Ministry of Public Service and Labour
MINAGRI	Ministry of Agriculture and Animal Resources
MINECOFIN	Ministry of Finance and Economic Planning
MININFRA	Ministry of Infrastructure
MINIRENA	Ministry of Natural Resources
NCT	National Coordination Team
NST	National Strategy for Transformation
REMA	Rwanda Environment Management Authority
RENGOF	Rwanda Environment Non-Government Organisations Forum
RWFA	Rwanda Water and Forestry Authority
SWGs	Sector Working Groups
TAP	Technology Action Plan

Senegal

CDM	Clean Development Mechanism
CNCAS	*Caisse Nationale De Credit Agricole Du Senegal* (National Agricultural Credit Fund of Senegal)
COMNACC	*Comité National sur les Changements Climatiques* (National Climate Change Committee),
COMRECC	Regional Committees on Climate Change
CSE	*Centre de Suivi Ecologique* (Ecological Monitoring Centre)
CTCN	Climate Technology Centre and Network
DEEC	*Direction de l'Environnement et des Etablissements Classés* (Department for Environment and Classified Establishments)
FONGIP	Priority Investment Guarantee Fund
FONSIS	Sovereign Wealth Fund of Senegal for Strategic Investments
MEDD	*Ministère de l'Environnement and du Développement Durable* (Ministry for Environment and Sustainable Development)
MEFP	*Ministère de l'Economie, des Finances et du Plan* (Ministry of Economy, Finance and Planning)
PSE	*Plan Senegal Emergent* (Plan for an Emerging Senegal)

Solomon Islands

SIG	Solomon Islands Government
SPREP	Secretariat of the Pacific Regional Environment Programme

INTRODUCTION

A. OBJECTIVES OF COUNTRY VISITS

The Forward-looking Performance Review (FPR) visited 12 countries with projects in the global Green Climate Fund (GCF) portfolio to review and understand the experience of GCF at the country level (see the FPR Report, chapter 1 on methodologies, and annex 1 [Approach Paper] on sample selection). The team identified key findings, experiences and lessons from GCF-supported activities in each of the countries. They are consolidated and presented in this document. The country visits are not intended to be evaluations of the GCF programme in the country, nor of any of the activities planned or under implementation. As a matter of good practice, all information provided in this document originates from reports that were shared and validated with countries' National Designated Authorities (NDAs), each of which checked them for factual errors before completion.

The selection of countries was purposive and strategic, based on which countries – individually and as a suite – were most likely to yield insight into the larger research questions of the FPR. Country visits allowed outreach to most key GCF stakeholders, such as NDAs, Accredited Entities (AEs) based in the country, representatives from private, civil society and academic sectors and those impacted by GCF projects. The visits included field trips to projects under implementation, whenever applicable. The list of the people met can be found in the FPR Report, annex 5.

The findings, analysis and conclusions of each country visit have been used to provide more depth and context to the overall evaluation, as well as validation and triangulation of information.

The country visits mainly addressed four of the seven key areas of the FPR, namely:

3. Fund business model and organisational structure: how does the GCF business model (e.g. the organisational structure, the Private Sector Facility [PSF], access modalities and financial instruments) support (or not) GCF implementation at country level?

4. Policies and processes: whether GCF policies and processes are effective and efficient enough for the country to access the GCF. Whether different policies approved by the Board are effective, if they are sufficient for GCF operations at country level, and how the accreditation process supports (or not) country needs.

5. GCF performance at the country level: the key strengths and weaknesses of the GCF project cycle, as applied at the country level. What were the roles of the independent Technical Advisory Panel (iTAP) and Private Sector Advisory Group (PSAG) in the country's portfolio? Whether the GCF portfolio is country-driven. How different access modalities/financial instruments are being used in the country. How is the PSF operating within the country?

6. Likelihood of (and actual) results: what are the actual (and expected) results from GCF investments in the country – with specific examples of how projects have contributed (or will) to the paradigm shift to low-carbon emission economies – and how have they helped to increase resilience?

B. COMMON OUTLINE OF THE FPR COUNTRY VISITS REPORT

Specifically, the findings of the country visits allowed for the discussion of several main topics and questions in a consolidated way. Only the main headings are therefore reported in the present report, without reference to the sub-questions. These are listed in detail in the evaluation matrix in annex 1 of the FPR Report. In some cases, the main topics and/or sub-questions could not be discussed or those interviewed could not provide sufficient or relevant information, so these areas are not included for some countries.

The specific topics, sub-topics and questions as per the original FPR Approach Paper are as follows:

3. Fund business model and structure

3.1. Core principles

3.1.1. How do country ownership, country needs and the objective of a paradigm shift influence (or not) the Fund's business model and organisational structure? How do they support (or not) the implementation of [country]'s priorities?

3.2. Organisational structure

3.2.2 What are the key roles, responsibilities and processes of all actors in supporting the implementation of the GCF in [country]?

3.3. Secretariat

3.3.2. How and why is the NDA (and other national stakeholders) contacting the Secretariat? Is the current structure of the Secretariat allowing different stakeholders in [country] to access the Fund in sufficiently efficient ways? Who do stakeholders in [country] usually contact in the Secretariat? Why?

3.5. Delivery patterns

3.5.1. What is the role of the NDA and AEs in the Fund's business model (project cycle, portfolio identification, accreditation process, AEs, selecting/using different modalities to access the Fund [e.g. grants, loans, equities, guarantee; funding projects, readiness, project preparation facility (PPF)])?

3.5.2. How effective and efficient are NDAs and AEs in executing the Fund's mandate (e.g. providing access to the Fund to realise a paradigm shift in [country]'s climate change agenda)?

3.6. Access modalities (e.g. grants, loans, equities, guarantee; funding projects, readiness, PPF)

3.6.1. To what extent are the access modalities of the GCF supporting the access of GCF in [country]?

4. Policies and processes

4.1. Policy framework

4.1.1. Are current GCF policies (focus on risk, environmental and social safeguards [ESS], gender, indigenous peoples, etc.) necessary, sufficient, coherent and effective for [country] to access the GCF?

4.1.2. Are there any policy gaps? Or is there a policy overload? What are the key policies that have been applicable/relevant to the country/GCF projects?

4.2. Policy implementation

4.2.1. Are policies implemented effectively? Are they clear to the stakeholders in [country]?

4.4. Accreditation

4.4.4. Does the current accreditation process meet the needs for enabling the implementation of [country]'s climate change strategy? To what extent does the accreditation process deliver a set of reputable partners that have robust execution capacities (to address both public and private sector project and investment window needs under the GCF)?

4.4.5. How do the AEs active in [country] (and the process of selecting them) affect the country-drivenness approach of the Fund?

4.4.6. Direct Access: what is [country]'s experience with Direct Access? Is Direct Access more responsive to the needs and priorities of [country] than international AEs?

<u>5. GCF Performance at the country level</u>

5.1. Project cycle

5.1.1. How is the project cycle functioning in [country]? Is the project cycle supporting the delivery of projects that will fulfil the mandate of the GCF (public and private sector)?

5.1.2. What criteria are used to identify investment opportunities for GCF funding? Are they used consistently?

5.1.3. To what extent do the iTAP/PSAG assessments help to ensure the quality of funding proposals?

5.3. Responsiveness to the United Nations Framework Convention on Climate Change (UNFCCC)

5.3.1. To what extent has the GCF responded to UNFCCC guidance to the GCF and supported the fulfilment of the guidance to [country]?

5.4. Access modalities

5.4.1. To what extent are the access modalities of the GCF (e.g. funding projects, readiness, PPF) effective and efficient for [country]'s needs and ownership?

5.4.2. To what extent do the financial instruments of the GCF (e.g. grants, loans, equity, guarantees) meet the demands of [country]?

5.5. PSF and non-grant instruments

5.5.1. Has [country] had any contact with the PSF? Why (or why not)? If yes, to what extent are PSF processes and modalities (i) effective, efficient or innovative, and (ii) supporting [country]'s needs and ownership?

5.5.3. If applicable, were investments financed by the PSF sufficiently new and additional?

5.5.4. Have investments from the PSF in [country] been effective in leveraging financial resources from third parties?

5.5.5. Are the financial instruments utilised by the PSF (e.g. loans, equity, guarantees) expected to achieve the results, including potential for scale?

<u>6. Likelihood of (and actual) results</u>

6.1. Quality

6.1.1. What has been the quality of the design of GCF-funded projects in responding to the GCF investment criteria?

6.2. Results measurement

6.2.1. What is the quality of the results measurement frameworks of GCF-funded projects?

6.3. Actual results

6.3.1. Are there early indications that the Fund's supported projects and programmes in [country] have delivered planned results (or are on their way to doing so)? What are they?

6.4. Expected results

6.4.1. What are the expected results of funding decisions and other support activities, and of the mitigation and adaptation portfolio?

6.5. Paradigm shift

6.5.1. To what extent are funded activities contributing to a paradigm shift, to increased resilience and to change that is transformational in [country]?

6.5.2. What lessons can be derived so far that can help position the GCF to promote a paradigm shift in [country]?

Each country visit was conducted by a team composed of one Independent Evaluation Unit (IEU) staff member and one Baastel/Steward Redqueen (SRQ) consultant. In all cases, the relevant AEs and the NDAs provided full support to the FPR team in the preparation and development of the country visits, and in follow-up and data validation. Each country visit adhered to the protocols outlined in the main document of the FPR.

The objectives and specific aspects or issues of the country missions are briefly reported at the start of each country section, with no further details since these were provided both above in this section and in the main FPR Report.

The list of stakeholders consulted and their role in the GCF and the climate change agendas of each country is provided in the FPR Report, annex 5, by country. The appendices to each country visit instead provide the timeline and history of the events that are key to the evolution of the climate change agenda in each country and the role of GCF in the country context, an overview of the project portfolio with key data (approved, pipeline and rejected), and a list of documents consulted.

COUNTRY REPORTS

1. BANGLADESH COUNTRY VISIT REPORT

Buriganga river in Dhaka, Bangladesh. © Daisuke Horikoshi

CONTENTS

TABLES

FIGURES

A. Presentation of the country and GCF role

The country mission to Bangladesh met with various government agencies, civil society organisations (CSOs) and private sector organisations (PSOs) (either involved, or with some interest in the activities of the GCF), Direct Access Entities (DAEs) and in-country Accredited Entities (AEs), executing entities (EEs) and with organisations interested in accreditation. The visit also presented the opportunity to meet with prominent climate change scholars who have both international and national perspectives on the activities of the GCF, and with a member of the GCF independent Technical Advisory Panel (iTAP). The visit was organised in collaboration with the National Designated Authority (NDA) secretariat. The official agenda that had been shared with stakeholders had to be significantly modified for reasons outside of the control of the FPR team and the NDA. These included the transfer to another department of the NDA Deputy Secretary who was coordinating the visit, and special events preventing access to government offices. As a result, the field visit scheduled for the last day had to be cancelled. Nonetheless, aside from the lack of the field visit required under the country visit protocol, the FPR team met with most of the relevant stakeholders. The *Deutsche Gesellschaft fuer Internationale Zusammenarbeit* GmbH (GIZ) representative was not available during the week of the country visit, but a phone interview was subsequently conducted.

1. Main climate change risks and context

Bangladesh is widely recognised as being one of the countries most vulnerable to climate change; it ranks 9th in Germanwatch's Climate Risk Index for 2017 in terms of most-affected countries, and 7th in the long-term Climate Risk Index for most-affected countries from 1998 to 2017. The country is a low-lying delta with an average elevation of 4 to 5 metres above sea level, crisscrossed by a large network of rivers.[1] Floodplains occupy 79 per cent of the surface land, uplifted terraces 9 per cent and hills 12 per cent. Bangladesh has traditionally been affected by seasonal floods in the rainy season (both riverine floods and flash floods), and by cyclones, droughts, sea-level rise and salinity intrusion, all of which are being exacerbated by climate change.

Meanwhile, Bangladesh is progressively moving out of the Least Developed Countries (LDC) list of the United Nations Department of Economic and Social Affairs (UNDESA), having fulfilled the graduation criteria for the first time in 2018. However, under the economic vulnerability index, the country's rating for "victims of natural disasters" remains high at 87.9 out of 100, while its rating for overall economic vulnerability stands at 25.2.[2]

2. Institutional arrangements related to climate change

The country has developed strategic frameworks to address climate change. These include a National Adaptation Programme of Action (NAPA) in 2005 and 2009, and the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) in 2009. The BCCSAP addresses:

- Food security, social safety and health;
- Comprehensive disaster management;
- Development of climate-proof infrastructure;
- Research and knowledge management;

[1] World Bank Group, Climate Risk and Adaptation Country Profile for Bangladesh, 2011.
[2] United Nations Department of Economic and Social Affairs, Least Developed Country Category: Bangladesh Profile. Available at <https://www.un.org/development/desa/dpad/least-developed-country-category-bangladesh.html>

- Mitigation and low carbon development; and
- Capacity building.

The country created the Bangladesh Climate Change Trust Fund (CCTF) in 2010 to implement adaptation and mitigation activities using its own resources. It is described as “the first-ever national climate fund established by an LDC and […] an example to other countries for institutionalizing national climate finance.”[3] The Government of Bangladesh (GoB) channels USD 100 million into the CCTF on a yearly basis. The CCTF functions in parallel with a World Bank managed multi-donor trust fund, the Bangladesh Climate Change Resilience Fund (BCCRF), established in 2009.

Bangladesh ratified the Paris Agreement and adopted its Nationally Determined Contribution (NDC) on 21 September 2016. It submitted its Third National Communication to UNFCCC in June 2018.

Other strategic instruments include:

- Roadmap for developing a National Adaptation Plan (NAP) for Bangladesh (2015);
- Climate Change and Gender Action Plan (CCGAP, 2013);
- Climate Fiscal Framework (2014);
- Bangladesh Climate Action Plan (2009–2018);
- Bangladesh Environment, Forestry and Climate Change Country Investment Plan (2016–2021);
- Seventh Five-Year-Plan FY2016–FY2020: Accelerating Growth, Empowering Citizens;
- Sector Development Plan (2011–2025) for the water supply and sanitation sector;
- National Plan for Disaster Management (2008–2015);
- National Water Management Plan (2000); and
- Bangladesh Delta Plan 2100.[4]

In 2018 and 2019, Bangladesh dedicated 8.82 per cent of its national budget to climate change through 20 ministries and departments, which represents over 45 per cent of the total national budget.[5] As shown in Figure 1-1 and Figure 1-2 below, climate finance represents significant portions of many key ministries’ budgets. The majority of the funds are used for food security, social protection and health (46 per cent), infrastructure (28 per cent) and for disaster management and relief (10 per cent).

[3] UNDP Bangladesh. Available at <*http://www.bd.undp.org/content/bangladesh/en/home/operations/projects/environment_and_energy/inclusive-budgeting-and-financing-for-climate-resilience1/national-policies-and-strategies/bangladesh-climate-change-trust-fund-.html*>
[4] GoB, Journey with Green Climate Fund: Bangladesh’s Country Programme for Green Climate Fund, 2018.
[5] GoB, Ministry of Finance, Finance Division, Climate Financing for Sustainable Development: Budget Report 2018–2019, 2018.

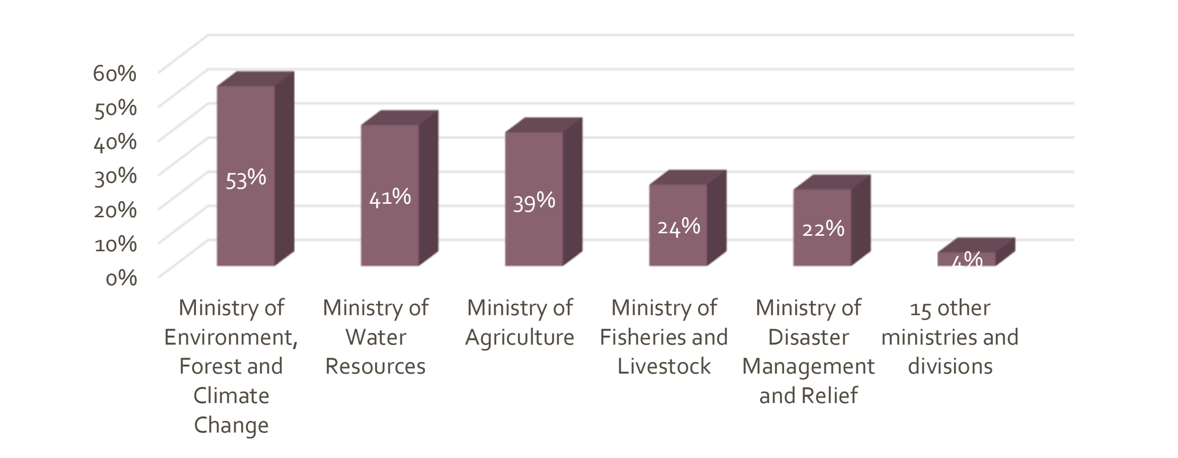


Figure 1-1. Proportion of climate-relevant ministerial budgets

Source: GoB, Climate Financing for Sustainable Development: Budget Report 2018–2019

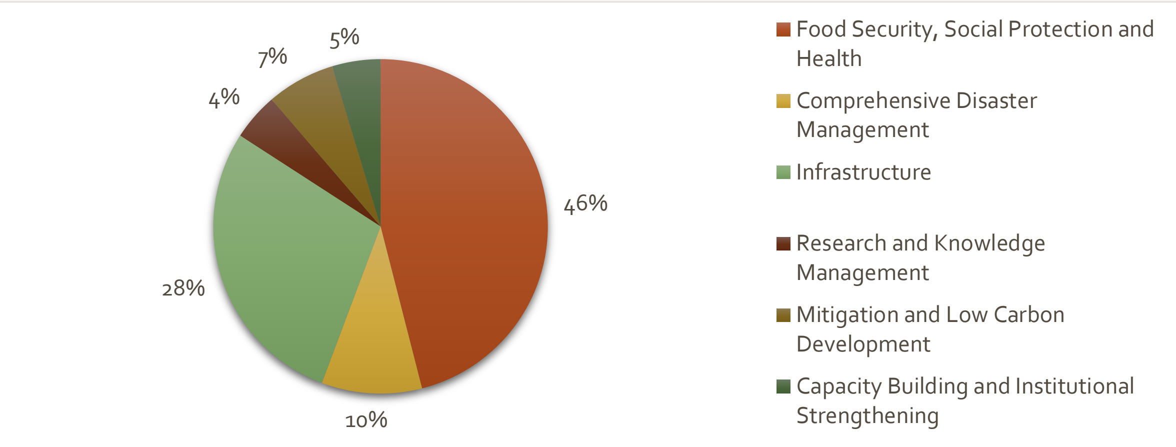


Figure 1-2. Thematic allocation of climate-relevant budget

Source: GoB, Climate Financing for Sustainable Development: Budget Report 2018-2019

3. TIMELINE OF GCF SUPPORT IN THE COUNTRY

Green Climate Fund activities started officially in 2014 with the nomination of the NDA within the Economic Relations Division (ERD) of the Ministry of Finance. The timeline of GCF-related activities and support in Bangladesh can be found in Appendix 1-1.

The country has benefitted from the Readiness and Preparatory Support Programme (RPSP) support under four projects:

- "Support for DAEs" (PricewaterhouseCoopers [PwC]) – completed October 2017;
- "Country Programming" (United Nations Development Programme [UNDP]) – completed November 2017;
- "NDA Strengthening" (GIZ) – ongoing; and
- Formulation and Advancement of the National Adaptation Plan (NAP) Process (UNDP) – ongoing.

Furthermore, there are three approved funding proposals for national projects:

- FP004 "Climate Resilient Infrastructure Mainstreaming (CRIM)" (German Development Bank [KfW]) – ongoing

- FP069 “Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change-induced salinity” (UNDP); and
- FP070 “Global Clean Cooking Programme – Bangladesh” (World Bank).

Bangladesh also obtained a grant from the Project Preparation Facility (PPF) for the project “Promoting private sector investment through large scale adoption of energy-saving technologies and equipment for the textile sector of Bangladesh” (IDCOL).

4. Institutional arrangements for engaging with the GCF

The NDA for Bangladesh which engages with the GCF is the ERD under the Ministry of Finance, with the Secretary of the ERD acting as the FP. The ERD is responsible for coordinating development finance with international donors such as the Global Environment Facility (GEF), for which the ERD is also the political FP. The NDA has established an NDA secretariat currently directed by the Additional Secretary, who is also the chief of the UN Wing of the ERD. The NDA secretariat also has a Joint Secretary and a Deputy Secretary (the latter position is currently vacant). A 25-member NDA Advisory Committee composed of government and independent stakeholders has been established to support NDA processes.

The NDA has nominated six national entities as potential DAEs to the GCF. The two that obtained accreditation (Table 1-1) are independently managed government institutions, namely the Infrastructure Development Company Limited (IDCOL) and the Palli Karma-Sahayak Foundation (PKSF). The IDCOL is a non-bank financial institution whose board is composed of public and private sector representatives and is chaired by the ERD Secretary. It provides financial and technical support in the sectors of infrastructure, renewable energy and energy efficiency. The PKSF is a “not-for-profit company” that addresses poverty through various programmes using micro-credit, education, workforce development, nutrition, infrastructure, and more. International Accredited Entities (iAEs) are active in the country, as illustrated in Appendix 1-1.

Table 1-1. Profile of the Direct Access Entities in Bangladesh

DAE	Project size	Type of support	Risk category
IDCOL	Medium	Basic, project management, on-lending/blending (loans)	B
PKSF	Small	Basic, project management, grant award, on-lending/ blending (loans)	C

The Country Programme, which was finalised in April 2018, established a shortlist of 48 project concepts centred around adaptation and mitigation. These were selected based on an open call for concepts that invited organisations to submit a two-page concept while identifying an AE – either direct or international – to carry their project. The country also developed an online platform for the no-objection process and a website for the NDA.[6]

5. Other efforts by development partners in climate change

There are several other international actors active in climate change. The GIZ supported both the strengthening of NDA capacities and the initial consultation for the establishment of the no-objection process in 2013, through their Climate Finance Readiness Programme. The World Bank is managing the BCCRF. The Climate Investment Funds (CIFs) are supporting the implementation of

[6] Available at <http://nda.erd.gov.bd/en>

the investment plans of the Forest Investment Programme (FIP),[7] the Strategic Programme for Climate Resilience (SPCR)[8] and Scaling Up Renewable Energy in Low-Income Countries (SREP).[9] The GEF has approved five projects for implementation either through UNDP or the Food and Agriculture Organization of the United Nations (FAO), and four project concepts are in the pipeline.

B. FINDINGS

1. FUND BUSINESS MODEL AND STRUCTURE

a. Core principles

There is currently a strong level of country ownership for GCF programming in Bangladesh. This had already been demonstrated by the RPSP evaluation.[10] The country has an established NDA office, a no-objection procedure, a Country Programme, two DAEs and three approved national funding proposals.

The FPR team observed a high interest for accreditation by national entities, for accessing GCF funds, and an interest in climate action. The Country Programme generated 230 project ideas out of which 48 were prioritised. The DAEs each have a pipeline of approximately four proposals (either at concept note or funding proposal stage) that they are currently working on.

The FPR team also observed some confusion regarding the definition of country ownership, given that there are no specific indicators to define it at the country level. The definition used for funding proposals is different from the one that would apply at country level.

According to several stakeholders, the fact that the approved projects are all led by iAEs and not by DAEs does not hinder country ownership, as the EEs are national entities and because of the country ownership requirements of funding proposals, which include extensive consultations and analysis of alignment with national priorities. However, concerns were expressed that the extent to which country needs are considered can be limited, as the decisions of iAEs are also in some manner shaped by their own agendas, which may differ from the country's most pressing needs. Several comments from CSOs were received to the effect that the current model fails to reach the most vulnerable.

There is also confusion about the definitions of climate rationale and of paradigm shift. About climate rationale, although most stakeholders understand the need for the GCF to ensure that it funds climate-related activities, this differentiation is perceived by AEs, academics and CSOs as artificial. On the one hand, climate rationale is difficult to demonstrate, and sometimes, this is due to a lack of baseline/historical data. On the other, climate change is hampering development, and as such, it may not be necessary to attempt to dissociate it from a paradigm shift.

b. Organisational structure at country level

The NDA plays a central coordination and leadership role in the GCF structure in Bangladesh. It mobilises attention and interest around the GCF from government agencies, CSOs and PSOs; it provides information about GCF processes through the NDA website and through workshops, and it seeks to identify country priorities. It designated six national entities for accreditation, two of which have achieved it so far. The NDA is also responsible for coordinating the no-objection process, which takes the form of a complete screening that follows these steps:

7 Available at <https://www.climateinvestmentfunds.org/sites/cif_enc/files/fip_final-bangaldesh_final_9nov2017_0.pdf>
8 Available at <https://www.climateinvestmentfunds.org/sites/cif_enc/files/ppcr_5_spcr_bangladesh_nov2010_0.pdf>
9 Available at <https://www.climateinvestmentfunds.org/sites/cif_enc/files/bangladesh_srep_ip_final.pdf>
10 Available at <https://ieu.greenclimate.fund/evaluations/rpsp-evaluation>

Figure 1-3. Proposal approval process for the GCF in Bangladesh

This process is undertaken online through software embedded in the website. Through this process, the NDA has the responsibility to ensure that funding proposals are of sufficient quality and respond to country priorities. The NDA Advisory Committee supports this process. Some AEs indicated that the GCF business model does not adequately align with the processes of Bangladesh. Indeed, despite the no-objection process, even after a project is approved by the GCF, the project must obtain a Development Project Proposal (DPP) from the sponsoring ministry or the Ministry of Planning. Investment projects that exceed the budget of USD 5.9 million are submitted to the Executive Committee for National Economic Council (ECNEC) for policy-making decisions.

The Country Programme includes a pipeline of projects which empowers stakeholders to start promoting the project ideas in the pipeline. This Country Programme gives a crucial role to AEs (both national and international) to take up the project ideas and work with national entities (and potential EEs) to develop funding proposals. They are responsible for designing the project in a way that fulfils the GCF investment criteria and the national approval processes. International AEs have been providing readiness support to the NDA as well as to the DAEs either through the RPSP programme or through other funding sources. They are expected to continue fulfilling this role for the foreseeable future. Some iAEs have been active in the country for several decades, and some of their staff have been in the country for several years. As the personnel rotation at the NDA has been high, some of these AEs reported that they have played an informal role in ensuring continuity in the agenda.

In addition to the AEs, there are several national organisations, such as departments and ministries, CSOs and PSOs, that are interested and have the capacity to implement the GCF climate agenda. Under the current model, some of them are seeking accreditation, while others are positioning themselves as EEs. The Local Government Engineering Department (LGED) is the EE for the CRIM (FP004) project led by German Development Bank (KfW), and the Ministry of Women and Children Affairs is the EE for the UNDP project (FP069). The Department of Environment (DoE) is also a notable actor in the GCF architecture, although it holds no formal title within it. Indeed, the technical funding proposals for the GEF and for the Adaptation Fund are established within the DoE, and the department is responsible for compliance with environmental safeguards for the country, in addition to holding a portfolio of climate change, forestry and agricultural projects.

Several CSOs and research institutions are actively involved in the GCF agenda and more broadly in the climate change agenda. Their roles go from monitoring activities (Transparency International Bangladesh, ActionAid Bangladesh) to providing technical support and advice (Bangladesh Centre for Advanced Studies [BCAS], International Centre for Climate Change and Development [ICCCAD]). Several other non-governmental organisations (NGOs) and international organisations such as BRAC are also active in climate change and closely follow developments.

c. Relationship with the GCF Secretariat

Communications with the GCF Secretariat take place through the NDA but the Secretariat is also in direct contact with AEs, although the NDA thinks that communications should be channelled only through its office.

Across stakeholders, the perception is that the Secretariat is a distant entity that is waiting for proposals and making requests, but not reaching out to the country or to organisations. Several comments were received to the effect that funding proposals and concept notes had been awaiting responses for many months. These claims were not entirely supported by a review of project cycle timestamps for Bangladesh proposals (including concept notes), as data indicate that answers were provided for all but one concept note. Data do not, however, specify the nature of the response, which may have simply been an acknowledgement of receipt.[11] Nonetheless, the consensus among stakeholders is that the Secretariat should be more proactively reaching out to countries and AEs, perhaps visiting them from time to time, and building an understanding of the national context to make the entire process more effective and efficient.

All stakeholders interviewed mentioned that GCF-related processes are complex, burdensome and do not consider the country's reality. Out of the three projects that have been approved for the country, only one has started implementation. More than half a dozen projects are under development (either at the concept note or at the funding proposal stage), but they are still far from approval. The requirements are difficult to fulfil and add to the delays. One of the main challenges faced by AEs (both international and direct) is the lack of clear definitions for the key concepts (climate rationale, country ownership, paradigm shift, etc.), and consequently of clear guidelines on how to fulfil GCF expectations. This is also true for private sector projects where AEs have failed to obtain clear guidelines on financial arrangements that are essential to the design of their project. This causes additional work for both the AEs and the Secretariat, as they seek to develop projects in line with the investment criteria. According to an interviewee, the capacity of the Secretariat to provide technical support on a variety of topics during project design has clearly increased over the years. However, there are still efforts to be made in providing more consistent support to project development, to ensure that the design process is efficient and leads to approval promptly. While stakeholders did agree on the need for quality to be maintained, the issue seems to be one of effectively communicating expectations and using the Secretariat's resources more efficiently.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

The structure adopted by the NDA in Bangladesh involves channelling project ideas from a variety of organisations through the existing AEs. The PKSF is perceived as the appropriate entity for public sector adaptation projects while IDCOL is the preferred entity for private sector mitigation projects. For now, projects that do not fit this profile, or that are not aligned with the fiduciary eligibility of the two DAEs, are expected to be developed through iAEs. This model allows for a variety of project ideas to be brought forward and maximises the currently available access modalities. Both DAEs are eligible and can blend financial instruments from the GCF to suit the needs of their projects, with the exception that IDCOL is not eligible for grant awards (see Table 1-1).

The NDA has succeeded in mobilising attention and interest in the GCF, as illustrated by the number of national entities seeking accreditation and project ideas in the pipeline. The NDA is now launching processes to further mobilise the private sector. The NDA has benefitted from AE support for building its capacities and has achieved a good level of institutionalisation through a team being embedded in the UN Wing of the ERD, and a functional website that hosts useful information.

[11] IEU DataLab.

However, its effectiveness is hindered by its still-limited capacities. The major issue is that personnel rotation is extremely high, which leads to major losses in institutional memory and knowledge. This is in part a consequence of the human resources approach taken by GoB public servants.[12] As emphasised by a representative from an AE, a stable team is required to build a good understanding of GCF requirements and processes and to develop a clearer strategic vision to mobilise not only GCF funds but climate finance in general. All AEs and EEs reported staff rotation within the NDA as being one of the main challenges they have had to face in accessing the GCF. The NDA is currently benefitting from the support of AEs, but to ensure the stability of its personnel some stakeholders suggested that it may be useful to consider seeking a more independent status within the ERD, that would enable the limiting of staff rotation.

The second capacity limitation of the NDA is the lack of in-house technical expertise. All the stakeholders interviewed agree that the establishment of the NDA within the ERD is appropriate, as the role of the ERD is to mobilise financial resources, and they possess ample expertise with international donors. However, the role of the NDA currently requires more technical expertise in climate change to effectively provide leadership and technical support to AEs, to ensure that proposals are aligned with country and GCF priorities. Unfortunately, the willingness of the GoB to finance a larger team for the NDA may be hindered by the limited achievements of the GCF in the country.

With regard to the AEs, all the currently approved funding proposals are from iAEs, but only one project has started its implementation, with present disbursements at 0.4 per cent. Both the iAEs and the DAEs are widely recognised as having the capacities to implement climate change programmes. The strategy adopted by the NDA in the Country Programme – to channel project ideas through the existing AEs – places a significant responsibility on the AEs to take the lead on developing these proposals. However, as iAEs are currently channelling nearly all GCF funds in the country, some of them expressed their willingness to take a step back in the future. On the other hand, the current DAEs are themselves limited by their fiduciary profile, with IDCOL not being able to access grants and PKSF being limited to Category C projects in terms of the risk level.

Furthermore, several stakeholders reported that several GoB ministries with thematic responsibilities relevant to climate change are reluctant to partner with the existing DAEs (which are independent bodies) as they would have to report to them. The accreditation of some ministries or a different management structure where EEs could report simultaneously to the NDA and to the EE, could help tackle this potential bottleneck. Currently, however, DAEs are actively developing their capacities and working on concept notes and funding proposals.

e. Funding programmes and instruments

The NDA and AEs of Bangladesh have a track record of accessing the GCF through a variety of funding programmes and instruments, which include the RPSP, funding proposals and the PPF. Data from the IEU DataLab indicate that requests have been made for other types of access – including for Enhanced Direct Access (EDA), for the Simplified Approval Process (SAP), for the Micro, Small- and Medium-Sized Enterprises (MSME) Pilot Programme, and for the Mobilising Funding at Scale Pilot Programme – but they have not yet been successful.

Readiness has supported the development of NDA capacities, the Country Programme and the NAP process. A readiness grant was also provided for PwC to support the accreditation of a national entity, which has not yet been achieved.

[12] As an example, all the staff currently constituting the NDA Secretariat have been in their positions for less than 6 months (approximately). Knowledge about the activities of and contacts with stakeholders were largely concentrated in one person who was recently transferred, leaving a major knowledge gap that was clearly visible to the FPR team.

To date, only funding proposals from iAEs have been approved, including two adaptation projects and one cross-cutting project, led by UNDP, KfW and the World Bank, respectively. The IDCOL succeeded in obtaining PPF support for one of its concept notes. However, given that it is a financial institution, it currently lacks the in-house technical capacity to develop funding proposals. The modalities currently available do not provide support to help DAEs develop these capacities internally, and it may be necessary for them to request PPF support until some of their projects are approved, and the case for the hiring of additional technical staff is established.

2. GCF POLICIES AND PROCESSES

a. GCF policies

Stakeholders interviewed had diverging opinions about policies, but the underlying notion is that compliance requirements during accreditation or project design are perceived as burdensome. It should be noted that all the organisations interviewed, whether accredited or not, had experience working with international donors and complying with their policies. For some organisations, demonstrating their compliance with GCF policies involved having to provide more details than they are used to. For other organisations, compliance requirements led them to strengthen their own policies, which to some extent is considered as useful.

An interesting finding related to accreditation is that government agencies do not have individual policies and are often not at liberty to simply produce them. Rather, the DoE is responsible for environmental safeguards across the Government. It benefitted from strengthening the gender aspects of policy, but it was difficult to produce a specific environmental policy given that this is the primary focus of their department and it is not summarised into a single document. From that perspective, GCF requirements were perceived as inflexible.

Several stakeholders consider the current risk policies of the GCF to be too risk-averse. Indeed, the GCF structure consistently transfers exchange rate risks to AEs. Additionally, the complexity of accreditation and project approval processes, and in particular of the Accreditation Master Agreements (AMA) and Funded Activity Agreements (FAA), reflect an attempt to minimise the risks of investing in unreliable organisations or in failed projects. While "innovation" is part of the investment criteria, one of the respondents argued that the low-risk approach is not conducive to innovation as it seeks to invest only in demonstrated concepts with very clear implementation frameworks. All AEs and EEs interviewed claim to have extensive experience implementing climate change and development projects from a wide variety of donors, yet GCF activities in the country remain extremely limited despite significant efforts to access funds from multiple parties. Currently, this represents an important reputational risk for the GCF in Bangladesh.

In terms of policy gaps, both the environmental and social safeguards (ESS) and the Gender Policy are very relevant for the country. Bangladesh has a strong track record on implementing gender-sensitive programming and already has a Climate Change and Gender Action Plan.

b. Policy implementation

The main comments on the implementation of policies related to the constraints and burdens they generated during the accreditation process and during project design. In fact, several AEs believed that once an organisation is accredited, the GCF should rely on the organisation's processes rather than having its own requirements, given that these processes would have been vetted during the accreditation.

Some respondents pointed out that PKSF has encountered challenges during the preparation of its projects as it is only accredited for projects with a "C category" level of risk (lowest level of risk). While no detailed information about this is currently available, it was reported that projects that had initially been conceptualised as falling in the C category were then assessed as being in the B category, de facto blocking the process until the project was modified to a C category level of risk.

c. Accreditation

There appears to be a consensus that the entities currently accredited, whether international or national, have the capacities to implement the GCF climate change agenda. The two DAEs have relatively complementary profiles in that IDCOL can focus on the private sector and mitigation projects, while PSKF can focus on adaptation and public sector projects through providing micro-finance to NGOs in the country. However, both DAEs are also limited to exactly these areas by their accreditation and their specialisations: mitigation private sector medium-sized B risk projects for IDCOL and adaptation small-sized C risk projects (with PKSF being able to work with MSMEs as well). This leaves limited room for adaptation private sector projects or for large adaptation infrastructure projects. Both DAEs are in the process of widening their current accreditation profile but are worried that the process may be as long and as complicated as their initial accreditation.

Several other entities are interested in accreditation. Four of them have been designated by the NDA but have not achieved it. Many reasons exist for this. Some of them have weak fiduciary credentials due to a history of corruption. Government entities have faced requirements that are described as “inflexible” given they are not able to make the specific changes required by the GCF for accreditation: for example, when it comes to having a specific ESS policy, the presence of an individual monitoring and evaluation unit (which is a function ensured by a specific government department), or having audited financial statements (also a government-performed . There is some frustration among government stakeholders and CSOs that the GCF is requiring the country to adapt its processes to access the Fund when it should be the other way around. The process is generally described as long and cumbersome: from submission of the accreditation request to the signature of an AMA, the process took three years for both IDCOL and PKSF, while another entity started the process in 2016 and has not yet finalised it. Finally, two CSOs are also considering accreditation, one for the public sector and one for the private sector. However, it is likely that the private sector one will not go ahead as the process requires “too much effort”, while mitigation efforts are almost bankable. Nonetheless, respondents from CSOs highlighted that fiduciary standards and safeguards should not be compromised, especially if “being an AE by the GCF” becomes a door-opener for other funds. Rather, some respondents suggested that an approach to accreditation with an in-person audit could help to more efficiently verify the capacities of the candidates for accreditation, or that “conditional accreditation” combined with capacity-building could also help speed up the process.

As mentioned before, IDCOL as a financial institution currently lacks in-house technical capacity related to climate change. The organisation has already invested significant amounts into accreditation and into building a climate change three-person team that is developing its processes and working on several proposals. In the current situation, it is difficult for them to make a case for having a bigger team with technical specialists. This reflects the fact that the accreditation process focuses to a large extent on fiduciary criteria and not on technical capacities, or on the capacities of entities to deliver on the ground and reach the most vulnerable. If this is the priority, then support should be provided to DAEs to increase their technical capacities.

Adaptation needs in Bangladesh are enormous, and the country must mobilise all its actors to deliver on these requirements, especially actors that can deliver directly to vulnerable communities. Yet, with only two DAEs, there are significant unfulfilled needs.

Furthermore, in Bangladesh, there appear to be several national entities that could effectively and efficiently support the mandate of the GCF but have not yet achieved accreditation – or may have been discouraged from attempting it by the current process. Some respondents suggested that taking more into account the capacity of AEs to deliver projects locally (and their understanding of the local context during accreditation), would help a larger amount of these local organisations to become accredited.

Direct Access is not yet a reality in Bangladesh. There are two stages to Direct Access: the first is accreditation, and the second is obtaining approval for a funding proposal. While achieving accreditation for two DAEs is a success compared to the performance of other countries, in Bangladesh there is an appetite for much more, and expectations are high with regard to the GCF. This is illustrated by their existing pipeline of funding proposals and concept notes: PKSF currently has three funding proposals and two concept notes in the pipeline (the oldest one having been there since 2016), and IDCOL has five concept notes in the pipeline (one since 2016 and the others since 2018 or 2019) with one of them having been awarded a PPF grant.

The status of funding proposals and concept notes, as well as the reasons for these lengthy timelines, are unclear. There are some indications that, for example, PKSF has been limited by its C category fiduciary status, as at least one of its projects was determined to be B category. The IDCOL, on the other hand, is in a situation where it would require PPF for nearly each of its proposals, as it does not have the internal technical capacity to develop them. Furthermore, issues with obtaining clear guidance from the Secretariat for project design have been reported, and requirements for concept notes are perceived as excessive. Staff changes at the NDA have also affected the efforts of DAEs as they need to communicate with someone with good knowledge of both the GCF and of national processes. Overall, there is a feeling that even after obtaining accreditation, gaining a project is too complex. The IDCOL has financed a GCF Team which has been active for three years, but it has only succeeded in accessing funds for one PPF. As other organisations are considering seeking accreditation, they are concerned that it will take years before they can start implementing any project, while the needs for adaptation are real now.

While no one denies that iAEs can implement good quality projects that involve consultations and studies to ensure that adaptation measures are appropriate to local needs, several voices claim that further engagement and leadership from local organisations would help reach the most vulnerable and that this is better achieved through DAEs. The challenge would reside in ensuring that most funds are channelled all the way through local actors (local governments, community organisations, NGOs, micro-enterprises and others) who can implement locally-relevant adaptation actions, rather than being bound to large-scale adaptation programmes.[13] The EDA pilot is perceived as a positive opportunity to provide that flexibility, but its funding is still limited (an average of USD 10 million per pilot project).

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

If one considers the number of project ideas in the Bangladesh Country Programme, and existing climate change activities – such as CIFs investment plans, the CCTF, the BCCRF as well as the extent of government investments in climate change – it is reasonable to expect that the GCF would be quite active in Bangladesh.

Overall, the GCF project cycle process does not seem to work optimally in Bangladesh. To date, 20 different concept notes or funding proposals have been submitted to the GCF for projects in

[13] International Institute for Environment and Development (IIED), Money where it matters: local finance to implement the Sustainable Development Goals and Paris Agreement, 2017. Available at <https://www.iied.org/money-where-it-matters-local-finance-implement-sustainable-development-goals-paris-agreement>

Bangladesh.[14] However, only three have been approved, four have been withdrawn (all from iAEs)[15] and the rest are in the pipeline. Among the ones that were approved, a UNDP project was withdrawn while under Board consideration and then resubmitted and eventually approved.[16]

Of the three funding proposals approved, only one has commenced implementation, and it is still at an extremely early stage. Some AEs have expressed concern that processes after project approval are also lengthy and result in loss of time for actual project implementation. Even after an FAA is signed between the GCF and the AE, a final stage involves DPP approval by the GoB. This final process only delayed by three months the initiation of the KfW project when the FAA was signed in December 2017, but it adds to the two-year delay from project approval at B.11.[17]

The length and complexity of project design and approval processes were amply criticized by stakeholders in the country. Concept notes, while not mandatory, are described as being too demanding, and the reasons for multiple revisions being required are not clear at this stage. The purpose of this process also seems unclear, as complex feasibility studies are required at a very early stage of design. Important investments are required for what is only a "concept" that is still very far from receiving funding.

Furthermore, given the timeline for project approval, the feasibility studies may no longer be valid baselines for the project when it begins. This also applies to the funding proposal given that it takes on average two years for a project to be approved, and even more for it to start. Projects that are only now preparing to start interventions in the field realise that while they were in the project proposal stage with the GCF, other actors have stepped in to conduct similar adaptation actions on their planned project sites. This may require them to review their planned activities, or at the very least, to prepare new baselines.

The design stage of each project is also lengthy and requires collaboration with the Secretariat to build the project so that it complies with all GCF requirements. While collaboration with the Secretariat has been described as positive and helpful, compliance with the requirements is a challenge for all AEs. The UNDP project that was withdrawn from Board consideration had received a negative evaluation from iTAP and was therefore not generating consensus from the Board. Further studies were eventually required to demonstrate the climate rationale. This illustrates two important points:

1. Demonstrating a strong climate rationale can require a lot of research and data to build a strong science-based case. This process can be complex and costly and as such, should be guided by clear guidelines to ensure it is efficient and does not prevent DAEs, which may have less capacity than UNDP, from implementing it. A representative from an AE stated that "GCF has no clear definition of what it means by adaptation and how to differentiate it from development. It needs very clear policy guidance, and until they do that, they are not adding value to the whole finance adaptation". This vision is supported by several other stakeholders in Bangladesh, and was also brought forward by the CSO Board Observers when the project was analysed for the first time by the Board:

   "We very much concerned that questions are being raised whether this project submitted is a climate project or a development project. We believe it is unrealistic and artificial to strictly separate and dichotomise sustainable development programmes and climate programmes. Listening to the points by Board members who are not convinced this is an

[14] Excluding regional and global projects.
[15] Excluding the UNDP project that was withdrawn and then resubmitted.
[16] IEU DataLab.
[17] FP004 was approved in November 2015.

adaptation project –we urge the GCF Board to come out with a paper that explains more clearly what it considers as adaptation.

"We firmly believe that this project is definitely about building climate resilience and represent vital climate change adaptation interventions."[18]

2. The project design process did not ensure that the project which arrived for iTAP review and Board approval, fulfilled the basic requirement of providing a sufficiently strong climate rationale, despite a concept note having been submitted beforehand. Stakeholders interviewed believe that the process should be more structured, with the right questions asked at the right times, and with a stronger role for the theory of change.

Decision-making on climate change investments is made on the basis of the policies and strategies of Bangladesh, in particular, the BCCSAP as well as the NDC, the CIF investment plans and others.[19] During the first years of the GCF, interventions were designed by iAEs based on their experience in the country, on their understanding of country needs and on their own criteria for selecting their interventions.

For upcoming projects, the Country Programme establishes a menu of interventions, which were selected using criteria very similar to the GCF investment criteria. Stakeholders from AEs and academia suggested that this long list of projects should be further reorganised to increase its coherence and that perhaps it should be addressed with a programmatic approach. However, whether or not a project idea becomes a project proposal depends largely on the AEs. The NDA is currently undertaking activities to reach out to the private sector and to build a pipeline of private-sector project ideas.

The investment criteria are not well understood by many stakeholders, and several asked for more specific criteria to ensure that they can comply with them and make the process more efficient. The fact is that, as mentioned throughout this report, there is confusion about the different key concepts of the GCF, and how they are defined at the global and at the project level. No clear guidelines or papers are defining these concepts. The responsibility for developing these concepts has not been delegated to the Secretariat, and the offers of iTAP to help clarify their expectations when reviewing funding proposals have not been followed up. Guidelines that show how to effectively and efficiently demonstrate a project's climate rationale for adaptation projects would be particularly useful. On the contrary, the definition of mitigation and how to develop mitigation projects seems much clearer and more straightforward. Some stakeholders perceive that consequently, mitigation projects "have it easier" and are not subject to such strict screening.

Within the project cycle, the review made by iTAP comes at the very end of the project design process and is currently being used as a final screening of the project to ensure it is of high enough quality to be presented to the Board for approval. The iTAP has the authority to reject projects before they make it to the Board, or to recommend their approval or conditional approval.

Some stakeholders perceive that the review from iTAP is often too detailed on some aspects, while superficial on others. The model currently applied for the review does not allow for in-depth analysis to understand contextual aspects, and it could be efficient to ensure that their review is more focused and specific on where they can really add value while making sure that other aspects are addressed before the funding proposals reach iTAP. When it comes to adaptation, some stakeholders argue that it is not necessary for iTAP to try to assess detailed implementation schemes, as their analysis can only be superficial, and as such their judgement will be largely based on personal

18 CSO observer comments on FP032 (now FP069) at B.15. Available at <https://us.boell.org/sites/default/files/old_fp032_no_consensus.pdf>

19 GoB, Ministry of Finance, Finance Division, Climate Financing for Sustainable Development: Budget Report 2018-2019, 2018.

experience rather than on an understanding of the local context and GCF values. The same is true for the financial aspects of projects, which are not an iTAP area of expertise. Clear definitions of concepts and of related expectations would also make the work of iTAP more efficient and objective. Some stakeholders suggested that the model adopted by the impact-investing community should be mentioned as an alternative, as it would allow iTAP to focus on ensuring that investments are effectively designed to reach targets.

b. Responsiveness to the UNFCCC

The GCF is effectively prioritising LDCs, Small Island Developing States (SIDS) and African countries, and this is positive – although not perfect – in terms of targeting the countries with the most important needs. The GCF should consider using these priority criteria only for adaptation because such prioritisation is not as useful for mitigation.

The UNFCCC requested investments to be channelled in equal amounts into adaptation and mitigation, which is a laudable objective. To date, the GCF has not yet achieved this objective as only 23 per cent of its fund's target adaptation and 33 per cent cover both adaptation and mitigation, with their respective proportions undetermined.[20]

c. Funding programmes and instruments

To date, Bangladesh has accessed four RPSP grants, one PPF, and has obtained funding for three projects. Concerning the RPSP, the benefits in terms of institutional structures, planning and general capacities to collaborate with the GCF have been important. Significant gaps remain to be filled to further ensure the institutionalisation of processes by increasing the size and expertise of the NDA secretariat, but current funding programmes and instruments/modalities should allow the NDA to do so.

Further readiness support is, however, required with existing and potential DAEs, to help them to reach standards for accreditation and to be able to successfully prepare quality proposals to access GCF funds. Indeed, for DAEs, requesting PPF support for each proposal is not a sustainable option.

The effectiveness of funding proposals has been addressed in previous sections. It is clear that while individual projects can be effective for addressing country needs, the processes should be more efficient and faster. The fact that EEs can be any type of non-accredited entity also helps to mobilise the appropriate national actors, except ministries, which are reluctant to collaborate with current DAEs. The challenge at present is also related to the limited flexibility of the project cycle, which creates constraints for adaptation interventions that are locally based. The EDA model, at a larger scale, constitutes an interesting option for facilitating more flexible delivery of support through local organisations and governments to reach the most vulnerable communities. Conversely, global programmatic approaches such as those adopted by the World Bank project, are not perceived as being conducive to relevant and country-owned interventions. Another option could be a stronger focus by the funding proposal process on building a case for reaching environmental and social targets, as per the impact investing model.

The variety of options that the GCF provides is appreciated by the NDA. The microfinance sector in Bangladesh is very strong, and as such, the country can take advantage of a variety of financial instruments.

Concessional loans are very useful for the mitigation sector as energy efficiency, and renewable energy investments are almost, but not totally, bankable under business-as-usual conditions.

20 Available at <https://www.greenclimate.fund/what-we-do/portfolio-dashboard>

d. Private Sector Facility and non-grant instruments

The IDCOL is a non-bank financial institution and currently focuses on private sector investments. It has been collaborating with the Private Sector Facility (PSF) on several concept notes related mostly to energy efficiency and renewable energy, but also on one related to forestry. The collaboration is described as positive and helpful. However, the process has been slow, and to date, key information that is perceived as essential for developing the business models is still missing. This "process uncertainty" is described as hurting the private sector: extended timelines are incompatible with businesses needing to make specific investments. Moreover, they generate additional costs in project preparation.

It was also noted that the language used by the PSF to communicate its messages is not relevant for their interests: the language used is closer to the usual development aid message than to the business message. As one stakeholder put it, "businesses want to hear about interest rates" because that is the argument that will make them decide whether to go into a business or not.

The projects in the pipeline are relevant to the country's priorities, as two of them target energy efficiency in the industrial sector (the textile and the garment sector), which have been identified as priorities in the NDC of Bangladesh. The third project concerns sustainable coastal forestry and is considered as cross-cutting, with coastal forestry being a nationally relevant issue. These projects have not yet obtained funding, so they were not analysed individually.

When it comes to additionality, the value-added of the GCF is perceived to be very strong when mobilising large amounts of resources. However, if the financial terms are not appropriate, or if delays and processes generate too much uncertainty, PSOs are likely to look for other sources of funding or to invest in regular technology. Stakeholders mentioned that other donors are providing funds for these purposes, such as the Japan International Cooperation Agency (JICA) and the French Development Agency (AFD).

Financial instruments utilised by the PSF: The PSOs interviewed currently have two main concerns: who will bear the currency risks, and when the funds will be available. The question of currency risks is central as the loans of IDCOL would not be in United States dollars, and if it must bear the exchange rate risks, its premium will not be interesting for commercial banks. The fact that non-bank financial institutions are legally not allowed to on-lend on foreign currencies also adds to the constraints.

Commercial banks are looking forward to GCF investments and have already lined up potential investees in the garment and textile sector. They are working to identify the demand for energy-efficient machinery. However, uncertainty is a challenge as they cannot promise funds that they do not have, and each company has its own business plan. It seems that the GCF is competing against various other financial products. It may achieve the objective of reducing emissions, but it will need to be more innovative to differentiate itself from existing funds and to achieve larger-scale change.

4. Likelihood of (and actual) results

a. Quality

The project FP004 Climate Resilient Infrastructure Project Mainstreaming (CRIM)[21] by KfW obtained high ratings concerning country ownership and the needs of the recipient, as it filled a very important need to build emergency infrastructure and to mainstream climate change in local

[21] It should be noted that the Review could not conduct a field visit to any of the future project sites. Furthermore, the World Bank representative did not respond to our interview request. Consequently, the following section is based on document review and on the interviews conducted with various stakeholders.

infrastructure construction to reach the most vulnerable. There was some criticism related to cost estimates from both the Secretariat and iTAP and some concerns about its paradigm-shift potential linked to operation and maintenance and to the choice of LGED as EE. The CSO observers supported the project (and the choice of LGED especially) given the possibility that the project would build its capacities for later accreditation.

Table 1-2. Rating of FP004 against investment criteria by the Secretariat and by iTAP

Investment criteria	Secretariat assessment	iTAP assessment
Impact potential	Medium	Medium to High
Paradigm shift potential	Medium	Medium
Sustainable development potential	Medium	Medium
Needs of the recipient	High	High
Country ownership	High	High
Efficiency and effectiveness	Low	Low

Table 1-3. Rating of FP069 against investment criteria by the Secretariat and by iTAP

Investment criteria	Secretariat assessment	iTAP assessment
Impact potential	Medium/High	Medium
Paradigm shift potential	Medium	High
Sustainable development potential	High	Medium
Needs of the recipient	High	High
Country ownership	High	High
Efficiency and effectiveness	Medium	Medium

On its second visit to the Board, FP069 "Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change-induced salinity", presented by UNDP, obtained slightly different ratings from the Secretariat and from iTAP. However, the negative comments from each side are few and very specific, for example, related to the choice of a specific technology.

Table 1-4. Rating of FP070 against investment criteria by the Secretariat and by iTAP

Investment criteria	Secretariat Assessment	iTAP Assessment
Impact potential	High	Medium/Low
Paradigm shift potential	Medium/High	Medium
Sustainable development potential	High	Medium
Needs of the recipient	High	High
Country ownership	Medium/High	High
Efficiency and effectiveness	Medium	Medium

The project FP070 Global Clean Cooking Programme – Bangladesh, by the World Bank, received high ratings from the Secretariat and lower ratings from iTAP in their "impact potential" assessments. The comments from iTAP relate mostly to the fact that the project does not try to reach the most vulnerable and does not try to understand the actual needs of the population (e.g. whether they use fuelwood or biomass residue, whether some communities produce firewood sustainably, whether communities will understand the need to protect ecosystems). Interestingly, these comments come up in sections about impact potential, paradigm shift and sustainable development potential, but not under "needs of the recipient" or "country ownership", which is where they would be most expected. This again raises questions about the clarity of some definitions.

b. Results measurement

For FP004, the results measurement framework (RMF) seems adequate, although the baseline used is often "0" and may not capture the situation in the project area. The targets are not disaggregated by gender. The project includes provisions for a mid-term and a final review that will not be independent, and for an independent impact evaluation to be conducted ex-post for the group of projects to which this project belongs for KfW.

For FP069, the RMF seems adequate and provides ample justification for its baseline values and targets, which are disaggregated by gender. Arrangements for an independent mid-term review and an independent evaluation are included.

For FP070, the RMF seems adequate and includes baseline values and targets, which are disaggregated by gender. A clear monitoring process is in place following the established procedures of IDCOL as the EE for this project. Measures for evaluation are mentioned but not described.

c. Actual results

The sole project to have started (FP004) has only launched some procurement processes. Project staff indicated some concerns about the initial delays between approval and initiation, which made the project lose one year from its approved timeline.

d. Expected results

According to their respective funding proposals, the expected results are as follows:

Table 1-5. Expected results from funding proposals in Bangladesh

	Adaptation	Mitigation
FP004	Increased adaptive capacity of 134,000 people to climate change Indirectly, 10.4 million people (6.8 per cent of the total population of the country) will benefit from climate resilient infrastructure	
FP069	Approximately 719,229 people (about 245,516 direct and 473,713 indirect) will benefit from strengthened adaptive capacities in coastal communities (especially women), to cope with the impacts of climate change-induced salinity on their livelihoods and water security	
FP070	Some 17.8 million people will benefit from increased adaptive capacity and reduced vulnerability, from the use of clean cookstoves	Reduce greenhouse gas (GHG) emissions in the sector by 2.890 MtCO2eq (with a total lifetime emissions reduction of 10.526 MtCO2eq, taking into account market growth in the next decade after project closure).

e. Paradigm shift

Since only one project in Bangladesh (FP004) has commenced implementation and is still at an early stage, there are no early indications for paradigm shift potential. Also, with no field visit during the mission, it is difficult for the FPR team to provide further insight on the projects other than what has already been analysed by the Secretariat and iTAP. Creating the Centre of Excellence through FP004 would be a potential paradigm shift trigger because that centre is mandated to collect and accumulate the local experience and knowledge for adaptation, and to use those accumulated knowledge assets for future adaptation work on the ground in Bangladesh. A paradigm shift would take place if, as a result of the project, all future infrastructure under the responsibility of the LGED is designed to be climate-resilient, and as such, ensures that future development is climate-resilient. Another opportunity to seize would be to transfer this knowledge to the other departments responsible for infrastructure in the country, but this is not currently planned within the project.

Most stakeholders pointed out that clear definitions, clear expectations and measurement indicators for the concept of "paradigm shift", as well as for all processes related to the Fund, are needed to guide all stakeholders to prepare adequately and for all processes to run smoothly. Making access more efficient would require ensuring that more projects are submitted to the Fun and that they effectively target paradigm shift.

There is a significant opportunity in Bangladesh for the Fund to leverage the existing and significant climate change investments that the country is already making, as well as the enthusiasm for the GCF. This opportunity is already being leveraged in the funding proposals approved, which includes important co-financing from the Government. But for a country-wide paradigm shift, country-wide action that goes beyond individual projects could be considered. As several stakeholders mentioned, a more proactive approach by the Fund to identify these opportunities is needed.

As proposed by the Centre of Excellence (in FP004), the building and sharing of knowledge about locally relevant adaptation practices are important for a paradigm shift. It is also crucial to create mechanisms that facilitate adaptation within communities, especially the most vulnerable ones, and to link these effectively with development actions, to transition to climate-resilient development pathways.

About mitigation, if it is to be led by the private sector, the GCF is not currently adding significant value in the country. In Bangladesh, the GCF seems to be focusing on the upscaling of demonstrated business models. However, it still has to differentiate itself by providing relevant and innovative access modalities and presenting them in a business-ready format.

APPENDIX 1-1. TIMELINE AND EVOLUTION OF THE CLIMATE CHANGE AGENDA IN BANGLADESH

YEAR	CATEGORY	ACTIVITY	STATUS
2014		November. The ERD is nominated by the GoB as the NDA	
2015	RPSP	October. Approval of "Country Programming" (UNDP)	Completed November 2017
	RPSP	October. Approval of "NDA Strengthening" (GIZ)	Ongoing
	Funding proposal	November. Approval of FP004 Climate Resilient Infrastructure Mainstreaming (CRIM) (KfW)	Ongoing (FAA signed January 2018, implementation started June 2018)
2016	RPSP	November. Approval of "Support for DAEs" (PwC)	Completed October 2017
	Funding proposal	December. Consideration of FP032 "Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change-induced salinity" (UNDP) at B.15 and withdrawal by UNDP.	Resubmitted at B.19 as FP069
2017	RPSP	August. Formulation and Advancement of the National Adaptation Plan (NAP) Process (UNDP)	Ongoing
	Accreditation	July. Accreditation of IDCOL	
	Accreditation	October. Accreditation of PKSF	
2018	Funding proposal	February. Approval of FP069 "Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change-induced salinity" (UNDP)	FAA signed August 2018, pending GoB approval
	Funding proposal	February. Approval of FP070 "Global Clean Cooking Programme – Bangladesh" (World Bank)	FAA under negotiation
		April. Approval of the Country Programme	
	PPF	May. Approval of PPF for "Promoting private sector investment through large scale adoption of energy-saving technologies and equipment for the textile sector of Bangladesh" (IDCOL)	

APPENDIX 1-2. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

RPSP

ID	Project title	Delivery partner/AE	Submission date	Committed amount (USD)	Endorsement date	Approval date	Agreement date	Effective date	Disbursement date	Disbursed (USD)	Agreement type
1712-15016	Support for Direct Access Entities										
		PwC	6 Nov. 2016	34,620	6 Dec. 2016	14 Dec. 2016	NA	NA	18 Oct. 2017	35,078	General Grant Agreement
1705-14650	Country Programming										
		UNDP	25 Oct. 2015	150,000	13 Nov. 2015	18 Nov. 2015	2 Sept. 2016	11 Oct. 2016	10 Nov. 2016	150,000	Framework Agreement
1705-14657	NDA Strengthening										
		GIZ	25 Oct. 2015	150,000	13 Nov. 2015	1 Dec. 2015	6 Sept. 2016	11 Oct. 2016	18 Jan. 2017	69,353	Framework Agreement
1712-15009	Formulation and Advancement of the National Adaptation Plan Process in Bangladesh										
		UNDP	16 Jul. 2017	2,805,990	28 Nov. 2017	9 Feb. 2018	2 Sept. 2016	9 Feb. 2018	25 Jun. 2018	636,666	Framework Agreement

GCF-funded projects

Approved Ref.	AE	FAA Status	Status	Approval date	Duration (M)	Disbursement amount (USD)	Disbursement date
FP004	KfW	Effective	Active	2 Nov. 2015	72	0.15 million	08/11/2018
FP069	UNDP	Effective	Active	26 Feb. 2018	72	4.74 million	02/02/2019
FP070	World Bank	Pending	Active	26 Feb. 2018	42	N/A	N/A

APPENDIX 1-3. DOCUMENTS CONSULTED

National documents

Government of Bangladesh. *Climate Financing for Sustainable Development: Budget Report 2018-2019*. Ministry of Finance, Finance Division, 2018

Government of Bangladesh. Intended Nationally Determined Contribution

Government of Bangladesh. Third National Communication to the UNFCCC

External sources

IIED, *Money where it matters: local finance to implement the Sustainable Development Goals and Paris Agreement*, 2017. Available at <https://www.iied.org/money-where-it-matters-local-finance-implement-sustainable-development-goals-paris-agreement>

UN Department of Economic and Social Affairs. *Least Developed Country Category: Bangladesh Profile*. Available at <https://www.un.org/development/desa/dpad/least-developed-country-category-bangladesh.html>

UNDP Bangladesh. *Bangladesh Climate Change Trust Fund, 2017*. Available at <http://www.bd.undp.org/content/bangladesh/en/home/operations/projects/environment_and_energy/inclusive-budgeting-and-financing-for-climate-resilience1/national-policies-and-strategies/bangladesh-climate-change-trust-fund-.html>

World Bank Group. *Climate Risk and Adaptation Country Profile for Bangladesh*, 2011

GCF-related documents

FP004 CSO comments

FP004 funding proposal

FP004 iTAP comments

FP004 Secretariat comments

FP032 CSO comments

FP069 funding proposal

FP069 iTAP comments

FP069 Secretariat comments

FP070 funding proposal

FP070 iTAP comments

FP070 Secretariat comments

Government of Bangladesh. *Journey with Green Climate Fund: Bangladesh's Country Programme for Green Climate Fund*, 2018

2. ECUADOR COUNTRY VISIT REPORT

Native forests in the paramo system, Quijos, Papallacta, Ecuador. © FONAG-PROAmazonia

CONTENTS

A. Presentation of the country and GCF role

Ecuador was strategically selected because it represents a particular geography, Latin America and a middle-income country. In addition, the GCF portfolio of Ecuador has particular characteristics: (i) it has one of the first GCF-approved funded activities (approved in October 2016) and therefore, one of the most advanced projects in implementation (two years, with two Annual Performance Reports [APRs]); (ii) ongoing RPSP activities; and (iii) the use of diverse Accredited Entities (AEs) – international and regional Direct Access Entities (DAEs). During the country visit, the team met with representatives from the National Designated Authority (NDA), representatives from the Government, those from AEs (both international DAEs), the private sector, civil society and indigenous peoples' groups, and local beneficiaries.

1. Main climate change risks and context

Ecuador is susceptible to several climate change impacts including frequent extreme climate events such as the El Niño/La Niña–Southern Oscillation (ENSO), rising sea-levels and the retreat of glaciers. The country is also vulnerable to external factors related to its economy being largely dependent on oil exports.

Ecuador is a signatory to the UNFCCC and forms part of the Non-Annex I group of countries. Aware of the adverse effects of climate change and following its national protocol – particularly following the national development model and the "Good Living" ('*Buen Vivir'*) or "*Sumak Kawsay*" concept – Ecuador has implemented a variety of mitigation and adaptation policies. This model commits the country to defend the right of its population to live in a healthy environment and to respecting the Rights of Nature (National Constitution 2008). Article 414 of the Constitution establishes that the State shall adopt adequate and cross-cutting measures for the mitigation of climate change, by limiting greenhouse gas (GHG) emissions, deforestation and air pollution; it shall take measures for the conservation of the forests and vegetation, and it shall protect the population at risk. Furthermore, in 2009, the Government declared climate change mitigation and adaptation to be a State policy (Executive Decree #1815), committing to reducing GHG emissions as a voluntary act under the UNFCCC, and establishing the institutional structure to direct national climate change policy and action under the Ministry of Environment (MAE, in Spanish). In 2010, the Interinstitutional Committee on Climate Change (CICC, in Spanish), presided over by the MAE, was established to coordinate with other ministries and to facilitate the execution of national policies on climate change and UNFCCC commitments. In 2012, the MAE launched the National Climate Change Strategy (ENCC, in Spanish) 2012–2025.

Ecuador approved its Nationally Determined Contribution (NDC)[22] on 29 March 2019. The NDC would guide actions that would a) be necessary for the country to reduce GHGs and measurements, and b) help it adapt to climate change impacts through the reduction of vulnerability and enhancement of resilience to these effects. All in accordance with the requirements of the Paris Agreement and its accompanying decisions and provisions. The preparation process included consultations with a diversity of stakeholders. The Government has set several goals, for the period 2020-2025, to reduce GHG emissions by 9 per cent in the energy, production, waste and agriculture sectors and by 4 per cent for land-use change (including deforestation and land degradation). Additional reductions by 21 per cent and 20 per cent, respectively, are estimated to take place with the support of international cooperation. Regarding adaptation, the NDC identifies six priority

[22] Nationally Determined Contributions are a requirement of – and are at the heart of – the Paris Agreement of the UNFCCC. They embody actions by each country to reduce national emissions and adapt to the impacts of climate change, particularly post 2020.

sectors: human settlements, hydrological resources, natural resources, the productive and energy sectors, and health and sovereignty in food, agriculture, livestock, aquaculture and fisheries. The key objective of adaptation for Ecuador is to contribute, at the national, subnational and local levels, to improving its capacity for adaptation, promoting climate resilience and to reducing the impact of climate change considering the principles of equity, sustainable development and poverty eradication, while taking into account common but differentiated responsibilities (within the capacities of Ecuador).

The NDA for the country is the MAE. The Under Secretary for Climate Change of MAE is the GCF FP. The key functions of the NDA are to:

- Receive and review proposals for potential GCF projects from the point of view of alignment with national policies (and in particular with the NDC);
- Circulate the proposed concepts to relevant government institutions for comments;
- Respond to comments on projects in the GCF project cycle through the AEs;
- Generate the no-objection letter as an endorsement of the project to be sent to the GCF (the final procedure and process are currently under development);
- Lead the process to develop the NDC;
- Lead the GCF Country Work Programme development process, making sure that it is aligned with the NDC;
- After a project is approved by the GCF Board, the NDA follows its implementation and receives information from the AE on the project. In one project, the NDA is also part of the executive committee of the project, representing MAE; and
- Make national stakeholders aware of the GCF.[23]

Concepts for GCF proposals come to MAE from different entities seeking the no-objection letter from the NDA. Some of the concepts may be generated internally by MAE. The NDA can, in some instances, be proactive in the design of a concept. For example, the NDA recently received several concept notes from a number of organisations related to projects for the Galapagos Islands. It decided to request that these host organisations (FAO/Ministry of Agriculture and Livestock [MAG]; Banco de Desarrollo de América Latina (CAF]/Ministry of Energy; and World Wide Fund for Nature [WWF]/MAE) work together to develop more integrated and comprehensive concept notes (many of which are still under preparation). One negative aspect about this is that individual initiatives are not always aligned in timelines. On another occasion, the NDA requested that the GCF project (executed by MAE) in the Amazon (FP019) should be implemented as one, in complementarity with the Global Environment Facility (GEF) project (executed by MAG).[24]

In 2010, the CICC was created as the highest intergovernmental authority on climate change, with the authority to set national policy on this topic. Members include relevant ministers as well as representatives from the provincial and municipal governments. The civil society organisations are observers but do not participate in decision-making. The MAE is the chair, and the Under Secretary for Climate Change is the secretariat of the CICC. Also, the CICC has different working groups according to topics, and representation in these working groups is broader than the CICC members, depending on the topic. One working group is on finance and comprises the MAE and the ministries of foreign affairs, planning and economics. Engagement with GCF is discussed within this working group.

23 Currently the NDA is preparing a training programme for the general public about GCF and how to access it, supported by one of the readiness projects.
24 These constitute two distinct projects from the points of view of GCF and GEF.

The NDA participated in the GCF Board as a member in 2014 and 2015 and is currently an alternate to the developing countries not included in Latin America and the Caribbean, Africa, Asia-Pacific, LDC and SIDS chairs.

The GCF Board has approved several operations in Ecuador. There are three projects supported under the Readiness and Preparatory Support Programme (RPSP): two implemented by UNDP and one by the Avina Foundation, totalling about USD 3.7 million. They are at different stages of implementation, but the objectives include providing direct support and strengthening to the NDA and provincial governments, facilitating access to the GCF and supporting the development of the National Adaptation Plan. There is one national funded activity, implemented by UNDP as the GCF AE, and with MAE as the executing entity: Priming Financial and Land-use Planning Instruments to Reduce Emissions from Deforestation (FP019). Known in Ecuador as PROAmazonia, it has USD 41.2 million from GCF and was approved in October 2016 for 5 years, to reduce deforestation through investments that support sustainable agricultural production and the conservation of forests. Ecuador is one of 17 countries participating in a global project implemented by the French Development Agency (AFD), Transforming Financial Systems for Climate (FP095), with a total financing from the GCF of USD 250 million[25] and the objective of providing loans and technical assistance to financial institutions to create self-sustaining markets in energy efficiency, renewable energy and climate resilience.

Other international funding partners for climate change in Ecuador include GEF,[26] the Adaptation Fund[27] and the EUROCLIMA initiative.

B. Findings

1. Fund business model and structure

a. Core principles

The portfolio of GCF projects in Ecuador seems to emanate from the country priorities presented in the ENCC (2015–2025), particularly about deforestation being one of the key areas for carbon emissions and capacity building, at all levels within the topic of climate change mitigation.[28] The climate rationale presented in the projects is also clear and well justified. At the same time, the concept of climate rationale acting as a driver for GCF projects has produced confusion among some stakeholders, particularly those less familiar with climate change and the objectives of the GCF. Some stakeholders at sub-national levels have expressed that in practice, this concept could seem confusing, particularly in the context of adaptation, when compared with development actions.

b. Organisational structure at the country level

The Ministry of Environment (MAE) is the NDA. Within the MAE, the Under Secretary for Climate Change acts as the operational FP for the GCF, conducting all necessary business, such as coordinating and requesting comments on proposals from relevant stakeholders (primarily government entities), and ensuring that the proposals are aligned with national priorities and strategies. The CICC is the government mechanism for discussing climate change issues in the country (it recently approved the NDC of Ecuador). The NDA also supports the no-objection

25 The amount to be invested in Ecuador is not known yet.
26 The GEF has funded 84 projects for around USD 330 million in total, according the *GEF website*. Nine of these projects are classified as climate change projects (USD 13.5 million).
27 According to the Adaptation Fund website, there are two projects approved in Ecuador for around USD 10 million.
28 In the case of PROAmazonia, the programme is directly linked to the national plan for the implementation of REDD+.

processes for the Adaptation Fund and EUROCLIMA programme. There are national representatives of AEs that prepare proposals for GCF consideration and NDA endorsement.

c. Relationship with the GCF Secretariat

For the most part, GCF stakeholders in the country do not have direct contact with the GCF Secretariat. The local representatives of AEs interact with the Secretariat through GCF focal points in their headquarters offices. The local AE representatives consider there to be a high transaction cost with the Secretariat given the numerous comments they receive through their colleagues. Comments are often inconsistent (coming from different places within the Secretariat) and they have a cost for project processing since these local representatives need to consult and renegotiate with the Government or with communities participating in the project. The NDA is essentially the only body that has direct interactions with the Secretariat. The location of the Secretariat (14 hours ahead of Ecuador) creates communication inefficiencies. The presence of the regional Secretariat's representative in Grenada has improved neither efficiency nor the relationship with the Secretariat, since most of the decisions are still made at GCF Headquarters in Songdo, Republic of Korea.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

With the MAE as the NDA, the Under Secretary for Climate Change is the operational unit of the ministry that deals with the GCF. The MAE has had three functions in its relationship with the GCF:

1. Issuing the no-objection letter[29] for projects before they enter the GCF project cycle. This letter is signed by the minister, but before it is issued, the NDA conducts consultations with the relevant government organisation (e.g. the Ministry of Energy, or the Ministry of Agriculture and Livestock);
2. It was a member of the GCF Board (2014-2015, one of the Latin America chairs), and a representative of MAE is currently an alternate Board member to one of the developing country chairs; and
3. Focal point for all aspects and relationships with the GCF, including gatekeeper (and promoter) of all proposals seeking GCF funding. About climate change, MAE and its Under Secretary for Climate Change coordinate all national and sub-national activities on climate change, and represent the country at the UNFCCC/Conference of the Parties (COP) and as chair and secretary of the CICC with representatives of several national and local government entities. The secretary managed the successful process of developing the NDC, which was approved on 29 March 2019 by the CICC.

There are currently four active AEs in Ecuador: UNDP, AFD, Conservation International, and Avina Foundation, active through funding activities, PPFs and RPSP projects. The UNDP, Conservation International and AFD are international AEs (iAEs) while Avina Foundation is a regional institution, considered a Direct Access Entity (DAE). Besides, two other organisations, the German Development Bank (KfW) and CAF, currently have concepts in the pipeline. Appendix 2-2 presents information on the active and pipeline projects in Ecuador. All of these institutions have offices in Ecuador, although their relationship with the GCF is not direct but through the GCF focal points in each of the institutions' headquarters and regional offices for Latin America. The AEs present in Ecuador provide access to all the GCF financial instruments (grant and non-grant) as well

[29] The Under Secretary also provides no-objection letters to the Adaptation Fund and the EUROCLIMA programme. Another Under Secretary in MAE is the GEF FP, and provides the no-objection letter for that institution.

as to all the access modalities (e.g. PPF, RPSP, funding activities, etc.). So far, the country has only opted for grants, but there are plans to put forward a concept that will include a loan through CAF.

The MAE plays a strong role, with its political, institutional and technical strength, as the FP and representative of GCF in the country. The UNDP/RPSP has supported the development of their functions as NDA, although most activities are still under implementation (e.g. no-objection letter, Country Programme, stakeholder training and awareness). They have centralised the NDA functions, which affected national stakeholders. On the one hand, centralisation has ensured that all proposals to GCF are aligned within national priorities, support the implementation of the national climate change strategy, are coordinated by one entity (providing one consistent national voice to and from the GCF) and are discussed within the CICC. On the other hand, some stakeholders perceive that the centralisation has created problems in terms of the transparency of processes for requests for proposals and their selection; limited communication and awareness about the mandate, objectives and functioning of the GCF; and limited branding of the GCF at the national level. There is nowhere on the NDA website, for example, where the public can find information about what the Government is preparing for GCF support or the status of those GCF projects that are under implementation. There is no open call for concepts to be considered by the GCF.

The absence of a national DAE is still both a concern and a goal of the NDA. Several public financial institutions have applied for accreditation with the GCF. Their interest relates to the provision of "green" financing to private organisations, individuals or communities, including climate change projects.

Another group that is de facto absent in the implementation of the GCF in Ecuador are indigenous peoples' organisations.[30] Several organisations represent, either nationally or locally, an indigenous group or nation, or several of them at once. During interviews, they indicated they would appreciate a more direct level of participation in the GCF through projects. These groups currently interact with the GCF through PROAmazonia. This programme has provided some access to these organisations, but at this point only through a Memorandum of Understanding (MoU) with the National Association of Indigenous Peoples from the Ecuadorian Amazon (CONFENIAE), and two training sessions.

There is limited official national coordination of donors in the climate change space in Ecuador. More direct coordination from MAE could provide more efficiency and transparency (in general donors in this space do not know what is being financed in the country).

Green Climate Fund proposals in Ecuador go through a thorough review process. Given the extensive experience of Ecuador with the GCF, both with projects and as a Board member/alternate, the NDA tends to filter and approve projects that they feel will have a chance of being 100 per cent approved by the Board. On the one hand, this is a very good practice for reducing comments and transaction costs. On the other, this may have resulted in reducing the desired ambitiousness and risk levels of projects (a GCF intended value-added, and an expected characteristic of GCF projects).

There are two examples in Ecuador that demonstrate the proactive attitude of the NDA. In the case of REDD+[31] implementation, both GCF (FP019) and GEF[32] had provided financial support to projects in the Ecuadorian Amazon, both implemented by UNDP. Given the clear complementarities between the two projects, the Government decided to ask UNDP to jointly implement these two projects as a programme. In another case, after receiving several concept notes about the

30 Indigenous groups are part of the "Mesa REDD+" which provides guidance for the implementation of the country's REDD+ plan.

31 REDD+: Reduce emissions from deforestation and forest degradation in developing countries.

32 GEF project 9055. "Integrated management of multiple-use landscapes with high conservation value for the sustainable development of the Ecuadorean Amazon Region" (2015-2020). USD 12.5 million from GEF.

management of resources in the Galapagos Islands from different entities, the NDA requested the three main entities (CAF/Ministry of Energy, WWF/MAE and FAO/MAG) to join forces and prepare a joint concept note. These are two cases that should be considered as examples of good practice for the GCF and should be reviewed further for possible replication.

As indicated above, one important and relevant group not directly participating in the GCF are indigenous peoples' organisations, either as implementors of a GCF project or participating in the CICC (as indicated in the footnote above, indigenous peoples' organisations are part of the 'Mesa REDD+'). For example, in the Amazon area of Ecuador, they control about 80 per cent of the territory, and they constitute a very vulnerable and marginalised population, including within the context of climate change impacts. The current AEs do not offer any clear comparative advantage or expertise in working with these organisations in the area of climate change.

The field visit found the perception to be that AEs in Ecuador work well with the NDA and with other relevant stakeholders. They have their own networks and areas of expertise. They provide a diversity of possible financial instruments and ways in which to access all GCF options.

There are no national DAEs in Ecuador. The public financial development institutions have explained that they are concerned about the transaction cost (real or perceived) – including the long timeframe and list of requirements – for becoming a GCF AE. They seem to be ready to participate and to increase their portfolio to include "green" financing. On the other hand, they know that they can already reach the GCF through the existing AEs that are accredited to deal with the private sector, such as CAF and AFD. They are currently working with them on several initiatives (approved and, in the pipeline,). Some of them are also key partners in the PROAmazonia programme, for example, by providing financial products to the farmers and communities involved in the project. Indigenous organisations also expressed interest in working with the GCF either directly or through some regional or global organisation.

One way to improve the efficiency and effectiveness of the GCF would be to increase awareness of the GCF and its visibility as a funding mechanism for climate change mitigation. In general, awareness of the GCF is limited in the country, and its visibility is basically non-existent (projects do not display the GCF log, and the MAE website does not provide a link to the GCF website). Very few stakeholders really know about the GCF objectives and characteristics, and its processes for accessing funding (even project staff do not fully understand it). The NDA is planning to develop a training programme (both face to face and online) that will help to increase awareness.

In particular, the recommendations that emerged suggested that it is important for the NDA to:

- Clarify expectations on what the GCF can or will not fund, and the difference between climate rationale and regular development. The NDA should encourage risk and innovation in the linking of these two important concepts;
- Increase transparency and understanding of processes on how, when and by whom projects are brought to the attention of the NDA, selected by the NDA and put forward for consideration by the GCF;
- Clarify how different stakeholders can access the GCF, especially the private sector and indigenous groups;
- Increase their coordination function among different donors working on climate change in Ecuador, to improve financial possibilities and to map them against the needs for implementing the NDC. The NDA should propose a donor coordination group for climate change;
- Use the NDC as the basis for preparing a country work programme, not only for GCF but for other financial institutions active or not in the country; and

- Increase the membership of CICC to include other relevant members of society with expertise and a stake in climate change, such as the private sector, academia and indigenous peoples' organisations.

e. Funding programmes and instruments

The GCF portfolio in Ecuador includes participation in the RPSP and funding programmes, as grants. Ecuador has not directly accessed the Private Sector Facility (PSF), although the global project implemented by AFD is financed from the PSF, of which Ecuador is one of 17 countries (together with 16 other countries from Africa).

The RPSP currently has three activities in Ecuador to be implemented through UNDP (NDA strengthening and country programming and Adaptation Programming) and the Avina Foundation (strategic framework to support provincial and local organisations to access the GCF). The UNDP projects are still being prepared and/or implemented, with several important activities still not finalised, such as the country work programme, the no-objection process and training. Adaptation Programming has not really started yet. The Avina Foundation project is also in its initial steps.

The fact that there are several actors financing climate change in Ecuador – such as the GEF, Adaptation Fund and EUROCLIMA – has helped GCF implementation.[33] For example, the GEF has had several projects, some of which are implemented in the same areas as GCF projects, supporting the MAE and the Amazonia region. The approach taken by the NDA in combining the GEF and GCF projects in the Amazon is a very good one, and most likely a first in the GCF portfolio.

The funding programmes and instruments provided by the GCF may not completely fulfil the needs of the country. There is a perception that the GCF only finances big investment projects. There has also been a message from the GCF Secretariat that Ecuador should seek more non-grant instruments, given that Ecuador is a middle-income country. This has created concerns in the Government, given that there is no reference to this in GCF-approved policies and it prejudges the projects and proposals that the country designs to fit these requirements. Some actors, however, are excited about this possibility (although they may not understand the mandate, focus and objectives of the GCF – in particular that funding is not unlimited). Some other actors do not see how they can access this very large organisation, seeing as they may need only small amounts of money for their projects. Also, since GCF procedures require that the NDA provides a no-objection endorsement for all proposals, this may potentially restrict access for organisations that may not be familiar with the MAE. All proposals received by the MAE have been processed according to their procedures and have been considered from technical and priority standpoints.

Ecuador could propose other access modalities based on their own experience. One example, long-established in Ecuador, are the water funds for conserving the quality of water supplies to urban areas. The FPR team visited the Fund for Water Protection (FONAG), which conserves the water supply for Quito. The experiences gained from managing these funds with the full participation of public and private sector entities could be used as an approach to climate change issues, in particular about setting up conservation schemes for primary forests and programmes such as Socio Bosque. At present, Socio Bosque is partially funded by PROAmazonia's component (funded by GCF), as it has had financial issues due to a reduction in the budget of the MAE. Setting up a fund that includes production sectors and users of the forest and of the surrounding areas could make the funding more

[33] EUROCLIMA is a European Commission programme which aims to encourage cooperation between Latin America and the EU on climate change issues.

sustainable. The country may also want to think about possible Public-Private Partnership (PPP) schemes.

Ecuador is currently presenting a proposal to the GCF within a new scheme on results-based payments to support REDD+, which also could represent an important improvement for sustainably financing of these issues.[34]

2. GCF POLICIES AND PROCESSES

a. GCF policies

Indigenous Peoples Policy: As part of the PROAmazonia programme (MAE and MAG), an agreement with the National Association of Indigenous Peoples from the Ecuadorian Amazonia (CONFENIAE) was approved to ensure its active participation in decision-making processes concerning the programme's implementation on indigenous and ancestral lands. The project is working with this organisation to establish a specific protocol for the inclusion of indigenous people in the decision-making process for the development of key land-use planning documents including Life Plans, Land Use Planning (PDOTs) and other land-use tools. The project also complies with Standard 6 on Indigenous Peoples, of UNDP.[35]

Environmental and Social Policy: The PROAmazonia programme complies with the Social and Environmental Standards of UNDP, including requirements related to stakeholder engagement and free, prior and informed consent. On the other hand, the Environmental and Social Impact Assessment (ESIA) was planned to be implemented in 2018, but the process was delayed due to additional requirements for the inclusion of a study to determine results-based payments within the ESIA. Some of the work done as part of the GEF components of the project (e.g. screening of the potential social and environmental risks and benefits) and other studies and assessments, will be used to develop the ESIA.

Gender Policy: Mainstreaming gender equality is a key focus of the REDD+ National Action Plan[36] and therefore incorporated into the PROAmazonia project. An interim Gender Strategy was developed in 2018 (to be implemented in 2019) to ensure gender safeguards are implemented across the project. The Gender Action Plan for the project (to be completed as part of the ESIA) will encourage processes of training and political leadership development in women, young people and indigenous peoples and nationalities, to increase their representation in these national and local collaborative decision-making processes and activities implemented through PROAmazonia. The programme also includes technical support from UNWOMEN.

b. Policies implementation

As outlined above, the PROAmazonia funding activity is aware of GCF policies on ESS, gender and indigenous peoples, and measures have been identified to integrate them into the implementation of the project.

[34] The first project to support REDD+ results-based payments was approved at B.22 for the Brazilian Amazon.
[35] According to the APR 2018 for the project (project self-assessment tool).
[36] During the readiness phase in 2015, a Gender Action Plan was developed as part of the REDD+ Action Plan, and the document provides indicators based on the gender assessment and highlights the challenges and actions needed for addressing gender inequalities.

c. Accreditation

At present, there are four active AEs in Ecuador: UNDP, AFD, Conservation International and Avina Foundation.[37] The UNDP, Conservation International and AFD are iAEs while the Avina Foundation is a regional institution, considered a DAE. Also, two other organisations – KfW and CAF – currently have projects in the pipeline. All of these institutions have offices in Ecuador, although the local offices do not communicate directly with the GCF but through the GCF focal points in each of the institutions' headquarters and/or regional offices for Latin America. The AEs present in Ecuador provides access to all GCF financial instruments (grant and non-grant), as well as to all the access modalities (e.g. PPF, RPSP, funding activities, etc.).

The absence of a national DAE is still a concern and a goal for the NDA. Several public financial institutions are considering the role and have applied to become accredited with the GCF. Their interest relates to the provision of "green" financing to private organisations and individuals / communities, for climate change projects. These institutions are concerned about transaction costs (real or perceived), in addition to the time it may take to become accredited and the requirements for becoming a GCF AE. They seem to be ready to participate and to increase their portfolio to include "green" financing.

On the other hand, they know that they can already reach the GCF through the existing AEs that are accredited to deal with the private sector, such as CAF and AFD. They are working with them on several initiatives (both approved and, in the pipeline,). Some of them are also key partners in the PROAmazonia project, for example, providing financial products to the farmers and communities involved in the project. Indigenous peoples' organisations also expressed interest in working with the GCF either directly or through some regional or global organisation.

The participation of indigenous peoples' organisations in the GCF has been limited to an MoU with the PROAmazonia programme. Not all the organisations are part of this project. The AEs currently in Ecuador may not have the experience suitable for supporting the implementation of an indigenous peoples' project for the GCF.

The concept of country-drivenness in Ecuador is implemented through clearance and technical inputs provided by the NDA/MAE and other relevant government players. All but one of the projects are executed by government entities (since the Avina Foundation executes one of the Readiness programmes). The AFD project will be working with public financial banks.

Avina Foundation is considered a regional DAE working in a few Latin American countries. It was accredited – by going through the entire process (no fast track) – as the first civil society AE in the region. Their strategy for working with the GCF includes starting with the Readiness programme, mainly to remove barriers for successfully achieving the objectives of the project, and then to move on to preparing funding activities. They considered the process to be costly both in terms of time and resources. Some of the conditions established for their accreditation have been fulfilled, and the foundation considers them to be good additions to the institution. The accreditation process has helped Avina in a few areas: in assessing the entire process of achieving impact in an integrated form; in the way they propose to take countries from readiness to the preparation of concept notes for different donors; and in the ability to look at climate change as a cross-cutting theme, therefore working transversally across the institution.

[37] Avina Foundation was the first civil society entity accredited by GCF in Latin America and the Caribbean (December 2017) as a regional DAE for micro (up to USD 10 million) grants. It received nominations from Chile, Ecuador, Paraguay and Peru. Their accreditation process took one year, and there were some conditions they had to fulfil for accreditation approval: dissemination of information, transparency and accountability (e.g. no platform for public access). These conditions forced Avina Foundation to make some changes, which they eventually considered to be positive.

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

Within the country, the project cycle is managed by the local representatives of the AEs in consultation with the NDA. Each of the project proposals, during preparation, is reviewed, and comments are received from relevant national entities, staff from the AEs and the regional/global GCF focal points within the AEs. The NDA coordinates and seeks comments from the relevant government entities. The only national[38] active funded activity in Ecuador so far, PROAmazonia, submitted five versions to the GCF Secretariat from November 2015 to September 2016. It was approved by the GCF Board in October 2016 and by the UNDP Board in November 2016. The first disbursement took place in July 2017. It took about 20 months from reaching the Secretariat to achieving Board approval.

There are two concept notes in the pipeline for national projects. The concept note with the CAF was submitted in June 2017, and the one with UNDP in June 2018. Neither of them has been approved.

The project cycle was consistently assessed as being too long, even for small projects (their experience indicated that smaller projects are approved faster by other donors).[39] There are too many intensive back and forth steps with the Secretariat, usually with different secretariat departments, and the messages or comments received are at times contradictory. The Secretariat has gone through many changes in staff. Given that the processing period is so long, different (and sometimes new) staff members comment on the projects, sometimes without acknowledging previous agreements or raising new issues at the last minute. The fact that the time zone in Ecuador is 14 hours behind Korea Standard Time is also a problem. The presence of the regional coordinator in Grenada has not fully solved the communication problem since the coordinator still needs to communicate with Korea. It seems like another layer in the process that has not yet made the process efficient. Communications from the Secretariat are in English, which also presents a problem since most participants at the national level are not fluent.

Implementation start-up may take 1.5–2 years from concept preparation, which sometimes makes the baseline and even the design of the project obsolete or in need of serious modification to represent the current requirements of the GCF. The AEs and NDA informed project beneficiaries and key stakeholders that it may take 3 years from concept to first disbursement.

A few interviewees that had experience with other funds, particularly with the GEF, commented that GCF processes and requirements are not as clear as with others and that the GCF lacks guidelines, standards and templates that could help the project proponents to fully understand concepts and procedures. Furthermore, a common comment was that the GCF process includes multiple layers of reviews by many actors in the project cycle, which are added to those that already exist within the AEs and the responsible government entities. All of these reviews add to the transaction costs of working with the GCF.

One of the projects, PROAmazonia, is now in its second year of implementation and has prepared two APRs. The feedback received on the APRs was that the GCF did not have clear guidance and templates (and the format was provided late, basically a few weeks before it was due), and there were major changes between 2017 and 2018, thus increasing the transaction cost of managing the

[38] The project cycle for regional or global projects, although the same in steps, may have different reasons for duration not related to Ecuador, so they are not included in this discussion.
[39] Some of these comments are related to the experiences of local AE representatives with projects in other countries and with other donors.

project. The project is implemented together with GEF funding, which implies that there are two sets of reporting, since the GCF and GEF do not share the same format or even the same indicators.

Investment criteria: From Ecuador's perspective, it seems that the NDA uses all the investment criteria to select project proposals to go forward. In particular, country ownership and country needs are important and directly linked to the implementation of the national climate change agenda. Climate rationale was considered the most complex item to be explained to stakeholders. In most cases, even in Ecuador, there is not enough data to justify GCF requirements on climate. The sustainable development criterium was also considered complex because of the intrinsic links between climate actions and development. It is not easy to separate out a water development project when it is an adaptation option for drought-impacted areas. For example, deforestation is linked to carbon sequestration, but the activities to reverse it are linked to sustainable development. Likewise, access to finance provided through public financial institutions from the AFD project will support climate change projects that maximise climate change impacts and sustainable economic models.

Regarding the iTAP, the key comment received was that reviews from iTAP tend to come too late. The comments may imply that extensive consultations may need to take place with governments and stakeholders, thus delaying the process. Comments should come earlier in the process.

b. Project portfolio

The current active GCF portfolio in Ecuador consists of one national funded activity, participation in a global project, and a series of Readiness programmes. It is not considered or presented as a portfolio but as individual projects. Many of the actors participating are related, and sometimes they are the same across projects. For example, the MAE and MAG participate in PROAmazonia, and MAE is also involved in readiness projects. Some of the beneficiaries or participants are also the same: farmers or the public banking system.

Most of the activities are just beginning, but they share a common threat in terms of sustainability. Public sector financing in Ecuador has been decreasing (the country is now living in a time of lower oil prices, and the budgets of government entities have decreased, sometimes dramatically) and it is not expected to grow shortly. There is high dependency on international donors (there is not much appetite in the country for increasing foreign debt). Green Climate Fund projects (as well as other initiatives) are therefore in jeopardy if there is no clearly defined exit strategy. One opportunity, in the case of PROAmazonia, could be to replicate the water funding model for the funding of forest conservation areas. The support given by AFD – through public banking to companies and individuals, toward increasing the participation of the private sector in the climate change sector – seems also to be a way forward, as it strengthens the capacities of banking institutions and provides much-needed financing to initiatives that could benefit the environment and mitigate climate change impacts. The type of capacity provided will be crucial for ensuring sustainability: the project should demonstrate that there are financial returns to the climate change investments. Otherwise the financial institutions will not replicate or scale up those products, and there will be no more borrowers. The outcomes from the Readiness programme are also in jeopardy, given that there will be no matching financial support from the Government once the GCF projects are over.

Another observation in the PROAmazonia programme relates to the potential for double benefits from the project in the areas of conservation and climate change. The component aimed at supporting sustainable agriculture also includes forest conservation areas, as well as integrated management plans for agricultural lands (this component is mostly implemented by MAG). The Socio Bosque component supports investment activities in productive sectors, including agriculture (this component is mostly implemented by MAE). In both cases, the project should ensure that there is the cross-fertilisation of expertise from the accumulated knowledge of MAG on sustainable agriculture, and that of MAE on conservation.

One area of concern regarding the participation of the private sector in GCF projects in Ecuador is that the only AE active today in Ecuador that could work with the commercial private sector is the Banco de Desarrollo de America Latina (CAF). There are other AEs, with regional and global reach, that could be used in Ecuador, and the NDA should explore how they can be brought into play.

One of the most talked-about initiatives by the NDA during the visit was the proposal under preparation to support an integrated approach to climate change in the Galapagos Islands. This will be a multi-agency proposal where MAE/WWF will bring their conservation expertise, the Ministry of Energy/CAF will bring alternative energy sources through investment in solar and wind power (currently the islands rely on diesel) and the MAG/FAO will bring alternatives for smart climate agriculture. This will be a very interesting test for the GCF from the point of view of implementing a project where multiple AEs are participating, and where there are multiple co-benefits in addition to the intended progress on climate change.

c. Responsiveness to the UNFCCC

The MAE considers GCF funding to be supporting the implementation of the UNFCCC, and in particular, the Paris Agreement.

d. Funding programmes and instruments

Funding activities and readiness are the modalities by which Ecuador is receiving backing from the GCF. The NDA is working on innovative ways to approach the GCF. One of these, as already described above, was the initiative to support an integrated approach to climate change for the Galapagos Islands using a multi-agency and AE approach. Another initiative through which the country sought both efficiency and effectiveness was PROAmazonia, which is being implemented as a joint project between GCF and GEF. One issue that was brought up by UNDP regarding efficiency was the fact that the project had increased its reporting complexity since there are now three institutions requiring different reports: UNDP, GEF and GCF (all different reports that include different indicators).

There were several comments about how unpredictable GCF funding was, even in PPF cases. The unpredictability of the project cycle is one reason, as well as the availability of funding, particularly in the last phases of the replenishment when it was not certain how much funding the GCF had available.

e. Private Sector Facility and non-grant instruments

In terms of financial instruments (e.g. grants, loans, equity, guarantees) and whether they meet the demands of Ecuador, so far, the country only has accessed the GCF through grants. The AFD project, not yet effective, will provide credit lines to a select group of public financial institutions.

From the point of view of the private sector in Ecuador, at least the public bank financial institutions seem ready to expand their lending and advisory products to the “green” sectors, including climate change (particularly for energy and climate-smart agriculture). These institutions are not sure if they will go through the process of accreditation, given their assessment of it being a heavy and costly process. They are also considering whether to participate with or access the GCF through AEs that have the capacity to work with the private sector, such as CAF and AFD, both active in the country. There are other AEs that could also be available and relevant, and the NDA should explore how to bring them into the country.

Ecuador has not had contacts with the PSF, directly. The global AFD project is financed by the PSF, but the NDA was not involved (other than through a request for a no-objection letter).

The AFD credit line will be new and additional. On the other hand, one commercial bank in Ecuador recently issued a Green Bond, capitalised from several institutions, including the investment arm of the Inter-American Development Bank (IDB).

It is not yet clear whether PSF investments in Ecuador have been effective in leveraging financial resources from third parties. The AFD project comes with the agency's own money. The PROAmazonia programme, although not financed by the PSF, has leveraged participation from the private sector, particularly from small and individual businesses. For example, the FPR team visited a *centro de acopio*[40] for a cocoa processing plant (the Tsatsayacu association) where it is expected that producers participating in the project will sell their cocoa seeds. The centre would like to add value to their cocoa and chocolate production by introducing incentives for farmers who use sustainable agriculture and cease deforestation. They expect to pay at least 30 per cent higher prices to these farmers since the centre's products will have a higher market value. The PROAmazonia programme is providing technical assistance to farmers to help them develop their practices and sign on into integrated management plans (PMIs, in Spanish).

The AFD project, its line of credit and advisory services, has the potential for scaling given that the institutions that are interested in participating are expected to open new lending products for climate change, initially on a small scale but with the potential to scale up.

4. Likelihood of (and actual) results

a. Quality

PROAmazonia is the only project to have gone through the entire quality of design review according to GCF investment criteria.[41] The iTAP conducted a review and provided comments before approval (comments were incorporated by UNDP):

- Impact potential: medium (given the complexity and diversity of activities as well as their limited baseline information, which makes estimating the impact challenging);
- Paradigm shift: medium (the innovation is based on the combining of several mechanisms to avoid deforestation, with the expectation of conducting studies to find financeable programmes; the project itself will scale-up other initiatives);
- Sustainable development potential: medium (through supporting small farmers to change their practices to more sustainable and economically viable models, contributing to poverty reduction, and through studies to improve market options);
- Needs of the recipient: high (the current fiscal situation has suffered because of a fall in oil prices and the earthquake of April 2016; Amazonian communities are among the poorest);
- Country ownership: high (alignment with NDC and the REDD+ action plan); and
- Efficiency and effectiveness: low (the diversity of the activities and actors may reduce efficiency and effectiveness, as well as some of the financial schemes (i.e. subsidies to farmers and communities) not being sustainable.

The GCF Secretariat conducted its own assessment before the iTAP, for Board consideration during its approval process. The key strength of the project highlighted by the Secretariat is its direct contribution to the country's implementation of the REDD+ Action Plan by expanding upon existing government programmes (for example, Socio Bosque) and by proposing to mainstream REDD+ into different government ministries. The Secretariat also agreed with iTAP, however, on some points of

40 *Centros de acopio* are small community centers, run as businesses, that buy and process a commodity for commercial use. The Tsatsayacu *acopio* started in 2013 and has 180 families as members.
41 The ADF project went through the regular review process but comments are not disaggregated by country.

caution: the need for rigorous monitoring of conservation efforts and sustainable agriculture investments, since the project involves direct payments; the need for better clarity on the long-term financial sustainability of the scheme; and on the complexity of coordinating work across several institutions and multiple small sub-components.

b. Results measurement

The PROAmazonia project, implemented as a joint GEF and GCF project, increased management costs since there are at least three institutions to report to that have different results frameworks. The project also has close to 80 staff, 180 activities financed by GEF and more than 200 by GCF. The GCF proposal and the APR report on two impact indicators, three outcomes and nine outputs. Each of them has a baseline and targets (and updates in the two APRs). Given its complexity and how ambitious the project is, the results management framework (RMF) seems reasonable. The project has a standard evaluation plan with a mid-term review and final evaluations. It has a monitoring and evaluation (M&E) framework for the Gender Action Plan. The project also includes monitoring of the forest areas that are under conservation, conducted by trained community members or professional park rangers.

The AFD project includes an M&E system for each of the countries participating, which will feed the global programme. The project will have a mid-term review and a final/ex-post evaluation. It is not clear which indicators for the adaptation projects will be used.

c. Actual results

Despite the relatively early stages of projects in Ecuador, the country has some of the “oldest” GCF projects, meaning that something can already be said about their early results or the likelihood of achieving results. Regarding the Readiness programme on NDA strengthening and country programming, much still needs to be completed, such as the no-objection process and country programming, both of which are underway.

Regarding the PROAmazonia programme, after almost 2 years of implementation (5 years since inception) the project is already reporting a strengthening of institutional coordination mechanisms by supporting the REDD+ Working Group and the Interinstitutional Committee on Sustainable Palm Oil. The Socio Bosque programme helped to bring 160,000 ha of forest under conservation and 2,500 ha under restoration by providing incentives for farmers to reduce the pressure on the forest, and also brought 4,700 ha of land under sustainable production.

d. Expected results

The key indicators of the two projects in Ecuador – in line with the GCF RMF – are the reduction of GHG emissions and the number of project beneficiaries. The PROAmazonia programme is expected to avoid 15 million tons of CO_2 (avoided by reducing deforestation) and to reach approximately 450,000 beneficiaries through its different programmes. The ADF project is global and does not yet have a breakdown of targets by countries participating.

e. Paradigm shift

Projects are active at the symptom level, not at their root causes: they provide the finance necessary for climate change activities and incentives for changing agriculture behaviour or community-level activities to reduce deforestation. They are still localised. One issue is the sustainability of the Socio Bosque since the programme still depends on subsidies (from the Government or from the GCF) as well as financial support to change non-sustainable agricultural behaviours. Future financial support to small enterprises and to individuals for climate change investments may not produce the lessons and necessary uptake for a paradigm shift in the agriculture, forestry or financial sectors. One area where PROAmazonia could generate a paradigm shift on reducing deforestation relates to its work with the value chain of four commodities, and the introduction of the deforestation-free certificate, which may cause changes in the market (there have been advances in the area of the African palm).

In terms of lessons derived so far to help position the GCF to promote a paradigm shift in Ecuador, there are still activities in the country that are threatening forests – particularly illegal mining and logging – as well as a lack of clarity in tenure systems and the formal delimitation of land, and agricultural and road expansions. Any success that the projects will achieve may be undermined by these activities, and the projects do not take some of them into full consideration.

The activities supported by the two active projects have the potential to produce transformational changes (e.g. by demonstrating to the financial system that 'green' investments are profitable and sustainable, and by increasing the value of agricultural products through a non-deforestation certificate). The projects are beginning to establish mechanisms on how to gather lessons and disseminate the cases for others to replicate and scale-up. However, they do not look into the barriers and incentives that affect the system: deforestation and the use of non-smart climate agriculture. The projects could have localised success.

The GCF, particularly the Board (but also the Secretariat and independent units), may have a role to play in supporting a country like Ecuador in its attempts to deal with these difficult national issues, tackling the root causes of deforestation and finding solutions. For example, the GCF Board could provide incentives for countries to bring projects that deal with the root causes even if the risks for success are high. The GCF should also identify lessons, and disseminate them, from experiences with other GCF projects.

5. OTHER

Going forward, there are high expectations within Ecuador as regards the GCF, although stakeholders understand that there are uncertainties about the Fund's future (e.g. replenishment). The GCF is currently approving around 30 projects per year. Demand from Ecuador is very large, and the country may fit better with a model (and resources) that approves 100 projects a year. What if Ecuador sends 20 to 30 projects a year? Would the GCF have enough funding to support the Fund's priorities to balance adaptation and mitigation while prioritising certain countries? Is there enough funding? A general comment from several stakeholders in Ecuador indicated that the GCF needs to be more predictable regarding funding and processes so that countries can propose accordingly.

APPENDIX 2-1. TIMELINE AND EVOLUTION OF THE CLIMATE CHANGE AGENDA IN ECUADOR

YEAR	KEY EVENTS FOR THE GREEN CLIMATE FUND	RELATED EVENTS IN-COUNTRY	OTHER KEY FACTS FROM OTHER CLIMATE FUNDS
2010	GCF is established		
2011			GEF approves Industrial Energy Efficiency in Ecuador (UNIDO) Adaptation Fund approves Enhancing Resilience of Communities to the Adverse Effects of Climate Change on Food Security in Pinchicha Province and the Jubones River Basin (World Food Programme)
2012		July. Approval of the National Climate Change Strategy 2012–2025 (ENCC) of Ecuador	
2013		National Plan of Good Living 2013–2017 *(Plan Nacional para el Buen Vivir)* that conceptualises climate change as a multi-sectoral problem at the national level, that needs to be addressed through programmatic measures that generate results in the mid- and short-terms	GEF approves Securing Energy Efficiency in the Ecuadorian Residential and Public Sectors (SECURE) (UNDP) GEF approves Rural Electrification with Renewable Energy in Isolated Areas of Ecuador (IADB) GEF approves Promotion of Climate-smart Livestock Management Integrating Reversion of Land Degradation and Reduction of Desertification Risks in Vulnerable Provinces (FAO)
2014			GEF approves 3rd National Communication and 1st Biennial update Report (UNDP)
2015		Ecuador presents its Intended Nationally Determined Contribution (INDC)	
2016	October. GCF approves Funded Activity (FP019): Priming Financial and Land-Use Planning Instruments to Reduce Emissions from Deforestation (‘PROAmazonia’) (UNDP; Ministry of Environment)		
2017	May. GCF approves NDA Strengthening and Country Programming (RPSP, UNDP)		
2017	July. GCF transferred (USD 7.9 million) its first	Supports Ecuador implementation phase of the policies and actions	

Year	Key events for the Green Climate Fund	Related events in-country	Other key facts from other climate funds
	disbursement to support REDD+ as part of FP019 to help Ecuador reduce GHG emissions and protect its forests	set out in the REDD+ Action Plan towards net zero deforestation by 2020	
2017			November. Climate Investment Fund approves Forest Investment Plan (MAE)
2018	July. GCF approves Adaptation Planning (RPSP, UNDP)		
2018	October. GCF approves Enhancing the capacity of Decentralized Autonomous Governments to access and manage climate finance in Ecuador and contribute to the implementation of the NDC (RPSP, Avina Foundation)		
2018	October. GCF approves (regional) Transforming Financial Systems for Climate (AFD) in which Ecuador participates		
2019		March. First Nationally Determined Contribution (NDC) approved by CICC and sent to UNFCCC	

APPENDIX 2-2. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

RPSP

ID	Delivery Partner/ AE	Submission date	Committed amount (USD)	Endorsement date	Approval date	Agreement date	Effective date	Disbursement date	Disbursed (USD)	Agreement type
1705-14641	NDA Strengthening and Country Programming									
	UNDP	12 Feb 2016	300,541	07 Dec 2016	31 May 2017	2 Sep 2016	31 May2017	06 Feb 2018	195,000	Framework Agreement
1801-15042	Enhancing the capacity of Decentralized Autonomous Governments to access and manage climate finance in Ecuador and contribute to the implementation of the NDC									
	Avina	30 Sep 2017	391,486	20 Sep 2018	26 Oct 2018	N/A	N/A	N/A	N/A	General Grant Agreement
1801-15043	Adaptation Planning									
	UNDP	30 April 2017	3,000,00	22 March 2018	11 July 2018	02 Sep 2016	17 July 2018	N/A	N/A	Framework Agreement

GCF-funded projects

Approved ref.	AE	FAA status	Status	Approval date	Duration (M)	Disbursement amount (USD)	Disbursement date
FP019	Priming Financial and Land-use Planning Instruments to Reduce Emissions from Deforestation						
	UNDP	Effective (22 May 2019)	Active	14 Oct. 2016	60	7.9 million	4 Jul. 2017
FP095	Transforming Financial Systems for Climate						
	AFD	Pending	Active	17 Oct. 2018	84	N/A	N/A

GCF pipeline

ID	Delivery Partner/AE	Submission date	Committed amount (USD)	Project
15780	CAF	30 Aug. 2016	Small	Strengthening climate resilience and resource efficiency for greater competitiveness of MSMEs (regional project)
17190	CAF	6 Jun. 2017	Medium	Incentive programme for climate resilient commercial reforestation and afforestation
17450	KfW	18 Oct. 2018	Large	Geothermal Development Facility (GCF) Latin America (regional project)

APPENDIX 2-3. DOCUMENTS CONSULTED

Accreditation Master Agreement (November 2017) between the Green Climate Fund and Fundacion Avina

De Koning, Free, Marcela Aguinaga, Manuel Bravo, Marco Chiu, Max Lascano, Tannya Lozada, Luis Suarez (2011). *Bridging the gap between forest conservation and poverty alleviation: the Ecuadorian Socio Bosque programme* (Environmental Science and Policy 14 (2011) 531-542)

Ministry of Environment. *Estrategia de cambio climático del Ecuador* (ENCC), 2012-2025, 2012

Ministry of Environment. ProAmazonia. *Programme Integral Amazónico de Conservación de bosques y producción sostenible.* Reunion de Comite' Directivo (UNDP, GEF, GCF), February 2019.

National Government of the Republic of Ecuador (2015). *Contribucion tentativa nacionalmente determinada de Ecuador* (INDC)

Republic of Ecuador. *Primera contribucion determinada a nivel national para el acuerdo de Paris bajo la convención marco de Naciones Unidas sobre cambio climático,* March 2019

3. EGYPT COUNTRY VISIT REPORT

Benban solar park, Egypt, co-funded by the GCF and EBRD. © Joseph Mutunga

CONTENTS

A. Presentation of the country and GCF role

The purpose of the country visit was to learn about the experience of Egypt with the GCF, as an input to evaluating GCF performance to date and to collect and validate information from stakeholders and beneficiaries. The country visit was neither a country evaluation nor an evaluation of individual projects and/or programmes. Full support was received from the NDA during the preparation and actual visit.

1. Main climate change risks and context

Egypt is a developing country in North Africa with a territory of 1.01 million sq. km. Globally, Egypt ranks 16th in terms of world population, with an estimated 97.5[42] million people (2017 census). It has a fast-growing population. Between 1990 and 2015 the population grew by 30 million inhabitants (2.2 per cent annual growth rate), and United Nations population prospect reports anticipate that the annual growth rate will remain at over 2 per cent until 2040 when it is estimated that it will reach 116 million inhabitants. The population density is 95 inhabitants/sq. km on average, but actual density levels are much higher as 98.2 per cent of the population live on the Nile valley and delta. Cairo is one of the largest and most densely populated cities, with 20.5 million inhabitants and 30,000 inhabitants/sq. km.

Egypt is highly vulnerable[43] to climate change. The country is heavily dependent on the Nile River, which may decrease in flow while at the same time, climate-induced sea-level rise could threaten vulnerable low-lying coastal areas that are highly populated and agriculturally productive. The coastal zones of Egypt are expected to suffer from direct climate-change impacts due to sea-level rise and the high level of agricultural and human settlement.[44] Estimations indicate that a sea-level rise of 50 cm will have a serious impact on low-level lands in the delta and on the adjacent highly populated cities of Alexandria and Port Said.

The agricultural sector is at particular risk from climate change, given its dependence on the Nile River for its water supply and its vulnerability to temperature rises. Egypt already faces risks from a combination of decreased food production and associated high food prices, which could increase malnutrition and unemployment. Climate change studies expect that by 2050, the productivity of wheat and maize – two major crops in Egypt – will be reduced by 15 per cent and 19 per cent, respectively. Losses in crop productivity are mainly attributed to frequent temperature increases, irrigation water deficit, and pests and plant disease. Also, 12 per cent to 15 per cent of the most fertile arable land in the Nile Delta is negatively affected by sea-level rise and saltwater intrusion.[45] In terms of livestock production, current evidence shows that temperature rise leads to harmful heat stress, which negatively impacts livestock productivity. New animal diseases have emerged in Egypt, which have had severe negative impacts on livestock production. These include bluetongue disease and rift valley fever, which are both attributed to significant changes in the Egyptian climate.[46]

42 Available at <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=EG>
43 According to IPCC (2014b), we define vulnerability as "the propensity or predisposition to be adversely affected. Vulnerability encompasses a variety of concepts and elements including sensitivity or susceptibility to harm and lack of capacity to cope and adapt". The UNISDR defines vulnerability as "the conditions determined by physical, social, economic and environmental factors or processes, which increase the susceptibility of a community to the impact of hazards" (UNISDR 2009).
44 A. Masriaa*, A. Negma, M. Iskanderb , O. Saavedraa. Coastal zone issues: a case study (Egypt). 12th International Conference on Computing and Control for the Water Industry, CCWI2013.
45 Egyptian Environmental Affairs Agency (EEAA), Egypt Third National Communication Under the United Nations Framework Convention on Climate Change (2016).
46 Egyptian Environmental Affairs Agency (EEAA), Egypt Third National Communication Under the United Nations Framework Convention on Climate Change (2016).

There could also be an increased risk to human health from heat stress (which resulted in a higher death rate in 2015), higher levels of air pollution and decreased water availability. Climate change is expected to have direct and indirect negative impacts on public health. In addition, the decreased flow of the Nile River and changes in rain patterns coupled with high population growth have already led to a further regression in the per capita annual share of water. This, in turn, leads to further encroachment on the limited agricultural land by more inhabitants, and a higher population density pressuring environmental and health integrity, making it more difficult to ensure satisfactory basic food supply and the implementation of poverty alleviation and social support programmes.

In the energy sector, the increase in temperature negatively affects the efficiency of conventional power plants and photovoltaic cells. Moreover, the sea-level rise is threatening electric power plants and networks located along the coasts. The negative impact of climate change on rainfall rates and rain distribution across different regions has also had a detrimental effect on power generation from hydroelectric plants. This, of course, compounds the problem of increased electricity consumption rates from the use of air conditioning.

The climate vulnerabilities of Egypt are expected to adversely affect its economy. The potential total damage arising from all the country's vulnerabilities could be as high as 6 per cent of GDP. With climate change already happening and likely to accelerate, adaptation to these and other impacts of climate change needs to be strongly considered.[47] The vulnerability score and low readiness score of Egypt positions it in the lower-left quadrant of the ND-GAIN Matrix – Egypt is the 88th most vulnerable country and the 73rd least ready.[48] Relative to other countries, its current vulnerabilities are manageable, but improvements in readiness will help it better adapt to future challenges.

2. POLICY AND INSTITUTIONAL CONTEXT

In June 1997, Presidential Decree no. 275/1997 outlined the responsibilities of the first full-time Minister of State for Environmental Affairs. Since then, the ministry has worked in close collaboration with national and international development partners in defining environmental policies and implementing initiatives within a context of sustainable development.

The passage of Law 4/1994 for the Protection of the Environment restructured the Egyptian Environmental Affairs Agency (EEAA) to serve as a replacement for the institution. At the central level, the EEAA represents the executive arm of the ministry. The principal functions of the environmental agency include:

- Formulating environmental policies;
- Preparing plans for environmental protection and development projects;
- Following up implementation and undertaking pilot environmental projects; and
- Promoting environmental relations between Egypt and other countries through regional and international organisations.

The Environmental Protection Fund (EPF) of Egypt will follow the guidelines put in place by the "Environment Act of 1994". The fund receives support in the form of donations and grants presented by national and foreign organisations concerned with environmental protection. It also collects fines and compensation awarded by courts for damage caused to the environment. The EPF

47 Smith, Joel & A. Mccarl, Bruce & Kirshen, Paul & Jones, Russell & Deck, Leland & Abdrabo, Mohamed & Borhan, Mohamed & El-Ganzori, Akram & Elshamy, Mohamed & Hassan, Mohamed & El-Shinnawy, Ibrahim & Abrabou, Mohamed & Hassanein, Mosaad & El-Agizy, Mona & Bayoumi, Mohamed & Hynninen, Riina. (2014). Egypt's economic vulnerability to climate change. Climate Research. 62. 59–70. 10.3354/cr01257.

48 Available at <https://gain.nd.edu/our-work/country-index/>

is affiliated with the Ministry of Environment and offers incentives to institutions and individuals engaged in activities aligned with environmental protection.

To address concerns around global warming, Egypt established the National Committee on Climate Change in 2007 (Prime Minister's Decree #272), and it is being restructured in 2019, to be headed by the H.E. Prime Minister of the Arab Republic of Egypt. The committee includes representatives from the ministries of foreign affairs, water resources and irrigation, agriculture and land reclamation, electricity and energy, petroleum, trade and industry, and economic development and defence, along with experts from national and relevant agencies. The central aim of the committee is to develop climate change mitigation and adaptation strategies.

Strengthening the National Council on Climate Change will require the preparation of plans and programmes that integrate into already-existing national action plans for development in Egypt.

3. Green Climate Fund context in the country

Egypt has chosen the Ministry of Environment to be its National Designated Authority (NDA). Day-to-day management of GCF-related issues is delegated to a special GCF four-member team within the ministry, which is still under development. The main function of the unit is to provide information about eligibility criteria for accreditation and for projects and to assist with project applications. The unit is supported on a flexible basis by an Advisor to the GCF Unit and interested entities, who provides technical support on concept notes and funding proposal development.

There currently are four approved projects in Egypt:

- GCF-EBRD Sustainable Energy Financing Facilities (FP025): a programme to deliver climate finance to the private sector at scale through Partner Financial Institutions across 10 countries;
- Egypt Renewable Energy Financing Framework (FP039): a framework developed by the European Bank for Reconstruction and Development (EBRD) that supports Egypt in meeting its target of 20 per cent renewable energy generation by 2022, through a comprehensive technical assistance programme to enhance renewable energy integration, policies, and planning and an investment in the Benban Solar PV field, the largest single solar PV field in the world;
- Enhancing Climate Change Adaptation in the North Coast and Nile Delta Regions in Egypt (FP053): a programme managed by UNDP and the Ministry of Water Resources and Irrigation, that provides coastal defence soft structures and integrated coastal management to adapt to coastal flooding from sea-level rise and increased frequency of storms along five vulnerable hotspot areas in the Nile Delta of Egypt (around Port Said, Damietta, Beheira, Dakahlia, and Kafr El-Sheikh); and
- Transforming Financial Systems for Climate (FP095): a programme managed by the French Development Agency (AFD) that provides loans and technical assistance in 17 developing countries across Africa and Latin America and the Caribbean, to create self-sustaining markets in energy efficiency, renewable energy and climate resilience.

Of these projects, two are country projects, while Egypt is an eligible country in the two other multi-country programmes.

Also, there is a readiness project for capacity building of the GCF team to develop a thorough understanding of the functioning of the Fund and the requirements for effectively engaging with it, and then to relay the acquired knowledge to other relevant national stakeholders. The United Nations Environment Programme (UNEP) acts as a Delivery Partner in this project. The project is fully disbursed, and implementation will soon commence. The country also has four additional projects in the pipeline, which are all still in the concept note stage.

Egypt has a pipeline of two additional readiness projects, one of which is to develop the National Adaptation Plan (NAP) (USD 3 million through the UNDP Global Support Programme), for which there is a draft.

The United Nations Industrial Development Organization (UNIDO) has also submitted to the NDA, an interesting draft preparatory and readiness proposal to help the accreditation efforts of a metropolis organisation that will be behind efforts to build a "green city" near to Cairo.

4. ACTIVITIES OF OTHER CLIMATE-RELATED GLOBAL FUNDS IN THE COUNTRY

The Global Environment Facility (GEF)–World Bank (WB)/GEF Mediterranean Sea Programme (MED) Alexandria Coastal Zone Management Project (ACZM) aims to improve the institutional mechanisms for sustainable coastal zone management in Alexandria, to reduce land-based pollution to the Mediterranean Sea. This project is the basis for the GCF follow-on project Enhancing Climate Change Adaptation in the North Coast and Nile Delta Regions in Egypt (FP053). The GCF is implementing at scale the technologies and concepts tested by this project.

B. FINDINGS

1. FUND BUSINESS MODEL AND STRUCTURE

a. Core principles

The support provided by GCF in Egypt meets the country's needs fairly accurately. The supported projects all address the fundamental climate challenges for Egypt, including the transition towards renewable energy, energy efficiency and protection against a sea-level rise in the Nile Delta.

Generally, there is also good country ownership over the GCF activities, although there are limited ownership and awareness over the multi-country projects implemented by the international AEs (iAEs), EBRD and AFD. There are no Direct Access Entities (DAEs), and there is little evidence showing a push for the implementation of projects via DAEs.

There is room for more structured consultation between these iAEs and the NDA, and improvements could be made to how the GCF Secretariat communicates with and supports the NDA.

b. Organisational structure at the country level

Coordination of GCF activities is carried out by the NDA and the GCF team within the Ministry of Environment. The GCF Council is an inter-ministerial body that reviews and approves all projects and accreditation requests submitted to the NDA. Projects and accreditation applications cannot be submitted to the GCF before approval by the Council. The NDA, the Minister of Environment, is the formal FP. The NDA office has good knowledge and experience of climate change issues. The day-to-day operational FP is the GCF Team established within the ministry. The team still needs some capacity building and a network to help them effectively and efficiently access GCF experts within the Secretariat.

In practice, a fundamental role is played by iAEs, notably by the EBRD, but also AFD and UNDP. As national entities are still struggling with the GCF accreditation process, iAEs are the only entities that can initiate and implement projects in the country. This has resulted in two large projects that are fully focused on Egypt, which both have unique features (largest solar PV plant and innovative natural sea-level rise protection).

c. Relationship with the GCF Secretariat

The NDA has had contact with Secretariat members at the highest levels, including a visit by a previous Executive Director. The operational GCF Team at the ministry has had more limited contact with the Secretariat. There has not yet been any consultation and cooperation with the Regional Advisor and Country Dialogue Specialist, whose availability to Egyptian stakeholders was not known. The GCF Unit Team also felt ill-informed on any GCF news or requirements of the GCF. The UNDP hub in Bangkok seems to be able to fill in some of these GCF information gaps.

The working relationship between the AEs and the Secretariat has generally been good, while cooperation with EBRD and AFD, in particular, was perceived to be satisfactory. The UNDP did note some challenges in its project approval process, as responses from the Secretariat appeared somewhat uncoordinated, with fundamental and conceptual questions arising at the latest stages of the proposal.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

There is room for more involvement and support from the GCF team in the Fund's business model. The team is aware of this and eager to take on a more active role. It is in the process of developing a workshop for all national public stakeholders and the private sector. The team is also looking forward to establishing more direct contact with Secretariat stakeholders and the country experts of the GCF.

The GCF National Steering Committee plays a vital and effective role in selecting projects to be submitted to the Fund that can initiate a paradigm shift. Real evidence of this is that all projects submitted by Egypt were approved by the Board.

The NDA, GCF unit team and the GCF Council are trying to encourage the accreditation of local entities. It is worth mentioning that the processes and procedures of GCF accreditation have been perceived to have become harder lately. Last year in October 2018 during the NDA global conference, the NDA requested the Secretariat to conduct one national workshop in Egypt at the beginning of 2019, to explain the accreditation process and to respond to clarification. This workshop still needs to be organised.

In practice, the iAEs have taken the most prominent role in attracting projects for Egypt, notably the EBRD, UNDP and AFD. The EBRD mobilised funds for the Benban Solar PV project that were able to provide the financing at scale. One of these funders is a local bank, while the bulk of the financing came from overseas. Also, one of the executing entities for this project is a local company, while the rest (five) are foreign companies.

The UNDP was also effective in attracting GCF financing for the Nile Delta project, largely because it already had the infrastructure for attracting funding in place through its GEF team and previously conducted studies.

Both projects were largely in compliance with key GCF policies such as Indigenous Peoples Policy (IPP), environmental and social safeguards (ESS) and gender. However, improved compliance with the GCF Gender Policy should be considered.

The implementing contractors of the Benban Solar PV project have instituted a highly commendable redress mechanism, including a facilities management system, which seemed to work well. This is a case of a good practice that GCF projects can learn from.

e. Funding programmes and instruments

There is one readiness project pending implementation (disbursement done in July 2018) and another two (on country programming and the NAP) in the proposal development stage. The ones in development have faced delays, partly as a result of templates and policy requirements changing over time. In particular, the team preparing the NAP readiness proposal perceived the process as challenging. The GCF should consider improving the NAP application processes, especially the frequent changes of templates and communication/feedback to the NDA teams.

2. GCF POLICIES AND PROCESSES

a. GCF policies

There is a consensus that the GCF policies are sufficient yet burdensome for the NDA teams. There were clear perceptions of the GCF being more of a bank, rather than a fund. As mentioned above, this is the case with the DAEs aspiring to be accredited. For example, they perceive the ESS and gender policies of the GCF as barriers to accreditation. These entities include larger commercial and development banks.

The requirements of the GCF are even more challenging to meet for the smaller-sized and younger public entities and CSOs. The GCF needs to provide targeted country-based (as opposed to Songdo-based) accreditation support to local entities. This appeared to be an urgent and felt need.

b. Policies implementation

While there is clear compliance with GCF IPP and ESS, there are challenges with the implementation of the GCF Gender Policy, especially regarding gender/social inclusion. There were also difficulties with the GCF/AE requirements for NDA teams opening readiness grant bank accounts, vis-à-vis the country laws. This has led to a 10-month delay in the implementation of the readiness grant. The financial institutions seem more at ease with GCF policy requirements than all the rest of the entities.

c. Accreditation

Egypt does not yet have a DAE. There was a consensus among all national stakeholders that there is a need for DAEs in the country. This is driven by the fact that there is high interest in the GCF, but a generally perceived limited opportunity to submit proposals. Organisations that are considering becoming an AE, or are already in the process, all face challenges in understanding and meeting the requirements set by the GCF. However, it should be stated that Egypt, through its NDA, has previously requested that the GCF support awareness sessions for national stakeholders to raise awareness on the accreditation process. This has not been realised. It is therefore important that the GCF Secretariat support this request made by the NDA in October 2018.

Overall, the requirements of the accreditation process are perceived as favouring larger international entities, who already have the required policies in place, and who have skilled and experienced teams as well as the financial resources and scale to efficiently meet GCF accreditation requirements. Although Egyptian stakeholders appreciate the international projects where Egypt is included as a country eligible for investment, there is a consensus among all national stakeholders that DAEs would be better suited to meet the country's needs and priorities. This can be explained by the GCF's limited involvement and ownership in the projects managed by iAEs that can target

Egypt[49]. Further, these projects have not yet set up active cooperation with a financial institution in Egypt (although EBRD is in talks with Commercial International Bank [CIB]).

An innovative targeted initiative by the GCF to support the accreditation of local entities (e.g. in-country face-to-face capacity building sessions), would go a long way in promoting country ownership.

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

When looking at the results and total committed amount of GCF projects to Egypt, the project cycle is functioning in the country. Present projects under implementation (the Benban Solar PV project and the Nile Delta project) are in line with Egyptian priorities, and the two multi-country financial services programmes by the EBRD and AFD are planning to partner up with local financial institutions.

However, the absence of DAEs and the insufficient clarity on policies, processes and access to Secretariat contacts has led to uncertainty about requirements, and hence a certain degree of frustration and a feeling of missed opportunities. This has occurred both on the side of the Egyptian GCF Unit team and with the Secretariat (notably the Regional Advisor and Country Dialogue Specialist/African Desk). Steps should be taken collectively by the GCF Secretariat and the GCF Unit team to remove the lack of clarity on processes, policies and overall expectations in Egypt.

b. Responsiveness to the UNFCCC

The GCF has generally responded well to UNFCCC guidance and the NDC of Egypt. It should be noted, however, that three out of the four projects so far concern mitigation projects with a focus on either renewable energy production or energy efficiency. Egyptian stakeholders particularly voiced a need for more adaptation projects that address the country's specific climate change challenges, such as water shortages. Therefore, GCF should ensure that the voices of Egypt and of other developing countries are well addressed in further programmes and projects and that the Fund achieves its objective of providing support focused 50 per cent on adaptation and 50 per cent on mitigation.

c. Funding programmes and instruments

The range of available GCF instruments is appreciated. The flexibility of instruments, as well as the potential to scale, are key factors that make the Fund a unique partner in climate finance. As one stakeholder described it, "The GEF has the ability to finance ideas for solutions, the GCF has the ability to finance solutions itself."

The delay in the start-up of the readiness project has neither affected the work of the GCF unit nor its activities. The government budget has borne the cost of the introduction workshops and the promotion of the idea of the Fund in Egypt, in addition to the meetings and salaries of the GCF Unit workers.

d. Private Sector Facility and non-grant instruments

Egypt has two projects through the Private Sector Facility (PSF), of which one has a full focus on the country itself. The modalities of the PSF were perceived as effective and efficient by the EBRD. Both projects, which are focused on renewable energy and energy efficiency, and are in line with country needs. The extent to which country ownership is felt over the projects is limited, as the Benban Solar PV plant is being developed only by international development financiers with no

[49] Transforming Financial Systems programmes of the Sustainable Energy Financing Facility [SEFF] of EBRD, and AFD

involvement from the Egyptian financial sector, which cannot offer the same level of concessionality (and hence lower interest rates) and longer loan tenors.

It is questionable as to whether GCF financing of the Benban Solar PV plant alongside EBRD has been sufficiently additional. This is because the financing terms of the GCF and EBRD are on a pari passu basis. The EBRD noted that the GCF helped bring in an important part of the financing (about 15 per cent of the EBRD-led tranche for the project) that helped attract additional financing from the Netherlands Development Finance Company (FMO) and the private investment arm of the Islamic Development Bank (IsDB).

However, the GCF is essentially providing finance on the same terms as the financiers in the larger project. These include the major multilateral and bilateral development banks (International Finance Corporation [IFC], PROPARCO, African Development Bank [AfDB], CDC Group, the Finnish Fund for Industrial Cooperation Ltd. [FinnFund], and the Development Bank of Austria [OeEB] in addition to EBRD, FMO and IsDB). Despite this, Benban is one of the world's largest solar PV projects and can be considered a unique project with a demonstration effect for large-scale solar plants, and a well-known project for the GCF.

4. Likelihood of (and actual) results

a. Quality

The funded projects in Egypt address the investment criteria of the GCF well. The funding proposals have clear descriptions of expectations in terms of sustainable development potential, paradigm shift potential and impact potential. All projects are well in line with the country's national climate priorities.

b. Results measurement

For all four approved projects, there are elaborate tables with outcomes, outputs, activities and inputs at the project/programme level. In practice, the two projects that have a full focus on Egypt will be relatively straightforward for measuring results, while results measurement for the multi-country financing facilities by EBRD and AFD will be a challenging task, given the dependence on performance data from partner financial institutions in a wide range of countries.

The EBRD SEFF facility will have a results measurement system managed and monitored at project and facility level by both EBRD in-house staff and a SEFF operations team procured by the EBRD. In-house staff will have oversight and quality assurance, while the SEFF operations team on the ground will assist and monitor partner financial institutions along the entire project lifetime.

The EBRD project companies under the Renewable Energy Financing Framework are obliged on an annual basis to report to the EBRD on the use of the proceeds of the programme, and on the environmental and social performance of the project. The implementation consultants of the technical assistance component will officially report progress periodically to EBRD staff throughout the framework lifetime. The sub-projects of the solar PV project are required to provide financial and environmental and social reporting, amongst other feedback.

The results of the UNDP Nile Delta programme, as outlined in the project results framework, will be monitored and reported on annually, and evaluated periodically during project implementation to ensure the project effectively achieves these results. Project-level monitoring and evaluation will be undertaken in compliance with UNDP requirements and overseen by the National Project Manager (NPM). The NPM is responsible for day-to-day project management and regular monitoring of project results and risks, including social and environmental risks.

For its Transforming Financial Systems for Climate facility, the AFD is planning to require reports from Private Financial Institutions (PFIs) on performance indicators (e.g. MW installed capacity, TeqCO2 avoided, etc.), as well as qualitative information (climate strategy, training, growth of green portfolio, etc.), as defined in the credit facility agreement. The AFD local agency will ensure the day-to-day monitoring by overseeing the implementation of projects. All projects will be assessed annually through an internal quality review process based on several indicators (technical implementation, disbursement, procurement, outcomes, etc.). In addition, AFD may hire consultants for ex-post evaluations.

c. Actual results

There are indications that the Renewable Energy Financing Framework of the EBRD will start yielding significant results in the near future, as the solar PV sub-projects financed by the GCF that are part of the wider Benban Solar PV park will become fully operational. The project is already partially contributing to the national grid by pumping in 900 MW (funded by different organisations).

The UNDP and Ministry of Water Resources' Nile Delta project have recently become operational, with the project becoming effective in October 2018. A first pilot with nature-based solutions, using wooden fences to design natural sand dunes, has been presented to the Delta Alliance, a Dutch Water Initiative.

This project is using reed materials from a neighbouring lake that is choked with plants and was earmarked for de-weeding. By removing these materials and using them in the project, it will achieve an unexpected result of de-weeding the lake, including the ecological co-benefits.

d. Expected results

The GCF specific support will lead to an additional 380 MW of renewable energy in Egypt, and protection against a sea-level rise in vulnerable areas of the Nile Delta. There will also be other results via the two financial services projects. All the above will feed into the GCF results framework, as it contributes to the regional and global climate change mitigation and adaptation agenda.

e. Paradigm shift

The nature-based solutions used in the Nile Delta project are innovative and concern a country-specific solution to the problem of sea-level rise. If this pilot can be tested positively and rolled out on a larger scale, it can provide a cost-efficient and sustainable solution to a major flood control challenge in the country, and beyond.

Also, the Benban Solar PV project helps Egypt move towards its target of 42 per cent renewable energy by 2035 (currently about 13 per cent of the energy output for the country is from renewable sources). The Benban Solar PV field also has a demonstration potential for the country and region.

Finally, the financing facilities of the EBRD and AFD can help local banks develop their green financing departments and increase access to energy efficiency and climate solutions-focused loans.

Although the GCF has supported projects in Egypt that are aligned with country needs, it should be more critical of its financial additionality in projects (could they have been financed without the GCF?) and facilitate DAEs in becoming accredited. Support for DAEs needs to quickly shift from business as usual to a more pragmatic approach.

Egypt can benefit from the time-tested benefits of involving the civil society in GCF and other climate action (this was found to be lacking for GCF projects, but there was anecdotal evidence of its presence in GEF projects in Egypt).

Investing in establishing and maintaining working relationships will help all stakeholders to achieve climate finance goals in Egypt.

APPENDIX 3-1. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

Projects and pipeline

NAME	FINANCE (USD)	AE	STATUS
GCF-EBRD Sustainable Energy Financing Facilities	378 million	EBRD	Under implementation
Egypt Renewable Energy Financing Framework	154.7 million	EBRD	Under implementation
Enhancing Climate Change Adaptation in the North Coast and Nile Delta Regions in Egypt	31.4 million	UNDP	Under implementation
Transforming Financial Systems for Climate	270.5 million	AFD	Under implementation
Electrification of the train line in Alexandria	N/A	NA	Concept note development
Low-Carbon and Climate Resilient Municipal and Industrial Infrastructure in Egypt	N/A	UNIDO	Concept note development

Readiness support projects and pipeline

NAME	FINANCE (USD)	AE	STATUS
Readiness Support for Strengthening NDA	0.3 million	UNEP	Funding approval

APPENDIX 3-2. DOCUMENTS CONSULTED

A. Masriaa*, A. Negma, M. Iskanderb, O. Saavedraa. *Coastal zone issues: a case study (Egypt).* 12th International Conference on Computing and Control for the Water Industry, CCWI2013

Arab Republic of Egypt. Intended Nationally Determined Contributions as per United Nations Framework Convention on Climate Change, 2015

Egyptian Environmental Affairs Agency (EEAA). Egypt Third National Communication Under the United Nations Framework Convention on Climate Change, 2016

GCF IEU, Egypt. Green Climate Fund Country Programme Brief, 2018

International Renewable Energy Agency. *Renewable Energy Outlook: Egypt*, 2018. Available at https://data.worldbank.org/indicator/SP.POP.TOTL?locations=EG

IPCC, 2014b: *Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part B: Regional Aspects.* Available at <https://energypedia.info/wiki/Egypt_Energy_Situation#Historical_Background_and_an_Overview_of_the_Main_Energy_Sources>

Iskander, M., 2010. *Environmentally friendly methods for the Egyptian coastal protection, in: Coastal Zone Management of River Deltas and Low Land Coastlines*, CZMRDLLC. pp. 625–642

ND-GAIN Country Index. Available at https://gain.nd.edu/our-work/country-index/

Smith, Joel & A. Mccarl, Bruce & Kirshen, Paul & Jones, Russell & Deck, Leland & Abdrabo, Mohamed & Borhan, Mohamed & El-Ganzori, Akram & Elshamy, Mohamed & Hassan, Mohamed & El-Shinnawy, Ibrahim & Abrabou, Mohamed & Hassanein, Mosaad & El-Agizy, Mona & Bayoumi, Mohamed & Hynninen, Riina. (2014). *Egypt's economic vulnerability to climate change*. Climate Research. 62. 59–70. 10.3354/cr01257

Tbilisi capital from above, Georgia. © Sara Nielsen

4. GEORGIA COUNTRY VISIT REPORT

CONTENTS

A. PRESENTATION OF THE COUNTRY AND GCF ROLE

A GCF Independent Evaluation Unit (IEU) team visited Georgia from 1 to 5 April 2019. The team had several meetings on the ground with the National Designated Authority (NDA), government agencies, Accredited Entities (AEs), nominated Direct Access Entities (DAEs), civil society organisations (CSOs), and individual scholars involved with the GCF, one of whom was a member of the independent Technical Advisory Panel (iTAP) (see annexes for the schedule and a full list of people met).

1. MAIN CLIMATE CHANGE RISKS AND CONTEXT

Georgia is located in the Caucasus region of Eurasia at the crossroads between Eastern Europe and Western Asia. With a per-capita gross national income (GNI) of some USD 3,666[50] in 2016, Georgia is classified as a lower-middle-income country. After the collapse of the Soviet Union, the country set itself on a path of reforms that ensured a transition of its political, economic, legal and administrative system. The reforms were always implemented in conditions of political turbulence, but significant progress has still been achieved. The economy of Georgia has grown at an average annual rate of 4.8 per cent since 2010, and it is expected to grow further in the medium term. Over the last decade, inequality and poverty rates have declined. The poverty rate decreased from 37 per cent in 2007 to 21 per cent in 2016, and it is projected to decline through 2019.[51]

Economic growth, and in particular an intense inflow of private capital, has made it possible in part to ensure energy security and the relative recovery of the agricultural and other sectors. Existing factories have been partially rehabilitated, some equipment has been updated, new enterprises established, and private entrepreneurial activities strengthened. Strong anti-corruption policies also contributed to a revitalisation of the economy. Trade was expanded, and the construction, banking and service sectors have gone through intense development.[52]

Georgia is highly vulnerable to climate change. Its unique geographical location, land cover diversity and specific climate, containing almost every type of climatic zone, set the conditions for a wide variety of negative climate change consequences, including landslides, mudflows, erosion, avalanches, floods and flash floods, drought and strong winds. Some of these are already being felt, including:

- Sea-level rise, which has affected some areas of land and destroyed and/or damaged houses and infrastructure along the coast bordering the Black Sea. In the absence of any adaptation measures, it is estimated that continued sea-level rise will cost around USD 2 billion in tourism losses by 2030.[53] In terms of prevention, a coastline adaptation programme, according to the National Communication of the Government of Georgia to the UNFCCC, will cost in the range of roughly USD 600 million;
- More frequent and intense floods, flash floods, landslides and mudflows have caused damage in highlands with severe hits to the economy. Over the past 21-year period, the total damage from hydrometeorological hazards has been USD 1.2 billion at a cost of 152 lives (22 of which occurred in the Tbilisi flash flood of 2015). Floods, landslides and mudflows make up 60 per cent of these damages/losses and 67 per cent of lives lost. According to the second and third

[50] National Statistics Office of Georgia. Available at <http://geostat.ge>
[51] Available at <http://geostat.ge>; World Development Indicators; National Bank of Georgia (2016).
[52] Georgia Readiness Country Report, forthcoming 2019.
[53] The INDC of Georgia to the UNFCCC, 2015.

National Communications of Georgia and other studies,[54] the frequency, intensity and geographical spread of extreme hydrometeorological hazards will increase and have significant negative impacts on various important economic sectors such as agriculture, health, infrastructure, tourism and protection of cultural heritage, environment, natural resources and ecosystems. Overall, the Intended Nationally Determined Contribution (INDC) of Georgia estimates economic losses from climate-induced hazards without adaptation measures for the period 2021 to 2030, to be USD 10 billion to USD 12 billion, while the cost of adaptation measures is estimated at only USD 1.5 billion to USD 2 billion;[55]

- In the last decade, agricultural production has suffered severely from the negative consequences of climate change. The agricultural sector plays an essential role in providing a safe, secure and affordable food supply and plays a key role in the country's economy, while also being one of the most vulnerable sectors to climate change.[56] Decreased rainfall and enhanced evaporation in semi-arid regions in eastern Georgia have already created the threat of desertification. Temperatures will continue to rise across the country, with the most severe changes on the west coast, and precipitation is projected to decrease by as much as 20 per cent in some regions.[57] The risk to agricultural land from all hazards is between 251,225 ha and 325,020 ha, under baseline and climate change conditions respectively.[58] In 2000, droughts reduced the production of cereal to zero, and due to prolonged droughts over the years, more than 400,000 ha of land has been lost.[59] Flooding also impacts agriculture. Flooding alone is expected to cost in the range of USD 55.6 million to USD 67.8 million annually under baseline and climate change conditions, respectively;[60] and
- The growth and productivity of forests have been worsened by temperature changes, increased forest fires, decreased precipitation and a rise in pests and disease. There is no reliable inventory data for forest cover in Georgia, and the last forest inventory was conducted in 1990. However, according to expert judgment, the 600,000 ha (some 22 per cent of Georgia's forest cover) declared for timber production were severely overcut; the Borjomi-Bakurani Forest District has seen a reduction of forest biomass of 20 per cent over 15 years. Such overcutting not only decreases resilience to climate change but also lowers the country's carbon sink potential.

Even though the greenhouse gas (GHG) contributions of Georgia to global warming are negligible globally (they represent only around 0.03 per cent of global emissions), the country is committed to an aggressive plan aimed at reducing its GHG emissions.[61] Georgia plans to unconditionally reduce its GHG emissions to 15 per cent below the business-as-usual scenario for the year 2030. This corresponds to around a 34 per cent reduction of emission intensity per unit of gross domestic product (GDP) from 2013 to 2030. The target will be conditionally raised to 25 per cent pending global agreement on addressing the importance of technology transfer, technical cooperation and access to low-cost financial resources. The country identifies the energy and waste sectors as being key to helping it meet its mitigation goals. The main share of the mitigation efforts will be

[54] World Bank project: Reducing the Vulnerability of Georgia's Agricultural Systems to Climate Change; USAID/GLOWS project: Integrated Natura; Resource Management in Watersheds of Georgia; Regional Climate Change Impacts for the South Caucasus Region funded through ENVSEC (Environmental Security) initiative and commissioned by UNDP.
[55] The INDC of Georgia to the UNFCCC, 2015.
[56] The INDC of Georgia to the UNFCCC, 2015.
[57] FP086, funding proposal to the GCF.
[58] FP068, funding proposal to the GCF.
[59] The INDC of Georgia to the UNFCCC, 2015.
[60] FP068, funding proposal to the GCF.
[61] The INDC of Georgia to the UNFCCC, 2015.

implemented with national resources, unconditionally. Only conditional measures will require international support.

2. CLIMATE POLICY AND STRATEGY DEVELOPMENT IN THE COUNTRY

Georgia has made great strides in confronting the climate challenge head-on, through the comprehensive development of a set of mitigation and adaptation policies and strategies. Some of the most relevant are described below, but the complete set of policies, laws and action plans, both nationally and locally, is much more comprehensive and can be found in the GCF Readiness Report prepared by the Government of Georgia (to be released in 2019).

The Government developed and submitted its INDC to the UNFCCC in 2015, with the main objective of improving the country's preparedness for climate change and promoting energy efficiency measures in industry as well as across cities. Also, Georgia approved the Paris Agreement and submitted its first Nationally Determined Contribution (NDC) on 8 May 2017.[62] Georgia is actively working on its international commitments through the implementation of multiple policies, strategies and measures across the main mitigation and adaptation areas on the national and sub-national levels.

The country has also submitted three national communications to the UNFCCC and is working on the development of a National Adaptation Plan (NAP). An NAP for Agriculture has been developed.

The Association Agreement (AA) signed with the European Union (EU) in 2014 is also a key driver of environment and climate change action at the national level. Under the AA, Georgia has agreed to implement critical reforms following EU directives and the requirements of the Third Energy Package.[63] It has also developed a first draft of a National Energy Efficiency Action Plan (NEEAP), which documents plans for the implementation of energy efficiency measures, which have significant mitigation potential for the period 2020 and beyond. In addition, three Nationally Appropriate Mitigation Actions (NAMAs) are being prepared, and the Government is drafting with the support of United States Agency for International Development (USAID) a Low Emission Development Strategy (LEDS). The strategy will support climate change mitigation through energy efficiency, clean energy and the responsible use of natural resources; promote private-sector investments in energy efficiency and green buildings; and build government capacity for the implementation of the strategy.

The first and second Technology Needs Assessments (TNAs) were carried out in 2002 and 2012. The most recent TNA suggested the use of efficient wood stoves, efficient construction technologies and solar water heaters as three priority technologies for mitigation. For adaptation, the 2012 TNA recommended multiple technology solutions for coastal zone protection, adaptation measures in the agriculture sector, and adaptation technologies for landslides and mudflows. The TNA findings have been integrated and updated with the proposals made within the draft LEDS, the INDC and the NDC.

In the forestry sector, the Government of Georgia supports three measures for climate change mitigation: (i) establishing Sustainable Forest Management (SFM) practices; (ii) conducting afforestation/reforestation and assisting natural regeneration, and (iii) expanding protected areas. With the appropriate technology transfer and financial support – which could allow Georgia to develop adequate inventories and install remote sensing as well as developed, internationally

[62] Georgia INDC (2015) and NDC (2017).
[63] Energy Governance in Georgia: Report on Compliance with the Energy Community Acquis, Energy Community Secretariat, July 2017.

recognised SFM and carbon monitoring – the country could increase the management of around 250,000 ha of forest districts. This which would sequester roughly six million tons of CO_2 between 2020 and 2030.[64]

3. Green Climate Fund in the country

The NDA for the GCF in Georgia is located at the Ministry of Environmental Protection and Agriculture (MoEPA). This is a fairly recent change, as in 2017 and 2018 the Government of Georgia went through a major reshuffle, which merged several ministries. During this reshuffle, the environment component of the then Ministry of Environment and Natural Resources Protection was merged with the Ministry of Agriculture, which combined to become MoEPA.

The MoEPA is the main ministry responsible for the country's environmental and climate change agenda and policy, food security and sustainable development within the agricultural sector. It represents Georgia in climate-related international forums and follows the relevant country obligations under the UNFCCC. It has a Climate Change Division under the Integrated Management Department, whose head is also an FP to the UNFCCC. The Climate Change Division provides assessments of climate change impacts on the sectors of the economy and ecosystems, and prepares relevant predictions, develops the national plan for adaptation to climate change, coordinates the national communications to the UNFCCC and provides an inventory of GHG emissions. The NDA at MoEPA has also been a Board member at the GCF for two consecutive terms, from 2012 to 2018.

To ensure systemised country coordination and multi-stakeholder engagement in GCF-funded activities, Georgia is in the process of setting up a coordination mechanism and a "no-objection" procedure. This mechanism will be based on the existing climate-related coordination committees and workflows. The mechanism will involve all relevant national stakeholders to ensure that funding proposals for GCF are consistent with national climate strategies and plans. Other ministries and public bodies that are presently involved in the climate change agenda include:

- Ministry of Economy and Sustainable Development – addresses key cross-cutting matters related to sustainable development and green growth;
- Ministry of Regional Development and Infrastructure – operates the Municipal Development Fund and manages the Regional Development Fund;
- National Environmental Agency (NEA) – a semi-independent legal agency of public law, which prepares and disseminates information, forecasts and provides warnings on the hydro-meteorological and geodynamic processes, environment pollution conditions, and the hydro-meteorological forecasting of rivers, water reserves and the Black Sea territorial waters and coastal zones. The agency was one of the national implementing partners of the UNDP Adaptation Fund project Climate Resilient Flood Management Practices (Rioni project) and is an integral part of both the proposal development and implementation phases of the GCF project FP068. The NEA is considered a reliable and responsible partner to the UNDP. It fully met its commitment under the Rioni project to take over the technical operation and maintenance costs of the new hydrometeorological observation stations;
- Administration of the Government of Georgia (AOG), namely the Government Planning and Innovations Unit of the Policy Analysis, Strategic Planning and Coordination Department – serves as an FP for Sustainable Development Goal (SDG) national processes; and

[64] Georgia INDC (2015) and NDC (2017).

- State-owned funds, namely, the Georgian Energy Development Fund, the Partnership Fund (PF), Municipal Development Fund of Georgia, Georgia Regional Development Fund, and Georgian Co-Investment Fund – these channel national and international finance for sustainable development projects.

Box 4-1. Georgia GCF country priorities

Adaptation

1. Food and water security: forthcoming NAP implementation; emergency response plans for agriculture; capacity building for farmers; climate smart and resilient agriculture; innovative irrigation management drainage systems; watershed management; conservation of agro-diversity and endemic species; rehabilitation of windbreaks and grasslands; and anti-erosion measures;

2. Most vulnerable people and communities: forthcoming NAP implementation; studying glacier conditions; and reducing risks of extreme weather conditions;

3. Infrastructure and built environment: forthcoming NAP implementation; integrated coastal planning and management; climate resilient road infrastructure; and

4. Forests and biodiversity: forthcoming NAP implementation; conservation of forest ecosystems; ecotourism approaches; and legislation fully covering forest biodiversity conservation, water and natural pasture ecosystems.

Mitigation

1. Energy: wind, solar PV and thermal, geothermal energy; small-scale hydropower; optimisation of the grid and integration of renewables; and reduction of losses in electricity transmission;

2. Transport: increase in public transport and modal shift toward walking and cycling; promotion of e-mobility; improvement of intercity passenger transport; improvement of railway system and transport; and sustainable transport policy development;

3. Land-use and forests: EE retrofits and new construction; EE appliances; EE indoor and street lighting; forthcoming NEEAP and LEDS implementation; sustainable waste management; and low-cost capital technologies for EE in industry; and

4. Buildings, cities, and industries: scaling-up conservation and sustainable forest management; increasing forest cover; reducing firewood consumption; low-emission agriculture; strengthening agricultural credit, leasing, and insurance; and information and training programmes for farmers.

Georgia has also kept CSOs up to date about GCF meetings and relevant GCF activities, though mostly concerning the Readiness and Preparatory Support Programme (RPSP). The CSOs most involved in the RPSP and discussions on the national priorities – and which support the implementation of projects at national and local level – are the Sustainable Development Center Remissia; the Caucasus Environmental NGO Network (CENN); Regional Environmental Centre for Caucasus; the Greens Movement of Georgia/Friends of the Earth; Women in Europe for a Common Future; Energy Efficiency Centre (EEC) Georgia; Green Building Council Georgia; the Regional Environmental Centre for the Caucasus (REC); and the Partnership for Road Safety.

Through readiness funding from the GCF, the NDA hosted several events, bilateral meetings, stakeholder consultation and workshops to prepare the Georgia Country Programme for the GCF. This activity yielded 30+ country priorities in eight areas under mitigation and adaptation (see Box 4-1).

The process also identified three national agencies for nomination to become AEs: (i) the PF, (ii) TBC Bank, and (iii) the Caucasus Environmental NGO Network (CENN).

Georgia is, however, already highly active in portfolio development, with four approved projects (two of which are being disbursed). In addition, *Deutsche Gesellschaft fuer Internationale Zusammenarbeit* GmbH (GIZ), the United Nations Environment Programme (UNEP) and the

International Finance Corporation (IFC) are all working on project development in Georgia, and the nominated national AEs have all submitted to the NDA potential project ideas for further development. The country also has two completed readiness activities, with two more in the pipeline. Finally, the NDA is working closely with GIZ, as part of its readiness activities, to develop four concept notes for potential further GCF support (see Appendix 4-2 for complete portfolio and pipeline).

B. Findings

1. Fund business model and structure

a. Core principles

Country ownership is generally solid in Georgia, and the GCF portfolio and activities are supported by an involved NDA. The country has benefitted from 6 years of close involvement with the GCF as a Board member. This is reflected through knowledge of the GCF business model, the objectives of the GCF and of financing modalities both within the NDA office and with local actors and stakeholders. In particular, the GCF business model has provided good support through the readiness activities, which guided the development of the Country Programme.[65] This programme reflects the country's priorities as explained in national policies and action plans, and also shows the areas in which GCF can influence a paradigm shift. While the Country Programme does not offer a definition of paradigm shift from the perspective of Georgia, it notes that "Georgia's Country Programme with the GCF serves as a strategic framework for the country's engagement with the Fund. Its objective is to enhance Georgia's capacity in better engaging with the Fund and to provide an overview of investment priorities and strategic initiatives for the use of the GCF funding that will support Georgia's paradigm shift in achieving low-emission and climate-resilient development."[66]

While there are currently no DAEs accredited in Georgia, all actors within the country see the accreditation of national DAEs as a move towards increased country ownership that also helps AEs identify solid development partners inside the country. The nominated entities (the PF, TBC Bank and CENN) are already well established in Georgia and have good working relationships with the NDA and each other.

Finally, while all country projects (both active and pipeline) within the country are still at an early stage of implementation (or proposal development), their objectives are aligned with and reflect national priorities. In particular, focus on adaptation and resilient building activities in agriculture and disaster risk management are strong amongst AEs, and in mitigation, the proposed activities inside Georgia are directed towards forestry, transportation, hydropower development, capacity building and increasing the efficiency of cities. Also, both the country-programming and portfolio development very clearly reflect the objectives of a paradigm shift. The NDA noted that the focus is on upscaling and the introduction of new and innovative technologies in areas where the country can move towards an overall low-carbon and climate-resilient development path.

b. Organisational structure at the country level

There is a clear understanding of the roles and responsibilities of the GCF in Georgia amongst actors involved with the Fund on the ground. However, iAEs that have staff within the country seem to

[65] The Readiness Report (including the Country Programme) is still in the drafting stage, and has gone through multiple iterations with the GCF. The final version is forthcoming in 2019.
[66] Georgia Readiness Report, forthcoming 2019.

collaborate with (and understand) these roles better than iAEs that have employees working remotely.

The NDA sees itself as the lead and approving entity for GCF activities, and stays actively involved in project and proposal development. Accredited Entities look to the NDA to provide information on exactly what the country needs are, and in what areas the AEs should be most active. They also see it as the responsibility of the NDA to help assess what gaps in the GCF portfolio the AEs can best help cover.

The nominated AEs look at their roles from different angles. For example, the iAEs working in Georgia expressed their roles as being Delivery Partners to the Government of Georgia; in other words, they see themselves as guiding the Government (both ministries or government agencies) in project implementation. They deliver on technological knowledge, policy guidance and international best practices in project and programme development and implementation. They also see themselves as facilitators among some agencies, by helping to include NGOs and CSOs in programme preparation and project implementation. Once projects are under implementation, AEs generally agree that the NDA plays a smaller role, especially in projects that are multi-country and/or funded through the private sector (i.e. some iAEs expressed that the private sector does not necessarily welcome government involvement, in particular in countries where there is a history of centralisation). It would be difficult to convince the private sector to get involved in projects or programmes if there is too much involvement from the Government.

Nominated DAEs are viewed as key actors in raising country ownership of projects, either through the implementation of their own GCF projects (when the time comes) or by partnering with iAEs on larger projects and programmes. In particular, the private sector entities will use their existing clout in Georgia to increase private sector involvement on the ground. For example, the Partnership Fund (PF, one of the nationally nominated DAEs) sees itself as an organisation that is better placed to focus on higher risk infrastructure projects through co-financing, compared to other local small banks which mostly focus on low-risk small development programmes. For example, the PF has already funded hydropower, tourism, manufacturing and agri-business, amongst other areas. The main criterium for funding from the PF is that the project has to prove commercial viability. In that way, the PF feels that it is well-positioned to influence partners and support implementation of the country's climate goals. With its local capacity, the CENN sees itself as a network that could facilitate smaller low-risk projects across Georgia, via collaboration with other AEs or on their own; but they could also facilitate collaboration regionally considering their regional scope and offices in neighbouring countries.

It was difficult to assess the roles and responsibilities of some of the bigger iAEs with upcoming programmes in Georgia, as they did not have staff in the country, were not available for discussions, or did not provide much information on their collaboration with the NDA.

Communication and country ownership are lower when it comes to GCF regional/global programmes[67] implemented in Georgia. There was limited communication between the AEs and the NDA when regional/global programmes were prepared, and by the time projects are approved and commence implementation, all communication between the AEs implementing and the NDA seem to have halted. According to the NDA, in the case of multi-country programmes, it is difficult to assess what exactly is being implemented within their own country, when it is happening and where due to limited communication from iAEs. The NDA expressed that these projects have lower country ownership since the activities cannot be tracked and it is, therefore, unknown if they are

[67] In Georgia, there are currently three approved multi-country programmes: FP025 Sustainable Energy Financing Facility, FP038 GEEREF-NeXt, and FP086 Green Cities Facility.

connected to the country priorities. The evaluation team was notified by the iAEs that upcoming reports on the programmes implemented are scheduled to be submitted to the NDA in 2019.

c. Relationship with the GCF Secretariat

The NDA has experienced easy communication with the Secretariat, which can be attributed to their many years of direct involvement with the GCF as a Board member. This relationship has allowed the NDA to travel to the Secretariat more often, to meet with essential Secretariat staff to ask questions and to stay more informed about changes and proceedings within the GCF regularly.

The NDA in Georgia, as the central FP, initiates communications with the GCF on behalf of locally nominated AEs, and also discusses readiness programming. Even though there are indications of direct communication between the Secretariat and nominated DAEs, this has usually been initiated by the Secretariat. International AEs have a direct line of communication with the Secretariat and other GCF advisory panels, like with the independent Technical Advisory Panel (iTAP) on project preparation. Some AEs feel there should be a more open line of communication and increased information sharing between the Secretariat and the AEs. Generally, they see a lack of some essential information being shared with the AEs, both in accreditation and project proposal development. Also, when it comes to commenting on project proposals, communications are not always fair and equal in the response time required from the Secretariat (see the section below on the project cycle for specifics).

Other stakeholders within the country do not contact the Secretariat directly, but usually communicate issues, concerns and questions through the AEs or the NDA. For example, the NEA, which works very closely with UNDP on project proposal and preparation for FP068, raises questions directly with UNDP, not with the GCF Secretariat.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

As indicated earlier, the NDA in Georgia sees itself as taking the lead on portfolio identification and the nominating of potential entities for accreditation. It has also been the lead on the readiness funding for Georgia, through both strengthening the NDA office and supporting nominated DAEs. The NDA does not partake in the implementation of projects but sees itself as an entity that needs to keep an overview of portfolio activities to ensure they continue to align with GCF country programming and national priorities.

The AEs (both nominated and already accredited) see themselves as project/programme developers, facilitators and implementers. They are responsible for drafting and developing the project proposals with inputs from the NDA, as well as from other local entities and stakeholders, as needed. This also includes selecting the financing modality that is best suited to the project. However, in the case of loans, guarantees and equities, some of the AEs interviewed would like to see increased government involvement, not only from the NDA but also from any other involved ministries, such as the Ministry of Finance (MoF). Specifically, they would like to see a stronger push and level of assistance from the NDA, in convincing other ministries to participate actively when they are the target beneficiaries of the funding inflow.

Overall, both the NDA and the AEs are viewed as being efficient and effective in executing the Fund’s mandate. However, due to the government reshuffle of 2017 and 2018, all GCF activities suffered delays for a good 6 to 9 months. The reshuffling is over, though, and activities are well underway again.

e. Funding programmes and instruments

So far, the project portfolio of Georgia shows that the country has accessed GCF funding programmes and instruments through readiness funding, grant support and loans. For grants and readiness, the level of access and support received thus far has been clear. With one readiness activity completed, one nearly completed and two more in the pipeline, these activities, overall, are well on their way in Georgia (see list of approved and pipeline projects in Appendix 4-2). Readiness support for strengthening the NDA – as well as support for country programming – greatly assisted the country to assess its gaps, and yielded a good overview of potential projects that could be implemented. It also helped gather the stakeholders necessary, including those from the private sector and NGOs, to discuss the needs of Georgia.

In terms of grants, Georgia has one project: Scaling up multi-hazard early-warning systems (EWS) and the Use of Climate Information in Georgia (FP068*)*. Since adaptation very rarely has any return on investment (ROI), the grant financing modality is the most suitable way of implementing adaptation projects in Georgia, and the project is in line with country programming and the national agenda on climate change.

For loans, there is not much information, as these are accessed through the regional/global programmes and it is therefore not fully clear what – and how much – support will be going to Georgia. The only regional programme, in which Georgia is a beneficiary country, that is effective, is the EBRD Sustainable Energy Financing Facility (SEFF FP025). This programme has had previous activities in Georgia, before its GCF funding. The EBRD SEFF partners with local financial institutions such as local banks to establish sustainable energy financing channels. Local financial institutions then on-lend the funds they have received from the EBRD to their clients, who include small and medium-sized businesses, corporate and residential borrowers, and renewable energy project developers.[68] In Georgia, the SEFF team is currently in discussions with TBC Bank for it become a Private Financial Institution (PFI) under SEFF.

No AE has accessed the Project Preparation Facility (PPF) so far, but it is a much-welcomed GCF development among the AEs working in Georgia. Most AEs would like to see stronger communication from the Secretariat on the accessibility and uses of the PPF.

The project pipeline in development, which includes very early project concepts by both the NDA and the nominated DAEs, shows that in time, Georgia will have a varied portfolio that includes loans, grants, equities, guarantees and readiness support.

2. GCF POLICIES AND PROCESSES

a. GCF policies

There is general agreement among all parties involved in Georgia (NDA, AEs, nominated DAEs and other stakeholders) that GCF policy requirements are necessary and good; though with some caveats. For iAEs, the current policies are not questioned, and they are fairly simple to follow since the AEs already have the required policies integrated into their own institutions, and can thereby easily apply them. They do not count them as additional policies as their own organisations have similar requirements in project development, albeit with some variations.

The nominated DAEs all expressed that they see the necessity of the policy requirements. However, they consider the number of requirements and policy applications to be enormous. Across the board,

[68] EBRD SEFF. Available at <http://seff.ebrd.com/about-seff.html>

the nominated AEs expressed that policy requirements should differ depending on what kind of institution is applying for accreditation, and in particular what kind of projects (risk level) they aim to support and which access modalities they want to use.

The three nominated DAEs are at different stages of the accreditation process. The TBC Bank has already made an assessment of the necessary policies and has moved towards implementation and officially applied for accreditation. The Partnership Fund (PF) still needs to develop and implement policies on environmental and social safeguards (ESS) and fiduciary standards; however, they have applied for readiness support to commence this process. The CENN also requires additional policy development and applied for readiness support to achieve this, at the encouragement of the GCF Secretariat. While this readiness support has not yet been approved, CENN can still continue with its application.

Regarding possible policy gaps, discussions with the NDA and AEs yielded a few areas where policies could be clearer, more flexible or better developed. For example, the lack of a policy on co-financing caused significant issues with the project expectations of the UNDP-implemented FP068, which receives a significant amount of co-financing from various ministries, localities and development partners. Early on, the project developers had not been sufficiently informed by the GCF Secretariat of the rules and requirements for co-financing, and many requirements were not explained until the Funded Activity Agreement (FAA) stage. One such requirement was that no co-financing could be implemented until after the FAA came into effect. However, the process to get to FAA stage took so long, that one of the ministries providing co-financing had commenced its implementation, as the budget had to be used within a specific timeframe. This is the case for most organisations' budgets (i.e. they have to be used within a specific period to be renewed). If co-financing cannot commence until after the FAA becomes effective, it needs to be explained much earlier in the process, so that the co-financing institutions can budget more accurately. This needs to be combined with guidance on how long the time from approval to the FAA is. The need for a co-financing policy to help the process along was also echoed by the EBRD and GIZ.

Also, other policy gaps mentioned included a policy on the log-frame. This was raised both by iAEs and a nominated AE. The TBC Bank noted that no tool had been provided by GCF to measure results. They understand that once accredited, they need to better measure the actual development results of their projects and programmes. In the past, this kind of tracking has been done at the international financial institution (IFI) level of their funding, when TBC Bank has been a development partner. The TBC Bank wish to move project-results tracking (i.e. monitoring and evaluation [M&E]) in-house, as well as to have a department that can screen projects against GCF eligibility criteria. However, without a policy or guidance on how to track results, it is difficult to establish a department with the correct capacities and knowledge.

In addition, the lack of a log-frame policy means that AEs use their own policies to develop a log-frame. This does not always align with the Secretariat's idea of how a GCF-project log-frame should be developed and implemented, and often the Secretariat's comments on the log-frame differ from department to department within the GCF. If there are no exact established policies on something like the log-frame, the AEs are in pretty close agreement that the GCF should accept the log-frame used by the AEs, as for years these have been developed and implemented using best practice.

b. Policies implementation

Policies that are at a developed stage are being implemented effectively, and their functioning is reasonably clear to stakeholders. However, a few policy implementation issues were raised both by national organisations and iAEs.

When policies are not suitably developed, it is difficult to implement them in projects. For these, the AEs have to form their own interpretations of how to implement the criteria, which usually end up aligned with their own institution's policy on the subject. However, this does not always comply with how the reviewers in different departments of the Secretariat interpret the policy's implementation. Since comments often come from various parts of the GCF Secretariat, interpretation by reviewers is often fragmented, and it is not clear to the AE how they should respond.

Another complaint that rung clear was that some GCF policies could have been better aligned with existing IFI policies. For example, financial policies such as Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) do not always completely comply with what IFIs have been implementing for years. The more such policies deviate from what is commonly used, the more this may push away private sector companies that work with IFIs. Although iAEs have had a chance to comment on these policies, they do not see that their comments have been sufficiently taken into consideration and feel that there has not been enough dialogue in the policy development process. If policies are not aligned, the GCF should rather just set a minimum policy requirement that the institutions can adhere to or apply.

c. Accreditation

Georgia does not currently have any DAEs, but as indicated earlier, it has identified and nominated three potential national DAEs: the PF, TBC Bank, and CENN. All three nominated entities are seen as strong partners for carrying out the GCF mandate on the ground. As of now, the country continues to access funding through iAEs such as UNDP, EIB, EBRD, IFC and GIZ. The iAE stakeholders with whom the evaluation team met during the visit were not able to speak of the accreditation process, as this is handled at the headquarter level of their organisations, not at the country level. The iAEs in Georgia were therefore not interviewed on the accreditation process.

For the nominated DAEs in Georgia, the accreditation process overall has been viewed as positive and straight forward. However, a few areas of concern were raised:

- The process requires a massive amount of documentation on different policies. Some of the requirements do not always align with how the national entities work, and collecting all the required documentation took a long time and required a lot of resources; it is not a process the entities are used to with IFIs. Sometimes, in the case of TBC bank, for example, some documentation could not be shared because it raised issues of confidentiality. Generally, there is a consensus amongst the nominated AEs that the amount of documentation and the overall accreditation process should be modified to fit the level at which an entity seeks accreditation, the scope of the institution, and the kind of institution (see point below);
- Accreditation should not be "one size fits all". The process by which AEs are accredited should depend on what kind of projects they aim to implement. For example, could accreditation for the implementation of low-risk, smaller projects be simplified? The AEs suggested potential fast-track accreditation for AEs that only want to implement Category C risk projects. They also feel that the accreditation process could differ according to whether it is a financial institution or an NGO, for example, that is seeking accreditation;
- The self-assessment tool and the guidelines for accreditation are not aligned. When an organisation uses the self-assessment tool, it is very easy to just check off the required boxes, making it seem that the organisation in question is perfectly suited to becoming accredited. However, the tool does not give an accurate picture of the requirements. The nominated AEs were surprised to see all the requirements after having gone through the self-assessment tool exercise. Requirements such as having to prove three years of effective policy implementation in certain areas should have already been made clear in the self-assessment tool. There should

not be any surprises from the time of using the tool to when the organisation starts the actual accreditation process and is introduced to the guidelines for accreditation;

- The need to demonstrate the implementation of policies is tricky. The AEs find it simple to show they have certain policies in place, but it is challenging to demonstrate the need that these policies have been implemented for three years. For financial institutions that seek accreditation in Georgia, there is again an issue of confidentiality as they may be restricted from sharing the cases for which policies have been implemented; and
- The accreditation process is slow and drawn out; it should not take years. One issue is the amount of time it takes to collect the enormous amount of documentation. Overall, AEs see the accreditation process as slow. Once a step is completed and the required documentation submitted, it sometimes takes months for the Secretariat to respond. Since the AEs, internally, would like to continue their capacity development, it would be good to have at least an update from the Secretariat about where things stand, and some guidance on what the AEs can do in the meantime while the Secretariat makes further decisions.

Meanwhile, there is concern from the CSO community at large that the accreditation process favours private sector engagement. Despite these issues, the nominated AEs expressed that the GCF Secretariat has offered very good guidance on the process through workshops[69] and when contacted directly.

The AEs currently active are all major international institutions, which collaborate with local organisations (government, private and non-governmental) to enhance local project implementation. This has, however, been a common practice for international development organisations for years.

If accredited, it is expected that the DAEs will significantly enhance country drivenness. At this point, the nominated DAEs are already trying to insert themselves more into GCF project development by collaborating with iAEs. They see this as significant and necessary capacity development for designing and developing their own projects when they become accredited.

Direct Access does not yet exist, as Georgia is still working on getting a national DAE accredited. However, overall, the Direct Access that will be possible through the national entities is viewed as highly positive, and a good way of promoting stronger country ownership.

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

The final delivery of project proposals in Georgia fulfils the GCF mandate – the project portfolio, both in the pipeline and already approved, overall introduces a paradigm shift within the identified project sector, through upscaling or the introduction of new and innovative technology that improves country resilience or introduces low-carbon development. With that said, guidance in a few areas of the project cycle could be clearer, and some aspects could be improved:

- When it comes to guidance to AEs on the timeline for implementation, stakeholders involved with project implementation in Georgia generally agree that the time it takes to get from project approval to implementation is too long; in other words, it takes too long to move towards signing the FAA. As indicated earlier, this can also raise significant issues in terms of project implementation. The Secretariat needs to provide very clear guidance and information upfront on how long the various steps take from project development to disbursement;

[69] In June 2017, GCF hosted a regional workshop in Georgia to help advance climate action in Eastern Europe and Central Asia.

- Guidance regarding the requirements for co-financing institutions has to be improved, and it needs to come very early in the project proposal development stage. As mentioned earlier, a policy on co-financing is lacking, which makes it difficult for project developers to guide the co-financing institutions on proper practice within the GCF scheme;
- Comments from the Secretariat are fragmented and sometimes contradictory. It seems to the project developers that the proposals, once they are submitted, are shared with a variety of departments at the GCF. Sometimes the proposal is sent directly back to the project developer from one department in one week, and then later from another department another week. In other cases, the project developers may receive the proposal with consolidated comments, but when they review the comments, they find the various GCF Secretariat departments can contradict each other, or they find repetitive comments. It seems that the GCF Secretariat needs to have a sort of gatekeeper that reviews the comments to ensure their consistency before the proposal is sent back to the project developer for editing and responses; and
- The time required for responding to GCF comments seems short. It can sometimes take weeks to months before a project developer hears anything from the Secretariat. Once they finally do, they sometimes only have a few days to respond to comments.

The Country Programme leads the identification of investment opportunities in Georgia – for a project to be considered for further development and to obtain a letter of no objection from the NDA, the project must fit into the proposed GCF country programming.

Regarding the extent to which iTAP/PSAG assessments help to ensure the quality of funding proposals, iTAP comments were very useful and positive, but project developers generally agree they come too late in the project. The iTAP is seen as being in a position to guide proposal development and ensure proposals satisfy Board requirements; in other words, iTAP guidance is seen as guidance that should help the projects pass to Board approval. However, iTAP guidance only comes a few weeks before a Board meeting (iTAP receives proposals three weeks before approval). For proposals that need some extra work, this does not leave enough time. Comments then either receive responses too quickly – which does not allow for quality improvement – or the proposal has to wait until the next Board meeting. There is a clear consensus from all stakeholders that iTAP comments should arrive much earlier in the process. For example, one AE noted that perhaps the iTAP could come right after or before the Secretariat technical evaluation of the project proposal. It was clear for AEs that they were dealing with professionals when communicating with iTAP, but a few comments were out of context. For example, in the development of FP068, iTAP encouraged UNDP to take a loan for an adaptation project. The two issues here were that UNDP cannot take loans, and that adaptation projects do not have much of an ROI, and they are therefore not suitable for loans.

b. Funding programmes and instruments

All funding programmes and instruments are seen as welcome options for funding a paradigm shift to low carbon and climate-resilient development. As indicated earlier, readiness activities in Georgia have helped greatly in assessing gaps and identifying needs. Of course, more funding is always welcome, and there is a general consensus amongst stakeholders involved in the readiness support for country programming, that there is still much to do. With the present funding, the NDA can develop four concept notes. However, with additional funding, these concept notes could be much stronger, and there is great potential in the Country Programme for the development of more concepts.

The loan option was viewed in a highly positive way, as well. The interest rate in Georgia is at present very high, with an average market interest of 12.6 per cent. This makes lending within

Georgia undesirable, and often pushes infrastructure towards keeping capital expenditure low, which means they purchase low-quality technology and cut corners. With the high-interest rates, it is difficult for local financial institutions to push for requirements on environmental, labour, gender, fiduciary and other standards. However, the loans provided by the GCF are very low interest, which can translate into lower-interest loans from the national AEs. An institution like the Partnership Fund (PF), which currently lends from Credit Suisse, sees this as a great opportunity to be able to finance much higher-quality projects in Georgia, as with GCF loans they can push for much higher standards and requirements.

So far, none of the projects/programmes in Georgia have taken advantage of equities or guarantees. As there are still not many active projects in Georgia, those that have seen some disbursement align well with country programming and meet the demands of the country. Those still awaiting an FAA also comply very well with country programming. It is, however, difficult to say whether the regional projects (at present only one has some disbursement – SEFF FP025) will meet demand, until the infrastructure and logistics for implementation on the ground is better established by the iAEs and local partners implementing them.

c. Private Sector Facility and non-grant instruments

The organisations and individuals in Georgia involved with the Private Sector Facility (PSF) were invited to the relevant meetings in the readiness process and involved in the development of country programming. No investments have been financed by the PSF, and the nominated DAEs expressed that they were unclear as to what the PSF does and how it connects to or differs from the GCF.

Overall, there seems to be a lack of understanding about what the PSF does and what it is. There could be much better outreach from the GCF regarding the PSF.

4. Likelihood of (and actual) results

a. Quality

The projects in Georgia are of good quality and are well designed, and they satisfy the GCF requirements for a paradigm shift and additionality.

b. Results measurement

Overall, the results frameworks laid out in project proposals are sufficient for monitoring and are of high quality. The projects have been designed by iAEs that have very solid M&E frameworks for measuring results according to international best practice, and these frameworks have been implemented across the project portfolio in Georgia.

c. Actual results

No projects under implementation in Georgia are at a stage where it is possible to report on results.

The two completed readiness activities have produced results that are more finalised. In particular, the Readiness Support for NDA Strengthening and Country Programming activity has provided the NDA with a great opportunity to build capacity within the country through workshops, events and stakeholder consultations. Also, it has yielded the identification of more than 30 priority areas and the development of four concept notes within the country, that may be further developed into GCF projects. One concept note is still being finalised, and the country programming is being translated into Georgian, meaning programme closure has been moved to September 2019. Readiness activity also supported the identification and nomination of the three national DAEs.

A second, small readiness activity yielded a gap assessment for the PF, one of the three nominated AEs. The gap assessment pointed to the need for the development and application of strengthened fiduciary policies and standards within the PF, as well as the development and application of an ESS policy. Another readiness proposal is being submitted for the development of these two policies within the PF.

d. Expected results

The project portfolio in Georgia is still too young to report on results. However, for the projects where disbursement has begun (FP025 and FP068), activities at this early stage are moving along nicely. The UNDP-implemented project (FP068) is focused on upscaling a previous Adaption Fund project, which produced very good results on multi-hazard early warning systems (EWS).

e. Paradigm shift

Country programming is in line with the needs of Georgia and focuses very much on the up-scaling of pilot projects and the introduction of new and innovative technologies. Georgia is focused on the development of an overall climate change agenda that provides synergies between the various projects and proposals, to ensure there are no gaps in terms of raising resilience and building low-carbon development. The Country Programme in Georgia has been designed to cover the gaps left by other less sufficient climate change, disaster risk and environmental finance projects, and it also aligns with the project development paths of international and bilateral development institutions, to ensure the country is moving towards more resilient and low-carbon development.

With that being said, the GCF portfolio is still so young that it is difficult to say whether this is an idea that works only on paper and not in practice – there is no real proof that the GCF portfolio is moving the country in this direction and contributing to a paradigm shift. This will only become visible a few years down the road or maybe after another decade when real results can be assessed in this area.

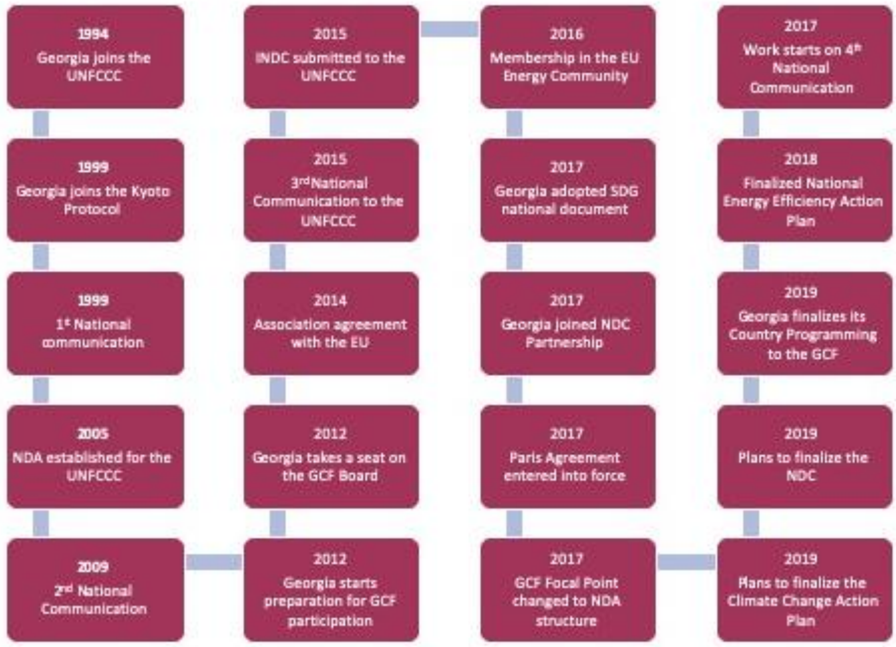
Generally, the stakeholders in Georgia echo a call for a clearer definition of what is meant by a paradigm shift and country ownership. Stakeholders also all agree that there should be stronger and clearer guidance and requirements for demonstrating the sustainability of project/programme results beyond the project implementation period, and for showing how a project or programme will continue running.

Finally, there is a wish for the accreditation process to be modified to make it more simple for organisations aiming to apply for funding that covers risk Category C projects only. This kind of Direct Access is seen as one possible option for improving country ownership and allowing the country to progress towards a complete paradigm shift.

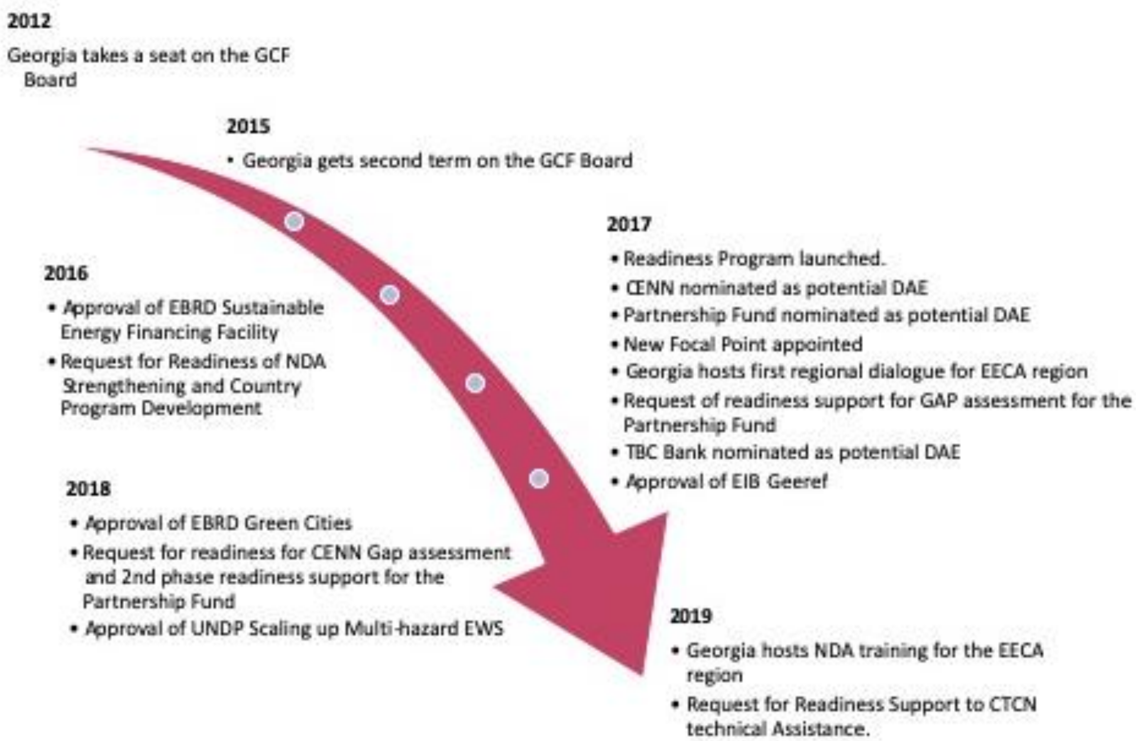
More could also be done from the GCF side to encourage cross-collaboration between countries participating in the GCF. In particular, Georgia would welcome opportunities for knowledge sharing with countries that have similar country programmes and national priorities, to assess how they implement projects through the use of GCF funding modalities.

APPENDIX 4-1. TIMELINE AND EVOLUTION OF THE CLIMATE CHANGE AGENDA IN GEORGIA

Below is a timeline and history of key events in the evolution of the climate change agenda in Georgia, and the role of the GCF in this context (project approval, accreditation of Direct Access Entities, funding disbursement for projects, Board membership, Annual Performance Reports, etc.).



GCF-related events in Georgia



APPENDIX 4-2. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

PROJECT	AE	TYPE	MODALITY	DESCRIPTION
Completed				
Entity Support	PwC	N/A	RPSP	This support was for the development of a gap assessment for the Partnership Fund (PF) in their process towards accreditation. The gap assessment, carried out by PricewaterhouseCoopers (PwC), yielded the need for policy development and the application of environmental and social standards, and the strengthening of fiduciary policies.
Approved and effective				
NDA Strengthening and country programming	GIZ	N/A	RPSP	This readiness funding supports the strengthening of the NDA, the development of country programming, and concept notes for potential GCF projects.
FP068 – Scaling up Multi-Hazard Early-Warning System and the Use of Climate Information in Georgia	UNDP	N/A	Grant	The project contributes to the achievement of GCF strategic-level impacts through increased resilience and enhanced livelihoods for the most vulnerable people, communities and regions. It will provide critical climate-risk information that would enable the Government of Georgia to implement several nationwide transformative policies for reducing the exposure and vulnerability of the population to climate-induced hazards.
FP025 – Sustainable Energy Financing Facility (SEFF)	EBRD	Mitigation	Loan	Through SEFFs, the EBRD extends credit lines to local financial institutions that seek to develop sustainable energy financing as a permanent area of business. Finance for sustainable energy projects is provided for two key areas: energy efficiency and small-scale renewable energy. Local financial institutions on-lend the funds they have received from EBRD to their clients, which include small and medium-sized businesses, corporate and residential borrowers, and renewable energy project developers.
Approved (not yet effective)				
FP086 – Green Cities Facility	EBRD	Cross-cutting	Loan	The programme will help up to 20 cities (in total; 4 in Georgia) plan for and implement comprehensive green city actions. It will address multiple market barriers to green city action by providing: (i) strategy and policy support to help cities make informed action plans and investment decisions; (ii) the finance needed for scalable and replicable green city infrastructure investments; and (iii) essential technical assistance and capacity building.

PROJECT	AE	TYPE	MODALITY	DESCRIPTION
FP038 – Global Energy Efficiency and Renewable Energy Fund (GEEREF)	EIB	Mitigation	Loan	GEEREF invests in fund management focusing on small- and medium-sized renewable energy and energy efficiency, and projects with a scarcity of capital risks. In Georgia, GEEREF will work with Caucasus Clean Energy Fund, managed by Schulze Global Investments, wherein a USD 13 million commitment is expected to catalyse a USD 87 million additional funds. This fund focuses solely on developing, building, commissioning and operating small- and medium-sized hydropower plants up to 20 MW.
Pipeline projects or readiness activities by Accredited Entities				
Sustainable Forest Management and Resource Efficiency in Georgia for mitigation of climate change.	GIZ	Mitigation	Grant	The project stimulates a paradigm shift in the Georgian forest sector by introducing sustainable forest management on 250,000 ha of state forests, along with more efficient law enforcement (forest supervision). Productivity, resilience and standing volume (and hence carbon storage) of the forests will begin to increase. In parallel, GCF-supported grants leverage investments in energy efficiency and renewable energy for rural households and municipal buildings, resulting in reduced demand for firewood. Awareness-raising will address climate change and provide mitigation through the promotion of sustainable forest management and resource efficiency. Expected outcomes: • Mitigation of approximately 3 million tons CO_2eq during the project lifetime, which extrapolates to 6.2 million tons CO_2eq by 2030. This corresponds to circa 60 per cent of the commitment of Georgia to reduce emissions by 25 per cent compared to the 1990 level, as stated in the NDC; and • Reduction of firewood demand by up to 210,000 m^3 per year in the target region.
Green Bond Cornerstone Fund Programme	IFC	Mitigation	N/A	The International Finance Corporation (IFC) has become a leading institution in funding climate-smart projects for developing countries. It intends to help scale-up the green bond market through its own green bonds issuance, direct investment in green bonds issued by entities active in developing countries, and by launching high-visibility initiatives such as the proposed GBC Fund. The project covers 26 countries.
Safeguard climate-resilient local tourism and related infrastructure in mountain regions through ecosystem-based adaptation	UNEP	Adaptation	N/A	The project will seek to support: • The integration of ecosystem-based adaptation (EbA) as a cost-efficient sustainable development measure for mountainous regions in Georgia, through the successful testing and implementation of EbA tools and methods in designated pilot mountain areas, and the development of replication mechanisms;

PROJECT	AE	TYPE	MODALITY	DESCRIPTION
				• The mainstreaming of EbA approaches into policy-making and making the economic case (in particular for the private sector) for investment in climate-resilient measures in tourism.
Entity support for Partnership Fund	PF	N/A	RPSP	Ongoing support to address the gaps assessed in the gap analysis conducted by PwC. Additional funding to support the development of ESS and Gender Policy.
Readiness support for GIG	CTCN	Mitigation	RPSP	Support for GoG on the "Tkibuli Coal Mine Methane Development project".
Formulation of National Adaptation Plan	UNEP	Adaptation	RPSP	Formulation of the National Adaptation Plan (NAP), including specific activities of direct relevance to adaptation planning, based on the national context.
Projects under consideration by nominated national AEs				
Tbilisi Transport project	PF	Mitigation	Loan	Project idea includes the following activities: • Establishing an assembly line for e-buses; • Upgrading Tbilisi bus fleet with e-buses, as well as vehicles for firefighting, emergencies and waste collection, with the potential for scaling-up in other cities; and • Installing charging infrastructure for e-buses that need charging once a day.
Tbilisi Street Lighting project	PF	Mitigation	Loan	Project idea includes the following activities: • Setting up an assembly line for street lighting infrastructure components; • Upgrading street lighting in Tbilisi and potential scale-up to other cities.
Energy Efficiency in Industry	PF	Mitigation	Loan	Project idea centres on removing the financial barrier of low-cost capital via loans for energy efficiency machinery for manufacturing companies.
Green Eco-City demonstration project	PF	Cross-cutting	Loan	• Development of a pilot green district next to Tbilisi with energy-efficient buildings, a public transport fleet with e-buses, e-cars and charging stations, renewable energy supply; • Preserving the ecosystem of the Tbilisi sea.
AGRO Loan Programme	TBC Bank	Cross-cutting	Loan	The objective of the AGRO Loan Programme is to support sustainable agriculture. Within this programme, the bank will provide loans to customers operating in the agriculture sector, with flexible and favourable terms. Projects would be assessed under predetermined eligibility criteria, with the investment purpose in one of the following activities:

Project	AE	Type	Modality	Description
				• Installing weather stations in farmlands – the project will enable farmers to identify the optimal time to take action on soil and crops, to make better irrigation decisions, protect crops from frost damage and help observe wind conditions before spraying. The objective of this investment is to support precision farming and precision pest management; • Financing special areas for mixing/loading of pesticides and chemicals – areas where pesticides are mixed are often near riverbanks, as water is the most common liquid used for diluting pesticides. There is a high risk of ground and surface water contamination by the accidental release of pesticides and chemicals. The project implies arranging special areas and facilities for loading and mixing pesticides and chemicals in a safe and environmentally responsible manner; • Implementing drip/pivot irrigation systems with solar energy panels as a source of energy (PVS-photovoltaic systems) – project foresees replacing traditional flooding irrigation with climate-smart drip irrigation systems for sustainable use of water resources. It will enable farmers to achieve even water distribution. The project will have a low per-hectare investment cost, and will mainly target large-scale farmers in the eastern part of Georgia; and • Conservation agriculture activities – minimum mechanical soil disturbance, and the purchasing of organic mulching materials. The project will result in increased biodiversity, improved soil quality, carbon sequestration and increased economic benefits for the population by improving production efficiency.
Energy Efficiency Loan Programme	TBC Bank	Mitigation	TBD	The Energy Efficiency Loan will support businesses in lowering their energy costs, by upgrading equipment and introducing cleaner technology.
Eco-green district project	TBC Bank	Mitigation	TBD	The project implies the development of a green residential district located near Tbilisi. It will be developed while considering the unique natural resources and landscape of the area and will be perfectly integrated into the environment: • Eco-green district construction will be focused on green and resilient infrastructure, eco-friendly materials, water cycle management and waste reduction, and will deliver improved quality of life outcomes for residents; • All houses will be equipped with heating, ventilation and air-conditioning systems equipped with a semi-autonomous power supply system, and built using solar panels and energy-saving materials.

Project	AE	Type	Modality	Description
				The bank will provide long-term loans to real estate developers for financing commercial activities under this project. In parallel, the bank will provide mortgage loans to individuals for buying apartments in the eco-green district.
E-vehicle fleet for Georgia	TBC Bank	Mitigation	TBD	Based on statistics, 91 per cent of light vehicles are more than 10 years old in Georgia; electric transport offers a major solution for reducing greenhouse gas emissions in the country. The project's objective is to enhance demand for electric vehicles and to increase the e-fleet in Georgia: • In the project, the bank will provide financing to large auto-dealer companies to increase their investment in hybrid and electro cars. At the same time, special auto loan products electric vehicles (EV) will be offered to consumers with preferential and flexible terms; • Also, the bank will participate in financing electric vehicle charging infrastructure.
Strengthening climate resilient building of rural communities in Georgia by enhancing climate-smart and sustainable land management practices	CENN	Cross-cutting	TBD	The project aims to strengthen the climate resilience of the rural communities in Georgia. The specific objective of the proposal is to support the country's sustainable land-use and management practices. Activity 1. Provide technical assistance to the Government for safeguarding community and state economic interests in rural land management. Activity 2. Apply modern technologies and put the climate-smart approaches of sustainable land management into practice throughout the country. These include: • Internationally accepted sustainable pasture and grassland management; • Climate-smart agriculture; • Community-based agroforestry practices; and • Income diversification through off-farm jobs, promoting agro-tourism. Activity 3. Facilitate an awareness-raising and capacity-building programme for existing actors (vulnerable communities, private and public actors and other stakeholders) to: • Ensure participatory decision-making and planning; • Alter existing land exploitation practices that lead to land degradation and reductions in land productivity; and • Enhance efficient and sustainable land-use and land management practices for poverty alleviation at the community level.

Project	AE	Type	Modality	Description
Concept notes under development by MoEPA				
Scaling up climate-smart water security systems in Georgia. Irrigation development and adaptation of irrigated agriculture to climate change in semi-arid Georgia.	TBD	Adaptation	TBD	The objective of the AGRO Loan Programme is to support sustainable agriculture. Within this programme, the bank will provide loans to customers operating in the agriculture sector, with flexible and favourable terms. Projects would be assessed under predetermined eligibility criteria, with the investment purpose falling in one of the following activities: • Installing weather stations in farmlands – the project will enable farmers to identify the optimal time to take action on soil and crops, to make better irrigation decisions, protect crops from frost damage and to help observe wind conditions before spraying. The objective of these investments is to support precision farming and precision pest management; • Financing special areas for mixing/loading of pesticides and chemicals – areas where pesticides are mixed are often near riverbanks, as water is the most common liquid used for diluting pesticides. There is a high risk of ground and surface water contamination by accidental releases of pesticides and chemicals. The project implies arranging special areas and facilities for the loading and mixing of pesticides and chemicals in a safe and environmentally responsible manner; • Implementing drip/pivot irrigation systems with solar energy panels as a source of energy (PVS-photovoltaic systems) – the project will replace traditional flooding irrigation with climate-smart drip irrigation systems for sustainable use of water resources. It will enable farmers to achieve even water distribution. This project will have a low per-hectare investment cost, and will mainly target large-scale farmers in the eastern part of Georgia; and • Conservation agriculture activities – minimum mechanical soil disturbance, and the purchasing of organic mulching materials. The project will result in increased biodiversity, improved soil quality, carbon sequestration and increased economic benefits for the population by improving production efficiency.
Rehabilitation and transformation of windbreaks to minimise climate-related land degradation in most vulnerable regions of Georgia.	TBD	Adaptation	TBD	Project objectives are to decrease land degradation and the emissions resulting from this, to increase the productivity of agricultural lands and reduce poverty in the vulnerable regions of east Georgia employed in agriculture. The activities are: • Inventory of windbreaks, feasibility study – this activity will tackle the issue of the delimitation of state and private property;

PROJECT	AE	TYPE	MODALITY	DESCRIPTION
				• Study of degraded windbreaks – this activity will address the lack of best practices and up-to-date methodologies, and provide human resources; • Restoration and planting of windbreaks in identified areas – this activity will address the lack of existence of standardised seedling materials; and • Drought early-warning system creation and implementation – this activity will address the need for system implementation and modelling, and provide human resources.
Carbon-free dwellings in Georgia Resorts	TBD	Mitigation	TBD	The objective of the project is to enhance the eco-tourism niche in Georgia by providing alternative energy sources and improved energy-efficient performance to dwellings, through the development of financial instruments that improve the accessibility of climate-friendly technologies available on the market.

APPENDIX 4-3. DOCUMENTS CONSULTED

Climate Change National Adaptation Plan for Georgia's Agricultural Sector

Energy Governance in Georgia: Report on Compliance with the Energy Community Acquis, Energy Community Secretariat, July 2017

First, Second and Third Communications to the UNFCCC

Funding Proposal. Gender Action Plan; Gender Assessments; ESS report

Funding Proposal. Gender Action Plan; Gender Assessments; ESS report

Funding Proposal. Gender Action Plan; Gender Assessments; ESS report

Funding Proposal. Indicative Terms; ESS report

GCF Country Programme of Georgia, Draft, 2019

Georgia Tackles Energy Efficiency with National Action Plan, EBRD, 2018

IEU LORTA Inception report

Intended Nationally Determined Contribution of Georgia (INDC), 2015

National Disaster Risk Reduction Strategy of Georgia 2017–2020

Nationally Determined Contribution of Georgia, (NDC), 2017

Project Documents for GEEREF-NeXt (FP038)

Project Documents for Green Cities Facility (FP068)

Project Documents for Scaling Up Multi-Hazard Early Warning Systems and the use of Climate Information in Georgia (FP068)

Project Documents for Sustainable Energy Financing Facility (FP086)

Websites consulted

EBRD Sustainable Energy Financing Facility. Available at <*http://seff.ebrd.com/about-seff.html*>

GCF Country Profile, Georgia. Available at <*https://www.greenclimate.fund/countries/georgia*>

National Statistics Office of Georgia. Available at <*http://geostat.ge*>

World Bank Climate Knowledge. Georgia Profile. Available at <*https://climateknowledgeportal.worldbank.org/country/georgia*>

5. GRENADA COUNTRY VISIT REPORT

St. George’s, Grenada. © Liza Ottlakán

CONTENTS

A. Presentation of the country and GCF role

Grenada comprises three small volcanic islands – Grenada, Carriacou, and Petit Martinique – in the south-eastern Caribbean. The economies of these islands are largely based on agriculture and tourism. The country covers a mountainous 345 sq. km (133 sq. miles) of land characterised by forest cover and agricultural terrain, which host the perennial trees that produce its major exports, cocoa and nutmeg.[70] The climate is humid and tropical, with a rainy season from June to December and a dry season from January to May.

1. Main climate change risks and context

Grenada is acutely and adversely affected by extreme weather events. Two hurricanes in 2004 and 2005 caused damage of two-and-a-half times the country's gross domestic product (GDP) and damaged or destroyed 90 per cent of its buildings.[71] Some of the other indicators of climate change impacts in Grenada have been the increased incidence of drought, longer dry seasons, shorter rainy seasons, increased temperature, coastal degradation, and the intrusion of saline water into aquifers.

The main policies that shape the response of Grenada to climate change, therefore, focus on the economic drivers of tourism and agriculture, and critical to each of these are water management and "ridge-to-reef" planning. Grenada has a National Climate Change Adaptation Plan (NAP) 2017–2021, which addresses all major national priorities, including, for example, institutional arrangements, support for Disaster Risk Reduction (DRR), water and coastal management, food security and public education. Also, although Grenada produces nominal greenhouse gas (GHG) emissions, it has committed to reducing its carbon footprint and decreasing its historical dependence on fossil fuel imports to meet its energy demands. In 2015, it signed a legally binding Intended Nationally Determined Contribution (INDC) under the UNFCCC, to achieve a 30 per cent cut in its CO_2 and methane emissions by 2025 (and 40 per cent by 2030) as compared to the country's 2010 emissions in the electricity, transport, waste and forestry sectors.[72]

Dovetailing these plans is the National Climate Change Policy for Grenada, Carriacou, and Petite Martinique (2017–2021) (NCCP), and the National Sustainable Development Plan (2020–2035) (NSDP). The NCCP builds on the National Climate Change Strategy and Action Plan (2007–2011) (NCCSAP) by highlighting climate change impacts and projections for Grenada, and outlining a national policy framework and action plan that centres on the lessons learned and remaining gaps identified from implementing the NCCSAP.[73] The complementary NSDP is in the process of development through consultation with various stakeholder groups and sectors and again builds on its predecessor's policies and plans, fully acknowledging a lack of past implementation in many key areas. The scope of the plan is wide, envisioning a long-term plan and the tackling of roadblocks to enable "sustained macro-economic management".[74]

[70] World Bank, 2019. World Bank Climate Change Knowledge Portal for Development Practitioners and Policy Makers. Grenada. Available at <https://climateknowledgeportal.worldbank.org/country/grenada>
[71] UNDP, 2019. Climate Change Adaptation: Grenada. Media Center. Available at <https://www.adaptation-undp.org/explore/caribbean/grenada>
[72] UNFCCC, 2015. *Grenada Submits its Climate Action Plan Ahead of 2015 Paris Agreement.* News: Annoucement, 18 Sept 2015. Available at <https://unfccc.int/news/grenada-submits-its-climate-action-plan-ahead-of-2015-paris-agreement>
[73] GoG, 2017. *National Climate Change Policy for Grenada, Carriacou and Petite Martinique (2017-2021).* November 2017. Available at <*https://www.gov.gd/egov/docs/other/Grenada-National-Climate-Change-Policy-2017].pdf*>
[74] GoG, 2019. National Sustainable Development Plan 2035. Available at <https://www.nationalplan2030.gd/index.php/about-us>

As of 1999, there was around 15 per cent unemployment, and some 13 per cent of the population was food insecure, with approximately one-third of Grenadians living below the poverty line.[75] About a decade later, the poverty rate was almost unchanged (37.7 per cent), and around a quarter of the country (24.7 per cent) was unemployed. Two-thirds of those in poverty were employed, and unemployment was much more prevalent for women (31.8 per cent) than it was for men (17.8 per cent). In 2008, the country's poverty assessment noted that around 14.6 per cent of the population was "vulnerable" to becoming poor (i.e. likely to fall into poverty in the event of an external shock).[76] Indicative and illustrative of this vulnerability were the two massive hurricanes – Ivan and Emily – that hit Grenada in a 10-month period between 2004 and 2005. These heightened the level of urgency in pushing for a number of critical government reforms and addressing key policy gaps. This included a restructuring of commercial and bilateral debt in November 2005 and May 2006, respectively, followed by the introduction of a three-year Poverty Reduction and Growth Facility (PRGF) arrangement approved by the International Monetary Fund (IMF) in 2006. The Government further strengthened the transparency of fiscal accounts with the Accountant General and formed a fully functional Public Accounts Committee.[77]

Grenada was hit hard again in 2008 by the global financial collapse, but recovery accelerated in 2015 through growth in agriculture and tourism.[78] Nevertheless, poverty and unemployment are still major challenges, affecting around one third and 24 per cent of the population, respectively.[79] Food insecurity is also a major issue.[80] In short, the people and economy of Grenada remain vulnerable to extreme shocks and events, and the effects of those two hurricanes and subsequent fiscal reforms are still felt today. For example, Grenada was not able to accept major loans under International Monetary Fund (IMF) rules, but Parliament has voluntarily continued its restraint on public expenditure and international loans to maintain a sustainable level of debt. In 2015, Parliament approved a suite of Public Financial Management (PFM) legislation, comprising the Public Financial Management Act (PFM), the Public Debt Management Act (PDMA) and the Fiscal Responsibility Law (FRL).[81]

These reforms and fiscal policies have shaped the size and type of international assistance and loans that Grenada accepts, and the kinds of regional and international collaboration it seeks, including in the field of climate change. In addition to its debt restructuring and macroeconomic technical backing from the IMF, Grenada also has a strong partnership with the World Bank. This includes support through blue economy initiatives, which focus on the sustainable integrated management of

[75] World Bank, 2004. *Grenada OECD Fiscal Issues.* Report No. 28334-GRD. 25 October 2004. World Bank Caribbean Country Management Unit. PREMU. LAC. p i, ii. Available at <*http://documents.worldbank.org/curated/en/741731468030345728/pdf/283340GRD.pdf*>

[76] GoG, 2011. Grenada Growth and Poverty Reduction Strategy, 2012-2015. Discussion Draft, 27 May 2011. P13. Available at <https://www.gov.gd/egov/docs/other/GPRS_Draft3%20Report_of%2027May2011_from%20CMC_send.pdf>

[77] World Bank, 2004. Ibid.

[78] Caribbean Journal, 2015. Grenada Getting $15 Million Loan For Growth, Climate Resilience. 2 Nov 2015. Dana Niland. Available at <https://www.caribjournal.com/2015/11/02/grenada-getting-15-million-loan-for-growth-climate-resilience/#>

[79] Borgen Project, 2017. The Grenada Poverty Rate is the Country's Biggest Challenge. 22 Sept 2017. Bruce Edwin Ayres Truax. Available at <https://borgenproject.org/the-grenada-poverty-rate-is-challenge/>

[80] GoG, 2013. Grenada Food and Nutrition Security Plan of Action.
Action Plan to Implement the Grenada Food and Nutrition Security Policy, 2013-2018. Available at <https://extranet.who.int/nutrition/gina/sites/default/files/GRD%202013%20Food%20and%20nutrition%20security%20plan%20of%20action.pdf>

[81] GoG, 2016. Government of Grenada Public Investment Management System (PIMS). Final Report. Beverley I. Charles. February 2016. Available at <https://info.undp.org/docs/pdc/Documents/GRD/1.January%202016_Final%20Report%20-%20PSIP_Grenada.pdf>

coastal and marine assets throughout the Caribbean,[82] as well as a USD 15 million development policy credit and loan in 2015, to address inclusive growth and climate resilience.[83] Grenada also has a unique and active bilateral arrangement with *Deutsche Gesellschaft fuer Internationale Zusammenarbeit* GmbH (GIZ)/German Federal Ministry for Environment, Nature Conservation and Nuclear Safety (BMU), through International Climate Initiative (ICI). A GIZ staff member sits directly in the Ministry of Climate Resilience (MCR), and GIZ provided support to Grenada in the completion of their NAP and gave GCF readiness support through Getting Grenada Green Climate Fund Ready (3G). Also, the Integrated Climate Change Adaptation Strategies (ICCAS) project was the predecessor of the GCF Climate-Resilient Water Sector in Grenada (G-CREWS) project.[84]

Grenada is a member of the Caribbean Community and Common Market (CARICOM) and the Caribbean Forum of the African, Caribbean and Pacific Group of States (CARIFORUM), each of which facilitates trade and regional economic growth. The Caribbean Development Bank (CDB) and Caribbean Community Climate Change Center (5Cs) – which was formed by CARICOM – are key regional partners. The CDB has invested in a multitude of agriculture, food safety, infrastructure (resilient buildings, water supply and sewerage) and other critical climate change-related areas in Grenada.[85] The 5Cs has also provided Grenada with tools and technical support for climate change projects and has also launched public awareness and education campaigns across the region.[86] Both the 5Cs and the CDB are GCF AEs and are involved in GCF activities in Grenada.

The primary Grenada counterpart for the GCF is the National Designated Authority (NDA), which is the Department for Economic and Technical Cooperation (DETC) in the Ministry of Finance, Economic Development, Planning, and Physical Development (MoFEE). Other key Grenada actors involved with the design, approval, and/or execution of GCF activities are the Ministry of Climate Resilience, the Environment, Disaster Management, Forestry, Fisheries, and Information (Ministry of Climate Resilience [MCR]); the Ministry of Infrastructure Development, Public Utilities, Energy, Transport and Implementation (MoI); and finally, the National Climate Change Committee (NCCC), which approves all climate change projects in Grenada. The main GCF readiness activities, projects and key actors (readiness Delivery Partners [DPs], project Accredited Entities [AEs] and executing entities [EEs]) are described in Appendix 5-2.

B. Findings

1. Fund business model and structure

a. Core principles

Country ownership is especially strong and important in Grenada, and it is of huge concern for the Government of Grenada (GoG) to be in the driver's seat of its own climate actions. This has meant forgoing certain actions to ensure measures are in place that provides the Government with a suitable level and type of control and oversight, as well as fiscal sustainability through limiting public expenditure and the uptake of large international loans (see the introduction on the 2004–2005 fiscal reforms following hurricanes Ivan and Emily).

82 Availale at <https://www.worldbank.org/en/results/2018/05/08/transitioning-toward-a-blue-economy-in-grenada-and-other-eastern-caribbean-states>
83 Availale at <https://thecaribbeancurrent.com/grenada-gets-us15-million-credit-and-loan-from-the-world-bank/>
84 Availale at <http://www.iccas.gd/>
85 Availale at <https://www.caribank.org/countries-and-members/borrowing-members/grenada>
86 Availale at <https://www.caribbeanclimate.bz/services-provided-by-the-centre/>

The mitigation and adaptation gaps in the previous climate change policy (NCCAP), and the lessons learned from it have informed the strategic priorities of the new Climate Change Policy, and reflect the areas of need that the GCF largely attempts to address in Grenada. These areas are:

- The institutional setting and ability of Grenada to react quickly and efficiently to the cross-sectoral climate change-related tasks that it faces now and in the near future. (Addressed directly by all three readiness activities);
- Data and data access (digitalisation) for climate data, such as that for weather, sea-level rise, ocean surface temperature, land use, climate and health, etc. (Addressed indirectly by all three readiness activities, and portions of all three projects);
- Reliable budget calculations for investment in climate-related technology and infrastructure, as well as capacity-building. (Not directly addressed by GCF activities, but indirectly addressed through all readiness activities and projects [still named an area of need]);
- Reliable estimates on revenues from climate-related investments, such as energy efficiency or ecosystem-based adaptation (EbA). (Not directly addressed by the GCF activities, but indirectly addressed through all three readiness initiatives and projects); and
- Increased awareness of climate change amongst civil society, the private sector and political decision-makers. (Directly addressed by all GCF activities, though challenges and suggestions for stakeholder engagement policy and practices discussed further below.)

In short, the GCF generally aligns with the country needs of Grenada, and the Fund's priorities align with the country's national policies and priorities. However, the policies and priorities of some AEs and Delivery Partners have proven to be less congruent with the benefiting country, which has impacted project execution activities. For example, while GCF encourages and supports Direct Access where appropriate – which Grenada welcomes – the preference of Grenada to utilise in-country systems for procurement, and country law for project implementation, have been met with resistance from some AEs and Delivery Partners who may unreasonably amplify gaps in those in-country systems because of the desire to use AE systems.

Another example is when AEs disagree with the quantum of proposed investments to present to GCF, and the Fund supports the country's ambitions over those of the AEs. Conflicts can also arise when an AE unilaterally decides to submit proposals in currencies other than what was preferred by the benefiting country. Finally, delays with signing Funded Activity Agreements (FAAs) can cost precious time, drain momentum and diminish the value of preparatory actions and systems in place at the time of approval. In such cases, the GCF model appears at odds with country needs or interests.

Finally, a paradigm shift is a concept those involved with GCF are aware of and are looking to conceptualise, but it is difficult to define at the national and/or sectoral level because capacity building is needed at the individual and institutional levels to actualise plans and policies that would support such shifts. Civil society organisations (CSOs) and non-governmental organisations (NGOs) stated that behavioural change and cultural shifts are key to a paradigm shift, and these are absent from the GCF framework. Nevertheless, Grenada was the first country in the region to obtain GCF support, and expectations are high for paradigm shift potential.

b. Organisational structure at the country level

Most ministry offices that work directly with the GCF (Ministry of Finance, Ministry of Climate Resilience, Ministry of Infrastructure and Works, and the Ministry of Environment, Foreign Trade and Export Development) are aware of its business model and basic structure. Those indirectly involved (e.g. Ministry of Agriculture, Forestry and Fisheries) are aware of its general existence and who is responsible for what, but they are unfamiliar with the operational aspects of how the GCF works and operates. The private sector, farmers groups, community groups and other beneficiary groups or more distant actors are generally not aware of the GCF.

Figure 5-1 below outlines the players in Grenada who are key to the design and implementation of climate interventions. The left side (yellow) includes the technical and practical EEs, and the right side (red) displays oversight and high-level planning. Each side feeds into the centre (blue) with the Cabinet, Minister, Personal Secretary and Project Coordinator, which then leads down to the personnel involved in the execution of activities (green). Most notable for the purposes of the GCF is the Department for Economic and Technical Cooperation (DETC) in the Ministry of Finance, Economic Development, Planning and Trade (MoFEE, or MoF), where the NDA sits and acts as a clearinghouse and facilitator ensuring communications and critical information exchange in the context of programme/project design, decision-making, and soon, implementation. Also, significant is the National Climate Change Committee (NCCC). The NCCC brings together officials from ministries such as the Ministry of Agriculture, Forestry and Fisheries and the Environment and the Energy Division in the Ministry of Finance. Non-governmental officers are also part of the NCC and are charged with information and research gathering for the purposes of climate change planning, as well as coordinating national stakeholder engagement and gaining final Cabinet approval of planned interventions. The Ministry of Infrastructure Development, Public Utilities, Energy, Transport and Implementation (MoI) ensures the implementation of the policies and directives of the Cabinet, which includes the Project Implementation and Management Unit (PIMU), and is responsible for project coordination and contract management while procurement occurs at the Central Procurement Unit of the Ministry of Finance.

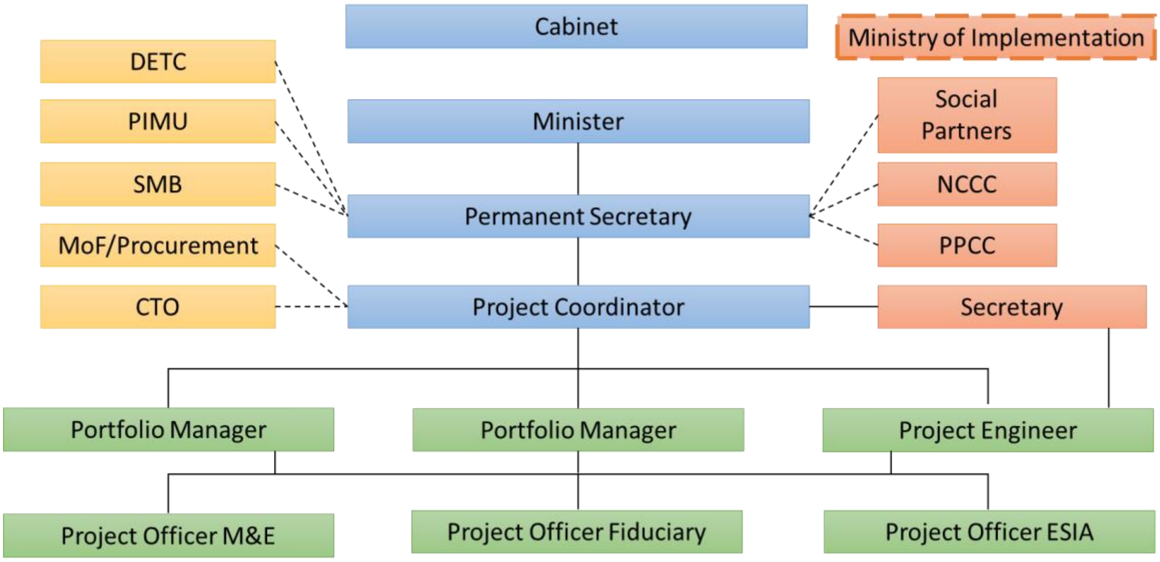


Figure 5-1. Key climate change actors in Grenada

Source: PS Merina Jessamy, Ministry of Infrastructure and Works, former first NDA at Ministry of Environment.

In terms of how the GCF business model is reflected in Grenada, the NDA is well-known and viewed as approachable and knowledgeable, but the GCF is a new entity, and therefore there is a learning curve for most actors (especially outside of a small handful of government staff) on how to execute activities and get results. Some aspects of the GCF business model have changed usual working operations for Grenada. The templates for (and the submission of) project designs, for example, go directly to the Board for approval, meaning the country must have those concepts in a finalised form by the time they reach the Board; changes are not always possible or can be difficult afterwards. Office culture has, therefore, had to adjust to the placing of implementation agreements and operations manuals into GCF and other climate change proposals, which was not previously expected.

Various stakeholders expressed that it is helpful to have the Country Dialogue Specialist (CDS) for Latin America and the Caribbean hosted in Grenada, and the country has moved forward on several activities since the arrival of the CDS. Having 33 countries to cover, however, and a lack of a combination of project support and technical support in her office limits her ability to respond to demand. Also, her travel budget sometimes confines her support to Grenada, so other countries, therefore, may feel overlooked at times.

As for technical advice communicated by the GCF to country counterparts, the “climate rationale” is especially difficult to evaluate and is inconsistently applied. The country is struggling to secure critical funding that answers extremely urgent demand, which cuts across traditional areas of development and climate change. Few in-country companies or organisations can conduct environmental and social safeguard (ESS) risk analysis, assessments or studies, and few exist regionally. Another issue is access and the availability of quality data, which is often not to the standards expected by GCF (and other climate finance mechanisms). For example, the G-CREWS project could not draw on any existing comprehensive studies on one of the most water-vulnerable areas of the country (Carriacou), which could have been better catered to if there were current and appropriate data to establish the degree of vulnerability. They are now using readiness funds to get additional studies completed. Supporting in-country and regional capacity building along these two areas is a high priority for Grenada.

c. Relationship with the GCF Secretariat

The Secretariat is responsive to inquiries from country partners (especially from the NDA), despite the time and distance. The NDA has stated that the Secretariat is good with updates on personnel changes. Key actors also generally feel that the Secretariat, including the CDS, is helpful and willing to support them with their questions and issues. However, communication often relies on having made contact or developed a relationship with the relevant person in the GCF before needing advice, guidance or partnerships. This can be problematic when the person contacted is not in the most relevant position or role to assist (e.g. it is often not clear to in-country stakeholders who to contact for specific reasons). If you are an EE you contact one person, and if you are an AE you contact another, and then everyone contacts the CDS because she is in Grenada. This system creates confusion and duplication of effort that leads to inefficiencies, and it is due to how the Secretariat is organised with its externally facing unit, the Division of Country Programming (DCP).

For accessing information and guidance, contact is regularly made by various stakeholders through the NDA and/or by the CDS on their behalf. However, thematic specialists in the Secretariat in Songdo, Republic of Korea are often also sought for specific projects, as are in-country technical persons to design the projects (not just AEs, but also beneficiaries and other critical actors and EEs, such as the National Water and Sewerage Authority [NAWASA]). Fund access has been focused on ministries in a position to work directly with the NDA and GCF, namely the Ministry of Agriculture, Forestry and Fisheries, MoI, and MCR. Also, new climate focal points have been identified in each line ministry, and this creates the potential for a more dynamic set of stakeholders to access the GCF. There is also considerable untapped potential for engagement with CSOs, NGOs and the private sector, each of which has been largely disconnected from GCF activities and initiatives.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

The NDA is a knowledge hub for all things GCF, and in-country partners have a positive view of the NDA and its approachability and understanding of climate needs. The turnover of the NDA and the turnover of the Permanent Secretaries (five in three years for MoF) has hindered some from building on institutional knowledge, but the NDA has remained a valued source of information to all GCF direct and indirect partners at this early stage in the GCF. Assets for the GCF are the personal rapport of the NDA and their country counterpart, and confidence in his ability to facilitate communications and advance the national climate change agenda.

The four GCF projects (and concepts) identified for Grenada evolved out of existing country-level initiatives (ICCAS lead to G-CREWS) or regional initiatives where Grenada was approached by an AE to become involved (geothermal, community resilience), and one global initiative (GEEREF-NeXt). Regional projects like the multi-country European Investment Bank (EIB) GEEREF-NeXt appear to be good opportunities for engaging with the GCF but also seem to have a lower level of country buy-in and participation in the design of the project. Meanwhile, country partners are less aware and less focused on these activities because their roles are more focused on work hands-off. Also in the case of Caribbean projects, the cross-cutting issues are opportunities for collaborative efforts (e.g. different countries facing similar technical or administrative challenges having an opportunity to exchange and learn from one another), but a tailored approach is always needed for specific interventions in specific countries. Another consideration is that resources can get spread thin on communications and/or travel, for example, instead of implementation. This is something to consider when AEs approach Grenada, as well as other Small Island Developing States (SIDS), for enabling sufficient and necessary Fund access.

Both AEs and EEs are generally well-regarded in Grenada, though communications and expectations have stalled in some cases. In-country actors already knew their respective accredited and executing entities and have worked with them before in many cases. That works to everyone’s advantage because they can work with or around templates, processes and policies (e.g. G-CREWS is well-known by all major climate change actors in Grenada, and with it comes high expectations). In some cases, however, legal and/or other operational complications outside the realm of the NDA’s role or power to address, or having to do with the AE and GoG, for example, have impacted delivery patterns. An example of this is the inability of EIB and GCF to move forward with GEEREF-NeXt on a global scale, and therefore the Grenada activities have yet to begin implementation.

Also, three main issues have caused the delay in the G-CREWS water project. First is the choice of law that will govern the implementation of the project; the AE and GIZ propose German law, while Grenada insists on Grenadian law. Second is the perception of institutional capacity; GIZ would have conducted due diligence on the (then) Project Coordination Unit, which met GCF criteria at the time of project design, but the PCU has recently been dissolved to give way to a new project management structure of the government. This new element to the project meets or exceeds the standards of the PCU, but was not part of the original project design or proposal and as a result, presents a new factor to account for and approve. Finally, there is the issue of currency. Grenada requested the project to be in United States dollars, but GIZ submitted it in euros, and now there is higher financial risk associated with the project.

e. Funding programmes and instruments

A simplified project cycle is essential for Grenada to access funding, similar to other SIDS. The two types of projects described in Grenada are “urgent and very urgent”, and the perception is that money needs to flow more quickly. The Direct Access modality of the GCF is therefore viewed as visionary and progressive, and Grenada is encouraged by it. Accountability measures are necessary and critical, and should be taken in parallel, or through stages (e.g. disbursement of funding should be more cognizant and tailored to the realities of the beneficiary country). International access and government to government relations (as with GIZ) are a business-as-usual scenario, and Grenada is used to working in these models. However, the country is now looking for more efficient means to address the negative impacts associated with the scourge of climate change.

The learning curve of going through accreditation and dealing with additional layers of actors (AEs, EEs and the GCF) and policies and processes, has been cumbersome and time-consuming, but it may have some benefits for specific actors in the Government in the long-run. The Grenada Development Bank (GDB, also the DAE), for example, noted that they have been obliged to fill certain important policy gaps that they would not have otherwise had to address, or at least not as urgently if they were not seeking GCF accreditation.

2. GCF policies and processes

a. GCF policies

Green Climate Fund policies are clear and well-communicated, though they are seen as complex and sometimes as duplicates to in-country systems and frameworks. Grenada has its own Public Sector Investment Programme Operations Committee for the purposes of investment risk assessments, which largely covers ESS and financial risks. Nevertheless, GCF policies are seen as helpful as they have brought improvements to the Public Sector Investment Programmes (PSIP) system by gearing it towards appraising and combining development finance and climate finance (as well as overall ESS capacity), and have set procedures in place that otherwise may not have been spurned (as quickly) because of expectations of GCF funding.

The ESS and gender policies and guidelines have been well-received; specific gender analysis and/or screening was not something formally done as part of all GDB projects before 2018 (it was considered primarily for specific projects, or very large investments by the central Government). A gender workshop is expected to build capacity in-country in this regard under the GIZ readiness programme for Grenada (the DETC is organising it in collaboration with the Ministry of Social Development), but such one-off events and the gender analyses undertaken are not seen as being sufficient for advancing the agenda of the country in this area. Green Climate Fund support is therefore needed most not in the form of policies, but on building local capacity to do analyses, (including risk analysis) and helping the Ministry of Social Development and other in-country gender specialists to become involved with and respond to programme designs with feedback and inputs.

b. Policies implementation

The NDA has started using most of the access modalities (e.g. international and regional support, readiness, enhanced Direct Access) through the AEs, as well as through the DAE – although with limited involvement of the private sector – and therefore has had broad exposure to GCF policies. These policies have generally been executed effectively and have resulted in positive office-culture and project-management changes. For example, proposals now include operations manuals and implementation agreements in the annexes of their first versions, in case they are approved and need to be implemented quickly, while some internal policy frameworks and standards have been tightened, such as overtly incorporating gender considerations into climate change activities. Both changes have been viewed in a positive light.

Nevertheless, in terms of making GCF policies clearer and more accessible, as well as getting greater buy-in from new audiences within the NGO and CSO community, stakeholders expressed their concern with the GCF – and with other international agencies – formulating policies and putting projects in place under a particular set of assumptions. For example, the assumption that a particular actor will conduct business in a particular manner or that a stakeholder group will play a particular role may prove to be incorrect. Permanent Secretaries in key ministries have also expressed interest in the GCF providing more narrative support for putting faith in public services, public processes and procedures, to garner even more respect. The dominant narrative (in Grenada and internationally) is that the "private sector is the engine of growth", which is, in short, a fallacy, and is particularly harmful to capturing and communicating the great urgency of climate change for all actors and sectors. Finally, a major difficulty is structuring financing proposals in such a way that aligns with AE protocol and policy, and also uses GCF templates and guidelines (e.g. Grenada was already familiar with the EU, GIZ, WB, CDB and European Development Fund [EDF] guidelines, but the GCF is new). There is a sharp learning curve when dealing with the GCF for the first time, even with frequent communications and relative clarity on policies.

Investment criteria and the multiple unknowns of replenishment were the two most noted GCF policies of concern to key stakeholders. Although the investment criteria are welcomed and largely overlap with internal check points on climate change investments, the up-front costs, time and technical inputs for developing projects are not balanced with the assurance of understanding what is likely to get Board approval. Furthermore, long-term relationships and activities under existing priorities and objectives remain in limbo so long as replenishment remains a variable of uncertainty.

c. Accreditation

The accreditation process overall has been viewed by country, regional and international partners as a struggle with lengthy processes and arduous requirements; albeit, in most cases, necessary and ultimately helpful to advancing the climate change agenda of Grenada. The decisions to accredit the Caribbean Community Climate Change Center (5Cs) as a regional AE, and especially the GDB to become the DAE, have been well-received in terms of relevance and country-drivenness. The 5Cs are well known in the region for their technical expertise, namely the financing of infrastructure with climate change risks in mind. The GDB was one of three institutions considered for national accreditation, but the final decision was fairly obvious given the fiduciary requirements. This choice was seen as formalising existing relationships under new conditions and criteria, and enabling existing – and potentially new – partners to access GCF funds.

The perception of the GDB as a DAE is therefore positive overall, with high expectations for the new capacity of disbursing climate finance. It is not yet accredited but is going through the formal process of meeting standards and fulfilling policy requirements. However, for now, the GDB is still capped at < USD 10 million funding proposals, which does not necessarily address the massive needs of the country, especially for adaptation. A common perception in Grenada is that money is not flowing fast enough, and that accreditation should be a phased approach with conditional approval. The DAE does not have enough experience for some more specialised fiduciary criteria, which under the current accreditation model, instantly disqualifies them. However, lacking the experience with a specialised fiduciary standard, the GCF could permit the entity to implement the first projects with tight feedback and reporting requirements, and upon meeting these standards, further projects can be developed and executed. Currently, the entity is supported by the country to find opportunities where possible to improve its track record.

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

There is much room for improvement in GCF project commencement in Grenada, as nearly all major GCF projects in the country have faced delays at the FAA phase, and/or differences of opinion on scope or oversight, of one nature or another. These delays precede implementation, and therefore occur before the involvement of Grenada; this negates their role and inputs toward project launch. The three readiness projects that Grenada has under implementation now with GIZ, 5Cs, as well as with New York University (NYU), have also had their challenges with signing off on agreements prior to project commencement, but those challenges were resolved in a much shorter period.

Investments are identified in Grenada through the national PSIP system, which considers both climate change and non-climate change projects, meaning there is no differentiation between GCF potential projects in Grenada and other development projects. All project concepts submitted to the national PSIP system must identify with a national strategy document or a regional or international agreement to which Grenada is a signatory. The draft GCF country programme of Grenada has 18 draft project concepts and suggested AEs with which to partner, to advance them toward implementation. Alternatively, AEs can approach Grenada with concepts or ideas which can be endorsed, and this is how approved GCF projects have begun. The four main approved projects are:

- Geothermal (FP020): The first project is a Caribbean regional project with Grenada as a participant, for sustainable energy (geothermal) with the Inter-American Development Bank (IDB) as AE. This project was approved by GCF in 2016 and has still not commenced in 2019. It was Board approved promptly, but then cancelled in 2018 for not being able to finalise agreements between the GCF and the AE. The GCF subsequently gave the AE additional time to resolve outstanding issues in 2019, but the project remains unimplemented. Grenada and other islands continue to await the definitive engagement of the AEs to commence this project;
- GEEREF-NeXt (FP038): The second project is a large (international) fund-of-funds global project with the European Investment Bank (EIB) as AE, to finance sustainable energy. It has also faced legal and contractual delays between the EIB and GCF;
- G-CREWS (FP059): This is the country's first GCF national project, which came out of another project – the Integrated Climate Change Adaptation Strategies (ICCAS) – that also developed the NAP, and was therefore tailored to specific interests and needs. Country stakeholders felt well-consulted. However, the final version of the project did not fully address stakeholder needs in three critical parts of the scope that the NDA, at the time, thought were key; namely addressing effluent and wastewater, reforestation, and issues on Carriacou and Petit Martinique. These issues, however, form part of a new project concept to be submitted to GCF shortly; and
- Integrated Physical Adaptation and Community Resilience (FP061): A fourth project, which is a regional enhanced Direct Access project to be implemented in Antigua, Dominica and Grenada, has managed to conclude on its FAA with the GCF and will soon start. The DOE in Antigua and Barbuda is the AE, and the focus is on "integrated physical adaptation and community resilience" for the public and private sectors, and civil society. There are commonalities within the region, so these types of engagements are welcomed by the country stakeholders. The EDA project, although multi-country, has drawn more participation from Grenada than the other multi-country projects.

The three readiness projects that Grenada has under implementation now with GIZ, 5C's and NYU, have also had their challenges with signing off on agreements before project commencement, but those challenges were resolved in a much shorter period.

One concern with the project cycle for readiness in particular, even when the project is going well, is that the GCF does not mandate the EE/Delivery Partner to report to the NDA, but the EE instead goes directly to the GCF Secretariat. The lack of a formalised arrangement throughout the project cycle between the EE and the NDA can create conflict, miscommunication, mistrust and diminish the efficacy of project implementation and delivery. Related to communications with the Secretariat, in-country partners remarked on the helpful nature of the iTAP inputs via the GCF Secretariat, especially in cases where data and/or expertise is not available in country. In one instance, however, the advice from the Secretariat ran counter to the iTAP assessment guidance, the latter of which Grenada agreed with. Grenada has not had any Private Sector Advisory Group (PSAG) assessments.

In the case of the international and other regional projects, the project cycle is more "nebulous" to the in-country counterparts, and there is more of a disconnect between how things could or would work in the Grenada context with the broader design of the project. For example, it is unclear how resources will be divided among participating countries. Grenada typically becomes involved as a result of a high-level international agenda, and it is not always clear how things will unfold in-country. This is one part of the reasons behind the delays to the respective global and regional GCF projects; factors exterior to the country affecting design and execution.

Finally, there is a common understanding among stakeholders currently participating in projects – all of which are between approval and the start of implementation – that the legal processes should have started much earlier, during the project development phase. For instance, the in-country observation is that Accreditation Master Agreements (AMAs) should be signed and legal opinions changed before going to the Board with a proposal. Further, the FAA negotiation should not be a discussion about new aspects of the project's implementation but should be to confirm what has already been agreed, and the beneficiary country should be able to observe these negotiations. Efforts are expected to make the legal process more parallel to project development, to expedite the process.

b. Responsiveness to the UNFCCC

The UNFCCC and GCF appear "one and the same" to many country counterparts in Grenada. The overlap in GCF Board members as UNFCCC negotiators and the seamlessness from the Transitional Committee to the Board were named as reasons for this perception. The lack of distinction between the UNFCCC and the GCF is further reinforced by how the Governing Instrument differs from the governing structures of the AF and the Global Environment Facility (GEF) under the financial instrument.

c. Funding Programmes and instruments

Grenada is engaged in almost all modalities possible – Direct Access, enhanced Direct Access, country programming, readiness, and one full-sized project (just not a PPF project). The need is great, and demand is high, and Grenada has successfully used the opportunity to access GCF funding through these means.

Since no major project, other than readiness, is under implementation, it is too soon to see whether the various financial instruments meet country demands. In short, there is sizeable, unmet demand in Grenada for several critical areas, which are discussed in brief in the "Other" section (5).

d. Private Sector Facility and non-grant instruments

There are currently no Private Sector Facility (PSF) activities in Grenada, but one proposal is being developed and is at an advanced stage. There is also a draft proposal with a loan component for the private sector. Grenada has not yet made use of the PSF, in large part due to the difficulty of engaging the small private sector on climate change. Both approved projects that will make use of non-grant modalities are facing delays and have not moved past design and exploration stages:

- FP020: The IDB Sustainable Energy Facility (SEF) for the Eastern Caribbean geothermal project intends to channel grants, contingent grants, and concessional loans through the CDB via Public-Private Partnerships (PPPs). Senior loans will be used for field development once the project has moved past the explorative drilling.
- FP038: The (global) EIB GEEREF-NeXt project will be an "investment pooling mechanism", or fund of funds that will seek to mobilise additional private sector funding and spurn local capacity development. The investees will build a portfolio of beneficiary projects, with an intended balance of equity, equity co-investment and debt. The public capital is meant to leverage co-investor equity and debt finance as much as seven times over.

4. Likelihood of (and actual) results

a. Quality

Stakeholders are overall satisfied with the design of GCF projects and have welcomed the investment criteria, ESS, and gender integration as elements of quality design and planning. Many of the projects proposed to Grenada by multi-lateral organizations are regional and sometimes lack the specificity of country-level investment. The perception of some stakeholders has been that regional projects tend to work better in larger countries and/or those that share borders. Caribbean regional projects present very unique challenges with logistical and time costs of flights or travel between countries, and the distinct cultural and political differences among the countries, even if they share some ecological and geographical similarities. Therefore, if the regional projects do not have specific national components, there is a risk that exorbitant budget allowances would be needed for travel and communication between the countries, and consideration of country-specific needs would be diminished or side-lined (as opposed to overarching regional considerations).

Time is required to develop quality projects, and the reasons for this vary. They include the need for timely but important thorough stakeholder engagement; ensuring legislative or policy gaps are resolved before activities commence; completing feasibility and/or other technical studies, especially where data is missing; and finding the right sponsors and partners. The more the GCF can support a sustained stakeholder engagement process during project design, the more likely it is that buy-in will be high, and the results will be achieved and sustained. The G-CREWS project has especially high country ownership and quality of design because of the time involved in developing a close relationship between GoG and GIZ, and because it evolved out of a previous engagement (ICCAS).

The CSO and NGO stakeholders had strong reservations about the time, energy, and resources devoted to in-country stakeholder engagement by GCF. Most interviewees were able to attend the initial week-long consultation organised by the NDA for CSOs to consult them on the country programme planning, and they found it informative and helpful. However, many have expressed a lack of communication and engagement from AEs on specific activities since that initial meeting. Furthermore, the policies and practices on stakeholder engagement under the GCF are unclear to in-country CSOs and NGOs, and the populations they represent are completely unaware of the GCF, even though the quality of project design relies on their buy-in.

As already mentioned, the GoG and GIZ have a unique and long-term relationship, as a desk officer sits in the MCR and assists with many administrative and operational needs. For example, GIZ helps GoG with climate cost valuations, has assisted with various workshop planning activities and incurred expenses, and fills other periodic ad-hoc administrative and technical gaps when GoG personnel may be missing. Also, interviewees noted that the most well-designed GCF project is the G-CREWS of GIZ, since it grew out of ICCAS, as part of NAP outputs. Everything in this project is cross-checked with the NDA, there is strong ownership by the NDA for GCF activities, and having GIZ in the country has been noted as being an overall positive influence on GCF project identification and design.

b. Results measurement

The results measurement frameworks have not been utilised, as investments underway are still in the early stages of implementation. Stakeholders are pleased with the commitment to the balance of adaptation and mitigation funding but expressed an interest in having a more clarified and nuanced definition and indicators for adaptation (in addition to the total expected population of beneficiaries). More robust Monitoring and Evaluation (M&E), especially for capturing adaptation success and tracking how and when results manifest, coincides with the need for "climate-rationale" tools that will lend themselves to identifying and tracking progress on climate change objectives. The funding commitment is not being met with the capacities and tools for effective measurement.

The GCF requires AE quarterly reports to note milestones, to reflect changes since the previous report and to flag what is not going according to plan. However, the first three sections of the report repeat text from the project proposal, which is redundant and detracts from formal learning and from ensuring that guidance can be provided on substantive developments (as reflected in the reports) in project execution. Although reporting is necessary, it would be preferable to enable more space for reflecting on how and why activities have either gone well or have required recourse.

c. Actual results

Grenada is undergoing three readiness support projects and has four projects approved, but most are still in the early stages of implementation. Overall, the GoG and other stakeholders are pleased with the readiness activities and country programming to date. Readiness activities in Grenada largely fulfilled their objectives. This has involved an adjustment in GoG policies, raised project management standards and has heightened the level of concern and interest in improving capacities to execute the NAP and NCCP of Grenada.

For Getting Grenada GCF-ready (3G), readiness support is targeted at NDA strengthening as well as the preparation of a country programme. This country programme is developed through extensive stakeholder consultation, for which a week-long engagement was organised with local CSO groups so they could provide inputs. There had been a previous Strategic Programme for Climate Resilience (SPCR) support in the country, and it was consulted for the development of the new country programme. Overall, this programming has a high profile in the country and stakeholders are generally aware of it and its components. The country programme will soon be submitted to GCF. The other prominent example of RPSP support is the partnership with NYU called "Climate Resilient Cities: Grenada". The collaboration between NYU and Grenada resulted from a matchmaking exercise during the Structured Dialogue. All parties have welcomed the partnership and expressed general satisfaction with the rate of the progress, and with the substance of the engagement.

As a result of readiness support, the GoG now has a climate change FP in each line ministry and quasi-government agency; it has undergone preparations for sea-level rise and hurricanes at its economic hubs of St George's and Grenville (and the airport); and initiated a pipeline of investments to fund under its country programme. Although the readiness activities were well-received and implementation ran fairly smoothly, one area of concern was that the Delivery Partner was not obliged to report to the NDA, with no formal arrangement. On a related note, as mentioned above under the project cycle, in cases where the AE and EE implement the project, there is again no formal requirement for them to report to the NDA.

The four approved GCF projects have yet to initiate activities in most cases, and in two cases (FP038 GEEREF-NeXt and FP059 G-CREWS) the project start seems stalled. For the global GEEREF-NeXt project, communications between GoG and the AE are not sufficient, and GoG has voiced its concerns with the Secretariat. One suggestion that came out of this case is to not approve a project if the AE has not signed an Accreditation Master Agreement with the GCF; this should be a requirement before the project is brought to the Board. The GoG is frustrated with the apparently stalled commencement of activities and would like the GCF to prompt the AEs into action.

The IDB 15kWh regional geothermal project (FP020) was cancelled at B.20 and then reintroduced at B.21. However, Grenada has gone ahead to advance its geothermal aspirations with the assistance of New Zealand and Japan at this stage. Grenada is getting some support from the CDB as well, but the primary support is expected to come through the IDB project. There are some difficulties with initiating activities on the two identified sites, but drilling could start as early as July 2019. The fourth (also regional) project has also completed an initial stage, and the FAA was finalised in April 2019, which means implementation should begin within 90 days. The DAE is the DoE for Antigua and Barbuda, so there is a learning curve for Grenada to understand how this might differ from an international entity model. Expectations are high given the regional needs and interests, and the Grenada NDA (at the time of approval) sought as much consultation as possible to ensure project design reflected national priorities.

Although not part of the national portfolio of GCF activities, the structured dialogues were noted by several interviewees as being extremely helpful and positive. When Grenada hosted a dialogue, it meant the line ministries needed to prepare presentations and became further vested in GCF activities. Furthermore, it was an excellent regional networking opportunity for collaboration and learning among other Caribbean states. One of the three resulting high-level priorities identified (early-warning systems [EWS] for the region; CSO support and capacity building; engaging the private sector) resulted in a successful follow-up workshop in Jamaica for private sector engagement and the Caribbean Natural Resources Institute (CANARI), which was present at the structured dialogue and identified to lead on CSO support and capacity building. The only negative remark about the structured dialogue was that it did not engage CSOs and NGOs in participation.

d. Expected results

The readiness support was designed to prepare institutions and systems in Grenada for the management and implementation of scaled-up climate change activities. Table 5-1 provides an overview of these activities and expectations.

Table 5-1. Summary of GCF readiness support in Grenada (April 2019)

PROJECT	DESCRIPTION	KEY ACTORS
Readiness - Getting Grenada GCF-Ready (3G) (2017) Establishing and strengthening the National Designated Authority (NDA) and development of a strategic framework for engagement with the Fund, including the	One objective: Enhance the capacity of the NDA to effectively coordinate with line ministries, statutory bodies and development partners on accessing the Fund and jointly with the climate change focal points in the relevant line ministries, to develop strategic frameworks, including the preparation of a country programme, and effective stakeholder engagement processes	DP: *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) GmbH

Project	Description	Key Actors
preparation of a country programme	Two readiness areas: Strengthening the NDA, strategic frameworks with the Fund/country programme	
Readiness - Climate Resilient Cities: Grenada (2018) Type - Strategic frameworks, including the preparation of country programmes	Two cities: St George's and Grenville Five components each: mitigation strategy; active preparations for sea-level rise and hurricanes; ecosystem restoration and water-system reinforcement; urban densification and climate-resilient urban expansion; and capacity building for green development	DP: New York University
Readiness - Strengthening institutional and implementation capacity for delivery of climate change investment projects (2018) Types – country capacity for engagement with GCF, country programming access, climate finance accessed	Complementary to two other readiness activities (above) and addresses technical and institutional capacity gaps at the national level Three outcomes: institutional capacity and coordination mechanism in place to govern and coordinate climate action finance (monitoring and verification, coordination between NDA and NDE); country programming process (stakeholder engagement, climate technology identified for national strategies and plans); climate finance strategies and pipeline strengthened (project concept notes)	AE/DP: Caribbean Community Climate Change Centre (5Cs)

Green Climate Fund projects approved so far cover a range of sectors but focus mostly on water and energy, and integrated management. Except for GEEREF-NeXt, expectations for results largely focus on the public sector and putting policies and capacities (coordination, technical and administrative staff) in place to move beyond the readiness activities and execute high-level needs that reflect the national climate change policy and Vision 2035. Table 5-2 summarises the four projects underway and their respective expected results and/or objectives as outlined in their proposals.

Table 5-2. Summary of GCF projects and expected results in Grenada (April 2019)

Project	Description	Key Actors
FP059: (National) Climate-Resilient Water Sector in Grenada (G-CREWS) 2017 submission, 2018 start*, 6 years *has not started	Loan/grant: grant EUR 42 million Size: small Mitigation/adaptation: adaptation Five components: climate-resilient water governance; climate-resilient water users; climate-resilient water supply systems; additional contribution of water sector to Grenada NDC; and regional learning and replication **Expected results under each component:** 1. Establishment and empowerment of Water Resource Management Unit (WRMU); mainstreaming of climate resilience in water-related sectors; climate-responsive water tariff 2. Challenge fund for climate-resilient commercial water users; awareness, education and outreach 3. Climate-resilience of NAWASA supply systems; disaster-resilience in medical centres; disaster-resilience in NAWASA systems 4. Water and energy efficiency 5. Lessons learned and replication in the Caribbean	NDA: MoFE AE: GIZ EEs: MoFE, GDB, GIZ Beneficiaries: NAWASA, entire Grenada population

Project	Description	Key Actors
FP061: (Regional) Integrated physical adaptation and community resilience through an enhanced Direct Access pilot in the public, private and civil society sectors of three Eastern Caribbean small island developing states 2016 submission, 2018 start*, 4 years *officially started in 2019	Loan/grant: grant USD 20 million (direct) Size: small Mitigation/adaptation: adaptation Four outputs: enhanced capacity for climate adaptation planning, implementation, and monitoring and evaluation via Direct Access; governments implement concrete adaptation measures using ecosystem-based approaches where appropriate; community resilience to climate impacts is enhanced through tangible adaptation benefits; privately-owned physical assets of vulnerable populations are more resilient to climate variability and change through concessional microfinancing; and project management **Expected results/sub-components:** 1. Capacity building to strengthen financial institutions, devolve decision-making, stakeholder engagement for transparency, and sustainable procurement; monitoring, evaluation and promoting learning 2. Public sector adaptation in Antigua and Barbuda, Dominica and Grenada 3. Small grant facility for community adaptation in Antigua and Barbuda, Dominica and Grenada 4. Revolving loans for adaptation in private buildings in Antigua and Barbuda, Dominica and Grenada 5. Project management consistent with an EDA programmatic approach	NDA: Antigua and Barbuda MoF AE: Department of Environment, Antigua and Barbuda EEs: DoE A&B, MoE Dominica; MoT Grenada Beneficiaries: Vulnerable populations in Antigua and Barbuda, Dominica and Grenada
FP020: (Regional) Sustainable Energy Facility for the Eastern Caribbean 2015 submission, 2017 start*, 8 years *exploratory phase just ended	Loan/grant: senior loan and grants USD 190 million (GCF: USD 60 million loan, USD 20 million in grants) Size: medium Mitigation/adaptation: mitigation Two components: GeoSmart Initiative for supporting geothermal energy development; regulatory framework, institutional strengthening and capacity building **Expected results:** 1. 60 MW of geothermal power generation capacity installed in projects facilitated or financed at some stage 2. GHG emission reductions of 313,421 tCO2e/year and 9,402,621 tCO2e during the lifetime of the programme 3. Reduction of 722,000 barrels of oil imported for electricity generation 4. USD 50 million reduced spending on oil imports (at a fuel price of USD 70 per barrel) 5. Reduction of the average electricity generation cost and, if generation cost reductions are passed on to customers, this should lead to an average decrease in tariffs from USD 0.35/kWh in 2015 (at a fuel price of USD 70 per barrel) to USD 0.28/kWh	NDA: MoFE AE: Inter-American Development Bank (IDB) EE: Caribbean Development Bank (CDB) Beneficiaries: Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines
FP038: (Global) Global Energy Efficiency and Renewable Energy Fund (GEEREF-NeXt) 2017 approval, 2017 start*, 15 years (with 5-	Loan/grant: equity and grants USD 765 million (GCF: USD 250 million equity, USD 15 million in grants) Size: large Mitigation/adaptation: mitigation Two components: investee fund capacity building; incubation fund for challenging environments	NDA: MoFE AE: European Investment Bank (EIB) EEs: GEEREF-NeXt for direct

Project	Description	Key Actors
year cycles of investment) *has not started	**GEEREF-NeXt global objectives:** 1. Help developing countries achieve NDC targets 2. Develop local capacity 3. Contribute to the reduction of carbon dioxide (CO_2) emissions by replacing fossil fuel-based generation with renewable energy generation, increasing energy supply and access to clean energy in developing countries globally 4. Contribute to the expansion of renewable energy (RE), primarily on-grid, and energy-efficiency (EE) projects, markets and services, contributing to the development of sustainable RE/EE landscape in developing countries by scaling up investments 5. Address barriers and risks that hold back private investment in RE and EE and scale up these investments by providing scarce equity capital 6. Contribute to the reduction of costs and risks, both real and perceived, of investments in such markets; strengthen the knowledge and capacities of local public and private sector involved in the clean energy market; build a track record and enhance confidence in such investments 7. Crowd-in private investors into the sector 8. Multiply the amount of initial public capital three times at the GEEREF-NeXt level, seven times on the portfolio fund level and seven times at the investee project level – a 50x multiplier at the level of GEEREF-NeXt and up to three times that of public capital 9. Contribute to the achievement of sustainable development goals by generating social and economic benefits, including job creation, involvement of SMEs, local tax contribution and gender equality	investments, EIB Group for indirect investments Beneficiaries: SMEs in manufacturing and assembling RE/EE components, energy service companies, others working in EE/RE sphere

e. Paradigm shift

In-country counterparts stated that the concept of a “paradigm shift” is poorly defined by the GCF, and having a more precise, actionable definition could help in framing priorities and communicating (funding) needs. Noted advantages for Grenada in terms of a potential paradigm shift are its small size and ability to scale quickly, both geographically and in terms of its population. However, its size also leads to another important characteristic, which is its reliance on personal relationships. Having someone present in the country and working with partners both in the country and within the region, is perceived as critical to the possibility of a paradigm shift. This is part of the reason why the Country Dialogue Specialist’s (CDS) role can be a useful conduit for communications with the rest of the GCF Secretariat in Songdo.

Funded activities are at an early stage of implementation, and it is, therefore, premature to state the extent to which they are contributing to a paradigm shift. Transformational changes are envisioned in some cases, but the pace of (disbursement and) implementation is drawing doubt from in-country counterparts as to the feasibility of seeing such visions come to reality. Nevertheless, many stakeholders considered what such a transformation would look like for their respective areas of expertise and focus. Some examples include:

- Energy: energy independence from fossil fuel imports, which could come from geothermal energy if the two sites selected yield the results expected (FP020);

- Water: have sufficient, reliable water resources all year round, and namely through each dry season (which would include a major assessment on forest and land-use management and fulfilling all its key recommendations, as well as having large storage capacity for surface water; GIZ has been working on this for many years through ICCAS, which is now G-CREWS FP059);
- Run-off and flooding: the ability to mitigate/avoid flooding, especially in Grand Anse/tourism areas; and
- Agriculture: have fully funded propagation stations for farmers to access seeds/seedlings, obtain training, and maintain facilities.

In terms of lessons learned, the GCF is stretched thin on communications globally and is unable to be "on the ground" everywhere, and therefore relies on AEs for developing relationships with governments and all key actors and interest groups for identifying, promoting and supporting paradigm shift. If the GCF is to contribute to a paradigm shift in Grenada, one area often mentioned by stakeholders is the relationship between the AE and the country, how that dictates the nature of business in-country and how it may (or may not) facilitate transformational change. The GCF model relies on AE standards, legal arrangements, policies and practices. However, the vision of Direct Access and the at-scale mission of the GCF, does not always fit with the standard (international entity, largely grants) practices of "traditional" development models, and does not always facilitate the necessary in-country dialogue and representation of stakeholder groups critical to a paradigm shift.

Along the same lines of business-as-usual development versus the GCF core mission, another lesson learned pertains to increasing the pace at which funding is disbursed and utilised. Enhanced Direct Access helps address this concern, but further lessons learned would be to simplify the approval processes for smaller grants and loans, and to simplify the accreditation process for smaller DAEs, for example, as they do not have the level of risk and/or capacity associated with large or global initiatives, or larger countries. This would require parallel legal processes along with project development to expedite funding disbursement. It is also commonly known that a paradigm shift is a process and not a one-off project. This is also reflected in the views of NYU as a delivery partner in realising interlinked projects that together have the potential for paradigm shift; however this might mean that one project on its own might not be that innovative, but is still essential for the whole.

One final lesson is that Grenada has greatly benefitted from access to a CDS that can develop relationships with in-country partners, understand local context and politics, and facilitate communications with the Secretariat. The GCF Secretariat has been very responsive and helpful overall to country partners, and having a CDS sitting in St George's University has helped to facilitate some types of communication and pave a path for activities.

5. Other

Areas of remaining need are large, and stakeholders repeatedly remarked on the need for money to move more quickly. Areas of urgent need that remain un-funded or underfunded, for which interviewees expressed they would like to seek GCF support, include:

- Engagement with the private sector on climate change;
- Energy independence (or at least reduced reliance on fossil fuel imports);
- Water management, including access, sanitation and storage;
- Early-warning systems (EWS) for the region, which is a high priority for CARICOM and is something the 5Cs have been working toward;

- CSO and NGO capacity to address climate change; an area severely missing from GCF activities and development support for climate change broadly;
- Current climate data scaled down enough to run precision studies and impact assessments; and
- Implementing gender integration/mainstreaming practices into climate change activities beyond surface safeguard requirements.

Building in-country technical capacity and expertise so that contracts do not need to go to out of the country (or region) for studies and assessments, would thereby support national or regional tertiary institutes and further develop the professional cadre in-country. This could be achieved through training and scholarships in topics such as disaster risk reduction/disaster risk mitigation (DRR/DRM), climate-smart agriculture, and gender and climate change.

APPENDIX 5-1. TIMELINE AND EVOLUTION OF THE CLIMATE CHANGE AGENDA IN GRENADA

MONTH/YEAR	GRENADA EVENT	GCF EVENT
2004/2005	Hurricanes Ivan and Emily level infrastructure in Grenada and cause damage of 2.5 times the GDP	
2008	Global financial crisis hits Grenada hard, and the country requires further debt restructuring and fiscal policy reform	
2010/2011		GCF formally created, and Transitional Committee (TC) formed Governing Instrument (GI) Adopted
2012/2013		First GCF Board meeting Grenada sits on GCF Board
2014		Initial Resource Mobilisation (IRM) raises USD 10 billion
2015	National Climate Change Committee Reactivated Public Finance Regulations require that all investments are assessed for climate relevance to incorporate mitigation measures Grenada endorses INDC	First funding approvals
2016	Climate Relevance Assessment for the Public Sector Investment Plan introduced	
2017	Decision to ensure (climate-risk management) disaster mitigation measures are incorporated into decision-making, using the Caribbean Community Climate Change Centre (CCORAL)	RPSP endorsed with GIZ: Getting Grenada GCF-Ready (3G) - Establishing and strengthening the National Designated Authority (NDA) and development of a strategic framework for engagement with the Fund, including the preparation of a country programme FP038 approval: (Global) Global Energy Efficiency and Renewable Energy Fund (GEEREF-NeXt)
2018	Announced creation of Ministry of Climate Change, Environment, Fisheries, Forestry and Disaster Management	RPSP endorsed with NYU: Climate-resilient cities RPSP endorsed with 5Cs: Strengthening institutional and implementation capacity for delivery of climate change investment projects FP059 approval: (National) Climate-Resilient Water Sector in Grenada (G-CREWS) approved FP061 approval: (Regional) Integrated physical adaptation and community resilience through an enhanced direct access pilot in the public, private, and civil society sectors of three Eastern Caribbean small island developing states FP020 approval: (Regional) Sustainable Energy Facility for the Eastern Caribbean

APPENDIX 5-2. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

FP NO.	COUNTRY	PROJECT NAME	NDA	AE	ACCESS MODALITY	FOCUS	GCF FINANCING (USD)	CO-FINANCING (USD)	TOTAL FINANCING (USD)	APPROVAL YEAR	IMPLEMENTATION LENGTH(YEARS)
FP020	Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines	Sustainable Energy Facility for the Eastern Caribbean (geothermal)	DETC	IDB	International	Mitigation	80,000,000	110,500,000	190,500,000	2016	8
FP038	Africa, Latin America, Middle East and North Africa, Eastern Europe and Pacific	GEEREF-NeXt	DETC	EIB	International	Mitigation	265,000,000	500,000,000	765,000,000	2017	15
FP061	Antigua and Barbuda, Dominica and Grenada	Integrated physical adaptation and community resilience through an enhanced direct access pilot in the public, private, and civil society sectors of three Eastern Caribbean small island developing states	Antigua and Barbuda NDA, Dominica NDA and Grenada NDA	DOE_ATB	Direct	Adaptation	20,000,000	0	20,000,000	2018	4

FP NO.	COUNTRY	PROJECT NAME	NDA	AE	ACCESS MODALITY	FOCUS	GCF FINANCING (USD)	CO-FINANCING (USD)	TOTAL FINANCING (USD)	APPROVAL YEAR	IMPLEMENTATION LENGTH(YEARS)
FP059	Grenada	Climate-Resilient Water Sector in Grenada (G-CREWS)	(DETC) of the Ministry of Finance, Energy, Economic Development, Planning & Trade (MoFE)	GIZ	International	Adaptation	43,568,019	8,354,321	51,922,340	2018	6

APPENDIX 5-3. DOCUMENTS CONSULTED

CDB 2018. *Country Economic Review 2018: Grenada.* Caribbean Development Bank (CDB). Undated. Available at <https://www.caribank.org/publications-and-resources/resource-library/economic-reviews/country-economic-review-2018-grenada>

GCF 2016. *Funding Proposal - FP061: Integrated physical adaptation and community resilience through an enhanced direct access pilot in the public, private, and civil society sectors of three Eastern Caribbean small island developing states*. Antigua and Barbuda, Dominica, Grenada | Department of Environment, Ministry of Health and Environment, Government of Antigua and Barbuda (DOE_ATG) | Decision B.19/12. 16 March 2018

GCF 2016. *Funding Proposal - FP020: Sustainable Energy Facility for the Eastern Caribbean*. Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines | Inter- American Development Bank (IDB) | Decision B.14/17. 27 September 2016

GCF 2016. *Funding Proposal - FP038: GEEREF-NeXt*. Bahamas, Barbados, Belize, Brazil, Chile, Comoros, Costa Rica, Cote d'Ivoire, Democratic Republic of Congo, Dominica, Dominican Republic, Equatorial Guinea, Georgia, Grenada, Guatemala, Guyana, Haiti, Jordan, Kenya, Madagascar, Mauritius, Mexico, Papua New Guinea, Saint Kitts and Nevis, Saint Vincent and the Grenadines, South Africa, Suriname, Togo and Uganda | European Investment Bank (EIB) | Decision B.16/02. 3 April 2017

GCF 2017. *Funding Proposal - FP059: Climate-Resilient Water Sector in Grenada (G-CREWS)*. Grenada | *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) GmbH | Decision B.19/12. 16 March 2018

GCF 2017. *Readiness Proposal: Getting Grenada GCF-Ready (3G) - Establishing and strengthening the National Designated Authority (NDA) and development of a strategic framework for engagement with the Fund, including the preparation of a country programme.* With: *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) GmbH. First submitted: 28 February 2017

GCF 2018. *GCF Structured Dialogue with the Caribbean*. 6-9 November 2018. St George's Grenada. Available at <https://www.greenclimate.fund/meetings/2018/grenada>

GCF 2018. *Readiness Proposal: Climate Resilient Cities: Grenada.* With: New York University. First submitted: 1 May 2018

GCF 2018. *Readiness Proposal: Strengthening Institutional and Implementation Capacity for Delivery of Climate Change Investment Projects: Grenada.* With: Caribbean Community Climate Change Centre. First submitted: 30 September 2018

GoG 2011. *Grenada Growth and Poverty Reduction Strategy, 2012-2015*. Discussion Draft, 27 May 2011. P13. Available at <https://www.gov.gd/egov/docs/other/GPRS_Draft3%20Report_of%2027May2011_from%20CMC_send.pdf>

GoG 2011. *Grenada Strategic Programme for Climate Resilience (SPCR).* Prepared for the Pilot Programme for Climate Resilience (PPCR). Climate Investment Funds (CIF). 2 March 2011. Available at <https://www.climateinvestmentfunds.org/sites/cif_enc/files/Grenada%20SPCR%20revised%2020apr2011.pdf>

GoG 2013. *Grenada Food and Nutrition Security Plan of Action 2013–2018: Action Plan to Implement the Grenada Food and Nutrition Security Policy*. Undated. Available at <https://extranet.who.int/nutrition/gina/sites/default/files/GRD%202013%20Food%20and%20nutrition%20security%20plan%20of%20action.pdf>

GoG 2015. *Grenada Intended Nationally Determined Contribution (iNDC).* Available at <https://www.ctc-n.org/sites/www.ctc-n.org/files/UNFCCC_docs/grenada_indc.pdf>

GoG 2015. *Grenada National Agricultural Plan 2015–2030.* Final Report. 25 August 2015. Prepared by Fitzroy James, National Agriculture Plan Consultant. Available at

<https://agricarib.org/images/docs/COUNTRIES_GRENADA_National_Agriculture_Plan_Final_Aug25_2015_Final_Edit_(002).pdf>

GoG 2016. *Government of Grenada Public Investment Management System (PIMS). Final Report.* Prepared by: Beverley I. Charles - PSIP Consultant. February 2016. Available at <https://info.undp.org/docs/pdc/Documents/GRD/1.January%202016_Final%20Report%20-%20PSIP_Grenada.pdf>

GoG 2017. *National Climate Change Adaptation Plan (NAP) for Grenada, Carriacau and Petite Martinique (2017–2021).* Government of Grenada, Ministry of Climate Resilience, the Environment, Forestry, Fisheries, Disaster Management and Information. November 2017. Available at <https://www.gov.gd/egov/docs/other/Grenada-National-Adaptation-Plan-2017.pdf>

GoG 2017. *National Climate Change Policy for Grenada, Carriacou and Petite Martinique (2017-2021).* November 2017. Available at <https://www.gov.gd/egov/docs/other/Grenada-National-Climate-Change-Policy-2017].pdf>

GoG 2018. *Pilot Program for Climate Resilience Annual Report – January to December 2017*. 1 October 2018. Submitted by Robbie S Theodore. Available at <https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/grenada_-_2017_ppcr_results_report.pdf>

GoG 2019. *National Sustainable Development Plan 2035*. Available at <https://www.nationalplan2030.gd/index.php/about-us>

GoG. *Integrated Climate Change Adaptation Strategies (ICCAS)*. Supported by GIZ, UNDP, BMZ. Ended December 2018. Available at <http://www.iccas.gd>

IMF 2008. *Grenada: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding*. 20 June 2008.

UNDP 2019. *Climate Change Adaptation: Grenada.* Media Centre. Available at <https://www.adaptation-undp.org/explore/caribbean/grenada>

UNFCCC 2015. *Grenada Submits its Climate Action Plan Ahead of 2015 Paris Agreement.* News: Announcement, 18 Sept 2015. Available at <https://unfccc.int/news/grenada-submits-its-climate-action-plan-ahead-of-2015-paris-agreement>

WB 2016. *Grenada: Blue Growth Coastal Master Plan.* Report No: AUS20778. GEN04: LAC. 30 April 2016. Available at <http://documents.worldbank.org/curated/en/358651480931239134/pdf/AUS20778-WP-P156854-ABSTRACT-EMAILED-grenada-PUBLIC.pdf>

World Bank 2004. *Grenada OECD Fiscal Issues. Policies to Achieve Fiscal Sustainability and Improve Efficiency and Equity of Public Expenditures.* Report no 28334-GRD. 25 October 2004. World Bank Caribbean Country Management Unit. PREMU. LAC.

World Bank 2004. *Grenada OECD Fiscal Issues.* Report No. 28334-GRD. 25 October 2004. World Bank Caribbean Country Management Unit. PREMU. LAC. p i, ii. Available at <*http://documents.worldbank.org/curated/en/741731468030345728/pdf/283340GRD.pdf*>

World Bank 2019. World Bank Climate Change Knowledge Portal for Development Practitioners and Policy Makers. *Grenada.* Available at <*https://climateknowledgeportal.worldbank.org/country/grenada*>

6. GUATEMALA COUNTRY VISIT REPORT

Reforestation project in Xela, Quetzaltenango, Guatemala. © Roberto La Rovere

CONTENTS

TABLES

A. Presentation of the country and GCF role

Guatemala was strategically selected as a representative of Latin America and the Caribbean, even though it did not qualify under any of the GCF priority criteria (Least Developed Countries [LDCs], African Countries and Small Islands Developing States [SIDS]). It has approved but not yet launched projects in-country that cover both mitigation and adaptation, and has no approved national private sector project, although a regional project by the Inter-American Development Bank (IDB) has been approved.

1. Main climate change risks and context

According to its Second National Communication to the United Nations Framework Convention on Climate Change (UNFCCC), submitted in 2016, Guatemala has already observed rises in temperature and rainfall in the period 2001 to 2014, as compared to data from 1971 to 2000. During this most recent period, the average national temperature increased by 0.94°C. Temperatures are expected to increase by between 1.8°C and 4.1°C by 2050, depending on the region and scenario. During the same period, the average yearly rainfall across the country increased by between 2 per cent and 48 per cent. However, climate change projections indicate a general trend for a decrease in rainfall from 2020 through 2050, that could range from -3.7 per cent to -25.4 per cent. This is likely to combine with the increase in cyclones that has occurred in the region, and the increasingly frequent El Niño and La Niña weather patterns.[87]

According to the Germanwatch Climate Risk Index, Guatemala is highly vulnerable to extreme weather events.[88] The main climate risks relate to the decreasing availability of water resources and a rise in the frequency and intensity of droughts, which directly threaten small agricultural producers (who generally have low adaptive capacity) and hydroelectricity production. Climate change also threatens ecosystems, and amplifies risks to human health related to transmission vectors such as mosquitoes and ticks, and diseases like malaria, dengue and chikungunya.[89] According to the World Bank (WB), vulnerability is largely due to the reliance of small farmers on degraded natural resources, and "is further increased by urbanisation and rapid population growth, highly vulnerable physical structures, limited access to suitable water and health services, and low capacity to manage natural disaster risks".[90]

2. Institutional arrangements related to climate change

Since the release of its National Climate Change Policy in 2009, Guatemala has developed several instruments to advance its climate change agenda. The most significant of these is the Framework Law to Regulate Reduction of Vulnerability, Mandatory Adaptation to the Effects of Climate Change, and the Mitigation of Greenhouse Gas Effects (2013). This legislation created a multi-stakeholder National Climate Change Council (CNCC) to supervise climate action and monitor the implementation of climate plans and strategies. The CNCC gave birth in 2016 to the National Climate Change Action Plan (PNACC). This law also created the Guatemalan Climate Change Science System (SGCCC) – composed of multiple research institutions and responsible for generating and disseminating climate change information – and the National Climate Change Fund (FONCC) to finance adaptation, capacity-building and climate-related disaster risk management, as

87 *Ministerio de Ambiente y Recursos Naturales, Segunda Comunicación Nacional sobre Cambio Climático*, 2015.
88 Germanwatch, Global Climate Risk Index 2019, Briefing Paper, 2018.
89 *Ministerio de Ambiente y Recursos Naturales, Segunda Comunicación Nacional sobre Cambio Climático*, 2015.
90 World Bank Group, Climate Change Knowledge Portal, Guatemala, 2019. Available at <https://climateknowledgeportal.worldbank.org/country/guatemala>

well as mitigation related to energy, deforestation and land-use change. It also attributed responsibilities to various ministries and government agencies regarding planning for adaptation and mitigation.

Guatemala submitted its Intended Nationally Determined Contributions (INDCs) in 2015. It signed the Paris Agreement in April 2016 and ratified it in January 2017. It also submitted its Second National Communication to the UNFCCC in 2016. The country's National Development Plan (*Plan Nacional de Desarrollo K'atun: Nuestra Guatemala 2032*) launched in 2014, and incorporates climate change adaptation and vulnerability.

3. Key actors in climate change

The CNCC is composed of government institutions, civil society organisations (CSOs), private sector organisations (PSOs), as well as associations and non-governmental organisations (NGOs), as detailed in Table 6-1. Its members are amongst the most relevant climate change actors in Guatemala.

Table 6-1. Members of the National Climate Change Council

Government institutions	CSOs and PSOs	Associations and NGOs
Ministry of Environment and Natural Resources (MARN) Ministry of Agriculture, Livestock and Food (MAGA) Ministry of Energy and Mines (MEM) Ministry of Communications, Infrastructure and Housing (MICIVI) Executive Secretariat for National Coordination of Disaster Reduction (CONRED) University San Carlos de Guatemala	Indigenous organisations Rural organisations Commercial, Industrial and Financial Associations Committee Chamber of Industry Chamber of Agriculture Private universities	National Association of Natural Resources and Environmental NGOs (ASOREMA) National Municipalities Association (ANAM) Association of Mayors and Indigenous Authorities (AGAAI)

Other relevant actors for climate change include the National Forestry Institute (INAB), the National Institute for Seismology, Volcanology, Meteorology and Hydrology (INSIVUMEH), and the National Council for Protected Areas (CONAP). Other governmental departments are relevant to climate change activities in the country. These include the Ministry of Finance (MINFIN), the Public Credit Department, as well as the General Planning Secretariat (SEGEPLAN). The Ministry of Finance is responsible for non-grant finance, while the SEGEPLAN is responsible for strategic planning and grants or official development assistance. The Ministry of External Affairs (MINEX) is also an actor when it comes to multilateral environmental agreements.

It should also be noted that an Interinstitutional Coordination Committee on climate change chaired by MARN (and which includes MAGA, INAB and CONAP) meets regularly to coordinate government actions on climate change. Participating organisations all have their own climate change units.

4. Timeline of GCF support in the country

Green Climate Fund activities in Guatemala have consisted mostly of readiness support through the Readiness and Preparatory Support Programme (RPSP). One RPSP project is under implementation and is soon to be completed, while one has been approved and another is under preparation. Although four funding proposals have been approved for the country, only one of them (FP087) is a national project, and none have started implementation. Approved projects are presented chronologically in Table 6-2 below.

Table 6-2. Timeline of GCF support in Guatemala

Type of support and name of project	Amount (USD)	Submission date	Status
FP038: GEEREF-NeXt (European Investment Bank – EIB)	265,000,000	15 Apr. 2016 – 31 Mar. 2017	Approved, no in-country implementation
RPSP: NDA capacity strengthening and country programme development (IUCN)	371,300	20 Oct. 2016	Under implementation (to be completed next month)
FP048: Low-Emission Climate Resilient Agriculture Risk Sharing Facility for MSMEs in Mexico and Guatemala (Inter-American Development Bank – IDB)	158,000,000	4 Jul. 2017	Approved, no in-country implementation
FP098: Productive Investment Initiative for Adaptation to Climate Change (CAMBio II) (CABEI)	28,000,000	15 Nov. 2017	Approved October 2018, FAA under preparation
RPSP: Generation and preparation of information to prepare financing proposals of the AFOLU sector in Guatemala (Food and Agriculture Organisation – FAO)	813,294	28 Sept. 2018	Approved, not yet started
FP087: Building livelihood resilience to climate change in the upper basins of Guatemala's highlands (IUCN)	22,000,000	31 Jul. 2017	Approved October 2018, FAA under preparation

Other proposals are under preparation but have not yet been submitted to the GCF. These include readiness, National Adaptation Plan (NAP), Project Preparation Facility (PPF) and full funding proposals, as summarised in Table 6-3 below.

Table 6-3. Funding requests under preparation

Type of support and name of project	Amount (USD)	Comments
RPSP: Green Finances in Guatemala (WB/IFC)	986,591	
NAP: Strengthening National Planning Systems for Climate Change Adaptation in Guatemala (Rainforest Alliance)	1,596,136	
PPF: Waste management system in Guatemala City (CABEI)	1,508,007	
FP: Securing the resilience of vulnerable small farmers in the Mayan landscapes of Petén, Verapaces and the Dry Corridor of Guatemala (FAO/IUCN)	97,000,000	Concept Note submitted 12 Oct. 2018
FP: Ecosystem-based adaptation to increase climate resilience in the Central American Dry Corridor and Arid Areas of Dominican Republic (CABEI/UN Environment)	285,586,253	

5. Institutional arrangements for engaging with the GCF

The National Designated Authority (NDA) for the country is the MARN. It is responsible for overall leadership on GCF involvement, including communicating and explaining GCF programmes, mobilising stakeholders, designating Direct Access Entities (DAEs), coordinating processes with MINFIN and SEGEPLAN regarding financial flows, providing the no-objection letter and overseeing implementation as part of project steering committees. However, the no-objection process has not been fully approved yet.

The MARN is currently responsible for prioritising projects. The country programme, which has been finalised and should be approved shortly, will be the first tool to prioritise projects in the country. Projects are then reviewed by a political committee composed of the MARN, MINFIN and SEGEPLAN, which ensures that the project is aligned with the country's priorities and plans, and then passed on to a technical committee composed of various ministries for a screening on technical aspects. The project subsequently receives the no-objection letter from the MARN.

The organisations designated for possible accreditation as DAEs are the Foundation for the Conservation of Natural Resources and the Environment in Guatemala (FCG), the Central American Bank for Economic Integration (CABEI) and the National Bank for Mortgage Credit (BCHN). The MARN is also the Global Environment Facility (GEF) FP.

The MINFIN and SEGEPLAN also play an important role in the process, given their prerogative over official financial flows in the country and the role of SEGEPLAN in strategic planning. They are developing the financial processes to channel GCF support into Guatemala. The MINEX determines which organisations receive a status of "cooperating source" (*fuente cooperante*), which enables funds to be considered as providers of official development assistance. Given its lack of presence in the country, the fact that it is not a United Nations organisation and the fact that it received funding from non-governmental sources, the GCF is considered a "private fund" and is not entitled to be considered a *fuente cooperante*. The only two organisations to have received this designation to work with the GCF are the Inter-American Development Bank (IDB) and CABEI.

6. Other efforts by development partners in climate change

In addition to the abovementioned organisations active in climate change in Guatemala, the United Nations Development Programme (UNDP) has also been very active in delivering climate change projects in the country. Since 1997, it has implemented four GEF-funded projects, while two additional ones are under implementation.[91] The UNDP is also implementing an Adaptation Fund (AF) project in Guatemala (Climate-change Resilient Production Landscapes and Socioeconomic Networks Advanced in Guatemala)[92] and is managing the National Fund for Adaptation to Climate Change.[93] The WB, the Climate Investment Funds – through the Forest Investment Programme – and IDB are also involved in REDD+ issues.

91 Available at <https://www.thegef.org/projects-faceted?f[]=field_country:70&f[]=field_p_focalareas:2207>
92 Available at <https://www.adaptation-fund.org/project/climate-change-resilient-productive-landscapes-and-socio-economic-networks-advanced-in-guatemala/>
93 Available at <http://www.marn.gob.gt/paginas/Fondo_de_Adaptacin_al_Cambio_Climtico_y_administrado_por_el_Programa_de_Naciones_Unidas_para_el_Desarrollo_PNUD_1>

B. Findings

1. Fund business model and structure

a. Core principles

There is a strong belief among stakeholders that the priorities of the Fund are well aligned with national priorities, and that the country ownership approach promotes projects from the ground up and provides an opportunity for the increased integration of indigenous practices and knowledge. As mentioned above, climate change has been included in the national development plan (*K'atun*), and the country possesses a strong legal and policy framework related to climate change.

Nonetheless, many stakeholders expressed that mitigation should not be a priority for the country's investments, given its limited contribution to global emissions. While the concept of "paradigm shift" has reportedly provided some food for thought to the NDA and Accredited Entities (AEs), there is confidence that it will lead to more integrated approaches, empowerment and sustainability in projects. Several organisations mentioned that the "climate rationale" approach, although valid, is challenging as the country does not possess enough data to back it up.

b. Organisational structure at the country level

The NDA is the Ministry of Environment and Natural Resources (MARN), with the primary FP being the Minister and the secondary FP being the Vice-Minister of Natural Resources and Climate Change. Operationally, the Coordinator for the International Cooperation Unit of the MARN is responsible for GCF-related activities. The Climate Change Direction is responsible for the technical review of funding proposals and for contributing to proposals where the MARN is an executing entity (EE).

The NDA is crucial for ensuring the country can access GCF funding. The NDA is responsible for disseminating information about GCF, helping project proposals meet GCF requirements, advising on priorities and, critically, facilitating national approval of projects through complex legal and policy frameworks.

To date, the MARN is still figuring out appropriate processes for engaging with the Fund. The capacity of the MARN to assume the leadership required of the NDA is hindered by political uncertainty – there have been 14 MARN Ministers in 20 years – and high staff turnover. Fortunately, environment issues have remained a priority in recent years, and established processes should survive government changes.

Interviews with various government stakeholders and AEs have highlighted significant failures in the functioning of the GCF business model in Guatemala. The Fund's lack of legal agreements in the country is a problem, and the model is not coherent with the national legal and institutional framework. For one thing, the Government is not able to sign agreements with the GCF given that it is neither nationally present nor a United Nations entity, which means that an intermediary must always be present. Unless the AE signs an agreement with the Government allowing it to be considered a *fuente cooperante*, GCF funds will not be considered as official development assistance. Furthermore, responsibilities related to climate finance fall within different ministries (MARN, MINFIN, SEGEPLAN and even MINEX), leading to confusion, procedural bottlenecks and some level of tension. Examples of this would be the fact that the organisations identified by MINFIN as entry points for the GCF (namely CABEI and IADB) are different from the ones prioritised by MARN. The projects promoted by SEGEPLAN are not the same as those promoted by MARN. Several voices among government agencies suggest that MINFIN would make a more appropriate NDA or that the process should be jointly led by both ministries, but the opinion of MINFIN on the matter could not be obtained.

c. Relationship with the GCF Secretariat

The main entry point for all Guatemalan stakeholders into the GCF Secretariat is through the Regional Advisor for Latin America and the Caribbean, which has one member of staff in Grenada and another in Panama (previously in El Salvador). This has clearly made a significant difference in allowing direct contact with Secretariat staff for help with GCF concepts and procedures, building awareness and capacity, and even the provision of Direct Access to specific Secretariat staff. Communications with the Regional Advisor were described as "fluid" by the NDA, and its support was considered to be very useful for readiness. Support to other stakeholders or for specific projects was reportedly disrupted, however, by staff changes at the Regional Advisor's office.

Accredited Entities are also in contact with the Secretariat through their specific task managers for proposal/project-related communications. However, direct communications with the Secretariat are limited and interviewees reported having limited information with regard to its functioning.

Since Spanish is the official language of Guatemala, most stakeholders emphasised the challenges of communicating only in English with the Secretariat. Having to translate a large number of documents to and from English generates additional costs and delays. Staff may not have an adequate level of English, yet training in the language was reportedly excluded from readiness support.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

The NDA plays a coordination and facilitation role in Guatemala. It reaches out to AEs, potential AEs, CSOs and PSOs to provide information about the Fund. Recently, an information meeting was held about accreditation to raise awareness and interest in Direct Access. Yet, since the NDA itself is learning about the GCF, and due to still-limited capacities, it could play a stronger leadership role in providing guidance for a country-wide paradigm shift.

Accredited Entities assume leadership to develop and implement various types of projects. The NDA often plays the role of an EE in projects, as they are not accredited, and so do other ministries and government agencies (MAGA, INAB). Given the frequent changes of personnel in most government agencies, some AEs often carry some institutional memory about projects, programmes and strategies, and work with the Government to ensure some continuity.

The central role of the NDA in promoting the country's GCF portfolio may unintentionally direct GCF funding to the same entities who can remain close to the Government and share its vision while limiting access to more marginal actors or to those who would be critical of the current Government's priorities.

In fact, while several ministries and government agencies, as well as AEs, seem to have been closely involved with GCF activities in the country, a disconnect was observed with CSOs (including indigenous peoples' organisations) and PSOs. The private sector, in particular, has a strong interest in accessing GCF funds but feels left in the dark. This may result from a traditional divide and perhaps lack of trust between the public and the private sector. It would also appear that much of the coordination around GCF activities are made through the Interinstitutional Coordination Committee, which involves only government agencies.

Indigenous peoples' organisations are very active in Guatemala and have been involved, for example, with REDD+ and forestry programmes from WB or German cooperation often funded through MINFIN, which have formal processes for consulting and involving indigenous populations. Although they are part of the CNCC, this council has not been active in recent years, thus limiting their involvement. Indigenous organisations have participated in various GCF activities in Guatemala – such as a recent workshop on Direct Access – and were consulted on the design of the project with the International Union for Conservation of Nature (IUCN). However, no formal process exists at the national level to ensure appropriate consideration for indigenous concerns in GCF activities in the country (especially when it comes to private sector projects), and communications with the NDA remain scarce. Several organisations interviewed had no awareness about GCF activities in the country, despite being active in related topics internationally.

The AEs currently involved in designing or implementing projects in Guatemala generally seem at ease with the technical aspects and concepts related to the GCF, such as those of climate rationale and paradigm shift. International AEs can benefit from the global experience of their organisations to guide them through the complexity of GCF processes. All are faced with the challenges of dealing with national processes. Some AEs indicated having delayed the preparation of national proposals to ensure that their projects were fully additional to their current activities, but also to wait until processes are more established.

e. Funding programmes and instruments

The AEs interviewed are satisfied with the variety of funding programmes and instruments available to them. The Fund is perceived – by organisations not yet involved in its activities – as more flexible than other funds like GEF, due to its ample funding programmes and instruments, and for example, the fact that it is widely open to adaptation and mitigation projects and that it does not have country allocations. Looking at the actual access of Guatemala to the GCF paints a different picture.

There are currently two RPSP projects and four funding proposals approved for Guatemala. Yet, to date, Guatemala has only accessed GCF funding through one of the RPSP projects, which is soon to be finalised and for which USD 371,300 has been disbursed at 85 per cent. This RPSP provided preparedness support to the NDA and allowed for the development of the country programme. It has been valuable in building knowledge and awareness about the GCF and in defining the country's priorities. However, gaps remain in the form of ensuring the institutionalisation of the NDA and in gaining full approval of the no-objection process. The upcoming RPSP projects should have different focus areas (agriculture, forestry and other land use [AFOLU], and green finances), and, while useful, may not contribute to filling the remaining capacity gaps in the NDA that currently hinder access to GCF funding.

In terms of funding proposals, there are two types of projects: one national, public project (FP087) and three regional or international, private sector projects. The project FP087 by IUCN is an adaptation project using a USD 22 million grant from GCF (small-sized project) with co-financing grants from the Korean International Cooperation Agency (USD 4.6 million) and the Government of Guatemala (USD 5 million) as well as USD 6 million of in-kind co-financing from the Government of Guatemala. The project targets the highlands of Guatemala and leverages existing government programmes and local organisations to implement adaptation actions. The funding agreement is currently under negotiation.

The other three funding proposals are regional or global projects by EIB, IDB and CABEI, covering adaptation and/or mitigation and using a combination of financing instruments including loans, guarantees, equity and grants, and mobilising co-financing from the AEs and other private sector investors. While these projects cover Guatemala, they do not yet have any activities planned in the country, and awareness about these projects is limited among all national stakeholders. To date, it is unclear whether these projects will provide Guatemala access to GCF funds.

The pipeline of proposals for Guatemala includes a NAP proposal, an RPSP proposal, a PPF proposal for a national project, a funding proposal for a national project and a funding proposal for a regional project. Accredited Entities, therefore, use a variety of funding programmes and instruments to access the Fund.

2. GCF POLICIES AND PROCESSES

a. GCF policies

Opinions vary widely among respondents about the policies of the GCF, from "sufficient" to "normal" to "insufficient". This opinion varies with the role of the respondent about these policies. International AEs with longstanding experience dealing with policies and safeguards from other donors like WB, did not report any issues in complying with the Fund's policies, whereas national entities did encounter challenges in complying with expectations. Some public sector organisations mentioned that doing so often required technical expertise that was not available within the organisation, and as such, perceived them as a burden. An organisation seeking accreditation was required to strengthen its existing gender and environmental and social safeguard (ESS) policies but found that the process does not provide clear guidance as to what the standards to fulfil should be, so readiness support was requested for this topic. Overall, the policies are not perceived as excessive, but compliance is a challenge for national organisations.

In terms of the sufficiency of policies, both the ESS and the gender policies are very relevant to the local context. However, the Indigenous Peoples Policy is clearly the most relevant to Guatemala, given that approximately 40 per cent of the population is indigenous.[94] Indigenous organisations interviewed were aware of the Indigenous Peoples Policy and stated being satisfied by its content. They described it as a "good first step" for taking into consideration indigenous rights throughout the Fund's activities, also highlighting the need for the policy to be followed by meaningful action, and for its implementation to be monitored at the project level.

There is, however, a concern that indigenous voices are not sufficiently heard by the GCF, especially considering indigenous organisations are not formally represented in the Fund, but rather integrated with the broader CSO category. As stated in the introduction of the Indigenous Peoples Policy of the GCF, "indigenous peoples are unique and a distinct stakeholder of the GCF" who "often have identities and aspirations that are distinct from mainstream groups in national societies and are disadvantaged by traditional models of mitigation, adaptation and development".[95] Indigenous peoples' organisations would, therefore, want the opportunity for indigenous peoples to participate more actively and observe more closely the activities of the GCF through a stream that would be separate from the CSO channels, where their voices compete with multiple other issues and perspectives.

Some interviewees also highlighted the potential contributions of traditional knowledge for addressing climate change issues, to be used in combination with Western models and tools, a concept which is also established in the climate change law of Guatemala.

b. Policies implementation

The IUCN project "Building livelihood resilience to climate change in the upper basins of Guatemala's highlands" (FP087), the only national project approved to date, involved indigenous communities during its design phase and will likely be of benefit to indigenous communities and local organisations. Stakeholders interviewed were satisfied that indigenous knowledge and

[94] CIA World Factbook, Guatemala, 2019. Available at <https://www.cia.gov/library/publications/the-world-factbook/geos/gt.html>
[95] GCF, Indigenous Peoples Policy, 1 March 2018.

practices had been integrated into the project and that consultative processes were one of the strengths of the process highlighted by the Secretariat.[96]

Indigenous organisations highlighted two main areas for improvement in the implementation of the policy. On the one hand, there is a need for a more direct cooperation channel for indigenous peoples with the GCF at the country level, to ensure that indigenous issues are taken into account in-country programming and that a dialogue is established with AEs to address contentious issues. This is of particular interest for private sector projects where cooperation is often more difficult but even more needed. On the other hand, indigenous organisations believe that national governments could play a more important role in ensuring dialogue with indigenous communities and the application of the Indigenous Peoples Policy.

c. Accreditation

There are no national DAEs in Guatemala. International AEs are active in the country, and so is CABEI, a regional DAE. The AEs interviewed had relevant experience in implementing climate change adaptation and mitigation projects in Guatemala and/or elsewhere. Their accreditation profile also covers a wide set of project types, financial tools and risk categories, allowing for flexibility in terms of the projects developed. While several AEs reported that their headquarters had encountered challenges with the accreditation process and with GCF processes at large, they appeared comfortable in dealing with the technical aspects of the climate change projects, and with the ESS requirements. They also appear to have the technical and financial capacities to prepare quality funding proposals.

Other organisations undertook the accreditation process and identified specific needs for support through the RPSP. While these organisations are recognised for their expertise and capacity to deliver on climate-related topics in Guatemala, their accreditation process has not yet been successful, although it is not clear whether they have formally been rejected. Instead, they indirectly received a recommendation for them to work with already-accredited entities to increase their experience – but without formal response or information about issues to address – to finalise the process. Without this assessment, it is difficult to know whether Guatemala is missing opportunities to mobilise key players to fulfil its GCF agenda.

Among the AEs interviewed, there was a good understanding of national priorities and good awareness about the climate change policy instruments, the national development plan (*K'atun*), the climate change challenges of specific regions of the country, and existing government strategies to address them. From that perspective, there was a consensus that climate actions would be aligned with national priorities, with the no-objection process and the upcoming country programme, as safeguards to this alignment. The AEs currently active in Guatemala also tend to work with local organisations or government agencies as executing partners, which also reinforces country ownership.

However, the lack of a national DAE means that the country must still go through an external third party to access GCF Funds to address climate change issues. Among the three entities designated by the NDA, the two national ones (FCG and BCHN) have so far not achieved accreditation.

The situation is different when it comes to regional and international projects which appear to be more disconnected from country stakeholders as they are managed at a higher level and from another country. In fact, there was little to no awareness and interest from the NDA and other stakeholders about the three regional/global projects that have been approved for Guatemala. The NDA has not received any information about the implementation of the GEEREF-NeXt of EIB.

[96] GCF/B.21/10/Add.27/Rev.01 Consideration of funding proposals – Addendum XXVII Secretariat's assessments.

In terms of Direct Access, there is interest from various types of organisations for accreditation, including government agencies, CSOs and PSOs. According to the NDA, five CSOs and PSOs have recently expressed their interest. But this interest is accompanied by a general discouragement about the possibilities of obtaining accreditation. Some organisations lack clear information about the requirements and processes. Others understand the process to be very complex and accreditation to be mostly inaccessible. They may also lack the financial resources to go through this complicated process. There is a perception that the Fund decided to promote Direct Access without being prepared for the reality of dealing with local organisations. The main challenges identified are:

1) High level of requirements;
2) High level of complexity of the processes;
3) Expectations are not explicitly stated in terms of the standards that they are expected to meet;
4) Changes in templates during the process;
5) Language barriers and need to translate all documentation; and
6) Need to re-confirm the "designated status" with every change of government.

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

There are no active projects to date. The project preparation processes were consistently described as overly long, due to GCF procedures, but also due to the need to ensure country ownership by channelling projects through national procedures. This presents a challenge not only because of changing national conditions, but also the need to mobilise co-financing.

Some AEs commented that despite the complex accreditation process and subsequent Accreditation Master Agreement negotiations, the requirements related to project design and approval are extremely high and do not seem to take into account that AEs are vetted before being able to submit a project. The collaboration with GCF is, therefore described as lacking in trust and overly contractual.

In terms of the technical aspects of projects, respondents involved in the design of the project led by IUCN indicate that it would be useful to work more closely with the Secretariat on the project's building blocks, and in particular on the climate rationale so as to build an initial mutual understanding, before developing the details of the proposal.

In terms of criteria used to identify investment opportunities for GCF funding, to date, there does not seem to be a strategy to identify them, but the country programme has the potential to change this. For now, the PNACC guides prioritisation as it includes a list of priority climate change actions.

The extent to which the iTAP/PSAG assessments help to ensure the quality of funding proposals, the Independent Technical Advisory Panel's (iTAP) technical comments may have had limited value. This is consistent with the fact that their assessments come as a final test to the project after a lot of work has been done with the Secretariat to ensure that the project fulfils the Fund's expectations. This is illustrated in Table 6-4 below, which refers to FP087, the only national project approved in Guatemala. Accredited Entities feel that they stand to lose a lot if iTAP rejects their project at such an advanced development stage, with insufficient time to make required adjustments and without any opportunity for the Board to discuss it.

b. Responsiveness to the UNFCCC

Feedback was received from the NDA indicating that support received from the GCF, both in terms of readiness and funding proposals, was considered to be aligned with the objectives of the UNFCCC.

c. Funding programmes and instruments

The country is undertaking its second readiness process (specialised on AFOLU) and is planning a third one on green finance. Satisfaction about readiness was high, although some stakeholders feel they have not been sufficiently involved. The effectiveness of the RPSP is hindered by personnel turnover and political uncertainty. Upcoming readiness activities should, therefore, seek to further institutionalise processes to address these issues. The effectiveness of other access modalities is yet to be demonstrated. According to the NDA, the different GCF financial instruments add value in comparison to other funding sources, as they allow for the blending of loans, grants and guarantees.

d. Private Sector Facility and non-grant instruments

Three approved regional or global projects that cover Guatemala are considered to be close to the private sector. First, CAMBioII, which supports micro, small- and medium-sized enterprises to become more resilient to climate change. Second, a project that provides support for financial intermediaries in promoting climate-resilient agriculture through a risk-sharing facility. And, three, a concessional facility to fund energy efficiency and renewable energy projects in GCF countries. These projects mobilise both grant and non-grant instruments for adaptation and mitigation projects. However, there is very little awareness of these projects in Guatemala and no ownership. In-country, the situation is very different when it comes to private sector involvement.

Indeed, there is strong interest from PSOs for the GCF, but there are several barriers to their involvement. Despite laudable efforts by the NDA to involve PSOs in GCF processes, their awareness and knowledge of the Fund remain limited. No private sector projects are in the pipeline. The process for approving such projects is still uncertain, and this legal uncertainty is a strong disincentive for PSOs. Entry points for the private sector are limited as there is no potential private sector DAE aside from CABEI,[97] which limits the types of projects that can be put forward. Since mitigation is usually considered more accessible for private sector projects, the fact that the most recent greenhouse gas (GHG) inventory for the country dates back to 2005 is also a barrier, as it is difficult for PSOs to accurately plan their investments. These barriers are symptomatic of a historical divide between the public and the private sector in Guatemala – and Latin America at large – that translates into communication difficulties and limited trust.

4. Likelihood of (and actual) results

Since there are currently no active projects in Guatemala, and of the four approved projects, three are regional, this section focuses on observations related to the project “Building livelihood resilience to climate change in the upper basins of Guatemala’s highlands” (IUCN), also referred to as FP087. In addition to reviewing project documentation and interviews, the FPR team visited the region where the project is to be implemented and met with communities and future EEs.

a. Quality

Both the Secretariat and iTAP conducted assessments of the project before it was approved. Their assessments against investment criteria are broadly aligned, as illustrated in Table 6-4 below.

97 At least 80 per cent of the work of CABEI is with the public sector.

Table 6-4. Rating of FP087 against investment criteria by the Secretariat and by iTAP

Investment criteria	Secretariat assessment	iTAP assessment
Impact potential	Medium/high	Medium
Paradigm shift potential	High	High
Sustainable development potential	Medium	Medium
Needs of the recipient	Medium/high	High
Country ownership	Medium	High
Efficiency and effectiveness	Medium/high	Medium

Sources: GCF/B.21/10/Add.27/Rev.01 Consideration of funding proposals – Addendum XXVII Secretariat's assessments; GCF/B.21/10/Add.28/Rev.01 Consideration of funding proposals – Addendum XXVIII Independent Technical Advisory Panel's assessment.

The comments made by iTAP focused on ensuring adequate integration of technical aspects – such as ecosystem-based adaptation concepts and climate information systems in project activities – as well as on specific aspects of the financial and governance structure, to enhance effectiveness and sustainable development potential. Its review included two conditions for first disbursement about the above.[98] The review by the Secretariat included the strengths and points of caution of FP087 but does not make specific recommendations. The strengths are the climate rationale, the "strong stakeholder participation in the proposal development", the mitigation benefits and potential adaptation benefits beyond the project area, and the co-financing. The points of caution are the lack of quantification of the hydrological effects of the project beyond the project area, the fact that stakeholders are "historically less politically abled", and the need for continuous management in the area to sustain mitigation benefits.[99]

b. Results measurement

The quality of the results measurement framework of FP087 is good. It includes output-level indicators and a main outcome-level indicator. The targets are gender-disaggregated, and baselines are provided (although not always gender-disaggregated). They effectively reflect the expected results of the project.[100] It should be noted that the project has been selected for the Learning-Oriented Real-Time Assessment (LORTA) programme, which should enhance the project's monitoring and evaluation.

c. Actual results

Not applicable to date.

d. Expected results

The expected results of the project, as stated in the funding proposal, are the improved resilience of ecosystems and ecosystem services of approximately 22,000 ha of land in the Guatemalan highlands, and the increased resilience and adaptive capacity of approximately 130,000 people. The project seeks to address the threats on the hydrological cycle by promoting ecosystem-based adaptation practices. This will be achieved through support for micro-catchment management groups, through the allocation of small- and medium-sized grants and technical support to

98 GCF/B.21/10/Add.28/Rev.01 Consideration of funding proposals – Addendum XXVIII Independent Technical Advisory Panel's assessment.
99 GCF/B.21/10/Add.27/Rev.01 Consideration of funding proposals – Addendum XXVII Secretariat's assessments.
100 GCF/B.21/10/Add.06 Consideration of funding proposals – Addendum VI Funding proposal package for FP087.

community organisations to implement ecosystem-based adaptation, and through capacity-building for local institutions. In promoting ecosystem-based adaptation, the project will partner with existing government reforestation incentives programmes (PROBOSQUES and PINPEP). The project also promotes enhanced access to climate information by building community-based early-warning systems (EWS). The INSIVUMEH is expected to benefit from a strengthened network of meteorological and hydrological stations in the project area that will enable it to generate climate information. It will then collaborate with community-based organisations to develop appropriate EWS that will, for example, provide heads up about heavy rainfall or freezing cold to enable communities to protect their crops. Capacity-building is a central element of the project and will take place with communities, community organisations, local governments, extension agents and the INSIVUMEH. The project is categorised as an adaptation project but should also have mitigation benefits related to reforestation activities.

e. Paradigm shift

The project builds on existing practices, programmes, organisations and capacities, such as on the PROBOSQUES programme (reforestation incentives), the INSIVUMEH, and the organisation Cooperation Association for the Western Region’s Rural Development (CDRO), which already work on local capacity development programmes in environment and climate change. During its design, it has built support from the communities and has acquired a strong understanding of the local context, challenges and capacities. While local knowledge and capacity on climate change are low, the project will benefit from strong levels of local organisation and mobilisation. Its design has the flexibility to adopt the most relevant practices locally, and to do so while integrating local knowledge and traditions. The project could also generate demonstration effects at the local level.

Integral approaches are challenging in terms of implementation since many pieces must come together to maximise results. As communities are already mobilising to address environmental degradation, the context is appropriate to build knowledge and apply tools to increase resilience. With its solid foundations, the project has the potential to generate transformational change for the population of the Guatemalan highlands, especially if it succeeds at generating replication throughout the project area.

In terms of lessons in promoting a paradigm shift, it is noted that efforts to build capacities can be wiped away by staff turnover and political changes. The GCF should further support changes at the policy and institutional levels that can help institutionalise climate action country-wide. In addition to strengthening the NDA and ensuring its processes and knowledge are institutionalised, the GCF and GCF funds could be used to ensure MAGA extensionists are trained in climate change adaptation.

The current business model is not working in Guatemala, with the impossibility of signing agreements directly with the GCF and the role of the NDA as sole FP. There is an incompatibility between the country’s legal system and the GCF business model that could have been avoided if the GCF were a United Nations organisation, or if NDA responsibilities could be shared between a technical FP and a financial FP.

The responsibility of communicating and explaining GCF processes should not be left solely to the NDA, as it becomes second-hand information. Furthermore, this hinders GCF visibility in-country.

Direct Access and national projects should be promoted over regional and global ones as they can really build on the needs and strengths of the country.

Indigenous voices should be heard at all levels of the GCF in a way that is separated from other CSOs, as their organisational structure and messages are different yet crucial for meaningful change to take place. More efforts are required to ensure that Indigenous Peoples Policy is implemented at the project level.

There is a historical divide between the Government and the private sector that may be hindering private sector involvement in Guatemala. The GCF could propose additional tools and mechanisms to ease collaboration and communication between the two.

Complex, long and unclear processes, as well as frequent format changes, are hindering effective action on the ground and country ownership. Accreditation processes are discouraging Direct Access and do not seem to lead to more efficient project design processes.

APPENDIX 6-1. TIMELINE AND EVOLUTION OF THE CLIMATE CHANGE AGENDA IN GUATEMALA

YEAR	KEY EVENTS FOR GUATEMALA	KEY EVENTS FOR GCF
2001	First National Communication	
2005	GHG Inventory	
2007		
2009	National Climate Change Policy	
2013	Framework Law to Regulate the Vulnerability Reduction, the Mandatory Adaptation to the Effects of Climate Change, and Greenhouse Gas Emissions Reductions	
2014	*Plan Nacional de Desarrollo K'atun: Nuestra Guatemala 2032*	
2015	Intended Nationally Determined Contributions	
2016	Second National Communication	October: Approval of RPSP for NDA Strengthening and Country Programming (IUCN)
	National Climate Change Action Plan	
2016/2017	Signature and ratification of Paris Agreement	
2017		April: Approval of FP038 GEEREF-NeXt
		October: Approval of FP048: Low-Emission Climate Resilient Agriculture Risk Sharing Facility for MSMEs in Mexico and Guatemala (IDB)
		December: First disbursement of RPSP (IUCN)
2018		October: Approval of FP087: Building livelihood resilience to climate change in the upper basins of Guatemala's highlands (IUCN), and of FP098: Productive Investment Initiative for Adaptation to Climate Change (CAMBio II) (CABEI)
2019		April: Approval of RPSP for the AFOLU sector

APPENDIX 6-2. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

TYPE OF SUPPORT AND NAME OF PROJECT	AMOUNT (USD)	SUBMISSION DATE	STATUS
FP038: GEEREF-NeXt (European Investment Bank – EIB)	265,000,000	15 Apr. 2016 – 31 Mar. 2017	Approved, no in-country implementation
RPSP: NDA capacity strengthening and country programme development (IUCN)	371,300	20 Oct. 2016	Under implementation (to be completed next month)
FP048: Low-Emission Climate Resilient Agriculture Risk Sharing Facility for MSMEs in Mexico and Guatemala (Inter-American Development Bank - IDB)	158,000,000	4 Jul. 2017	Approved, no in-country implementation
FP098: Productive Investment Initiative for Adaptation to Climate Change (CAMBio II) (CABEI)	28,000,000	15 Nov. 2017	Approved October 2018, FAA under preparation
RPSP: Generation and preparation of information to prepare financing proposals of the AFOLU sector in Guatemala (Food and Agriculture Organisation [FAO])	813,294	28 Sept. 2018	Approved, not yet started
FP087: Building livelihood resilience to climate change in the upper basins of Guatemala's highlands (IUCN)	22,000,000	31 Jul. 2017	Approved October 2018, FAA under preparation

TYPE OF SUPPORT AND NAME OF PROJECT	AMOUNT (USD)	COMMENTS
RPSP: Green Finances in Guatemala (World Bank/IFC)	986,591	
NAP: Strengthening National Planning Systems for Climate Change Adaptation in Guatemala (Rainforest Alliance)	1,596,136	
PPF: Waste management system in Guatemala City (CABEI)	1,508,007	
Funding proposal: Securing the resilience of vulnerable small farmers in the Mayan landscapes of Petén, Verapaces and the Dry Corridor of Guatemala (FAO/IUCN)	97,000,000	Concept Note submitted 12 Oct. 2018
Funding proposal: Ecosystem-based adaptation to increase climate resilience in the Central American Dry Corridor and Arid Areas of Dominican Republic (CABEI/UN Environment)	285,586,253	

APPENDIX 6-3. DOCUMENTS CONSULTED

National documents

Republic of Guatemala, *Framework Law to Regulate the Vulnerability Reduction, the Mandatory Adaptation to the Effects of Climate Change, and Greenhouse Gas Emissions Reductions*, 2013

Republic of Guatemala, *Intended Nationally Determined Contribution (INDC)*, 2015

Republic of Guatemala, *National Climate Change Action Plan (PNACC)*, 2016

Republic of Guatemala, *Plan Nacional de Desarrollo K'atun: Nuestra Guatemala 2032*, 2014

Republic of Guatemala, *Second National Communication to the UNFCCC*, 2016

GCF-related documents

FP038 Funding Proposal

FP048 CSO Comments

FP048 Funding Proposal

FP048 iTAP Comments

FP087 ESS Report

FP087 Funding Proposal

FP087 iTAP Comments

FP087 Secretariat Assessment

FP097 Funding Proposal

FP097 iTAP Comments

Republic of Guatemala, *Country Programme Brief*, 2016

Republic of Guatemala, *Readiness Proposal*, 2015

7. MAURITIUS COUNTRY VISIT REPORT

Seven coloured Earth on Chamarel, Mauritius Island. © Balate Dorin/ShutterStock

CONTENTS

A. PRESENTATION OF THE COUNTRY AND GCF ROLE

Mauritius was selected as a case study country because it fits into two GCF areas of special focus as both a Small Island Developing State (SIDS) and an African State, and also because the GCF-funded project under implementation in Mauritius (FP033) is regarded as one with paradigm shift potential that may catalyse transformative change. To date, the Fund's portfolio in Mauritius primarily constitutes one major funded project – Accelerating the Transformational Shift to a Low-carbon Economy in the Republic of Mauritius (FP033) – and several small-scale and/or nascent initiatives. The FP033 project aims to enable the nation's transition toward renewable energy and is implemented by the United Nations Development Programme (UNDP). Other important GCF multi-regional initiatives implemented locally include the Global Energy Efficiency and Renewable Energy Fund (GEEREF-NeXt, FP038) and Transforming Financial Systems for Climate (FP095), as well as two pipeline concept notes. The latter include: "Building the resilience of the Republic of Mauritius towards hydro-meteorological hazards and climate change impacts"; and "Increasing resilience in the Indian Ocean through restoration and conservation of coastal ecosystems".

1. MAIN CLIMATE CHANGE RISKS AND CONTEXT

Mauritius is a SIDS located off the east coast of Africa. Although an archipelago with territory that spreads across a large expanse of the Indian Ocean, the population is overwhelmingly concentrated on the main island. It enjoys a robust economy and is classified as an upper-middle-income country by the World Bank (WB).[101]

As a tropical island nation, Mauritius is exceptionally vulnerable to climate change. Hazards include increased severity and frequency of cyclones, sea-level rise, flash floods and water insecurity. As with most island states, its natural resource base is limited and under strain. Sea-level rise and storms are perhaps the most urgent concerns: the economy is heavily dependent on tourism along its stunning coastline, and major imports/exports are largely restricted to a single deep-sea port. The tourism industry is already being strained by beach erosion and the collapse of corals, and the harbour – situated in a location that was once protected from storm paths – is increasingly vulnerable now that storm paths themselves are changing. According to 2015 Nationally Determined Contributions (NDC), changes that have already occurred include a 0.74$_{o}$C increase in average temperatures, a decrease in precipitation by 8 per cent since 1950, cyclone intensification and coral bleaching. Projections show a large variation in rainfall patterns and an alarming rise in temperatures.[102]

Although the vulnerability of SIDS to the effects of climate change is well-known, mitigation is both a concern and an opportunity in Mauritius. Although the nation contributes only 0.015 per cent of global greenhouse gas (GHG) emissions,[103] presently it is heavily dependent on highly polluting – and expensive – imported coal (43 per cent) and fuel oil (38 per cent).[104] Indeed, according to one informant, fuel represents 20 per cent of seaport imports. Mauritius has enormous potential to harness wind and solar energy, but to date, this is largely untapped despite numerous initiatives in recent years. There is thus ample opportunity to reduce emissions and transition towards renewable energy. It has set ambitious goals to this end: to abate GHG emissions by the year 2030 and in so doing, save 7 million metric tons of carbon dioxide (CO_2).[105] Achieving this will also have significant co-benefits, including economic savings and reduced pollution.

101 World Bank, undated.
102 Government of Mauritius, 2015.
103 Government of Mauritius, 2015.
104 Green Climate Fund, undated.
105 Government of Mauritius, 2015.

B. Findings

1. Fund business model and structure

a. Core principles

The one and only Mauritius GCF project – Accelerating the transformational shift to a low-carbon economy in the Republic of Mauritius (FP033) – reflects core GCF principles strongly and soundly:

- *Country ownership*. Stakeholders express a strong consensus that the Government of Mauritius has fully embraced and promoted FP033. Although some impetus and administrative momentum has come from UNDP, the Government of Mauritius clearly champions this project.

  While government counterparts exhibit strong levels of country ownership regarding the current GCF pipeline, the evidence is less compelling in terms of a country ownership base beyond the Government and its tight partnership with UNDP. While all are eager for cheaper and less polluting electricity, there were also calls for broader access for diverse programmes. There is also interest in a wider range of Accredited Entities (AEs), but to date, options are limited.

- *Country needs*. There is broad agreement that FP033 fits the national strategic priorities of Mauritius. It is fully aligned with the nation's economic and environmental aims. Moreover, it is expected to single-handedly enable the Government to achieve the ambitious mitigation aims listed in its Nationally Determined Contribution (NDC). While the project has clearly demonstrated mitigation benefits, many focus on economic co-benefits. Fuel is expensive as well as polluting in Mauritius, and the opportunity to improve energy security while saving money is a major priority.

  In other respects, GCF operations are less aligned with country needs. For example, there are widespread complaints about slow bureaucracy and vague or inconsistent guidance. There is a strong sense that the processes of the GCF are unnecessarily cumbersome, and while potential rewards are high, they are very slow and uncertain, and transactional costs are considerable. Indeed, some stakeholders strongly called for set "envelopes" to be allocated per country rather than using global bidding competition, even if this would lead to a reduction in overall funds available to Mauritius. There are strong calls for more transparent and predictable decisions from both the GCF Secretariat and its Board so that key officials can plan their time and weigh their options accordingly.

b. Organisational structure at the country level

The designated AE for FP033 is UNDP, and it has a long track record and close relationship with the Government of Mauritius. While some expressed enthusiasm for Direct Access, there is widespread satisfaction with UNDP. Although the considerable funding the GCF may bring is warmly welcomed, some prefer working via UNDP precisely because GCF is seen as a difficult partner. For FP033, UNDP led the proposal preparation and project design process, but with extensive involvement of the assigned National Designated Authority (NDA), which is housed in the Ministry of Finance and Economic Development (MOFED). The designated unit is responsible for mobilising resources, and as the project has entered the implementation phase, the operational counterparts of UNDP sit with the ministries with jurisdiction over each of the three separate project components. It is too early to tell how well these arrangements are working in terms of operations. Overall, government stakeholders and UNDP are confident with one another, although there are signs of some internal coordination challenges. One opportunity for improvement is closer collaboration with the private sector.

c. Relationship with the GCF Secretariat

Stakeholders' opinions of working with the Secretariat vary widely; however, it must be noted that those who work most closely with the GCF are more vocal about the challenges of doing so, and some voices were outright harsh. It should be emphasised that the NDA began engaging the GCF very early on in the institution's history. The GCF was still very much in its start-up phase; it was understaffed and with very nascent policies and procedures. Stakeholders indicate that nearly every question posed to the Secretariat – either policy or procedural – seemed to break new ground, and responses were painfully slow and frequently contradictory. Many of the details they reported may have been resolved or improved since their initial engagement with the GCF; for example, a recent independent evaluation showed that the median number of days it took GCF to process a Readiness and Preparatory Support Programme (RPSP) grant plunged from 422 days in 2015 to 172 in 2017.[106] Nevertheless, a few specific recommendations can be distilled from the Mauritius experience.

"Silos" separate the project funded via AE from other in-country endeavours. This is unsurprising and efficient from a short-term administrative standpoint. Nevertheless, it also presents some lost opportunity for cross-fertilisation across the national spectrum of engagement with GCF. The major funded project is implemented via UNDP as an intermediary, which assumes responsibility for interaction with donors and compliance with requirements. Interaction between government implementing bodies and GCF is limited. The UNDP has a strong and smooth working relationship with Mauritian authorities, and stakeholders are largely satisfied. Notwithstanding this, disadvantages remain, including:

- Weak visibility and recognition of the role of GCF in this project;
- Lost opportunities for "learning by doing" among government stakeholders;
- At times, unrealistic expectations among government stakeholders about working with GCF; and
- Those who work on smaller-scale endeavours (e.g. adaptation concept papers) are separate from the administration of the major project. On the other hand, the NDA itself has spanned various GCF-affiliated endeavours, albeit at different levels of intensity. Nevertheless, there are opportunities to better utilise FP033 as a pathway towards other GCF access modalities.

Some of these issues are inter-related with the internal coordination arrangements of the Government of Mauritius, including the separation of the NDA (which sits in the government's financial mobilisation unit) from its implementing agencies. The Secretariat might explore avenues to encourage better integration and interaction between actors engaged with the GCF at different levels. These may include:

- Empowering the country coordination desk in Songdo, Republic of Korea. While there is a country desk officer, an opportunity exists to improve how well this position liaises with both the Country Programme Division and the rest of the Secretariat. The desk officer has the potential to be a "one-stop-shop" for navigating the Secretariat and thus reducing the very considerable level of in-country confusion about who to go to, and for what. Mauritian stakeholders also call for increased authority for this officer. There are complaints that while s/he can be helpful, s/he has insufficient decision-making power or status to address key issues

106 Independent Evaluation Unit. Independent Evaluation of the Green Climate Fund's Readiness and Preparatory Support Programme (RRSP). GCF/B.22/03, 1 February 2019. Page xi.

as they arise. There are strong calls to change this, and by doing so, make processes more efficient and effective.

- GCF presence on the project's board/steering committee. The FP033 is led by a steering committee which meets twice per year. One practical recommendation from the field is for GCF to join the steering committee itself, at least as an observer. Doing so poses many advantages, including a greater opportunity for clarification and communication between the Government, the AE, and GCF; better recognition by the funder about specific country-level challenges and how to navigate them within GCF systems; and the opportunity for informal interaction between various in-country stakeholders and a GCF representative.

The Mauritian experience also highlights other areas of improvement that can help facilitate more effective and efficient global programming:

- A more responsive Readiness programme. As will be discussed in greater detail below, to quote one informant, "The Readiness Programme is not ready!" Despite strong working relationships with UNDP, there is also a hunger for Direct Access, as well as for smaller-scale financing for more modest efforts. Mauritius is moving more systematically into climate change adaptation programming, and there is strong interest in accessing GCF financing. However, routes to engage with GCF independently of UNDP have so far been unsatisfactory. The issues most frequently cited include slow and circular processes; unclear and inconsistent guidance; and decisions which come late and/or contradict earlier guidance. There is a sense from some quarters that the Government is ready, willing and capable to fully engage, but the Readiness programme is not the vehicle that it is intended to be.
- Rigidity on administrative arrangements. Stakeholders at many levels comment on the slow pace and rigidity of the Secretariat about paperwork. However, issues are acute when it comes to legal matters, which has proved particularly problematic on several fronts. According to a diverse range of stakeholders, the GCF has been insensitive to what constitutes valid and legal arrangements. A two-year tangle over a typo best illustrates this problem. After the Mauritius Readiness programme was approved, a minor but important error was discovered in a key document: a typo in the bank account number to which the money was to be wired. When the mistake was identified, the NDA immediately notified the GCF. Although clearly a routine administrative error, it took two full years to correct, and a large part of the problem lies with GCF. For example, it insisted on an original signature by those who had signed the original document, but those people were no longer in those same positions, and one had become Prime Minister of the entire county. Stakeholders insist that full legal arrangements were in place to accommodate these changes, but GCF refused to recognise them. While this is a perhaps extreme example – and it should be acknowledged that the GCF had streamlined many processes since the time when this occurred – it is nevertheless illustrative of the kinds of administrative difficulties that are reported. In other words, this is an example – not simply an anecdote. The GCF is strongly encouraged to explore ways in which to administer its contracts in a manner that is robust but also flexible enough to account for routine updates, corrections and personnel changes.
- More certainty and transparency about funding decisions. The GCF can be an exceptionally generous donor; however, the processes are slow, and final decisions can be unpredictable. This makes it difficult for in-country stakeholders to balance their work plans, make informed funding projections and to consider the pros and cons of various possible donors. There are strong calls for the GCF to be more predictable and transparent about exactly what to expect and when, and about what the likelihood of success will be.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

In Mauritius, the NDA is housed in the Ministry of Finance and Economic Development, the responsibilities of which include fundraising and resource mobilisation. The NDA is not an implementing body; when funds are mobilised, responsibility passes to the appropriate government department to administer them. The NDA does, however, partner closely with designated AEs (i.e. UNDP) and government agencies pursuing potential GCF funding. Roles and responsibilities are broadly understood, and arrangements seem to be progressing smoothly.

There are, of course, opportunities for improvement, particularly when it comes to the role of the NDA in regional programmes and/or non-government initiatives. Although Mauritius is listed under two GCF-funded multi-country initiatives (FP038 GEEREF-NeXt and FP095 Transforming Financial Systems for Climate), in-country stakeholders have little or no awareness of them. While consultations with non-government stakeholders were too few to be conclusive, there are indications that so far the NDA largely serves to facilitate government programming. There are promising signs, however. The NDA itself recognises this gap and has taken concrete steps to improve it, especially regarding the private sector. They indicate that they are awaiting the GCF response to specific queries, and are eager to better reach out to a wider range of stakeholders.

The NDA proactively supports government engagement with the GCF beyond its primary accredited partner (UNDP) and fulfils the business model by representing the GCF to potential government agencies and navigating them through potential funding streams. This model largely works well; however, at times, the NDA has been put in a difficult "in-between" position. A case in point can be found in the illustration above over the error in the bank account number. The NDA insists that it has provided quick and prompt responses to the GCF on this and other administrative matters, but there has been a tendency for the GCF to become deadlocked on one thing or another. While the bank account typo may be an extreme and specific problem, a more typical one is the NDA being caught between changing guidelines, templates and policies.

The GCF is a young organisation, with rapidly evolving policies and processes, and concomitant growing pains. These issues are well-known and amply documented elsewhere. The specific challenge for the business model and its modality of working through NDAs is putting them in the difficult position of being caught in the middle of conflicting and changing directions. They are challenged to simultaneously represent the GCF to others while navigating it themselves. This is an unenviable position. For example, during the proposal preparation process, the NDA and AE were in close contact with GCF representatives at various appropriate junctures. The original proposal had a larger scope, including a major "green transport" component. Stakeholders indicate this had been encouraged and considerable resources were put into designing this component, after which they were told to remove it altogether. While this may have been sensible for various reasons, it is also understandable that this angered and alienated the Ministry of Transport.

When directions themselves change, the NDA is put in a truly difficult position. Fortunately, this situation can be improved with specific steps including grandfather clauses, or at least ample lead time before new policies, templates or other changes come into effect. The NDA would also welcome a stronger commitment from both Secretariat management and the Board towards building upon – rather than overruling – guidance. Above all, if the NDA is to effectively perform well, it needs more predictability, both regarding the totality of available funding, and specific modalities of accessing it. Some voices strongly called for specific envelopes allocated to countries so that they would know exactly what to expect and how to plan for it. Indeed, some would much prefer this even if the total sum of available funds is much less. As things stand, opportunities are high, but so are risks and opportunity costs. These issues are furthermore alienating potential AEs. As one explained, the transaction costs and risks of working with the GCF are so high that they avoid doing so unless there are no other options. The NDA, therefore, has a limited range of potential partners.

It is too early to assess the business model across the full spectrum of the project cycle; the evidence is much stronger in terms of proposal development and mobilising funds. As outlined above, however, there are signs that diverse actors do not yet have the opportunity to access the GCF, and there is a sense that processes are not yet "user-friendly" for anyone.

Nevertheless, there is a consensus in Mauritius that funding from the GCF for FP033 is enabling paradigm shift. This project is single-handedly paving the way towards transforming the energy sector, enabling energy security, saving costs and forging a pathway toward renewable energy nationwide. This project is expected to enable Mauritius to meet its NDC commitment. In addition to the direct benefits (e.g. upgrading the electricity grid and installing batteries to enable future renewable energy), there is wide agreement that it will serve as a catalyst and enabler of future initiatives in the renewable energy sector, including those by the private sector. There is little question that GCF investment in this project is truly a "game-changer" in the Mauritian context. Some do agree that Mauritius would eventually transition to renewable energy regardless, but there is an absolute consensus that GCF funding enables this to be achieved promptly. There are, however, opportunities (and potential obstacles) towards fully realising paradigm shift. There is too much focus on GCF being "big money", and a conflation of paradigm shift with funding windfalls for large-scale infrastructure. Stakeholders expressed less sensitivity to the paradigm shift potential of "soft" components such as regulatory reform, electricity tariff regimes, and policy change. A potential pitfall for a paradigm shift within FP033 will be if these issues are not adequately addressed.

e. Funding programmes and instruments

As previously mentioned, a major project is being funded in Mauritius through UNDP, a longstanding and trusted government partner. Other types of funding programmes and instruments, however, inspire mixed levels of interest and enthusiasm. Some are keenly interested in closer and/or more direct partnership with GCF. Indeed, GCF is embraced as a key source of financing for SIDS like Mauritius, and as a potential stepping-stone. Diseconomies of scale characterise islands, and the GCF is recognised as a critically important partner for jump-starting both public and private investment.

On the other hand, there are significant barriers to accessing the GCF. Some of these issues include:

- *The perception that GCF is a difficult donor.* Mauritius began engaging GCF in its earliest days, when operations were less formal. Nevertheless, perceptions remain that GCF is challenging to work with, and characterised by delays, high transaction costs, and considerable uncertainty. Optimism is thus tempered with hesitation and frustration. Moreover, existent certified AEs are reluctant to expand their GCF portfolios because the fees are insufficient compared to the actual cost of engagement.
- *'Pathway' vehicles (e.g. Readiness programme, accreditation, etc) are not seen as efficient or responsive.* Stakeholders are enthusiastic, ready, and confident that their systems and capabilities are mature enough for GCF partnership. However, the slow pace and limited scope of these vehicles are frustrating. Indeed, these two issues compound one another: as one stakeholder explained, it is difficult to justify to superiors the amount of effort that is expended for eligibility for a much smaller pot of money than the ministry normally manages effectively.
- *Uncertainty regarding private sector access.* While evidence on this point is limited, there are signs of lost opportunities for enabling the private sector to access GCF more directly. One representative, for example, had explored the accreditation website closely, but ultimately

concluded that its setup did not fit private sector operations; another criticised GCF for "unreasonable" paperwork demands that are well beyond private-sector ways of working. There is also a broader perception that the processes of the GCF are ultimately geared by, and for, large multilateral organisations rather than middle-level players.

The overall message from stakeholders in Mauritius is one of enthusiasm for the potential of working with the GCF, but it is tempered by strong calls for more practical, efficient and predictable processes that are more flexible and suited for the diverse range of operating agencies. Similarly, there are calls for processes to be proportional to the amount of funding available, to the efforts expended and to transaction costs.

2. GCF POLICIES AND PROCESSES

a. GCF policies

Stakeholders understand and expressed support for GCF policies and commitments to risk, ESS, gender and indigenous peoples. Indeed, these commitments largely mirror those of other donors. In other words, the policies are familiar and also seen as important. Nevertheless, the Mauritian example confirms that in some cases a "fast-track" or streamlined option might be beneficial for projects which are unlikely to pose certain risks. It may not be necessary, for example, to expend considerable resources on gender analyses for projects that pose little potential for exacerbating inequality (e.g. upgrading the electricity grid). Meanwhile, Mauritius has only been settled in the past half-century, and while there are vulnerable groups, there is no indigenous population at all. The GCF could explore how to make these policies more fit for purpose and proportional to overall budgets.

There is no evidence from Mauritius of key unmet gaps in the GCF policy framework; instead, there are concerns that processes are expanding unchecked, compounded by a steady stream of changes. As one said, "More and more annexes!... This makes everything worse. I thought you were trying to make climate finance accessible, but this is not accessible."

b. Policies implementation

As work has only recently entered the implementation phase, policy implementation on the ground cannot yet be commented on. Looking into the next phase, some stakeholders expressed worry about cash flow if the second tranche payment is not issued on time.

c. Accreditation

Government departments have engaged with GCF Direct Access via readiness support and the National Adaptation Plan (NAP); they have made a strong and sound start in Mauritius, and both have government institutions as Delivery Partners. However, there is also stakeholder dissatisfaction with Direct Access and the accreditation processes. The major in-country AE is UNDP, which administers much of the GCF global portfolio. However, it also has its own priorities and capacities and is not fully available to administer projects beyond its own strategic plan. In-country stakeholders, by contrast, express considerable frustration with the inability to find suitable AEs, and also with the slow processes, constantly changing templates, contradictory guidance and laborious paperwork involved with GCF engagement. While many express enormous appreciation for the resources that GCF brings to the table, there is also a sense that it is a difficult and uncertain partner that favours working through a handful of large multilaterals rather than in-country actors. This serves as a disincentive to pursue Direct Access and one that inhibits the commitment of the GCF to accrediting a diverse body of partners.

In some cases, Mauritian agencies would partner with an already-approved AE, but there are none available. While there are indeed other potential AEs, they all similarly filter out projects that do not fit in with their own strategic plans. This dilutes country ownership insofar as Mauritian actors must navigate multiple sets of criteria, and potentially "retrofit" their own strategies to fit those of global AEs – the inverse of country ownership. Other potential projects may be dropped altogether for lack of a good fit with an AE, even if a project fits GCF perfectly. In other words, the lack of diverse AE options introduces a subtle bias which inhibits the realisation of country ownership. This can, of course, be bypassed with Direct Access, but these processes to date have been slow and frustrating for those involved. Above all, stakeholders would prefer to work with and through an efficient and straightforward partner of any stripe. In the meantime, the Government is pursuing opportunities to enable National Implementing Entities to achieve Direct Access for government and private sector projects.

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

It is too early in the implementation phase to comment fully on the entire project cycle, but Mauritius does provide considerable insight into the project design and proposal preparation processes. The FP033 fits squarely within both the mandate of GCF and the nation's own economic development aims. As one stakeholder declared, "It fit perfectly, what we wanted and what they wanted!" Stakeholders were thus surprised by some barriers that they encountered. For example, GCF has a strong, stated commitment to working with SIDS as a matter of priority. However, some stumbling blocks were encountered because the project is mitigation rather than adaptation, and also because Mauritius is middle income. The Mauritius proposal, therefore, entered uncharted GCF waters in that guidelines were unclear for cases that straddled priorities (i.e. a middle-income SIDS nation). The questions that were raised regarding mitigation for SIDS were especially problematic; feedback from some quarters of the GCF Secretariat indicated that the GCF preference for SIDS projects was adaptation, but this was not explicit nor formal. The Mauritius proposal thus reportedly triggered controversy and strong opinions that made it difficult to verify whether formal investment criteria had been met.

There are signals that the priorities of the GCF have matured somewhat, although still flavoured by arbitrary decisions. Nevertheless, some of the chief lessons from Mauritius include a strong demand for the clarification of grey areas in funding criteria to avoid what can be seen as arbitrary, opaque or politicised decision-making. There is also strong demand to consider SIDS as being especially vulnerable to climate change regardless of their income status, and as such that they continue to be eligible for grants and other favourable funding modalities. Indeed, they also pointed to the particular economic challenges of island economies, which disincentivise private sector investment.

Probably the most often-cited example of a challenge within the project cycle was the belated request by the Secretariat to cut a "green transport" component from FP033. This decision was not welcomed within Mauritius; as one stakeholder explained it was not so much that the funding was not available, but that enormous time and effort had gone into preparing a component that had previously been encouraged. Its eleventh-hour removal remains a sore point, simply because of wasted resources. Another point of confusion is the striking discrepancy between the Secretariat and Independent Technical Advisory Panel (iTAP) assessments of the project, and it is not entirely clear how or why that transpired. Across the board, stakeholders indicate that feedback, comments and decisions are driven by a changing cast of individuals rather than a coherent policy regime.

Moreover, feedback is not always technically sound (for example, an inexplicable argument from Songdo that solar power is not intermittent). Ultimately, it took nine resubmissions before FP033 was approved, and these are not seen by the NDA as having improved the design. While the funds are very warmly welcomed, in the words of one stakeholder, “The GCF seems to allocate millions of dollars here or there, but it is not making sense”, and it needs to be more accountable and have more transparent decision-making processes.

b. Funding programmes and instruments

As outlined above, the GCF is welcomed as a partner, but it would be appreciated if access to funds were more user-friendly. The Readiness programme stands out as particularly problematic and a “sweet-sour experience” for those involved. The reasons have already been discussed: slow processes, constant changes to templates, administrative bottlenecks, laborious paperwork for very small amounts of money, and contradictory feedback. Arguably, big projects through iAEs can – but do not fully – serve as pathways to wider access. The GCF also has an array of financial instruments available, but there is inconclusive evidence of how they fit the demands of the country. There are – unsurprisingly – strong calls for grants rather than loans, and protests that private sector instruments do not fully meet the needs of Mauritius simply because of the diseconomies of scale that are characteristic of island nations.

On the other hand, Mauritius is poised to advance to upper-middle-income status. There are no absolutely clear-cut solutions to these questions. However, there should indeed be answers. Stakeholders report being run around on matters such as to what extent they are eligible for different financial instruments. Arguably, the Mauritius example highlights the need for clarity and consistency about what financial programmes and instruments are (and are not) available and the relative advantages/disadvantages of different pathways and instruments. In short, greater predictability is a more pressing demand than a specific combination of instruments.

c. Private Sector Facility and non-grant instruments

Interaction between Mauritius stakeholders and the Private Sector Facility (PSF) has been quite limited, and most are unaware of it altogether. Private sector stakeholders’ consultations highlighted that they had separately concluded that the GCF was “not set up” to work with them, and instead preferred to work with “only two or three big players”. One actively explored accreditation but concluded that the process was not for businesses, while a third commented that, “This is the first time I’ve ever seen project documents this thick. I was shocked. … This pile of documents is absolutely not necessary, and this is not how the private sector works because it’s such a waste.” In sum, to date in Mauritius, the GCF is largely seen as an arrangement between government and multilateral, and there are practical barriers that tend to inhibit private sector engagement.

4. Likelihood of (and actual) results

Accelerating the transformational shift to a low-carbon economy in the Republic of Mauritius (FP033) is only beginning implementation, and as such, it is too early to report on actual results. However, there is widespread and definite enthusiasm that this project will achieve significant results, including single-handedly enabling Mauritius to meet its NDC mitigation commitments on schedule. They acknowledge that renewable energy is enough of a priority that the Government would have attained this eventually, but the GCF enabled it to do so promptly. The FP033 is also expected to have a catalysing effect in that it lays the engineering foundation for renewable energy nationwide. Stakeholders express enormous gratitude to the GCF for this, and there is enthusiasm, optimism, and consensus that FP033 is critical for meeting the nation’s needs and priorities. There are some indications that the paradigm shift potential also rests on “soft” reforms in the realm of electricity tariff regulation and policy, and that not all in-country stakeholders are prepared to confront sensitive and thorny internal issues such as this. The FP033 is well on track to catalyse paradigm shift, but ultimately this is not entirely a question of enthusiasm. The right enabling environment also needs to be in place.

APPENDIX 7-1. TIMELINE AND EVOLUTION OF THE CLIMATE CHANGE AGENDA IN MAURITIUS

Number of approved projects: 3

Total amount of approved GCF funding: USD 562.6 million

Total amount of project value: USD 1.7 billion

ACCREDITED ENTITY	TITLE	CATEGORY	APPROVAL DATE
European Investment Bank (EIB)	FP038: GEREEF-NeXt	Approved Project	4 Apr. 2017
UNEP - CTCN	Strategic Frameworks	Readiness Activity	22 Jan. 2018
UNDP	FP033: Accelerating the transformational shift to a low-carbon economy in the Republic of Mauritius	Approved Project	22 Jan. 2018
Agence Française de Développement (AFD)	FP095: Transforming Financial Systems for Climate	Approved Project	4 Jan. 2019
Ministry of Finance and Economic Development	NDA Strengthening and Country Programming	Readiness Activity	13 Mar. 2019
Agence Française de Développement (AFD)	Building Regional Resilience through Strengthened Meteorological, Hydrological and Climate Services in the Indian Ocean Commission “IOC countries.”	Concept Note	Pending

APPENDIX 7-2. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

RPSP

ID	Project title	Delivery Partner/AE	Submission date	Committed amount (USD)	Endorsement date	Approval date	Agreement date	Effective date	Disbursement date	Disbursed amount (USD)
1705-14642	NDA Strengthening and Country Programming (General Grant Agreement)									
		Mauritius, Ministry of Finance and Economic Development	16 Oct 2015	324,764	05 Sep 2018	15 Feb 2019	N/A	N/A	N/A	N/A
1801-15053	Climate Change Vulnerability and Adaptation Study for the Port of Port Louis (Framework Agreement)									
		UNEP-CTCN	27 Sep 2017	300,000	05 Dec 2017	22 Jan 2018	11 Oct 2016	22 Jan 2018	24 May 2018	324,764

GCF-funded projects

Approved ref.	Project name	AE	FAA status	Status	Approval date	Duration (M)	Disbursement amount (USD)	Disbursement date
FP033	Accelerating the transformational shift to a low-carbon economy in the Republic of Mauritius							
		UNDP	Effective	Active	22 Jan. 2018	72	2.97 million	29 Sept. 2018
FP038	GEEREF-NeXt							
		EIB	Pending	Active	4 Apr. 2017	60	N/A	N/A
FP095	Transforming Financial Systems for Climate							
		AFD	Pending	Active	17 Oct 2018	84	N/A	N/A

APPENDIX 7-3. DOCUMENTS CONSULTED

Agence Française de Développement (AFD). *Environmental and Social Safeguards: FP095 Transforming Financial Systems for Climate*, 1 February 2018

Agence Française de Développement (AFD). *Funding Proposal: Transforming Financial Systems for Climate*, 2015

European Investment Bank. *Funding Proposal: Global Emerging Markets Programme*, 2015

Government of Mauritius. *Intended Nationally Determined Contribution for the Republic of Mauritius*, 28 September 2015

Government of Mauritius. *Outer Islands Development Cooperation*, undated brochure

Government of Mauritius. *Readiness and Preparatory Support Proposal*, March 2016

Green Climate Fund. *Consideration of Funding Proposals – Addendum XVI Independent Technical Advisory Panel's Assessment*. GCF/B.15/13/Add.16/Rev.01, 1 December 2016

Green Climate Fund. *CSO Report: FP033 Accelerating the Transformational Shift to a Low-Carbon Economy in the Republic of Mauritius*

Green Climate Fund. *Mauritius Country Programme Brief*, 28 November 2016

Green Climate Fund. *Readiness Grant Agreement with the Republic of Mauritius*, 25 August 2016. MUS-RS-001

Green Climate Fund. *Secretariat Review of FP033*. GCF/B.15/13/Add.17, undated

Green Climate Fund. *Term Sheet: FP033*. GCF/B.15/13/Add. 18, undated

Independent Evaluation Unit. *Independent Evaluation of the Green Climate Fund's Readiness and Preparatory Support Programme (RRSP)*. GCF/B.22/03, 1 February 2019

Ministry of Finance and Economic Development. *Letter of No Objection*, 21 October 2016

Ministry of Social Security, National Solidarity, and Environment and Sustainable Development. *Factsheet: Project Proposal Climate Change Vulnerability and Adaptation Study for the Port of Port Louis*, undated

United Nations Development Programme (UNDP). *Annual Performance Report (APR): FP033 Accelerating the transformational shift to a low-carbon economy in the Republic of Mauritius*, 2019

United Nations Development Programme (UNDP). *Funding Proposal: FP-UYNDP-201016-5681*, 2015

World Bank. *The World Bank in Mauritius*, undated. Available at <https://www.worldbank.org/en/country/mauritius/overview>

8. MONGOLIA COUNTRY VISIT REPORT

On the way to the project site, Mongolia. © Jyotsna Puri

CONTENTS

A. Presentation of the country and GCF role

Mongolia is a developing country in Northeast Asia with a territory of 1.56 million sq. km. The country is sparsely populated – despite being the 18th largest country in the world, it only has a population of approximately 3.2 million. It is situated on a high-elevation plateau, 1,580 meters above sea level. The territory of Mongolia divides into four distinct natural zones: forest-steppe, steppe, desert-steppe and desert. High mountain and forest-steppe zones are dominant in the western and central parts of the country, while the steppe region lies in the eastern part and the Gobi Desert (Mongolian Gobi) in the south.

Mongolia has a continental climate of extremes, with a long-lasting cold winter and a relatively hot and short summer. The weather in Mongolia is characterised by high seasonality with four very distinct seasons, high amplitude of temperature and low precipitation. Due to these temperatures and its high altitude, the country's capital Ulaanbaatar is officially is the world's coldest capital city.

1. Main climate change risks and context

The geographical and weather characteristics of Mongolia make the country extremely vulnerable to climate change. Its harsh continental climate, long-lasting heating season and coal-based electricity production system – combined with highly vulnerable socio-economic sectors (such as arable and livestock farming) exposed to harsh weather and expected future climatic conditions – create challenging barriers and obstacles to achieving the country's sustainable development agenda. The economy and human well-being and livelihoods depend on sectors such as agriculture (animal husbandry, arable farming), mining, and processing industries (e.g. minerals and animal products). All of these sectors rely on water resources, biomass productivity and soil fertility.

Most Southeast Asian countries are concerned with flooding and ocean-based extreme weather events. The situation is different in Mongolia. Mongolians concerns focus on pollution; frequency of natural disasters; melting permafrost and glaciers; water resource risks (drying open water sources, decreasing groundwater level, etc.); deforestation; pasture land degradation; desertification; and altered wildlife habitats and plant species.

Air pollution, related to water and soil pollution, is the most striking climate-change problem. Ulaanbaatar city, home to nearly half the Mongolian population, has some of the worst urban air quality in the world. High particulate matter (PM) concentrations are largely caused by the widespread use of the *ger*[107] area's coal-fired stoves, followed by windblown dust, combustion residues, dirt road dust and exhaust particles from vehicles. The harsh winters, and use of coal for energy production and heating result in average CO_2 emissions per capita that are at 2.7 times the world average, and 7.32 times higher when measured as CO_2 emissions per unit of GDP. Mongolian municipal infrastructure is basic and inadequate, primarily as a result of population migration to major cities and underinvestment in infrastructure, leading to the creation of new urban fringe areas with no connection to main utility services such as a communal heating and water network.

As one of the countries particularly vulnerable to climate change, Mongolia has adopted a wide array of strategies, policies and laws in relation to green development, including those focused on renewable energy and energy efficiency. Addressing climate change is regarded as a major issue for the future sustainable development of the country, particularly for clean energy, the agricultural sector and for the water supply. The main milestones are listed below:

107 A *ger* district (Mongolian: гэр хороолол, *ger khoroolol*) is a form of residential district in Mongolian settlements. They usually consist of parcels with one or more detached houses or gers (hence the name), surrounded by two-metre high wooden fences. In other countries, gers are known as yurts. Available at <https://en.wikipedia.org/wiki/Ger_district>

- In 2011, the Parliament endorsed the National Action Programme on Climate Change (NAPCC), which includes the national policy and strategy to tackle the adverse impacts of climate change and to mitigate greenhouse gas (GHG) emissions;
- In 2014, the Parliament approved the Green Development Policy, which sets six strategic objectives to ensure green development and a transition to a development model that results in the sustainable well-being of the population;
- In 2015, the Parliament approved State Policies on Food and Agriculture, Energy, Industry, and Forests, and the Government submitted its Intended Nationally Determined Contribution (INDC) to COP 21 in Paris. The latter includes national aims to reduce GHG emissions by 14 per cent (compared to a business-as-usual scenario) by 2030, and to supply 20 per cent of the country's energy through renewable energy by 2020, and 30 per cent by 2030;
- In 2016, the Parliament approved the Sustainable Development Vision–2030 of Mongolia and the Government Action Programme for 2016–2020; and
- In 2019, the Country Programme was approved by the Ministry of Environment. The country is still developing a National Adaptation Plan (NAP).

While these achievements are encouraging, executing the policies, goals and concrete targets of the various documents is challenging in practice. Due to lower commodity prices, the economy had a sluggish few years between 2015 and 2017. Recently, Mongolia also went through a regular period of political change, with a high turnover of key personnel within ministries.

Despite climate change being an overarching theme with relevance to virtually all ministries, there is room for improvement in intersectoral cooperation between these bodies. This has resulted in lengthy processes for the development and approval of climate strategies, policies and laws. Mongolia is, therefore, setting up an intersectoral climate change committee and the legal framework necessary for its functioning.

Meanwhile, the country has a private sector that is pragmatic and taking responsibility in the climate field, with leadership from the financial sector. This is exemplified by (and a result of) the fact that one of the leading banks in Mongolia, XacBank, became the first private sector entity to become accredited as a Direct Access Entity (DAE), and the first commercial bank to become a GCF Accredited Entity (AE). Three other banks are now involved in the application process for becoming an AE (Trade and Development Bank, Golomt Bank, and the Development Bank of Mongolia). The Mongolian financial sector was one of the first emerging markets to adopt sustainable banking principles and is now joining forces in the Green Finance Corporation, a non-bank financial institution initiated by the Mongolian Banking Association consisting of 10 out of the 14 Mongolian commercial banks. The challenges in the public sector – and private-sector interest in green finance – may explain why all GCF projects in the country to date have been initiated by private-sector (focused) actors (XacBank, European Bank for Reconstruction and Development [EBRD], Asian Development Bank [ADB] and Netherlands Development Finance Company [FMO]).

2. Green Climate Fund context in the country

Mongolia chose the Ministry of Environment and Tourism (MET) to be its National Designated Authority (NDA). The current national FP was appointed in October 2015. The NDA also represents Mongolia in the United Nations Framework Convention on Climate Change (UNFCCC). The NDA is supported by various staff members, including the alternate FP. To facilitate the smooth implementation of commitments received under the UNFCCC and Paris Agreement, the MET established a Climate Change Project Implementing Unit (CCPIU) at the Environment and Climate Fund (ECF), which is under the MET. The Secretariat of the GCF NDA, the National Focal Point

(NFP) for the UNFCCC and Paris Agreement, sits within the ECF, which itself is within the MET. This unit, therefore, serves as the NDA of the GCF, headed by the FP.

There currently are seven approved projects in Mongolia:

- GCF-EBRD Sustainable Energy Financing Facilities (FP025), a programme to deliver climate finance to the private sector at scale through Partner Financial Institutions across 10 countries;
- Business Loan Programme for GHG Emissions Reduction (FP028), which helps the GCF DAE, XacBank, to enhance its ability to support loans to Mongolian enterprises investing in energy efficiency and renewable energy projects;
- Renewable Energy Programme #1 – Solar (FP046), which helps XacBank to finance a 10 MW solar photovoltaic (PV) power plant that supports the renewable energy transition of Mongolia;
- Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project (AHURP) (FP077) managed by the Asian Development Bank (ADB), seeks to improve the climate resilience of the Mongolian capital Ulaanbaatar and reduce GHG emissions and air pollution by creating eco-districts;
- Green Cities Facility (FP086), managed by the EBRD, which helps to enable the transition of cities to low-carbon, climate-resilient urban development;
- Climate Investor One (FP099), managed by FMO, which helps provide financing to develop renewable energy projects in regions with power deficits, to reduce energy costs and CO_2 emissions; and
- Energy Efficient Consumption Loan Programme (SAP004) managed by XacBank, which helps finance heating and housing solutions with reduced emissions and improved environmental and health co-benefits.

Of these projects, the four managed by XacBank and ADB have a full focus on Mongolia, while Mongolia is an eligible country in the three other multi-country projects.

Also, there are four readiness programmes in the country, of which one is completed:

- A programme on establishing and strengthening NDA and strategic frameworks for engagement with the Fund, including the preparation of country programmes (where XacBank acted as Delivery Partner);
- A programme on building capacity to advance the National Adaptation Plan Process in Mongolia, with United Nations Environment Programme (UNEP) as a Delivery Partner;
- Readiness Support for Enhancing Access to Green Finance in Mongolia, with Global Green Growth Institute (GGGI) as Delivery Partner;
- A programme on Scaling-up of Implementation of Low-Carbon District Heating Systems in Mongolia, with UNEP as Delivery Partner.

Mongolia also has an extensive pipeline of projects, as detailed in Appendix 8-1.

3. ACTIVITIES OF OTHER CLIMATE-RELATED GLOBAL FUNDS IN MONGOLIA

Since 1998, Mongolia has received support for 35 projects from the Global Environment Facility (GEF), for USD 43.8 million. These include 12 full-size projects, 11 medium-size projects, and 12 enabling activities. Two of these are currently active, and a third is under preparation. Mongolia has received support for one project for USD 5.5 million from the Adaptation Fund (AF), implemented by UNDP. Approved in June 2011 and closed in December 2017, this project piloted an ecosystem-based adaptation approach to maintaining water security in critical water catchments in Mongolia. The UNDP recently submitted an adaptation project proposal to GCF, taking into account some of the findings of this previous project. Moreover, the MET together with UNDP is planning to develop a follow-up project on ecosystem-based adaptation in river basins, to be funded by the AF.

For one project, Mongolia has received USD 12.4 million in support from the Scaling-up Renewable Energy Programme of the Climate Investment Funds (CIF). The project is being implemented by the World Bank (WB), which has provided additional financing of USD 42 million. Approved in June 2017, this project is scaling-up renewable energy production (solar) in western Mongolia.

B. FINDINGS

1. FUND BUSINESS MODEL AND STRUCTURE

a. Core principles

The support provided by GCF in Mongolia meets country needs. All supported projects address fundamental climate challenges for Mongolia, including the transition towards renewable energy, higher energy efficiency levels, and solutions for the pollution produced in the *ger* areas of Ulaanbaatar. These priorities are all analysed in a strong Country Programme document, which was developed with the support of a GCF readiness grant.

In general, country ownership over GCF activities exists, although there are limited ownership and awareness of the projects implemented by the International Accredited Entities (iAEs) of Mongolia (ADB, EBRD and FMO). There is a need for better and more structured in-country consultation between these iAEs and the NDA.

b. Organisational structure at the country level

The key roles in Mongolia are played by the NDA and by XacBank. The NDA, and particularly the GCF focal point, is an experienced climate change expert who also functions as the focal point for Mongolia with the UNFCCC and is the Special Envoy for Climate Change. He leads the ECF within the MET, and has a good network among Mongolian public actors. The NDA organised several workshops for interested actors in the country, resulting in good overall awareness of the GCF and an extensive pipeline of projects. The NDA, however, is less aware of the projects run by the iAEs of the country.

In addition to the NDA, there is also an informal leadership role for XacBank in the country. Given XacBank's longstanding engagement and extensive practical experience in cooperating with the GCF, the bank has essentially become the go-to entity in Mongolia. It now has a proven track record of one completed project – with the construction and operationalisation of the Govisumber solar PV plant – and has progressed well with its micro, small- and medium-sized enterprises (MSME) business loan programme for energy efficiency. The staff of the Ecobanking Department are of high quality and have excellent knowledge of GCF processes. XacBank also acted as the Delivery Partner for a Readiness and Preparatory Support Programme (RPSP) grant for NDA strengthening and country programme development. This has resulted in a strong and detailed Country Programme.

c. Relationship with the GCF Secretariat

The NDA, AEs and aspiring Aes have all had regular contact with the Secretariat, including with the Private Sector Facility (PSF) and the regional expert of the Division of Mitigation and Adaptation (DMA). Overall, the feedback on the Secretariat's role has been positive. All actors have at times witnessed delayed responses, which all understood to be a consequence of the GCF being a young organisation with limited capacity, particularly in its earlier years. At the same time, some critical points were raised:

- Stakeholders have experienced several occasions when there seemed to be no consensus among internal GCF Secretariat members, resulting in many comments and statements on funding proposals and accreditation documents, that were sometimes with contradictory in nature;
- Stakeholders highlighted notable differences in the speed of approval processes for funding proposals on the one hand, and Project Preparation Facility (PPF) and RPSP proposals on the other. The PPF and RPSP proposals generally seemed to proceed more slowly, and there were cases where stakeholders did not receive any comments or feedback for months.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

As mentioned, both the NDA and XacBank play an important role in the GCF business model in Mongolia. The NDA organised a dedicated GCF Concept Note development workshop, held in June 2018, bringing together between two and five sectoral experts from each of the various institutions working on the 10 identified adaptation and mitigation focus areas. This workshop also facilitated integrated project conceptualisation, alignment among different projects under preparation (as well as past and expected climate change projects funded from sources other than GCF) and alignment with GCF investment criteria and other relevant GCF policies (e.g. environmental and social safeguards [ESS], results measurement frameworks [RMF]/performance measurement frameworks [PMF]). It also selected – or narrowed down the options for – the Aes that will eventually develop and hopefully implement these projects.

A follow-up workshop held in September 2018 focused on identifying key data and information, and potential alternative project approaches to be further investigated in feasibility studies. Furthermore, this workshop produced a road map for each project, with the hope of gaining proposal approval from the GCF Board.

Moving forward, two consultative bodies are included in the NDA Manual of Mongolia: the Country Coordination Group and Country Stakeholder Conventions. While both bodies have yet to be established following the enactment of the NDA Manual, for the present Country Programme, comprehensive stakeholder consultations have been carried out. These bodies will only play a role in future updates and revisions of the Country Programme.

XacBank has played an active role in the informal sharing of experiences on both accreditation and funding proposal development. This has mostly taken place during workshops and conferences, but also on an ad-hoc basis outside of these events. Several stakeholders noted this knowledge sharing to be of major added value.

e. Funding programmes and instruments

Mongolia delivered the first GCF DAE with the accreditation of XacBank, but that has also been the country's only one so far. There was a consensus among all key national stakeholders that there is a need for more DAEs in the country. This is driven by the fact that there is high interest in the GCF but generally perceived limited opportunity to submit proposals, because there is no public DAE and only one commercial bank as DAE. Moreover, there is limited involvement and ownership in the iAE projects that can target Mongolia (SEFFs of EBRD and Climate Investor One of FMO).

2. GCF POLICIES AND PROCESSES

a. GCF policies

There is a consensus that GCF policies are thorough and of best practice in nature. This has pros and cons. A positive effect is that the policies of the GCF have stimulated several organisations to develop their own new policies to meet GCF requirements for accreditation. A notable example is the Trade and Development Bank, which has strengthened its environmental and social management and developed a Gender Policy, as well as a Financial Management Policy as part of its accreditation process.

However, the policies of the GCF are also perceived as very challenging to abide by. This is the case for the DAEs aspiring to be accredited who perceive GCF best practice policies as a barrier. These aspiring entities include the larger commercial and development banks in Mongolia such as Trade and Development Bank or the Development Bank of Mongolia, and the GCF requirements are even more challenging to meet for the smaller-sized and younger public entities such as the Environment and Climate Fund, and the Institute of Research and Information for Meteorology, Hydrology and Environment (IRIMHE).

b. Policies implementation

There is a consensus that GCF policies are sufficient but burdensome to the NDA teams. As previously mentioned, this is particularly the case for the aspiring DAEs seeking accreditation, who, for instance, perceive the ESS and anti-money laundering (AML) policies of the GCF as a barrier. These entities include large commercial banks. The GCF requirements are even more challenging to meet for the smaller-sized and younger public entities and civil society organisations (CSOs). The GCF needs to provide targeted country-based (as opposed to Songdo-based) accreditation support to local entities. This appeared to be an urgent and felt need.

c. Accreditation

With XacBank, the accreditation process has resulted in one (private sector) DAE in Mongolia. The requirements and timelines of the accreditation process have not yet resulted in additional DAEs, despite the active interest and applications of three private and two public actors. The organisations that are currently in the process of accreditation all face challenges in the accreditation process, including the need for new internal policy development, requirements to provide evidence of the implementation of existing policies, particular skills such as the ability to measure verified emissions, large quantities of detailed questions from the GCF Secretariat, and lengthy response times. On the latter, one entity highlighted that the shortest response time was two months and the longest six months. There is clear potential for improvement on the GCF side.

Overall, the requirements of the accreditation process are perceived as favouring larger international entities, who already have the required policies in place and who have skilled and experienced teams as well as the financial resources and scale to efficiently meet GCF accreditation requirements. And although Mongolian stakeholders appreciate the international projects where Mongolia is included as a country eligible for investment, there is a consensus among all national stakeholders that DAEs would be better suited to meeting the country’s needs and priorities. This can be explained by the limited ownership and involvement of the NDA in the projects of iAEs that can target Mongolia (Climate Investor One and SEFFs), and the fact that these projects have not yet actively targeted Mongolia with any potential activities or investments.

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

The project cycle is functioning well in Mongolia, albeit more successfully for private sector actors than it is for the public sector. Mongolia has four projects that are exclusively focused on Mongolia (three by XacBank and one by the ADB), and another three where Mongolia is one of the focus countries (two by EBRD and one by FMO). There are three readiness support programmes under implementation, and one is completed. In addition to approved projects, there is an extensive pipeline of projects, with 16 under development that are focused on Mongolia, another two international projects that will include a focus on Mongolia, and six proposals for readiness support.

The well-functioning project cycle can be attributed to various factors. First, there is the active role played by XacBank in executing projects as well as informally providing an example and sharing experiences with peer banks. Second, there is the active role of the NDA and the successful readiness support programme for strengthening the NDA. As part of this programme, a project preparation workshop was held, which contributed to the pipeline of projects. Third, there is the active private sector, notably the financial sector, who are interested in exploring green finance opportunities with 10 out of the 14 commercial banks joining forces in the development of the Green Finance Corporation. Fourth, there is the generally active and pragmatic mindset of Mongolians, with the capital city as their hub. Given that Ulaanbaatar has a relatively small and concentrated centre with all major ministries and private sector companies, key Mongolian stakeholders are often well-connected and can hence efficiently cooperate to develop proposals.

b. Responsiveness to the UNFCCC

The GCF has generally responded well to UNFCCC guidance and the INDC of Mongolia. It should be noted however, that all active projects so far concern mitigation projects with a focus on either renewable energy production or energy efficiency. Mongolia has yet to develop adaptation projects that address the climate change challenges specific to Mongolia, such as soil and pasture degradation and surface water shortages.

c. Funding programmes and instruments

The financial instruments of the GCF suit the mitigation projects currently under implementation in Mongolia. In the four projects that are focused on Mongolia, an effective combination exists between loans that are used for on-lending and project development and grants that are used for technical assistance purposes. The terms of the GCF loans enabled Aes to reduce interest rates and to lengthen the tenors of loans, thereby making the terms feasible for project developers (in the case of XacBank’s solar PV project and the eco-housing project of ADB). For the future, it is anticipated that more grant-based instruments will be needed if the proposals focused on adaptation are to be further developed and approved.

d. Private Sector Facility and non-grant instruments

Mongolia has cooperated extensively with the PSF and can be considered by the GCF a prime example of active private sector engagement. The processes of the PSF are generally perceived as efficient, although it was noted that the Simplified Approval Process (SAP) did not lead to a more efficient and more speedy process.

The activities financed through the PSF can be considered sufficiently new and additional. All have an innovative aspect: the Govisumber solar PV project concerned the first plant financed by a Mongolian domestic commercial bank; the two energy efficiency loan programmes for MSMEs and consumers featured the first of these types of loans; and the eco-housing project of the ADB saw the introduction of an innovative energy-efficient form of housing in the country. In the XacBank cases, the project and loan programmes would not have taken place without GCF support, and this also holds true for the ADB project, albeit to a lesser extent.

All projects generated co-financing. In the case of XacBank, this concerned funding coming from either their balance sheet or other international financiers. In the case of ADB, it was the bank’s own funding as well as that of the Development Bank of Mongolia, commercial banks and project developers.

4. LIKELIHOOD OF (AND ACTUAL) RESULTS

a. Quality

The funded projects in Mongolia address GCF investment criteria well. The funding proposals have clear descriptions of expectations in terms of sustainable development potential, paradigm shift potential and impact potential. All projects are well in line with the country's national climate priorities.

b. Results measurement

The results measurement frameworks for GCF-funded XacBank projects in Mongolia are solid. The results of the Govisumber solar PV plant can be exactly measured, as there will be real-time data on its annual supply of renewable energy to the Mongolian grid. The results of the business loan programme and consumption loan programmes are tracked through pre- and post-loan evaluation plans structured around the pre-assessment and pre-approval of specific executing entity (EE) products, to ensure that loan money is spent on the correct items guaranteed to drive the targeted energy and CO_2 reduction. In the case of the business loan programme, XacBank involved a third-party consultant to perform analysis of the (prospective) client against benchmarks, based on data usually derived from countrywide statistics.

Results measurement for the AHURP project of ADB is less straightforward, as responsibility for all aspects of monitoring and evaluation will be with the project management office of the Municipality of Ulaanbaatar. It is anticipated that a Project Performance Monitoring Information System (PPMIS) – using targets, indicators, assumptions and risks – will be established and used to conduct regular monitoring.

The SEFFs and Green Cities programmes of EBRD will have results measurement systems managed and monitored at project and facility level, by both the in-house staff of EBRD and the SEFF operations team procured by the EBRD. In-house staff will have oversight and quality assurance, while SEFF operation teams on the ground will assist and monitor Private Financial Institutions (PFIs) along the entire project lifetime.

For the Climate Investor One project of FMO, measurement will take place on CO_2 equivalent emissions (generated and/or avoided, reported in accordance with requirements set out in International Finance Corporation [IFC] Performance Standard 3), the number of people served by the project's generated power, and employment data.

c. Actual results

Mongolia is one of the few countries in the GCF portfolio, where projects are on their way to delivering actual results. The Govisumber solar PV plant project of XacBank was fully disbursed and construction of the plant was completed in January 2019. It is currently actively delivering renewable energy to the grid. The business loan programme of XacBank is also in an advanced stage, with 19 loans approved in 2017 and 77 in 2018.

For XacBank's Govisumber solar PV plant project, the total CO_2 emission reduction will be 12,270 tCO2 annually and 306,745 tCO2 for the whole project lifecycle of the solar project. This is the most conservative calculation using IPCCC default values in the calculation. The 10 MW plant will supply electricity to about 20,000 households and save around 171,000 litres of water per year (totalling around 4.2 million litres of water saved for the whole 25-year project lifetime compared to conventional combined heat and power plants, which use water to produce electricity and heat). Finally, the construction of the plant created employment for 200-250 people, and for around 10 people during the current operating period.

d. Expected results

The other projects are yet to deliver the expected results. For the AHURP project of ADB, the annual GHG emission reductions due are estimated to be 204,410 tCO2e, as the combined result of investments in solar PV (17,261 tCO2e/year) and the insulation of buildings (187,149 tCO2e/year). The total direct amount of GHG emission reductions that will be achieved over the 40-year lifetime of AHURP (taking into account the shorter lifetime of solar PV panels of 25 years) is 7,917,480 tCO2e (7,485,955 tCO2e plus 431,525 tCO2e, respectively). On adaptation, the total number of primary direct beneficiaries enjoying enhanced resilience to climate change will be at least 35,000, which corresponds to the expected number of inhabitants of the new apartments built for AHURP. The new apartments will provide better protection against harsh Mongolian winters and the consequences of climate change through better flood protection, providing access to water and sanitation, and improved waste and wastewater management.

The facilities estimations of the EBRD and FMO for Mongolia are challenging, as they vary and target multiple countries. The total expected results for the EBRD SEFFs includes over 309 MW of additional renewable energy generation capacity, 1,939,061 tCO2eq avoided annually, 3,533 GWh of annual final energy savings, and at least 90,000 individuals eventually benefiting from the climate resilience investments. For the Green Cities Facility of EBRD, the total expected results include 656,00 tCO2eq avoided annually, and benefit to over 23 million individuals. Climate Investor One of the FMO aims to generate 588 MW of additional renewable energy generation capacity, avoid 976,000 tCO2eq annually and to provide benefit to at least 2.9 million individuals.

e. Paradigm shift

It is too early to establish whether the GCF has contributed to an overall paradigm shift regarding climate change in Mongolia. However, it can be concluded that the individual funded activities are innovative, with the potential to catalyse comparable activities in the future, and that GCF presence is contributing to more awareness and coherence in the country’s approach to climate change. Regarding individual activities, the projects have shown that the green financing of MSMEs can take place successfully and yield both financial and climate results. Second, it also has shown that domestic, commercial, financial institutions can finance a major renewable energy project. And third, it has demonstrated an approach to new affordable housing with energy-efficient measures built into the design. This demonstrates the possibility to comply with new, stringent construction energy-efficiency standards, and shows the benefits of doing so.

Also, there are broader contributions that result from the activities and achievements of the GCF in Mongolia. First, there is ongoing interest in the opportunities for green financing among the financial sector in Mongolia. This can be attributed to both the demonstration effect that XacBank has had, as well as the workshops that were organised, which brought together different financial sector stakeholders. Concretely, this resulted in the development of the Green Finance Corporation, an organisation that unites 10 out of the 14 commercial banks in the country, the National Banking Association and the Ministry of Finance.

Readiness support from the GCF also contributed to improved awareness and coherence in the public sector. The office of the NDA was strengthened, and there is a high-quality Country Programme. However, within the public sector, there still are challenges in realising a coordinated approach to climate change issues, and the country’s approach is characterised by fragmented national mandates on climate change. While the coordination of climate change responses lies with the MET, other sector ministries (i.e. Ministry of Finance) and the National Development Agency do not sufficiently coordinate their climate change interventions, and their responses may be perceived as insufficient. Climate change-related programmes and projects currently under implementation at various organisations often lack central coordination, leading to budget inefficiencies. Due to staff shortages and high turnover among technical staff and leadership in government ministries and agencies, earlier efforts to develop performance-oriented capacities and culture have not been sustained.

There are three key lessons for the GCF to consider in Mongolia. The first is that a capable national DAE can play a pivotal role in both coordination efforts and in promoting awareness of the GCF. This underlines the need for more private sector DAEs in the AE directory of the GCF. The second is that the Readiness programme on strengthening the NDA can be impactful. In the case of Mongolia, the Readiness programme resulted in several workshops and a strong Country Programme, and ultimately in an extensive pipeline of projects that are in line with the mandate of the GCF and country needs. The third is that the GCF should be more consistent and have faster response times. The changes in templates and lengthy response times – notably in readiness proposals and the accreditation process – damage the reputation and effectiveness of the Fund.

APPENDIX 8-1. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

Projects and pipeline

NAME	SIZE (USD)	AE	STATUS
High altitude water harvesting and management; strengthening the resilience of key ecosystems to alleviate negative impacts of climate change in Mongolia	20 million USD * /32 million USD	UNDP	Draft Concept Note
Restoration of Mongolian forests to strengthen their climate resilience and enhance carbon pools through sustainable forest management	98.8 million USD */ 125.2 million USD	GIZ	Draft Concept Note
Prevention from the adverse impacts of climate change on public health and public health adaptation	20 million USD * /25 million USD	Ministry of Health (MoH)	Draft Concept Note
Resilience Building and Solutions to Dzud Disasters	20 million USD *	JICA	Draft Concept Note
Preserving peatlands and their ecosystem services in Mongolia	10 million USD *	UNEP	Draft Concept Note
Improved resilience in Agriculture through crop biodiversity and soil protection measures in Mongolia	40 million USD * /50 million USD	FAO	Draft Concept Note
Improving Adaptive Capacity and Risk Management of Rural Communities in Mongolia	23.7 million USD* /79.9 million USD	UNDP	Funding proposal submitted
Affordable housing and resilient urban renewable project (AHURP) (B.19/FP077)	145 million USD */ 544 million USD	ADB	Under implementation
Grid integration of large-capacity Renewable Energy storage	80 million USD* / 120 million USD	TBD	Project idea
Thermo-technical retrofitting (TTR) of panel buildings in UB City	54 million USD* / 84 million USD	TBD	Draft Concept Note
Climate-smart livestock	49.8 million USD* / 55 million USD	XacBank	Draft Concept Note
Renewable Energy Programme (REP) #2	25 million USD * /25 million USD	XacBank	Concept Note in development
Energy Efficient Consumption Loan Programme (B.21/SAP004)	10 million USD* / 21.5 million USD	XacBank	SAP approved
Business Loan Programme for GHG Emissions Reduction (MSMEs) (B.15/FP028)	20 million USD* / 60 million USD	XacBank	Under implementation
Renewable Energy Programme #1 – Solar (1 solar power project) (B.18/FP046)	8.7 million USD */ 17.6 million USD	XacBank	Under implementation
Sustainable Energy Financing Facilities (B.14/FP025)	11.3 million USD* / 41.55 million USD	EBRD	Under implementation
Green Cities Facility (B21./FP086)	11 million USD* / 67.7 million USD	EBRD	Under implementation

NAME	SIZE (USD)	AE	STATUS
Climate Investor One (B.21/FP099)	9 million USD */ 74.6 million USD	FMO	Under implementation
Green Bond Cornerstone Fund (Phase II)	4.1 million USD* / 116.6 million USD	IFC	Funding proposal submitted
EBRD MSME Programme	4.2 million USD */ 17.1 million USD		Funding proposal submitted

Note: * = GCF financing amount

Project Preparation Facility (PPF)

NAME	SIZE (USD)	AE	STATUS
Individual and small size heating with improved water supply and sanitation system	1.2 million USD	TBD	Project idea
Strengthening and enhancing the application of Environmentally Sound Technologies related to holistic waste management including waste to energy solution	1.5 million USD	TBD	PPF in development
Mini-grid and Off-grid solution for Ger Area	40 million USD * /80 million USD	XacBank	PPF request approved
Support for the establishment of the Mongolia Green Finance Corporation	40 million USD */ 50 million USD	XacBank	PPF request submitted
Establishing a low carbon and climate-resilient construction industry through greening sector's SMEs practices and capacities	1.5 million USD	UNEP	Funding proposal in development

Readiness support projects and pipeline

NAME	SIZE (USD)	AE	STATUS
Direct Access Entity (DAE) accreditation support		TBD	Project idea
Further development of Mongolia's GCF project pipeline		TBD	Project idea
DAE capacity development		XacBank	Request in development
Establishment of an energy-saving insurance mechanism in Mongolia	0.3 million USD	XacBank	Request submitted
Mongolia: Strengthening in-country coordination and engagement with the Fund and aligning the development of the Nationally Determined Contribution and revision of the Country Programme with the country's Sustainable Development Vision 2030	0.3 million USD	XacBank	Request submitted
Readiness Support to Strengthen Sustainable Finance Practices in Mongolia and Encourage Regional Knowledge Sharing	0.29 million USD	IFC	Request submitted
Building capacity to advance National Adaptation Plan Process in Mongolia	2.89 million USD	UNEP	Under implementation

NAME	SIZE (USD)	AE	STATUS
Scaling-up of Implementation of Low-Carbon District Heating Systems in Mongolia	0.368 million USD	UNEP	Under implementation
Readiness Support for Enhancing Access to Green Finance in Mongolia	0.35 million USD	GGGI	Under implementation
Establishing and strengthening NDA and Strategic frameworks for engagement with the Fund, including the preparation of country programmes	0.3 million USD	XacBank	Completed

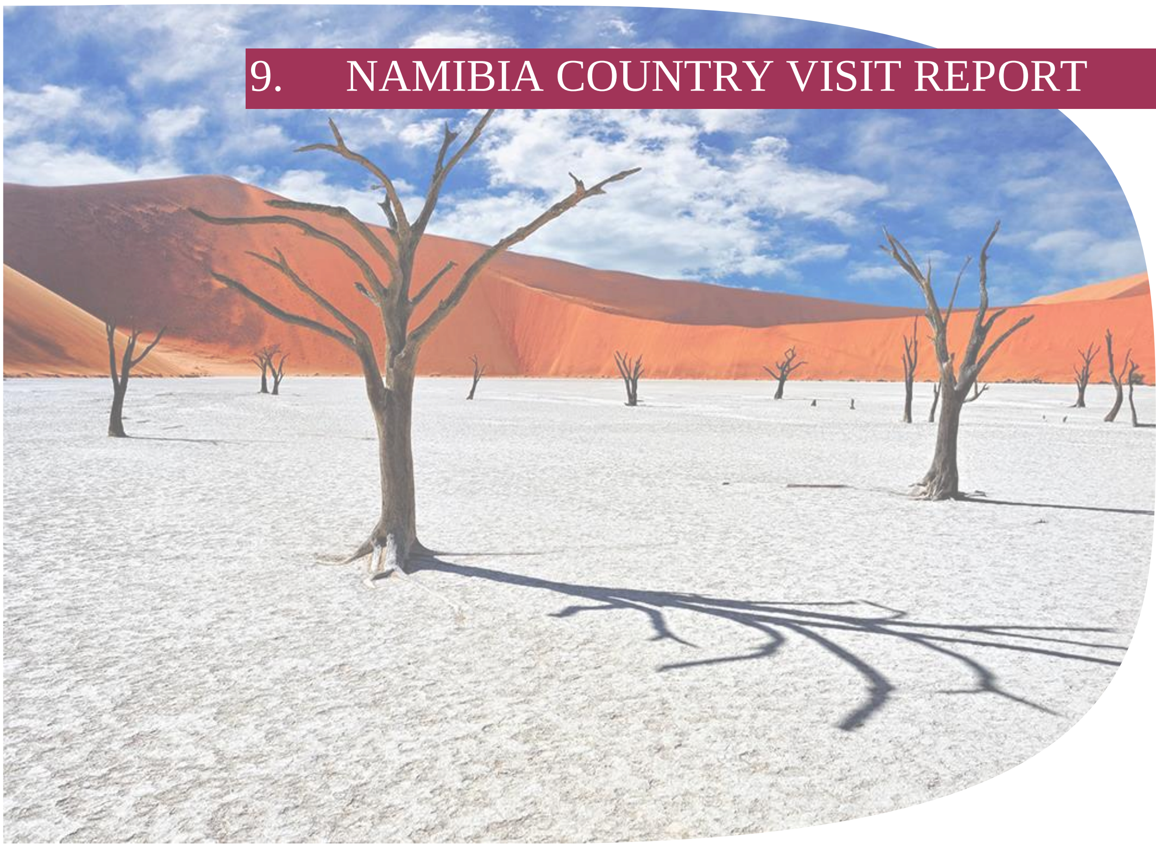
APPENDIX 8-2. DOCUMENTS CONSULTED

Environment and Climate Fund, *Country Programme Mongolia*, 2018

GCF IEU, *Mongolia. Green Climate Fund Country Programme Brief*, 2018

The Secretariat of the State Great Hural, *Mongolia Sustainable Development Vision 2030*, 2016

9. NAMIBIA COUNTRY VISIT REPORT



Dead Camelthorn trees in Namib-Naukluft National Park, Namibia. © Oleg Znamenskiy/ShutterStock

CONTENTS

A. Presentation of the country and GCF role

Namibia was selected as a case study country because it represents a particularly drought-stricken region in Africa, as well as a middle-income country. In addition, the GCF portfolio of Namibia presents some particular characteristics: four of seven Board-approved GCF projects are managed by one Direct Access Entity (DAE) – the Environmental Investment Fund (EIF). Two of these projects (FP023, FP024) are currently being implemented. Other GCF international Accredited Entities (iAEs) that operate in the country are German Development Bank (KfW), French Development Agency (AFD), United Nations Development Programme (UNDP) and the regionally active Development Bank of South Africa (DBSA).

1. Main climate change risks and context

Located in the south-western region of the African continent, Namibia covers 825,418 sq. km and has some 1,500 km of coastline along the South Atlantic Ocean. Namibia is one of the largest and driest countries in sub-Saharan Africa and has a population of approximately 2.5 million. The climate in Namibia can be categorised as desert, arid and semi-arid, with a high degree of variability. The aridity is caused by cold currents in the Atlantic Ocean which prevent westerly winds from picking up moisture. Occasional easterly winds that carry moisture from the Indian Ocean lose their humidity when rising over South Africa. The interplay of winds also causes a temperature inversion (inland cool air is overlain by warm air) which prevents the formation of clouds. It also causes annual rainfall variability to be extremely high.

The country contributes less than 0.1 per cent of global greenhouse gas (GHG) emissions, and per capita, carbon dioxide emissions are around a quarter of the global average. Mining is a major contributor to the Namibian economy in terms of economic output and exports. Other primary economic sectors, such as agriculture and fisheries, provide key contributions. Tourism also acts as an economic pillar and contributes up to 14.2 per cent of national gross domestic product (GDP).

Namibia is one of the most vulnerable countries to climate variability and change. The country’s susceptibility, due to its location in Southern Africa, is further exacerbated by an inherent water deficit and exposure to high temperatures during the spring/summer months (September to February). Evidence of climate variability and change include a retracted, variable and intense rainy season, resulting in lower water availability and increased temperatures (that have been above the global mean for the past 10 years). As a consequence, the ability to cultivate land has reduced significantly in some areas, and it is becoming increasingly challenging for the rural population to sustain livelihoods and income from the country’s very limited arable land. Over half of all Namibian livelihoods rely on subsistence agriculture. Water is a high-value commodity in Namibia, as only 1 per cent of rainfall recharges underground water resources, with the rest lost to evaporation and uncaptured runoff.

While climate change is a significant sustainable development challenge in Namibia, it also offers opportunities for a paradigm shift toward a low-emission, high-resilience and a more inclusive economy. With its abundance of solar irradiation (among the top three countries worldwide, due to the general absence of clouds), as well as its seawater and saline underground water sources, Namibia has vast untapped potential for low-emission energy generation and access, as well for the desalination of water for higher climate resilience. Greater energy and water security would drive the transition of Namibia toward a sustainable development pathway, based on the emergence of renewable energy and desalination sectors that can offer sustainable employment, secure incomes and a boost to the macroeconomy, while also creating opportunities to export water and energy to neighbouring states.

Namibia approved a National Policy on Climate Change (NPCC) in 2011, and a National Climate Change Strategy and Action Plan (NCCSAP) 2013–2020, in 2014. Both these strengthen the Government's ambition for climate action and support its short-to-medium-term climate and development agenda. In 2015, Namibia submitted its first Nationally Determined Contribution (NDC), in which the aim was to reduce GHG emissions by approximately 89 per cent by 2030, relative to a business-as-usual scenario. There is a strong focus on adaptation within its NDC. Specific examples of adaptation objectives come in the form of Climate-Smart Agriculture (CSA); economic and livelihood diversification; smart irrigation and water management systems; and the development of early warning systems and climate data and forecasting. The National Communications report, the Biennial Update Report (BUR) and the NDC – together with the NPCC and the NCCSAP – enable national policy responses while contributing to international obligations and commitments to meet the decisions of the UNFCCC Conference of the Parties (COP).

The NDC of Namibia is implemented and coordinated by the multi-sectoral National Climate Change Committee (NCCC), established in 2001, with the help of the Parliamentary Standing Committee on Economics, Natural Resources and Public Administration, and the Ministry of Environment and Tourism (MET). The MET is responsible for all environmental issues in the country and is also the National Focal Point (NFP) to the UNFCCC. Among the core functions of the NCCC are developing national communications to the UNFCCC, developing national positions on climate change, defining climate change capacity-building needs and institutional requirements, and advising a national strategy for adaptation to climate change.

Approximately 10 per cent of the estimated USD 33 billion needed to implement the NDC will be sourced by Namibia; the remaining 90 per cent of funding is dependent on international finance transfers. This total figure is broken down through approximately USD 22 billion focused on adaptation, and approximately USD 11 billion on mitigation. A Disaster Risk Management Act was gazetted in 2012, and a Disaster Risk Management Plan is also in place to cover drought and flood events, amongst others. In 2015, the MET and UNDP issued the NAMA: Rural Development in Namibia through Electrification with Renewable Energies. No funding has been secured so far for its implementation.

Namibia has recently committed to scaling up its response to climate change by establishing a High-level Cabinet Committee on Climate Change (HCCCC). The committee will be led by the Minister for International Relations and Cooperation and supported by the MET, the Ministry of Agriculture, Water and Forests (MAWF), the Ministry of Mines and Energy (MME), and the Ministry of Finance and Economic Development and Planning. Coupled with a GCF Country strategy (supported by the SouthSouthNorth (SSN) and the Department for International Development (DFID) of the United Kingdom) the committee is near completion. This indicates the readiness of Namibia to take on a paradigm-shifting approach that would accelerate interventions to mitigate key impacts and to secure adaptive capacities at all levels.

Namibia designated the MET as the National Designated Authority/Focal Point (NDA/FP) institution for the GCF. The NFP is the Deputy Director of Multilateral Environmental Agreements within the MET. He is assisted by a counterpart within the same ministry. The NCCC of Namibia serves as the GCF Steering Committee. The Steering Committee has been in operation since 2013 and has been active throughout the process of consulting with stakeholders and reviewing and recommending proposed projects for a "GCF pipeline of projects" for Namibia. The High-level Cabinet Climate Change Committee that is currently being established is expected to be responsible for approving country strategies and project proposals and recommending Accredited Entities (AEs).

Established through an Act of Parliament in 2001, the Environmental Investment Fund (EIF) became operational in 2011. It was created with a mandate of being a sustainable source of funding for the development and implementation of environmentally sustainable development projects and programmes, in partnership with both public and private sector organisations. Its activities overlap with the results areas of the GCF in the areas of natural resource management, green technology and low-carbon development, nature-based tourism and capacity building. In 2015, the EIF achieved GCF accreditation without receiving Readiness and Preparatory Support Programme (RPSP) support. In 2014, the Desert Research Foundation of Namibia (DRFN) also became accredited to the Adaptation Fund (AF) as a National Implementing Entity (NIE). National Implementing Entities can directly apply for financing and manage all aspects of climate adaptation and resilience projects, from design through to implementation and monitoring. The DRFN is a non-governmental organisation (NGO) focused on maintaining a healthy natural environment that supports the livelihoods of the Namibian people. As noted earlier, it is considering applying for accreditation as a DAE of the GCF. Finally, the Nature Foundation of Namibia has been nominated for GCF accreditation and is currently in the accreditation process.

In 2016, before receiving any readiness grants, Namibia, through the EIF, submitted two adaptation projects, CRAVE (FP023) and “Empower to adapt: creating climate-change resilient livelihoods through community-based natural resource management in Namibia” (FP024). Each was valued at approximately USD 10 million. Moreover, FP024 was the first pilot Enhanced Direct Access (EDA) project approved by the GCF. It is built on the institutional foundation of the Namibian Community-Based Natural Resource Management (CBNRM) network, which consists of communal conservancies and community forests in the rural communal areas of Namibia. These networks will be the conduit for the implementation of the local-level climate action of the project.

Similarly, the CRAVE project, executed by the MAWF, is built on the strong baseline investment of the Government made through the Namibia Comprehensive Conservation Agriculture Programme (NCCAP), and the revised Namibia Agriculture Policy of 2015. To date, Namibia has developed and piloted some of the most promising climate adaptation agricultural practices, but on a small scale. The Country CSA Programme aims to build the resilience of agricultural farming systems for enhanced food and nutrition security in Namibia. National priority programmes, such as the Namibia CSA Programme, the NCCAP and others, constitute crucial baseline investment initiatives for GCF projects. However, most of the desired outcomes as expressed in policy documents and strategies developed to date, have not yet been realised and remain policy intentions. Largely, this is due to a lack of adequate, scalable financial and technological resources.

Another project submitted to the GCF in 2016, “Tourism Adaptation Project: Increasing Climate Change Resilience of CBNRM through Adaptation in the Tourism Sector in Namibia”, fell short in terms of requirements for GCF support, and prompted the EIF to apply for and secure a readiness grant. The readiness grant of USD 392,000, requested and approved in November 2016, was accessed with the specific objective of strengthening the tourism adaptation project proposal under development, in addition to building the capacity of the EIF in terms of environmental and social safeguards (ESS) and gender analysis, monitoring and evaluation, and fiduciary standards. To strengthen the proposal, the grant sought to enable regional stakeholder consultations (as well as to provide resources for actually writing the project proposal). Furthermore, the grant was also meant to support the establishment of a coordination mechanism for the NDA/FP to enhance oversight of the EDA Tourism Adaptation programming process. The proposed project effectively represents an ensuing phase of the EIF support package to the CBNRM Programme of Namibia and is designed to augment the first CBNRM EDA proposal entitled “Empower to Adapt: Creating Climate Resilient Livelihoods through CBNRM in Namibia”, approved in October 2016.

According to its CEO, the EIF learned by doing; initially hiring external consultants to lead the development of GCF projects, and subsequently taking ownership and leading the proposal development internally. It learned from previous projects, both funded by the Global Environment

Facility (GEF) and others, and built on these as the basis of the first projects it submitted to the GCF. Its initial pipeline is primarily driven by the CBNRM programme in Namibia, which has provided a strong avenue for integrating climate change considerations and for supporting climate resilience and action at the local level. The EIF ascribes its successful project pipeline development to having built its initial capacity with government resources and aligning its due diligence processes with those of the GCF. Through a cooperation agreement with the Development Bank of Southern Africa's Green Fund, the capacity of the EIF was further strengthened. The EIF is also benefiting from a unique institutional position in the architecture of the environmental and climate change policies and strategies of Namibia. It enjoys broad political support, receives budgetary support from the Government, is mandated to procure funds from international donors, and is equipped with GCF-aligned project management systems. Along with these benefits and its access to a network of NGOs, CBNRM community-based organisations (CBOs) and to local government, the EIF has become a key partner of the GCF in Namibia. The EIF is set to expand its activities and operations in private sector investments, including as an implementing agency in the Sustainable Use of Natural Resources and Energy Finance (SUNREF) project of the AFD.

The efforts of Namibia to access climate finance have so far concentrated on grants; its experience with loans and large-scale projects is quite limited or non-existent. Private sector engagement has equally been superficial and mostly limited to awareness-raising. As indicated in the NDC of Namibia, through the expansion of the EIF into new activity areas and the expected accreditation of the Development Bank of Namibia (DBN) and other banks in the country, this is set to change.

B. Findings

1. Fund business model and structure

a. Core principles

The portfolio of GCF projects in Namibia originates from the country priorities presented in the NCCSAP and are particularly related to its agriculture adaptation component. Agriculture is the main occupation for most Namibians, and they are especially affected by climate-change-related droughts and variability (less rainfall and shorter rain periods). All GCF funding disbursed so far are project grants that would probably not have received funding given the financial constraints of the country. The team noted that some international organisations that were active in the area of adaptation-based agriculture (e.g. *Deutsche Gesellschaft fuer Internationale Zusammenarbeit* GmbH [GIZ]) are moving out of, or are not very active in, the area of climate change, and Namibia does not have sufficient resources to fund the activities. Additionally, since it is classified as a middle-income country, many bilateral and multilateral donors do not see it as a theatre for "transformational development work". All GCF current projects are managed by a local state-owned entity and implemented by ministries and/or local stakeholder groups such as the CBNRM network, which highlights strong country ownership and likely reflects the inference that projects are consistent with country needs.

Although GCF projects are, in some sense, variations on themes that had been explored before and supported by other donors and actors (e.g. the CRAVE project), they continue to reflect the substantial potential for shifting the agricultural production paradigm in Namibia. Nevertheless, this shift is still dependent on the eventual uptake of new technologies and process innovations by smallholder farmers. It was noted that communities in the south of Namibia are neglected in terms of funding. All donor organisations tend to focus on the northern regions. However, if one indicator of potential paradigm shift is the ability of the project to leverage and build sufficient recognition among key development actors – so that they may leverage "intentionally" (rather than serendipitously) – then the evaluation team found that there were insufficient understanding and recognition of the GCF on the ground. For example, the European Union (EU) office that provides European Development Fund (EDF) support to Namibia did not seem to know GCF sufficiently and did not consider climate change in its overall programming.

In the context of a paradigm shift, it seems that actors are endeavouring to build temporally on previous efforts, to create a continuum of action that augments past work to form a critical mass that supports a shift in some sub-areas, for continued impact in agriculture. However, there is no evidence of a "spatial" leveraging across actors to build a simultaneous and contemporaneous effort to move towards greater resilience in agriculture (or in other sectors for that matter). On the topic of country needs and ownership, it is clear that in supporting DAEs and focusing on areas that are clearly linked with the climate-related strategies of Namibia, the effort in-country is to meet country needs and to build country ownership.

b. Organisational structure at the country level

The Ministry of Environment and Tourism (MET) is the NDA. Within the MET, the Deputy Director of the Division of Multilateral Environmental Agreements in the Department of Environmental Affairs acts as the operational FP for the GCF. The NCCC serves as the GCF Steering Committee and establishes the link between MET and the Ministry of Finance in the area of climate change. The Environmental Investment Fund (EIF) of Namibia develops and implements the majority of the GCF (pipeline) projects and works closely with the NDA. The NDA also liaises with other AEs.

An example is the upscaling of the (multi-country) AFD SUNREF programme, where the NDA raised some objections regarding the project plan for Namibia. Namibia was the last country to issue a no-objection letter to FP095 after changes to the programme (notably the involvement of EIF) had been made. The EIF is particularly instrumental in the implementation of the GCF in Namibia because of its ability to work through its formal and informal networks in government and civil society. Some exceptions to engaging civil society robustly in consultations and prioritising efforts were noted by a few actors; however, the evaluation team was not able to confirm these omissions.

c. Relationship with the GCF Secretariat

In addition to the NDA, the EIF has direct contact with the GCF Secretariat. Having aligned itself with the GCF early on, EIF staff also attend GCF Board meetings regularly. The EIF considers accessing the GCF relatively easy. This is in contrast with other local entities that are trying to achieve accreditation, such as DBN and AgriBank. These entities find the GCF quite inaccessible and overburdening (more on that later in the accreditation sections). The recurring comment from all parties is that GCF has insufficient knowledge of the local context and that responses to questions are slow and at times inconsistent. There is also a feeling that international AEs have it easier than DAEs.

Additionally, several institutions highlighted the importance of getting technical advice, along with financial resources. There was also often-voiced questions about whether GCF could have regional or country offices/presence. This was brought up in three contexts. Firstly support for accreditation. Secondly, technical advice that could go along with investments supported by the GCF. And, thirdly and most critically, and the presence of an institution that could help synthesise best practices and relevant evidence for programmes and interventions being rolled out by the Government of Namibia (e.g. in the case of Climate-Smart Agriculture, adaptation approaches and the feasibility of pursuing the aquifer recharge project).

d. Accessing the GCF: National Designated Authorities and Accredited Entities

National Designated Authority (NDA)

The Department of Environmental Affairs of the MET is the Green Climate Fund NDA. The NDA has four functions about the GCF:

1) It serves as the FP for all aspects and relationships with the GCF, including as the gatekeeper (and promoter) of all proposals seeking GCF funding;
2) It nominates entities to become GCF accredited (e.g. AgriBank, DBN, Bank Windhoek and NNF);
3) It issues the no-objection letter for the projects of international AEs (e.g. AFD); and
4) With EIF, the NDA uses the Readiness programme to (i) strengthen the institutional capacity of the NDA; (ii) develop a strategic framework for engagement with the GCF; and (iii) to prepare country programmes and provide effective support for accreditation to national institutions.

Accredited Entities in Namibia

The only DAE in the country is EIF, the first DAE to be accredited without help from GCF (although they received support from KfW). However, some others are in the accreditation process. Active AEs in Namibia include African Development Bank (AfDB), AFD, Deutsche Bank, DBSA, KfW and UNDP, although only AFD, DBSA and Deutsche Bank have GCF-approved projects (the Deutsche Bank project seems unlikely to be implemented). Appendix 9-2 shows information on the active and pipeline projects in Namibia. Only KfW and UNDP have offices in Namibia. The EIF and UNDP can only provide grant money, and so far, GCF has only disbursed grant money. Through the AFD and DBSA approved projects, debt capital will be provided.

Although many AEs are present in the country, only three (AFD, Deutsche Bank and DBSA) have liaised with the NDA regarding projects. The KfW has a global policy that it will only develop two GCF projects per year because it considers working with the GCF too cumbersome (the contact in Frankfurt we approached to elaborate on this did not respond). The UNDP has the policy that it will not get in the way of DAEs, and because it is accredited only for grants, it defers to EIF.

The GCF does not seem to be very visible outside of the circle of experts and organisations involved. Nevertheless, there has been a healthy pipeline of projects that have found their way to GCF funding, in part because of the active role that EIF plays.

e. Funding programmes and instrument

The GCF portfolio in Namibia includes participation in the RPSP (both the NDA and EIF) and grant funding activities. Namibia has accessed directly the Private Sector Facility (PSF) through the Deutsche Bank (FP027), AFD (FP095), and DBSA (FP097) projects. The FP027 consists of equity and grants but has not become active more than three years after approval (Deutsche Bank has not achieved accreditation). The global project implemented by AFD is financed from the PSF and Namibia is one of 17 countries (of which 16 are in Africa).

Regarding the Deutsche Bank project, the best current guess is that this project will not be implemented (the final terms have still not been agreed after 3 years). The DBSA project (which will run in South Africa, Lesotho, Swaziland and Namibia) has only been recently approved. Finally, the EIF signalled its intention to move more in the direction of debt instruments. It has had some small experiments in this area, and it will also manage the AFD SUNREF programme in Namibia (FP095).

It seems that the current modalities are sufficient for Namibia. Although the NDA indicated that he does not understand why infrastructure is not being financed, this does not seem to be an issue with the modalities but rather that the appropriate institutions that could finance and manage such projects have not been accredited yet (e.g. Development Bank of Namibia). The DBN also expressed concern that although it had a credit rating from Fitch and had the same credit rating as the country (since the Government guarantees it), the GCF processes for accrediting it for debt instruments are very burdensome (despite being accredited by AFD and KfW).

2. GCF policies and processes

a. GCF policies

The main point raised by the NDA, EIF and DNB was that GCF policies can be different from – or even contradict – national legislation. For example, EIF had formulated a livestock-related agriculture project (most farmers are active in livestock farming), but GCF had problems with it due to methane emissions from livestock. Another issue is that under GCF policy, bush clearing is considered deforestation, whereas in Namibia bush clearing is encouraged because bushes have encroached up to the point that they compete with the growth chances of fodder for livestock, and therefore negatively affect livestock-based livelihoods.

AgriBank indicated that the development of policies which are acceptable for GCF is time-consuming and tedious, but that it does help to improve the quality of the institution. The DBN observes that GCF standards are considerably higher than those of other organisations (notably KfW and AfDB) and that the GCF insufficiently understands the local context. If only GCF staff could sit down one-on-one with people from the bank, the accreditation process would be a lot smoother. There is now a danger that the heavy-handed requirements of GCF are not relevant for the institution and therefore risk the creation of a paper reality.

The Indigenous Peoples Policy was not addressed. Namibia has several groups of indigenous peoples (San, Nama, Ovahimba, Ovazemba, Ovatjimba and Ovatwa). Although the constitution of Namibia prohibits discrimination, it does not specifically recognise the rights of indigenous peoples and minorities.

Some entities that are in the process of being accredited consider the Environmental and Social Policy and processes required by GCF to be overly burdensome. They are surprised that policies and systems approved by other multilateral or bilateral donors are insufficient for the GCF. They opine that GCF has insufficient understanding of and feeling for the local context, which is explained further in the next section.

In terms of the sufficiency of policies, the main gap discussed was that financing livestock farming is difficult under GCF policies because of methane emissions. As livestock farming is the main source of livelihoods for many Namibians, it seems that livestock farming is a policy gap. There was also the perception that infrastructure investments are not supported by GCF.

The main issue raised by accredited and to-be-accredited entities is not so much a policy overload, but the inflexibility of GCF processes and the Fund’s insufficient understanding of the local context; all of which makes the implementation of GCF policy requirements particularly burdensome. Interviewees argued that a visit from GCF staff to in-situ observe the existing environmental and social safeguard (ESS) and risk policies and processes, may considerably speed up the accreditation process. This would allow for the entity’s track record to be considered. Also, the wording of GCF policies and the complexity of the templates are considered to be overly legal in nature.

b. Policies implementation

The projects approved so far have a little environmental impact, and the review team did not engage in conversations related to indigenous peoples. As previously mentioned, the policies are considered too restrictive for livestock farming.

There were also additional discussions around the feasibility of supporting agricultural insurance. Although it did not speak to the overall remit of GCF directly, insurance is a special concern for Namibia because as against typical practice, premia have to be paid out once every three years, which is too high a cost for insurance companies. Namibia is considered "uninsurable". In this context, the question is whether there is sufficient appetite for risk within GCF to take on such initiatives.

c. Accreditation

The one DAE in Namibia is EIF. Of the many iAEs that operate in Namibia, only three have approved projects (AFD, DBSA and Deutsche Bank), although whether the project of the latter (FP027) will be implemented is highly questionable because Deutsche Bank somehow is not yet an AE (the reasons for this are unknown). The organisations currently accredited are all reputable, and EIF has shown itself capable of delivering project management implementation.

The EIF believes it became the first DAE within GCF because it started around the same time as Fund (although EIF came into existence in 2001, it did not really start until 2011) when it assisted the Government in trying to get the GCF headquarters to be based in Namibia. Because of this simultaneity, EIF was able to closely align itself and its policies and processes with GCF. The EIF also received help from KfW (which helped around 10 organisations around the world to become accredited, but gave the most assistance to EIF), and it believes that it benefited from the fact that the GCF accreditation process was not yet entirely carved in stone, and thinks it would have a harder time becoming accredited today.

There are currently four local organisations in the process of accreditation: AgriBank, Development Bank of Namibia, Bank Windhoek and the Namibia Nature Foundation. Although local entities that are currently in the process of being accredited acknowledge the value of the accreditation process (e.g. around transparency in AgriBank), the process is considered burdensome. This has caused delays in the accreditation of entities that could implement non-grant programmes. Although two of the entities considered not going forward with the accreditation process, one of them has now shown a renewed focus to get it done. The new DAE entities would support Namibia in accessing debt as well as the PSF of the GCF, whereas the projects running in the country so far are grant-based. The approved but not yet active FP095, and FP098 will provide debt.

GCF needs to provide more clarity on expectations and required documentation, as well as on what kind of funding can be received. It is also perceived that the GCF should dare to rely more on the proven systems and processes of established organisations, or organisations that have been "accredited" by institutions such as KfW, AfDB or International Finance Corporation (IFC) ('When AfDB and IFC consider our systems adequate, why would we need to change them for GCF?').

All current projects are managed by the DAE and implemented by the Ministry of Agriculture, Water and Forests (which also provides less than 10 per cent co-finance) or by CBNRM stakeholders. The projects implemented by the ministry are in line with its so-called "Blue Bible", which sets out the activities in the area of conservation-based agriculture from 2015 to 2019. The multi-regional AFD project FP095 will be implemented in Namibia by the DAE (EIF). The NDA also communicated some objections to the original design of the AFD project, which led to changes to better reflect country needs. The projects are thus entirely country-driven.

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

The project cycle of the current local projects is managed by EIF in consultation with the NDA. Each of the project proposals, during preparation, is reviewed, and comments are received from relevant national entities: staff from the AEs and the regional/global GCF focal points within the AEs. The NDA coordinates and seeks comments from the relevant government entities, although EIF itself manages government relations across departmental lines as well. The review from the NDA, in conjunction with EIF, led to changes in the multi-country AFD-led project FP095. Namibia was hence the last country to sign the no-objection letter for that project.

Although the first two projects (FP023 and FP024) were approved rather quickly, the project cycle is currently perceived as rather long. The EIF indicated that the project worries expressed by the Independent Technical Advisory Panel (iTAP) about the SAP006 project morphed into questions over institutional ability and financial risk, which delayed approval considerably. There is also a feeling that various GCF staff are not always consistent and coherent in how criteria and policies are being applied. Also, there’s a strong feeling that the approval process could be sped up substantially if GCF better understood the local context. The NDA advocates for proposals to be presented by countries at the GCF Board meetings. The UNDP, as well, mentioned that GCF tends to impose resource-heavy conditions which make GCF projects costly to prepare (the same holds for GEF).

For the ongoing projects, all investment criteria were addressed in the funding proposals. Because of the overlap between some of the criteria (notably sustainable development), similar arguments were used to meet different criteria. The overarching requirements used for the ongoing projects are climate adaptation and the improvement of livelihoods. Because of the many aspects of improving livelihoods, it seems rather easy to tick many investment criteria boxes.

The extent to which the iTAP/ Private Sector Advisory Group (PSAG) assessments help ensure quality of funding proposals, iTAP indicated in its review of FP024 that the investment criteria could not be used to judge the process adequately. However, it concluded that while the project did not score well against the same criteria, it should be funded based on its innovation potential. The iTAP scores for SAP001 were high on all investment criteria except for impact and effectiveness, where it had a medium score. For the SAP006 project, the feeling was that iTAP changed its attitude from project-related to institution-related worries. Among others, iTAP remarks caused a tourism-related proposal to be changed in scope to become an Ecosystem-based Adaptation (EbA) project (SAP006). The iTAP subsequently recommended the project with few additional conditions.

b. Project portfolio

Discounting the idle FP027 project, the current portfolio consists of four adaptation projects (of which two are ongoing) and two clean-energy access projects. As they are managed by the same entity (EIF), the four adaptation projects make for a coherent adaptation portfolio; each of them addressing different aspects of adaptation (agriculture and EbA/tourism-related, in different regions).

Due to some project delays, the two ongoing projects are still at an early stage. The CRAVE project (FP023) builds on an earlier GIZ activity on drought-resistant agriculture. During the field visit, it became clear that the project demonstrates the viability of the new methods/practices/seeds to the smallholder farmers in the region, many of whom will not have any yields this year because of the drought. This year (2019) is a crucial year for seeing to what extent local farmers will adopt the new practices. The SAP001 project builds on the CRAVE project by looking at agriculture and rangeland adaptation in a different climatic zone. The FP024 and SAP006 projects also have a similar scope.

It was remarked in one of the interviews that CRAVE approval was helped by the fact that it took place early in GCF days, and that nowadays it would be more difficult to have the CRAVE project funded through GCF because of the (perception of) missing pieces in the project design. The GCF has become stricter and imposes stricter conditions, which can be resource-intensive and costly for the applicant. An example of this is the SAP006 EbA project, which was only approved after EIF modified an earlier project using a GCF readiness grant.

The climate rationale of the projects FP023, FP024, SAP001, SAP006 is clear, as they aim for the "prevention" of or increased resilience to the effects of climate change-related intensification of droughts. Given the Government's current budget constraints and the limited appetite of other donors (e.g. GIZ, EU), it is questionable as to whether these agricultural programmes would have been financed. This, together with the fact that the Government in nine out of 10 years has to finance expensive "curative" drought relief programmes, brings about the question of how GCF can help more on the preventative side. This would be truly paradigm-shifting in Namibia. The NDA mentioned that it aims to pursue larger adaptation projects that are similar in nature to the GCF projects, together with the Special Climate Fund.

Through the multi-country projects of AFD and DBSA, GCF debt financing will become available to the private sector for adaptation and energy finance (FP095) and clean energy (FP098). Because the projects have yet to reach Funded Activity Agreement (FAA) status, it remains to be seen what portion these projects' finance will go to Namibia.

The big project that has been bouncing around between actors (from KfW to UNDP and now to DBSA) in Namibia is the Windhoek Aquifer recharge project, aimed at improving the climate resilience of urban water supply. The intention is to bring this project to GCF, but progress has stalled. There are many moving parts to this project, such as the desalination of ocean water (which requires solar energy), the transport of water and the use of pumping stations to move it into and back out of the aquifer. The project would almost certainly be best financed by a mixture of public and private money. Although the project is potentially paradigm-shifting and despite the many access modalities and financial instruments of the GCF, it seems difficult to pull off such a project without the right coordinating entity. There may be a more pro-active role for the GCF to become that entity. The project clearly reflects country needs and many components could be "owned" by the country as well, and it seems that GCF could fill the institutional gap that exists. The NDA expressed his amazement that GCF does not finance infrastructure, although it was not clear whether he meant that it did not currently finance infrastructure in Namibia, or whether he thinks that GCF does not finance infrastructure in general, which is not the case.

c. Responsiveness to the UNFCCC

The projects financed by GCF are in line with the NPCC and the NCCSAP for the period 2013 to 2020, policies which meet the decisions of the UNFCCC Conference of Parties.

d. Funding programmes and instruments

Grant funding activities and readiness have been the only access modalities (partially) disbursed so far. As part of the recently-approved FP095 and FP098 projects, debt funding may be accessed as well in Namibia. The Windhoek Aquifer project would have many components where the access modalities of GCF could be exhausted to a fuller extent (readiness, grants, debt, PSF and possibly even equity). The EIF also aims to move towards providing debt finance. It is currently implementing the SUNREF debt capital scheme of AFD. The EIF has acquired government funding to spur its growth and establishment in-country. The lack of such funding was previously seen as a risk by GCF.

So far, Namibia has accessed GCF through readiness and funding grants. The approved AFD and DBSA projects, financed through the PSF but not yet in effect, will provide credit lines through EIF and commercial banks respectively. There is a clear need for more debt financing.

e. Private Sector Facility and non-grant instruments

Namibia seems ready to move from grants to private-sector loans. The AFD, through EIF, will provide debt finance to the private sector, as will DBSA, through (mostly South-African) commercial banks in Namibia. The state-owned Development Bank of Namibia would also use PSF, once accredited, and intends to apply for PSF and non-grant instruments. The DNB has already accessed capital markets for funding. The previously mentioned Windhoek Aquifer project seems to have the potential for blending public and private finance, but it is not clear how these would be brought together.

Namibia has not had direct contact with the PSF and has only had contact through the AEs. The multi-country AFD and DBSA projects are financed from the PSF. The Namibian NDA and EIF were involved in the AFD project and demanded changes to it. The NDA issued a no-objection letter for both projects.

The AFD and DBSA credit lines will be new and additional, although the state-owned DNB, which is the largest funder of big projects in Namibia, has already financed some companies' climate-related projects.

4. Likelihood of (and actual) results

a. Quality

The iTAP assessment for two the agricultural projects FP023 and SAP001 have been quite favourable, with only medium scores for impact potential and effectiveness and efficiency. The iTAP has been far more critical of the community-based projects FP024 and SAP006. Despite having indicated that the investment criteria were not really applicable to FP024, iTAP recommended it for approval because of its innovative nature. The SAP006 was recommended for approval because the project had been modified drastically using a project readiness grant.

b. Results measurement

For both active projects (FP023 and FP024), Annual Performance Reviews are being compiled, which include the Results Measurement Framework indicators. Not much can be learned from the projects as they are at an early stage, so project targets will be checked for indicators.

c. Actual results

Both running projects are behind schedule. During the evaluation team visit, the concrete progress of the CRAVE project was clear: the fields produced crops, whereas, in the surrounding area, there was hardly any growth at all. First indications are that having seen the crops on the demonstration fields, surrounding farmers have already expressed interest in the method's use for their own application. An insurance scheme for farmers has also been set up. Due to the drought which caused many farmers to give up on planting their fields, only eight farmers participated instead of the expected 120 (or the 66 indicated in the APR). The scheme nevertheless seems innovative and addresses the appropriate risks of farmers. The progress observed seemed to be in line with progress stated in the APR of 2019. Paradoxically, the biggest risk to the project is if the current drought lasts even longer than it has. In that scenario, many farmers may just give up on farming.

Actual progress on the CBNRM project is hard to judge because no visit was made and the Director of the Namibian Association of CBNRM Support Organizations (NASCO) was unavailable for an interview. Seeing as the second disbursement was made, we conclude that progress was deemed acceptable for the GCF Secretariat.

d. Expected results

The expected results of the FP023, FP024, SAP001 and SAP006 projects are more secure livelihoods for farmers and communities. The ADF and DBSA projects are global and do not yet have a breakdown of targets by countries participating.

e. Paradigm shift

The GCF projects in Namibia are active at the symptom level but not for the root causes, which would have been the provision of finance required for climate change activities and incentives to change agriculture behaviour or community-level activities to reduce deforestation. These issues remain very localised. The CRAVE agriculture project, however, has several aspects which are innovative and hold paradigm shift potential. These include a demonstration and research station which mimics the conditions of smallholder farmers, an education facility to train new researchers, and a system of lead farmers who are incentivised with free inputs to educate and train 12 other farmers (who receive subsidised inputs). Other aspects with the potential to assist a paradigm shift include new drought resistance seeds, an innovative insurance scheme which works for agricultural yield, off-take security and insurance of residual (catastrophe) risk. However, its long-term success remains to be seen as government support is so far unclear. The hope is to use government drought-relief financing, which is managed by the Prime Minister's Office. Cross-country learning is important, but extensive funds are not available for that. Three of the twelve lead farmers will be taken to Zimbabwe and Zambia to learn from practices there. When the project can move significant numbers of smallholders to new agricultural practices, the project will have shifted the paradigm.

There are two ways in which GCF can be more active in achieving a paradigm shift in Namibia:

1) Namibia is a sparsely populated country where most of the (agricultural) population suffer substantially from climate-change-related droughts. The ongoing adaptation projects are small for GCF, but would otherwise not have been financed. Shifting smallholder farmers to different practices would be very important, and GCF can play a financing role that would be very difficult for the Government, the private sector or other entities to realise. The GCF can, therefore, achieve on a relatively larger scale than it can in many other countries. As discussed in section 5.2, the GCF can help Namibia move from "curative" towards this "preventative" approach to drought control, which in the end would be drastically cheaper. Just like a raindrop needs a nucleus around which it can form, GCF could be the nucleus around which government, private sector and CSOs coalesce, especially because other donors do not have this as their priority (e.g. GIZ pulled out of this area, and the EU has a focus on education). One exception may be the Special Climate Fund, which according to the NDA, will be contacted to scale-up Community Resilience projects, which are very similar in design to what GCF is financing now. The UNDP also remarked that it has its own portfolio that focuses on small-scale agriculture and adaptation.
2) The GCF can also have a more pronounced role in larger-scale interventions. The fact that the Windhoek Aquifer project has bounced between several institutions points to the absence of a core institution that has sufficient convening power to align the many different parties that would be involved (public sector, private sector, international organisations, local banks, etc.). There might be a role for GCF to "lean in" more and to see how it can pull such a project forward. The potential convening power and technical expertise of the GCF may also foster linkages across EIF, UNDP, GIZ, KfW, EU and others, to align programmes through the NCCC. The NDA also encourages GCF to guide countries more in formulating proposals.

APPENDIX 9-1. TIMELINE AND EVOLUTION OF THE CLIMATE CHANGE AGENDA IN NAMIBIA

YEAR	KEY EVENTS FOR THE GREEN CLIMATE FUND	RELATED EVENTS IN COUNTY	KEY FACTS FROM OTHER CLIMATE FUNDS
2010	(December) The Sixteenth Session of the United Nations Framework Convention on Climate Change in Cancun (COP 16), Mexico, decides to establish a Green Climate Fund (GCF), to be designated as an operating entity of the financial mechanism of the Convention under Article 11.		
2011	(December) COP 17 in Durban, South Africa, adopts the Governing Instrument of the GCF.	Under the guidance of the Ministry of Environment and Tourism (MET) and with support from the National Climate Change Committee (NCCC), a Cabinet-endorsed National Policy on Climate Change (NPCC) was produced in 2011, which articulates the country's response to climate change.	
2012	(October) The Board selects the Republic of Korea to host the Fund Secretariat (Namibia was also a contender to get the Fund Secretariat).		
2013	(June) The Board selects Héla Cheikhrouhou as the first Executive Director of the GCF Secretariat. (June) The Board requests the Secretariat to issue an invitation to developing countries to nominate a Nationally Designated Authority (NDA). (October) The Board agrees on a roadmap to mobilise resources.	A concrete and time-bound National Climate Change Strategy and Action Plan (2013-2020) is adopted, guiding the implementation of the National Policy on Climate Change. A Water Management Act is gazetted. The Act calls for the development of Integrated Water Resources Management plans for the development, conservation, management and control of water resources in Namibia. The Federal Ministry of Economic Cooperation and Development (BMZ) of Germany commissions GIZ and KfW to support climate finance readiness in Namibia. KfW is tasked with supporting the development of a project pipeline. GIZ is tasked with supporting the integration of climate change activities into national planning and the budgeting process. A climate finance readiness-needs assessment is undertaken by the Overseas Development Institute (ODI), the African Climate Finance Hub (ACFH) and WRI in close collaboration with GIZ, and with the support of BMZ.	Special Climate Change Fund approved a USD 3.05 million project on Scaling up Community Resilience, implemented by UNDP.
2014	(October) The Board decides only to consider funding proposals that are submitted with a formal letter of "no objection", to ensure	In 2014, Namibia became the first non-Annex I Party to submit the First Biennial Update Report to the UNFCCC. Namibia designates the MET as the NDA and FP	

Year	Key events for the Green Climate Fund	Related events in county	Key facts from other climate funds
	consistency with national climate strategies and plans and country-driven approaches. (November) The GCF Secretariat opens its online accreditation system for national and international entities.	institution for the GCF. Namibia nominates Mr. Petrus Muteyauli, Deputy Director of Multilateral Environmental Agreements, as the National Focal Point (NFP). The Desert Research Foundation of Namibia is accredited to the Adaptation Fund. KfW organises a stakeholder workshop with the participation of different sectors and NGOs. A project pipeline is developed. GIZ organises training on climate proofing. GIZ supports entity stocktaking and provides advice on accreditation. As part of CF Ready, GIZ organises an African South-South exchange and leadership initiative with Namibia, Zambia, Tanzania and Uganda.	
2015	(March) The Board approves the first AEs. (November) The Board approves the first eight investment projects before the Paris Climate Summit. (November) COP 21 in Paris passes the landmark international climate agreement, with the GCF as the dedicated operating entity of its financial mechanism.	Namibia approves the Namibia Agriculture Policy and a Comprehensive Conservation Agriculture Strategy. The Environmental Investment Fund (EIF) is accredited to the GCF in July 2015. Deutsche Bank submits the multi-country Universal Green Energy Access Programme (UGEAP); it is approved by the Board in 2016; it is still pending. The MET and UNDP issue a NAMA: Rural development in Namibia through electrification with renewable energies. No funding has yet been secured.	
2016	(March) The Board adopts its Strategic Plan, which links the GCF to the Paris Agreement, and reconfirms the importance of the GCF RPSP. (October) The Board selects Howard Bamsey as the second Executive Director of the GCF Secretariat.	In 2016, in the run-up to the 20th UNFCCC Conference of the Parties (CoP), Namibia submits its INDC. The EIF submits an Entity Support readiness request in May 2016; it is approved in November 2016. The EIF submits two full funding proposals in April and August respectively: FP023 Climate Resilient Agriculture in three of the Vulnerable Extreme northern crop growing regions (CRAVE); and FP024 Empower to Adapt: Creating Climate-Change Resilient Livelihoods through Community-Based Natural Resource Management (CBNRM) in Namibia. They are approved by the GCF in October 2016. The United Kingdom, through South-South-North, supports the development of a GCF country strategy.	Desert Research Foundation of Namibia (DFR) gets three projects approved with the Adaptation Fund (each USD 30,000).
2017	(May) GCF approves NDA Strengthening and Country Programming (RPSP, UNDP).	The Cabinet decides to establish a High-Level Committee on Climate Finance, to be chaired by the Ministry for International Relations and Cooperation, supported by the MET, MAWF, MME, MoF, Ministry of Economic Development, and the NPC. The National Development Plan (NDP) 5 (2017/2018 – 2022/2023) undergoes finalisation and is geared to meet specific climate mitigation targets. The EIF submits	

YEAR	KEY EVENTS FOR THE GREEN CLIMATE FUND	RELATED EVENTS IN COUNTY	KEY FACTS FROM OTHER CLIMATE FUNDS
		SAP001 “Improving rangeland and ecosystem management practices of smallholder farmers under conditions of climate change in Sesfontein, Randfontein, and Warmquelle areas of the Republic of Namibia”. It is approved in February 2018. In April 2017 the EIF submits a request under the RPSP for NDA strengthening, Country Programming and Entity Support; it is approved in September 2017, and it becomes effective in February 2018. A draft GCF country strategy is produced with the support of South-South-North. The Adaptation Fund approves the DRFN project proposal “Pilot rural desalination plants using renewable power and membrane technology”.	
2018	(July) GCF approves Adaptation Planning (RPSP, UNDP).	The SUNREF project of the AFD is launched in Windhoek; it is being implemented by the EIF in collaboration with the Technical Assistance Facility. The EIF submits a funding proposal “Ecosystem-based adaptation of communities living in Namibia’s communal conservancies and community forests through climate resilience of their natural resource-based assets”. It requires a major revision. The RPSP proposal for NDA strengthening, Country Programming and Entity Support begins implementation. Board approves SAP001 project.	GEF-6 approves an adaptation project “To promote an integrated landscape management approach in key agricultural and forest landscapes, reducing poverty through sustainable nature-based livelihoods, protecting and restoring forests as carbon sinks, and promoting Land Degradation Neutrality”.
2019		Board approves SAP006 project in Namibia.	

APPENDIX 9-2. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

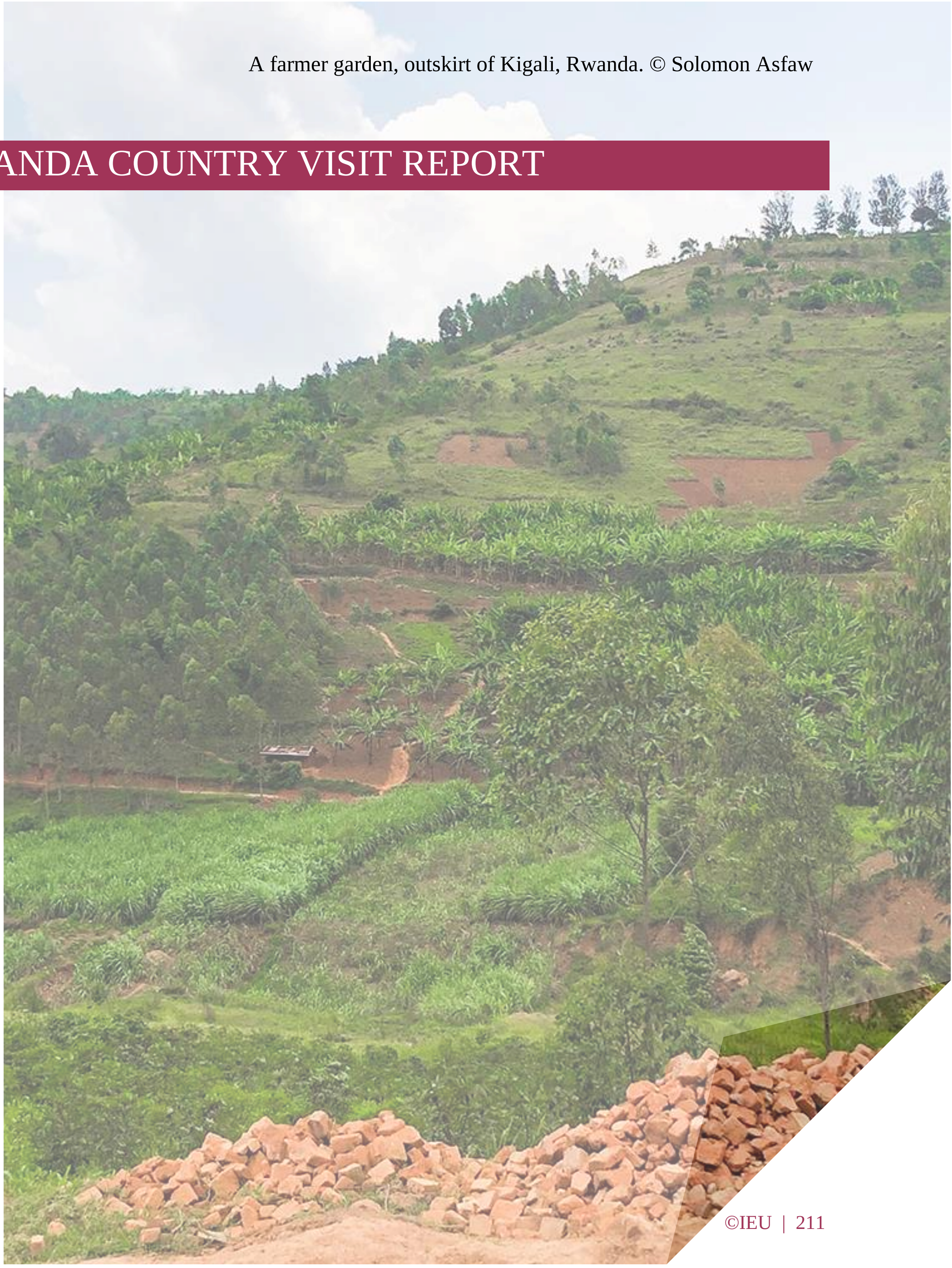
RPSP

ID	Delivery Partner/ AE	Submission date	Committed amount (USD)	Endorsement date	Approval date	Agreement date	Effective date	Disbursement date	Disbursed (USD)	Agreement type
1705-146	EDA: Increasing Climate Change Resilience of Tourism-Reliant Communities in Namibia and Strengthening Institutional Capacities of the EIF as an Accredited Entity									
	EIF	15 Oct. 2016	391,009	19 Oct. 2016	1 Nov. 2016	15 Nov. 2016	24 Mar. 2017	29 May 2017	340,355	General grant agreement
1706-14772	Strengthening National Designated Authorities, Strategic Framework for Engagement with the Fund and Support of Accreditation of Local Institutions									
	EIF	30 Apr. 2017	300,000	29 May 2017	28 Sept. 2017	15 Nov. 2017	14. Feb 2018	7 Mar. 2018	190,000	General grant agreement

GCF-funded projects

Approved Ref.	Project name	AE	FAA status	Status	Approval date	Duration (M)	Disbursement amount (USD)	Disbursement date	
FP023	Climate Resilient Agriculture in three of the Vulnerable Extreme northern crop-growing regions (CRAVE)								
		EIF	Effective	Active	12 Oct. 2016	60	3.08 million	21 Jun. 2017	
FP024	Empower to Adapt: Creating climate-change resilient livelihoods through Community-Based Natural Resource Management (CBNRM) in Namibia								
		EIF	Effective	Active	12 Oct 2016	60	7.66 million	12 Oct. 2016	
FP027	Universal Green Energy Access Programme (UGEAP)								

Approved Ref.	Project name	AE	FAA status	Status	Approval date	Duration (M)	Disbursement amount (USD)	Disbursement date	
		Deutsche Bank	Pending	Active	12 Oct 2016	180	N/A	N/A	
FP095	Transforming Financial Systems for Climate								
		AFD	Pending	Active	17 Oct. 2018	240	N/A	N/A	
FP098		DBSA Climate Finance Facility							
		DBSA	Pending	Active	17 Oct. 2018	240	N/A	N/A	
SAP001	Improving rangeland and ecosystem management practices of smallholder farmers under conditions of climate change in Sesfontein, Fransfontein, and Warmquelle areas of the Republic of Namibia								
		EIF	Effective	Active	26 Feb 2018	60	3.76 million	21 May 2019	
SAP006	Building resilience of communities living in landscapes threatened under climate change through an ecosystem-based adaptation approach								
		EIF	Pending	Active	26 Feb. 2019	60	N/A	N/A	



A farmer garden, outskirt of Kigali, Rwanda. © Solomon Asfaw

10. RWANDA COUNTRY VISIT REPORT

CONTENTS

BOXES

A. Presentation of the country and GCF role

1. Main climate change risks and context

According to its Third National Communication Report to the United Nations Framework Convention on Climate Change (UNFCCC), Rwanda has one of the world's lowest per capita emissions of greenhouse gases (GHG), estimated at 0.676 tCO2e/person against a global average of 6.7 tCO2e/person.[108] However, the country is highly vulnerable to the impacts of temperature and rainfall variability. The average temperature in Rwanda has increased by 1.4°C since 1970, higher than the global average, and by the 2050s it could rise by as much as 2.5°C above 1970 levels if no measures for climate change adaptation and mitigation are implemented.[109]

Over the past decade, extreme weather events have increased in frequency and magnitude, resulting in the occurrence of natural disasters, in particular, floods, droughts and landslides. The excessive rainfall in March and April 2018, particularly in the Western Province, led to soil erosion and flooding, with a total of 22 major landslides occurring in the districts of Burera, Gasabo, Kamonyi, Karongi, Ngororero, Nyabihu, Nyaruguru and Ruhango, with Ngororero being the most affected.[110]

To compound this, Rwanda has one of the highest population densities in Africa, with approximately 12 million people living in an area of 26,338 sq. km, resulting in a population density of 456 inhabitants/sq. km who largely depend on natural resources.[111] Growth in this population density is expected to add pressure on already-strained environmental resources – such as agricultural land, wetlands, rivers, lakes and forests – in a country that still has a high dependence on biomass for fuel.

2. National policies and institutional contexts

Environmental and climate change considerations are reflected in the country's key national strategic documents. One such document is Vision 2050, which aspires to take Rwanda even further than being a high-income country, to one where its population can enjoy high living standards with sustainable livelihoods. The country's Vision 2020 document recognises the three principles of Green Economy: social cohesion, economic empowerment and environmental intelligence. In the medium term, the National Strategy for Transformation's NST1/Seven Years Government Programme (2017–2024) sets the priority for a Green Economy approach in its Economic Transformation Pillar, which promotes the "Sustainable Management of Natural Resources and Environment to Transition Rwanda towards a Green Economy". The Green Growth and Climate Resilience Strategy (GGCRS) provides the country's roadmap for becoming a climate-resilient and low-carbon economy by 2050. The Nationally Determined Contributions (NDCs) and NDC Partnership Plan of Rwanda were built from the GGCRS, and focus on adaptation and mitigation contributions.

Rwanda has established an institutional framework to respond to its environment and climate change issues, notably the Rwanda Environment Management Authority (REMA) and the Rwanda Green Fund (FONERWA), both under the oversight of the Ministry of Environment (MoE). The establishment of FONERWA is meant to enhance resource mobilisation and allocation for the environment, and climate change adaptation and mitigation initiatives. Rwanda also recognises the importance of engaging and coordinating environment and climate-change-related interventions

[108] Republic of Rwanda, 2018a.
[109] Republic of Rwanda, 2011.
[110] Republic of Rwanda, 2018b.
[111] Republic of Rwanda, 2017.

working with multiple stakeholders, including international agencies and non-governmental organisations (NGOs) such as United Nations Development Programme (UNDP), the Department for International Development (DFID) of the United Kingdom, Swedish International Development Cooperation Agency (SIDA), Global Green Growth Institute (GGGI) and International Union for Conservation of Nature (IUCN). This coordination takes place through the Environment and Natural Resources (ENR) Sector Working Groups (SWGs), and at the local level the Environment and Climate Change Thematic Working Group and the Joint Action Development Forums (JADF), bringing together civil society organisations (CSOs), the private sector and the public sector.

3. Green Climate Fund context in the country

Rwanda nominated the Rwanda Environment Management Authority (REMA) as the National Designated Authority (NDA) to coordinate GCF engagement in Rwanda. The MoE received accreditation in 2015 for Grant Category with Limit to USD 50 million per project, and the NDA received funding from GCF for readiness support.

As part of this national engagement, a National Coordination Team (NCT) was set up to advise the NDA secretariat on the Country Programme and the issuance of letters of no-objection. The NDA comprises the NDA secretariat and the NCT. The Climate Change and International Obligations Unit at REMA serves as the NDA Permanent Secretariat and reports to the Director General of REMA, who is the NDA FP to the GCF Secretariat. The NCT has members from the public and private sectors as well as a CSO representative. The current team members are affiliated with:

- Ministry of Finance and Economic Planning (MINECOFIN): Chair (permanent);
- Private Sector Federation: Vice-chair (permanent);
- Ministry of Environment (MoE): Member (permanent);
- Rwanda Environment Management Authority (REMA): Secretary (permanent);
- Rwanda Environment Non-Government Organisations Forum (RENGOF): Member (permanent);
- Rwanda Green Fund (FONERWA): Member (permanent); and
- Representative(s) of the relevant sector(s) depending on the nature of the project/programme assessed: Guest (not permanent).

The Rwanda GCF Country Programme was developed in 2016 and updated in 2018 (but it is still awaiting validation). It provides an overview of the national sustainable development context and response to climate change. It also presents the country's priorities regarding green growth and climate change adaptation and mitigation, as stated in national strategic documents such as the Constitution of 2003 (revised in 2015); Vision 2020; NST1; GGCRS; sectoral policies and strategies (e.g. for forestry, biodiversity, energy, agriculture and water resource management policy); the Intended Nationally Determined Contributions (INDCs, September 2015); the Nationally Appropriate Mitigation Actions (NAMA, May 2015); the Technology Needs Assessment (TNA) and the Technology Action Plan (TAP); and the National Adaptation Programme of Action (NAPA, 2006).

Box 10-1. Rwanda priority investment areas

- Mitigation: (i) renewable energy (hydro, methane, solar, geothermal); (ii) energy efficiency (improved charcoal production; efficient cookstoves, light bulbs; new industrial technologies); (iii) efficient transport (e.g. regulation of emissions, promotion of public transport such as Bus Rapid Transit [BRT], efficient freight, etc.); (iv) integrated waste management; and (v) forest management (restoration and protection of natural forests, afforestation, agroforestry).
- Adaptation: (i) integrated water resource management; (ii) disaster risk management (agriculture, health and other sectors) including meteorological capacities; (iii) sustainable agricultural intensification; (iv) sustainable land-use planning and management; and (v) climate-proof infrastructure.
- Cross-cutting activities: (i) sustainable tourism development (payment for ecosystem services, wildlife protection); and (ii) housing/green cities.

Source: National Priority Investment Areas, 2016.

The Country Programme also analyses those priorities against GCF investment criteria and includes a list of prioritised projects that Rwanda would like to undertake with the GCF. In reference to the eight results areas of the GCF, Rwanda identified its priority investment areas as being mitigation, adaptation and cross-cutting activities (see Box 10-1).

The programme was developed to facilitate the process of engaging stakeholders, to identify practical steps that will enable the implementation of priorities that can be supported by GCF. It also sets out the work plans for engagement with GCF, as well as monitoring and evaluation arrangements.

B. Findings

1. Fund business model and structure

a. Core principles

There were positive indications around the concept of country ownership. This has been reflected in aligning GCF investment criteria with national priorities and programmes. This alignment was done in a participatory manner through the collective engagement of various stakeholders in developing the Country Programme and the strategic framework. Another significant factor supporting policy coherence is the development of no-objection letter procedures for GCF support in Rwanda (which are also in line with GCF requirements). Similarly, GCF criteria were embedded in the country's evaluation matrix under the Project Analysis Form for No-Objection Letter.

Nevertheless, while there was an effective communication flow among different stakeholders,[112] there is little evidence of broad stakeholder participation and institutional development in the climate change agenda or the setting up of a system of mutual accountability and learning. Among other factors, this concerns the understanding of the GCF investment criteria of paradigm shift and impact – although they are formally adhered to, there is diverse understanding and interpretation of

112 For example, through the use of existing platforms such as the Environment and Natural Resource (ENR) Sector Working Group (SWG), co-chaired by MoE and UNDP, or the Environment and Climate Change Thematic Working Group co-chaired by REMA and DFID.

what they are meant for. It implies that the NDA and NCT are not sharing sufficient information with stakeholders, or that they may not have sufficient information.

b. Organisational structure

Green Climate Fund policies and its “first come, first served” business model – compared to fixed country allocations and financial limits for grants or loans (except those set through accreditation) – play an important role in countries’ strategies for accessing GCF funding.

In Rwanda, the key actors in supporting the implementation of the GCF are REMA (which is the NDA FP for the GCF Secretariat in the country), and the members of NCT (mainly through the issuance of letters of no-objection and the right of nomination for direct accreditation). The REMA also plays a secretariat role in the NCT.

The MoE is also an important actor in Rwanda as a member of the NCT, and to date, it is the only Direct Access Entity (DAE), accredited for small grant projects (up to USD 50 million). The MINECOFIN is also a key actor due to its permanent membership and chairmanship of the NCT.

However, it appears that the respective roles of MINECOFIN for resource mobilisation and allocation, and MoE with its technical capacity in climate change and environment mainstreaming and enforcement responsibilities, should be well balanced for an improved GCF country portfolio in Rwanda. The MINECOFIN recognised the need to change some of the GCF architecture and processes given broader climate finance, and to adapt to the SWGs already operating in different sectors.

The FONERWA, as an NCT member and as a national green fund with strong experience in managing green projects, is also considered an important actor. The Private Sector Federation, as co-chair of the NCT, is a key stakeholder as well. Finally, RENGOF is another key actor due to the permanent membership of the NCT representing all CSOs.

c. Relationship with the GCF Secretariat

Generally, there was no answer about how the GCF Secretariat is contacted by the NDA and other stakeholders. All answers received from several respondents focused on the relationships between the NDA secretariat and other stakeholders. However, one respondent made a clear point that international Accredited Entities (iAEs) often contact the GCF Secretariat directly, and the latter used to contact the NDA secretariat to check if a letter of no-objection had actually been provided.

According to all respondents, the national stakeholders contact the NDA for technical assistance in the project cycle, especially when they request a no-objection letter. The NDA is usually contacted by government entities (MoE, Ministry of Agriculture and Animal Resources [MINAGRI], Ministry of Infrastructure [MININFRA], Rwanda Water and Forestry Authority [RWFA], etc.), international agencies (Global Green Growth Institute [GGGI], International Union for Conservation of Nature [IUCN], etc.), and private sector entities such as the Development Bank of Rwanda (BRD).

There were frequent suggestions for more GCF country or regional presence and better customer orientation. Many respondents still perceive the GCF as too far away and often inconsistent in its guidance. Training and international workshops provided by the Fund are considered useful but not always targeted at the right persons. They have not necessarily led to sustainable GCF related know-how due to selective attendance, staff turnover, and limited sharing and dissemination.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

There is a consensus among stakeholders that the roles and responsibilities of key actors are clear and effective. It is apparent from the findings that having an NDA which acts as an intermediary between the country and GCF is a good model, especially when dealing with climate change-related issues. In the context of Rwanda, several stakeholders agree that the NDA is efficient in playing its role due to its clear structure, comprising the NDA secretariat and the NCT. It was also reported that there is no overlap regarding the responsibilities of the NDA secretariat and the NCT.

Some stakeholders expressed concerns regarding the nomination of REMA as the NDA while it is under the MoE, which is an Accredited Entity (AE). The question was whether REMA (the NDA) will have power over MoE (the AE) while MoE has institutional oversight over the NDA. There was a concern that such a situation may generate some conflict of interests.

While agreeing to some extent with the concerns raised by very few stakeholders, several interviewed partners argued that there is no basis for such concerns and pointed out that it was done purposely for the interest of the country to be able to attract large green capital investments. There was a general agreement that the decision power of issuing letters of no-objection lies with NCT, headed by MINECOFIN (Chair) and Private Sector Federation (Co-chair). As noted above, the NCT also includes representatives from MoE, FONERWA and REMA (Secretary), as well as representatives from a local NGO umbrella organisation (RENGOF).

Several stakeholders also raised some issues regarding the functioning of the NDA secretariat and the NCT. They indicated that the absence of a full-time staff hired by the NDA for GCF work hinders fast screening and pre-review of submitted projects. The REMA, with the support of MoE, is currently establishing a full-time position for handling GCF/NDA matters (supported through the Readiness and Preparatory Support Programme [RPSP]). But time is required to integrate this position into the current structure of the MoE as it passes through the Ministry of Public Service and Labour (MIFOTRA) and subsequent legal administration procedures.

Similarly, the NCT was reported to be effective at coordinating the implementation of the country's engagement with GCF, but the stakeholders recognise that the NCT members are full-time staff always busy working on other assignments, which can delay the full and detailed review of the proposed projects to be recommended for NDA consideration.

Furthermore, though the current NDA (REMA) was greatly appreciated for being effective in executing its mandate, the majority of stakeholders interviewed felt that MINECOFIN can play a more significant role in enabling Rwanda to successfully access and utilise Direct Access to GCF funds if it is nominated as NDA in Rwanda.[113] The MINECOFIN has more authority than REMA because it has the oversight function of planning, budgeting, and implementing government programmes (including environment and climate change-related programmes).

All those interviewed reported that the working relations between the NDA and AEs are very good, as the roles and responsibilities of each were clearly defined in the Country Programme, a relatively brief, but solid and useful document. The document contains an informative and detailed summary of country priorities. However, the private sector's plans, in particular, are not well captured in the document. Similarly, the Country Programme was not very well known by interviewed partners, and for the most part, the stakeholders referred to it only when prompted.

The key roles of the AE are to support project promoters in the development and identification of green projects which are in line with the priorities of the country and the GCF and to submit them to the NDA to request for no-objection letters**.** The role of the NDA, with the support of NCT, is mainly to assess the proposals submitted by the AE, to provide comments for improvements, and issue no-objection letters to the proposals that meet the requirements.

While the above provides a picture of the efficiency and effectiveness of the NDA and AE in executing the mandate of the GCF, a few respondents suggested that firewalls exist between REMA

[113] It is important to mention here that MINECOFIN was the one to nominate REMA as NDA.

and MoE, but that views on their strength differ among stakeholders. It appears that the NCT fulfils an important balancing function. Several stakeholders have also complained that the NCT focuses more on the assessment of GCF project proposals and less on items of strategy, such as AE nomination and updating the Country Programme.

As already captured under sections 3.3 and 3.5 above, additionally, several stakeholders interviewed reported that they were involved in the development of the Gicumbi project (FP073: Strengthening climate resilience of rural communities in Northern Rwanda) from the concept note to the full proposal, and therefore value how the MoE (AE) is executing its mandate. They also hope to be involved in its implementation.

Furthermore, it was reported by several stakeholders that the NDA and AE support the GCF in the realisation of a paradigm shift by identifying and approving at national level potential projects that are submitted to GCF for possible funding (see Appendix 10-2).

e. Funding programmes and instruments

Many stakeholders recognised that DAEs have provided an opportunity to promote country ownership and Direct Access. However, several stakeholders complained of slow response times and inconsistent guidance from GCF, and of back and forth comments on a project that had already been approved. They also emphasised that administrative procedures within the GCF delay project approval and implementation. This refers to the USD 32 million Rwanda public sector GCF flagship project on Strengthening climate resilience of rural communities in Northern Rwanda (FP073), with MoE as DAE. The project has been under preparation and revision since 2015, and after GCF Board approval in March 2018 activities have not yet started, which is disappointing for the Government of Rwanda.

The GCF access procedures and mechanisms are clearly a work in progress. Rwanda has been learning how the GCF operates and how to access GCF funds and utilise its support. The most striking, recurrent observations pertained to several initial project design inefficiencies, high transaction costs (and to a lesser extent accreditation costs), delays, the slow and poor sequencing of processes, repeated critical comments even after provision of clarifications, and the lack of designated GCF focal points for each proposal submitted.

Many of those interviewed reported that GCF financial instruments do not necessarily meet the demands of Rwanda, because the first implemented project (Acumen/KawiSafi/BBOXX/FP005) was developed by international companies with limited knowledge of needs on the ground. This project, which was given no-objection in 2015, still constitutes a legacy project of the early GCF period, and would not obtain a no-objection letter today as it was proposed then. It would have to show stronger relevance and specific impact for Rwanda, as well as a more convincing role for the participation of local institutions and a contribution to ongoing public programmatic priorities.

2. GCF POLICIES AND PROCESSES

a. GCF policies

Overall, there was a consensus that GCF policies are sufficient and effective for supporting the GCF plan and strategy because, for example, they are in line with current policies in Rwanda on gender and Environmental Impact Assessment (enacted in 2005). In other words, before the establishment of GCF, environmental and social safeguard (ESS) and gender policies were already embedded and mainstreamed in all Rwandan strategic policy frameworks (including Vision 2020, EDPRS 2, NST1, ENR, etc.).

However, all stakeholders spoke of the challenges presented by GCF procedures, describing them as too bureaucratic and disconnected from the reality on the ground, because contexts vary from one country to another. It was also suggested that GCF should ease the requirements for accessing funding, as well as enacting laws and procedures that are user-friendly and adapted to the context of the private sector in developing countries, as a “one size fits all” design does not work. A few stakeholders suggested that GCF should be more flexible in terms of setting policies, procedures and standards, and should customise itself to country specificity and context.

In terms of policy gaps or overload, some stakeholders recognised the need to review policies on the accreditation of international private entities and how they (international private sector companies) work with local companies. If this were not to happen, the majority of all those interviewed reported that the GCF mandate to mobilise resources to support developing countries, small states and islands in adapting to climate changes will be compromised. There was also a perceived need to have a small national private AE with the capacity to work directly with small and medium-sized enterprises (SMEs), beyond BRD.

b. Accreditation

There is currently one Direct Access Entity (DAE) in Rwanda, the MoE, accredited for small grant projects (up to USD 50 million). A second DAE candidate is the BRD, which was nominated in 2018 after some internal stakeholders’ discussions and is currently starting its electronic accreditation process with GCF.

Although there were indications of satisfaction among stakeholders regarding the accreditation of MoE, there were concerns among others that MoE (as DAE) may find it difficult to oversee and supervise GCF projects under the responsibility of other ministries, such as MININFRA and MINAGRI. Moreover, Direct Access was seen as a relatively long, arduous and uncertain process – in the accelerated mode, it took as long as 18 months for MoE to become accredited; for other institutions, the process could well take three years. For this reason, the appetite for Direct Access is not too large among Rwandan partners.

Certain stakeholders also pointed out that some of the conditions required for accreditation might often lie outside the (D)AE candidate’s influence, and depend more on countries’ enabling policies and enforcement procedures. This may be true, particularly for other countries in the region, but not so much in the case of Rwanda.

Several stakeholders raised the question of whether there is a “right” number of DAEs for a country: should one try to go for a single one or for a larger number of them? Questions related to the selection of different potential access entities in terms of GCF accreditation criteria and limits (i.e. project volume, grants versus lending, supervisory and fiduciary capacities). While some stakeholders expressed the need to have other public entities accredited (MININFRA, MINAGRI), most questioned the idea and considered two DAEs (one public sector, one private) for Rwanda to be sufficient.

However, Direct Access to medium-sized GCF projects (USD 50 million to USD 250 million) and loans remains a long-term goal for Rwanda, to save iAEs project fees and to increase country ownership. In the meantime, international access may remain an important mechanism, the potential country ownership effects of which would have to be carefully assessed for each project proposal, and be appropriately mitigated if necessary.

Stakeholders also perceive short- and long-term advantages and disadvantages in terms of country ownership in using DAEs and iAEs for projects. Of course, country ownership also depends on (amongst others things) the strength and capacities of government institutions, existing country partnership agreements between countries and iAEs, counterpart funds, and good no-objection policies with a proper definition of country ownership requirements.

The UNDP country office in Rwanda is not very active in project development (after some initial efforts that were discontinued) since the Government of Rwanda has high country ownership and capacity. Moreover, costs for iAE project preparation are high, and iAEs cannot use GCF Project Preparation Facility (PPF) funds.

All stakeholders expressed interest in having a single-entry private entity (e.g. BRD) accredited by the GCF as well. The fact that the MoE has gone fast through the accreditation process reveals that the GCF has a set of fiduciary, environmental and social requirements that BRD should be able to meet before achieving accreditation. An expression letter of nomination for the accreditation application of BRD has already been sent to GCF by the NDA. However, many stakeholders still show very limited understanding and awareness of the major objectives and processes involved in accreditation and funding proposal development, and on the details of operationalising the GCF in-country. This was most notable at BRD, the Wildlife Conservation Society (WCS) and the Acumen project (with its country subsidiary, BBOXX). The situation is somewhat better in a more recent project that is being developed by GGGI.

In terms of Direct Access, all of those interviewed reported that Direct Access has several benefits, including the reduction of transaction costs and enhancing national ownership and accountability over available financing, which is in line with the aspirations of Rwanda. Some stakeholders went further and made the point that GCF should also explore how to work with regional financial institutions (e.g. East African Bank) on transboundary climate change issues across the region.

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

While some stakeholders agreed that the GCF project cycle is well structured (with all elements connected to each other), several stakeholders made the point that GCF should make the process easier (e.g. elements in the templates of the concept note and the full proposal are almost the same). Some respondents also made the point that GCF keeps on changing the templates of full proposals, which they find frustrating.

There was also agreement among stakeholders that the process of going from proposal submission to its approval, and then implementation is long (e.g. Gicumbi project: FP073). This is often attributed to a lack of clear policies and procedures within the Fund and high turnover among GCF staff. Not having regional offices or advisors nearby (in the Eastern Africa region) to support national institutions was also raised as another challenge. Generally, there is an overwhelming perception among stakeholders that they see GCF in a very poor light in terms of connecting with countries and key implementing entities on the ground.

In Rwanda, the criteria for approving projects take GCF priorities into consideration. For example, as a first step, the NDA secretariat reviews the request and checks that it is complete. If necessary, clarifications or additional information are requested from the AE submitting the request. The NDA also checks compliance with UNFCCC and GCF objectives (see No-objection Procedure for Green Climate Fund Projects in Rwanda).

Some stakeholders reported having benefited from taking advantage of readiness support, which was instrumental in developing project pipelines and assisting in setting national priorities in line with the national strategic orientations enshrined in strategy documents such as GGCRS 2011, Vision 2020 and NST1.

Several stakeholders have complained over delays in the Gicumbi project (FP073), which is expected to address real issues on the ground. It has not yet started (more than one year after its approval) and the issues are likely to change, which will impact its effective implementation. The respondents, therefore, recommend easing the process to ensure the project is implemented as soon as possible.

b. Private Sector Facility and non-grant instruments

It was reported that in April 2018, the NDA invited the private sector to the national workshop as part of a series of activities aimed at raising national awareness of the private sector and the GCF Private Sector Facility (PSF) modalities. However, as yet there has been no investment financed by the PSF in the country.

It appears that the capacities for assessing and addressing private sector needs, priorities and capacity for transformational change and paradigm shift in GCF Public-Private Partnerships (PPP) are currently relatively weak in Rwanda, and need more consideration and focus. This includes the blending of public/private sector finance and supportive enabling policy changes. The MoE lacks accreditation for loans, which would be important for private sector development.

4. Likelihood of (and actual) results

The KawiSafi Ventures Fund (FP005) – Acumen/BBOXX project is the only one under implementation. The BBOXX has so far opened 26 shops across the country, from where it sells its solar systems to local communities. However, there were general concerns among stakeholders regarding the impact of the Acumen/BBOXX project. Although we were not able to document tangible evidence of its impact on the livelihoods of the poor community during the visit to the shop in Nyacyonga, a suburb of Kigali (District of Gasabo), there are indications that the project has changed the lives of vulnerable people through access to off-grid solutions with innovative solar products. This is because some local communities can use power for lighting (so children are able to do their homework at home), listening to the radio and watching TV, etc. However, it should be noted that some of the potential impacts are indicative and further assessments and investigation need to be conducted to confirm this statement.

a. Expected results

For the Strengthening climate resilience of rural communities in Northern Rwanda (FP073: Gicumbi Project), all stakeholders agreed it is likely to have spillover impacts on the ground because it tackles interrelated environmental and climate change issues in an integrated way. These issues include limited land, high population growth, soil erosion, biomass, rural settlement and poverty. Once the project is properly implemented, it will be easier to replicate and scale-up. The project was also reported to directly contribute to the delivery of NST1 (2017–2024), especially for the economic and social transformation pillars. It was also mentioned by most of the respondents interviewed that all projects in the pipeline will have tangible impacts because they have been developed in consultative ways with all key stakeholders (e.g. the public and private sectors, CSOs, international agencies, local entities are involved in the process).

APPENDIX 10-1. TIMELINE AND EVOLUTION OF THE CLIMATE CHANGE AGENDA IN RWANDA

YEAR	RELATED EVENTS IN-COUNTRY (BY GCF OR BY OTHER CLIMATE FUNDS)
2012	Former Ministry of Natural Resources (MINIRENA) (current Ministry of Environment [MoE]) was accredited to Adaption Fund.
2013	Adaptation Fund approved a USD 9.97 million project focusing on participative approaches to adaptation in Northwest Rwanda.
2014	Appointment of Rwanda Environment and Management Authority (REMA) as National Designated Authority (NDA).
2015	Accreditation of Rwanda Ministry of Natural Resources (MINIRENA) (current Ministry of Environment [MoE]) by GCF as a Direct Access Entity with fiduciary standards limited to project management in the small-size category (USD 50 million per project).
2016	Rwanda received USD 300,000 for readiness and preparatory support, to help strengthen NDA capacity and develop the country programme and strategic framework for national engagement with the Fund. Development of Rwanda GCF Country Programme and Strategic Framework. Development of No-objection Procedure for Green Climate Fund Projects in Rwanda.
2018	Rwanda received USD 600,000 for “readiness and preparatory support to implement green city development projects in Rwanda’s secondary cities”. GCF approved USD 32.8 million grant for Rwanda to strengthen climate resilience of rural communities in Northern Rwanda (Gicumbi District). National workshop on the role of Private Sector Efficient National Engagement with GCF. The Fund was invited to make a presentation on the Private Sector Facility.

APPENDIX 10-2. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

PROJECT PROPOSALS RECEIVED BY	ACCREDITED ENTITY	DECISION BY NDA			
		Approved/ No-objection letter issued	In pipeline	Rejected	Key facts
Green Economy and Climate Resilient Development Programme	Ministry of Natural Resources	X			No-objection letter provided on 31 July 2015
KawiSafi Ventures Fund	Acumen	X			No-objection letter provided in 2015
PPF: Electric Mobility – Introduction of Electric Motorcycles	UNEP	X			No-objection letter provided on 3 May 2017
Request for Proposals for mobilising funds at scale	-			X	No concept note (CN) in GCF CN template was submitted. Only a project summary of the project was submitted to NDA Regions of Climate Action (R20), which submitted the project summary, was not accredited by GCF The project proponent was advised to write the project using GCF CN format and resubmit it to NDA for no-objection letter through an AE
Project Zebra	*Nederlandse Financierrings-Masstschappij Voor Ontwikkelingslanden N.V* (FMO)			X	Project was on on-grid solar PV, which is not a priority for Rwanda The project proponent was advised to change from grid to off-grid solar PV to align it with national priorities and resubmit the CN NDA comments were provided to the project developer on 17 August 2017 and no improved CN was resubmitted to NDA
Acumen Resilient Agriculture Fund (ARAF)	Acumen Fund, Inc.			X	The project proposal was lacking in-country ownership The project proponent was given comments to improve the

Project proposals received by	Accredited Entity	Decision by NDA			
		Approved/ No-objection letter issued	In pipeline	Rejected	Key facts
					proposal and consider country ownership, but no improved CN was resubmitted to NDA Feedback from NDA was provided to the project developer on 9 September 2017
PPF: Mainstreaming Climate-Smart Planning and Implementation into Agricultural Development	Ministry of Environment	X			No-objection letter provided on 25 October 2017
Transforming Rwanda's Eastern Province and City of Kigali's capacity to adapt to and mitigate climate change through integrated low-emissions water, land, and woody biomass systems management (TREPA)	IUCN	X			No-objection letter provided on 15 December 2017
Strengthening Climate Resilience of Rural Communities in Northern Rwanda (SCRNRP)	Ministry of Environment	X			No-objection letter provided on 2 February 2018
PPF: Green City Pilot (GCP) Feasibility Study	Ministry of Environment	X			No-objection letter provided on 21 February 2018
PPF: Transformative Green Development for the Congo Nile Divide: Stimulating Investment in Developing Sustainable Economies through enhanced environmental services and climate resilience	Ministry of Environment	X			No-objection letter provided on 25 October 2018
Global Energy Efficiency and Renewable Energy Fund – NeXt (GEEREF)	European Investment Bank (EIB)		X		The project proposal lacked country context, and the project proponent was advised to relate the project to the specific policies, strategies and priorities of Rwanda, and to get a commitment from national stakeholders who participate in

PROJECT PROPOSALS RECEIVED BY	ACCREDITED ENTITY	DECISION BY NDA			
		Approved/ No-objection letter issued	In pipeline	Rejected	Key facts
					project implementation NDA comments were submitted to the project promoter on 6 March 2019, and the improved version has not yet been resubmitted to the NDA for reassessment
SAP: Climate Smallholder Tea Development in Rwanda	Ministry of Environment		X		Project proponent was provided with comments to improve the proposal

APPENDIX 10-3. DOCUMENTS CONSULTED

FP005: KawiSafi Ventures Fund – Funding proposal

FP073: Strengthening climate resilience of rural communities in Northern Rwanda – Funding proposal

Global Green Growth Institute (GGGI) for the Republic of Rwanda (2018) – Readiness Proposal

Republic of Rwanda. *ENR Sector Strategic Plan (2017-2024)*. Kigali, Ministry of Environment (MoE), 2017

Republic of Rwanda. *External Trade Monthly Report*. Kigali, National Bank of Rwanda, February 2017

Republic of Rwanda. *Green Growth and Climate Resilience: National Strategy for Climate Change and Low Carbon Development*. Kigali, Rwanda Environment Management Authority (REMA), 2011

Republic of Rwanda. *Intended Nationally Determined Contributions (INDCs).* Kigali, Ministry of Natural Resources (MINIRENA), 2015

Republic of Rwanda. *National Priority Investment Areas*. Kigali, National Designated Authority (NDA)

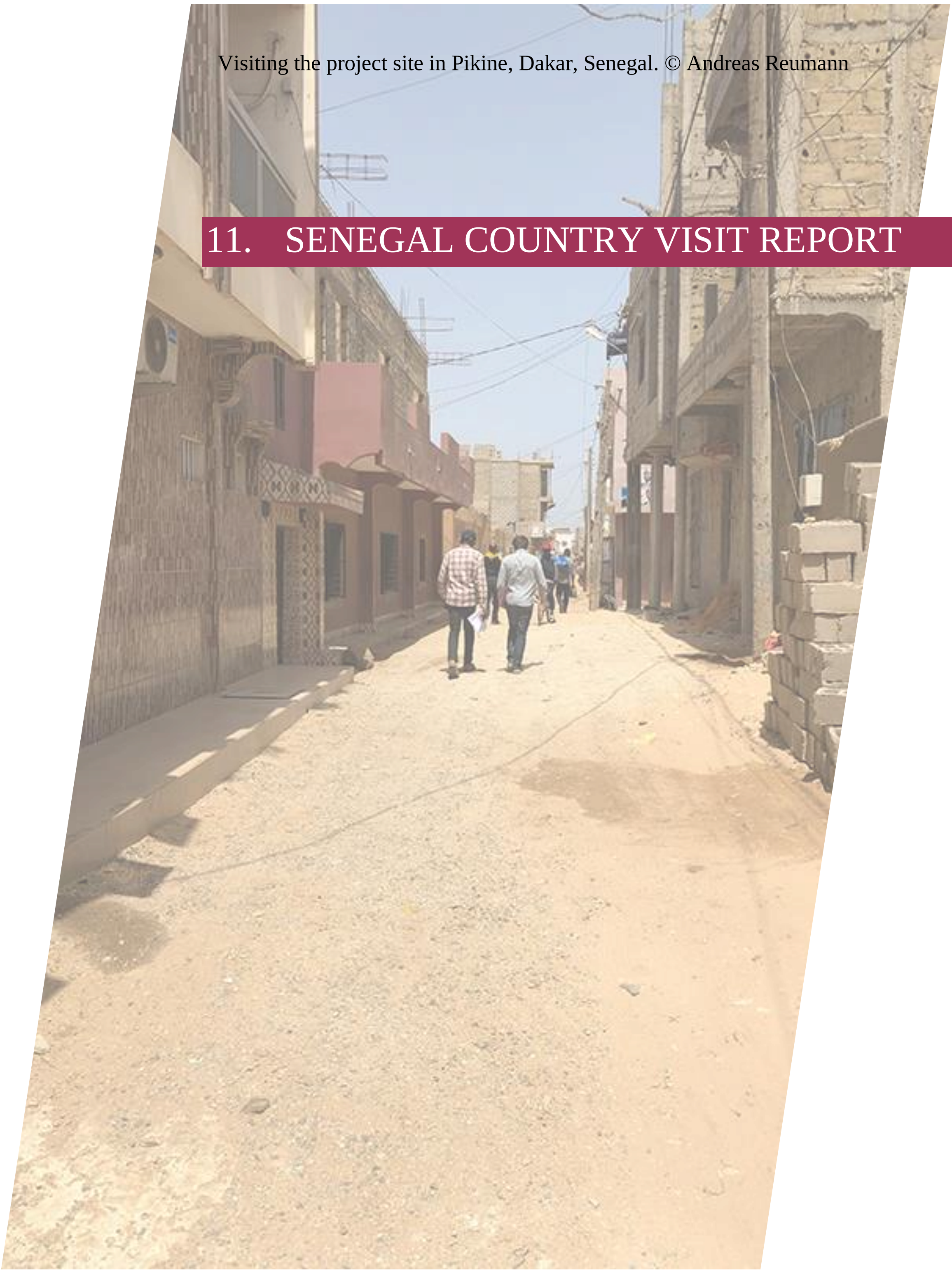
Republic of Rwanda. *No-objection Procedure for Green Climate Fund Projects in Rwanda*. Kigali, National Designated Authority (NDA), 2016

Republic of Rwanda. *Project Analysis Form for No Objection Letter*. Kigali, National Designated Authority (NDA), 2016

Republic of Rwanda. *Rwanda Floods and Landslide 2018: Post-Disaster Recovery Plan (Draft)*. Kigali: Ministry in Charge of Emergency Management (MINIREMA), 2018b

Republic of Rwanda. *Rwanda GCF Country Programme and Strategic Framework*. Kigali, National Designated Authority (NDA), undated

Republic of Rwanda. *Third National Communication: Report to United Nations Framework Convention on Climate Change*. Kigali, Rwanda Environment Management Authority (REMA), 2018a



Visiting the project site in Pikine, Dakar, Senegal. © Andreas Reumann

11. SENEGAL COUNTRY VISIT REPORT

CONTENTS

TABLES

A. PRESENTATION OF THE COUNTRY AND GCF ROLE

Senegal was purposively selected among the 12 countries for the FPR case studies as it was the first African country to have both a National Designated Authority (NDA) and a Direct Access Entity (DAE). The country has a strong GCF project pipeline, and currently, three entities are going through the accreditation process. The mission met with representatives of the NDA; relevant national governments; Accredited Entities (AEs, international and Direct Access); private sector; civil society; indigenous peoples; and local beneficiaries. The list of stakeholders consulted during the visit is included in the FPR Report.

As one of the GCF "first movers", Senegal has developed its approach to the GCF over time and has received GCF Board approval for a total of five projects between B.11 and B.22, as shown in Appendix 11-2:

As of April 2019, none of the five projects had received a first disbursement of funding from the GCF. The most advanced project in terms of Funded Activity Agreement (FAA) negotiation is the Senegal Integrated Urban Flood Management Project (FP021), managed by the French Development Agency (AFD). This project was selected for the field visit on the third day of the FPR country mission to Senegal.

1. MAIN CLIMATE CHANGE RISKS AND CONTEXT

In Senegal, the national trends in climate change follow those observed globally. An overall rise was observed mainly for minimum temperatures between 1961 and 2010, with an increase of 0.58°C in Dakar to the west, and approximately 1.88°C to the south in Ziguinchor, which experienced a greater increase in minima than Tambacounda, located to the east (approximately 1.06°C). Future trends forecast an average change of +1.17 to +1.41°C by 2035.

All climate simulations show by 2035 an increase in the average temperature of between 0.5°C (in the west centre) and 1.7 C° (in the northeast). Communities in the north-east, central-east and extreme southeast are set to record the maximum values. Overall, the models show a trend towards a slight increase in heavy rainfall. In fact, by around 2035, the models predict an extension of dry sequences and an increase in days of heavy rain. This result shows that with global warming, there will be more and more breaks (dry sequences) between shorter and stronger rain seasons.

Since 2009, most years in Senegal have seen at least one rainy season of unusual intensity and duration. Flood damage and post-disaster needs were estimated for several economic and social sectors in 2009 – most of them in Dakar – with damage costs standing at USD 104 million, about 360,000 people affected, and an estimated recovery/rehabilitation cost of USD 204.5 million.

The economy of Senegal depends heavily on climate-sensitive sectors such as agriculture, fishing and tourism, and remains dependent on fossil fuels. To address these challenges and realise the long-term aspiration of becoming an emerging economy by 2035, the country developed climate-related policies and legal and institutional frameworks. It has also implemented actions to mobilise financial resources from different sources to achieve its objectives. Investments related to climate change include coastal protection and infrastructure to counter flooding, coastal erosion and salinisation, and resilient agriculture and sustainable land management. Most of the high-impact potential projects developed for funding by GCF, therefore, include activities with medium (Category B) environmental and social risks and require significant financial resources.[114]

The instruments for implementing the United Nations Framework Convention on Climate Change (UNFCCC) are the National Implementation Strategy for the Convention (SNMO), which was

[114] Country Programme, Senegal, draft 2019 as reviewed on 28 April 2019.

elaborated in 1999, and the National Adaptation Programme of Action (NAPA) for Climate Change (adopted in 2006). The NAPA identified four priority programmes: (i) development of agroforestry, (ii) coastal protection, (iii) rational use of water, and (iv) education and public awareness. According to the interviewees at the NDA, the following projects were implemented through these priority areas:

- Climate change adaptation project in the areas of watershed management and water retention;
- Adaptation to coastal erosion in vulnerable areas;
- Adaptation to climate change: responding to shoreline change and its human dimensions in West Africa through integrated coastal area management; and
- Integrating climate change adaptation into sustainable development.

Other projects currently being implemented are:

- Strengthening land and ecosystem management under conditions of climate change in the Niayes and Casamance regions;
- Mainstreaming ecosystem-based approaches (EbA) to climate-resilient rural livelihoods in vulnerable rural areas through the farmer field school methodology; and
- Promoting innovative finance and community-based adaptation in communes surrounding community natural reserves (Ferlo, Niokolo Koba, Senegal river basin Delta, and Saloum Delta).

Three national communications have been submitted to the UNFCCC (1997, 2010 and 2016). The Kyoto Protocol was signed and ratified in 2001. To date, five Clean Development Mechanism (CDM) projects – as one of the flexible mechanisms defined in the Kyoto Protocol – have been registered. A technology needs assessment (TNA) was carried out in 2012. Senegal also developed a National Adaptation Plan (NAP) for fisheries and Nationally Appropriate Mitigation Actions (NAMA) in biogas, photovoltaic solar systems and LED public efficiency lighting. The country prepared its long-term strategy *Plan Senegal Emergent* (PSE) in 2014 and aligned its Intended Nationally Determined Contribution (INDC) with its national priorities in autumn 2016, before the Paris Conference.

The country is aiming for a 5 per cent reduction in greenhouse gas (GHG) emissions by 2030 from business-as-usual (unconditional) levels, and a 21 per cent reduction with conditional options. To achieve this target, the country requires financial and technological transfer and capacity-building support. The needs for adaptation and mitigation are estimated (both conditional and unconditional) respectively, at USD 14.558 billion and USD 6.8 billion. A low carbon development strategy was also initiated, and through the Climate Technology Centre and Network (CTCN), three projects have been approved, mostly in the energy efficiency sector.

Senegal has a functioning institutional arrangement for addressing climate change. The *Ministère de l'Environnement and du Développement Durable* (MEDD) (Ministry for Environment and Sustainable Development, in English) oversee all climate change-related activities. The NDA for the GCF was designated in 2016 to be the *Direction de l'Environnement et des Etablissements Classés* (DEEC) (English: Department for Environment and Classified Establishments), and the FP is the head of *Division des Changements Climatiques* (Climate Change Division). The NDA is also the FP for carbon market procedures. The *Division de la Gestion du Litoral* (Coastal Management Division) follow the Adaptation Fund (AF) while the Global Environment Facility (GEF) is followed by the Director of Environment, directly. The former Director of Environment was the FP for all climate funding until 2014. He has since moved to the *Primature* (Prime Minister's Office), as the Environment Advisor to the Prime Minister. He is also an alternate Board Member for Senegal at the GCF.

The NDA is supported by a multi-stakeholder technical committee, the *Comité National sur les Changements Climatiques* (COMNAC) (National Climate Change Committee), established in 1994, institutionalised through a 2003 ministerial decree and reinforced by a 2011 presidential decree. The COMNAC oversees the coordination, consultation, information sharing, management and monitoring of the implementation of UNFCCC and legal instruments. It has several sub-committees (on finance, technology transfer, capacity building, mitigation and adaptation) and reports directly to the Minister of the MEDD.

The *Ministère de l'Economie, des Finances et du Plan* (MEFP) (Ministry of Economy, Finance and Planning) is the main FP for all official development assistance (ODA) in the country and also involved in the national committee COMNAC. However, the MEFP is concerned with the national coherence of the budget. According to representatives from other ministries interviewed, all GCF funds should be handled by the MEFP, unlike the current practice. Incoming funding should be based on a contract of the GCF with the Government of Senegal, aligned with the general practice of development banks, the GEF and other climate-related funds. Instead, the GCF provides funds directly to the international Accredited Entity (iAE) or the DAE. It has been confirmed that the *Centre de Suivi Ecologique* (CSE), as the only DAE to the GCF in Senegal, involves the MEFP directly in projects.

Highlighted in the readiness evaluation and underlined in interviews for the FPR, the MEFP is a member of the *Comité de Pilotage* (Piloting Committee) for the review of concept notes and funding proposals. This has been further underlined in the draft country programme. According to some interviewees, this committee has not been sufficiently formalised so far, and a government decree *(Arrêté)* formalising its procedures is awaited. The draft decree foresees that the MEFP will be co-chairing the steering committee. According to representatives of ministries that were interviewed, there are questions as to how the process of selecting the NDA developed, and others about whether it should have been installed with the MEFP, instead of the MEDD. At this point, it should be restated that the MEDD is the FP for the GEF, and the DEEC is the FP for the AF.

B. FINDINGS

1. FUND BUSINESS MODEL AND STRUCTURE

All stakeholders, despite the delays in disbursements, have strongly indicated that the business model of the GCF provides an adequate system for ensuring engagement across different levels and stakeholder groups. The GCF business model was described through the following key elements: (i) an accreditation model with AEs and DAEs to ensure involvement on the ground; (ii) an NDA to ensure linkage to the policies of countries; (iii) readiness to provide capacity support to countries; (iv) private sector involvement to catalyse private finance; and (v) requests for proposals (RfP) to pilot different aspects of climate change finance, for example from micro, small- and medium-sized enterprises (MSMEs). However, the operationalisation and execution of this business model are, to some degree, still limited.

a. Core principles

The gateway to the GCF in Senegal is clearly defined through the NDA. It is the agency that is seen as the guarantor for project/funding proposal suitability, by ensuring the alignment with national guidelines, its (practical) feasibility and its adherence to countries strategies, in particular to the PSE. It represents the authority that ensures the dissemination of useful and necessary information to other stakeholders about GCF operations, its business model and potential. There are several national guidance documents that the NDA monitors to ensure the suitability of projects submitted for endorsement, such as Nationally Determined Contributions (NDCs), the PSE, the Country Programme and other national communiqués from ministries and the Prime Minister's Office.

Some interviewees from an NGO in the agricultural sector would have preferred stronger prioritisation of other sectors outside the "direct" climate change agenda, which are currently underrepresented. Further direct involvement of actors that are new to the climate finance space would, therefore, be preferred; however, it is well understood that the budgetary restrictions are a hinderance to effectively reaching all sectors in the country. Interviewees in the energy sector have raised concerns about an ineffective communication of GCF priorities within particular sectors. It has proven to be hard for private actors, but also public actors, to frame potential projects to be considered for the GCF. The reasons are as follows: (i) limited information on the future vision, objectives and priorities of the GCF; (ii) limited information on the portfolio strategy of the GCF; and (iii) costly (in time and money) in-country and at-GCF procedures to become accredited and then to get a project approved.

Other interviewees have complained that there is no opportunity to align with different financing sources across the climate finance spectrum, due to limited information. Alignment beyond the financial means and more with the operational procedures would further enhance the opportunities for "real paradigm shifts" in the country. Organisations that are currently Delivery Partners for readiness activities have further underlined that need to build a comprehensive platform across different climate finance and development finance organisations, to further integrate climate change aspects and reduce disproportionate administrative costs during the project design and development phase.

The implementation of national priorities through the funding of the projects is overseen by the NDA, which ensures that these national priorities are fully considered in projects submitted for endorsement by the GCF Secretariat and Board. However, apart from the no-objection procedure as a first step, there is no further involvement in the GCF process to ensure that national priorities are indeed taken into account at a later stage (e.g. the latest drafts of projects, or at the point of implementation). According to interviewees involved in the committee's work, this situation is prone to weakness and potential failure. As the NDA has less of an active role, this could lead to a weak take-up of national priorities from the concept note to the detailed project, the negotiation of the FAA and during project implementation. The NDA agrees with this position and adds that it would be extremely difficult to monitor, assess and report such failures consistently. The grievance mechanisms at the local and national level would not necessarily be able to capture this. One interviewee even suggested that the country monitoring system needs to be strengthened in this respect, but also a strengthening of the monitoring role of the NDA needs to be addressed by the GCF. In particular, policies about monitoring of project activities at the country level need to be re-enforced (e.g. action plans, proxy indicators and national statistics offices).

At the level of national implementing bodies, most are not aware of the GCF procedures but are aware of the national priority documents. It should be noted that only the AE is well informed of the procedures and serves as an interlocutor with the GCF Secretariat.

The stakeholder interviews have shown that some iAEs are not fully aware of the GCF procedures in detail, both within the country and at GCF headquarters. Some of the interviewees informed us that they were in contact with the FP in the country, and while knowing of them, they haven't had the opportunity to meet. Some of the interviewees at the country offices are only partially or not informed of the procedures of the GCF, including the necessary alignment with GCF policies. In fact, most of the country offices advised the FPR visiting team to contact the head office of the entity directly, since most of the teams dealing directly with the GCF are located at the respective head offices/headquarters. The projects are, to a large extent, developed and drafted at the head office. The country offices act to the most part as liaison offices to ensure alignment across the AEs portfolio and alignment with the local/national strategies. The further submission of proposals, after the no-objection procedure, is done through the GCF teams at the headquarter offices directly. In addition to this, the inter-organisational communication between the AE and the GCF Secretariat is done entirely through the headquarter office. In respect to the implementation of the project, the country offices oversee project management, while all contacts and links with the GCF are maintained through the head offices.

Some interviewees from the executing or implementing entities and civil societies have confirmed this view and added that this poses communication problems as most of the entities are unable to provide effective support and information on the status of the projects, in particular for the status of progress before the first disbursement. It was said that this could lead to bias in national ownership.

All five GCF projects include a strong base of executing entities (EEs) in the country, meaning that not only actors directly related to the Government (e.g. ministries) and directly related to the sector (e.g. consultancies, private entities), but also non-governmental organisations (NGOs) and other civil society organisations (CSOs) were directly involved in the implementation of projects in Senegal. When asked, these organisations, in particular, the CSOs, described the inclusiveness of these actors directly in implementation as one component for a paradigm shift.

In Senegal, the evaluation team found a strong multi-level actor engagement from the project design and development phase up until the country-level approval process. While some complained and others acknowledged shortcomings in respect to a sectoral division, the process seems to involve actors in the GCF processes from an early stage. According to the NDA interviewees, these country-level review processes can last for up to one year before the no-objection is given. When asking other stakeholders in the country about the length of time, some interviewees agreed that the technical review, feasibility assessment and strategic review usually takes 1 to 1.5 years.

b. Organisational structure at the country level

In Senegal, the NDA is a structure, a technical unit composed of the authority itself and assisted by technical staff. The analysis of projects submitted by various stakeholders for endorsement is done by a technical committee formed by some members of the National Climate Change Committee (COMNAC) of Senegal. The entire project endorsement process is documented in a procedure manual with clear criteria. The manual is currently a draft and will be finalised within this year as part of the Country Programme, according to the NDA. The NDA also plays a leading role in ensuring that national guidelines are taken into account in projects and that beneficiaries are also involved in the preparation of the project from the beginning. Other actors involved in the process are as follows:

- Ecological Monitoring Centre (CSE): the accredited national entity that introduces to the GCF project proposals developed by various stakeholders from the public sector and civil society;
- Government representatives: entities both for projects introduced by the CSE and by the international entities;
- Civil society: considers the needs of the final beneficiaries of a project; also involved in certain projects as an EE;
- International Accredited Entities: develop projects in partnership with governmental representatives, civil society and sometimes the private sector; and
- Private sector: the *Caisse Nationale De Credit Agricole Du Senegal* (CNCAS) (National Agricultural Credit Fund of Senegal, in English) is the only national private entity currently going through the accreditation process. Two other entities have been identified by the NDA for accreditation: the Sovereign Wealth Fund of Senegal for Strategic Investments (FONSIS) and the Priority Investment Guarantee Fund (FONGIP). In general, and so far, the private

sector has had very little involvement with the GCF process in Senegal due to a lack of information and appropriate partners. The NDA has taken active measures by furthering the candidacy of CNCAS, FONSIS and FONGIP.

The NDA representatives have been involved in several regional fora, international meetings and GCF events and conferences, and therefore has been a constant and continuous voice in the region. In particular, interviewees from the CSOs have highlighted that the NDA of Senegal has been furthering the agenda of the GCF regionally, by linking to other NDAs and organisations on known and potential climate change issues. Also, within the country, actors from both the private and public sector have underlined the efforts made by the NDA to establish an inclusive procedure that ensures the involvement of all ministries, as well as parts of the technical practitioner and academic landscape, to ensure the technical and strategic feasibility of projects that should be considered by the GCF. Interviewees have also underlined that the NDA provides training and workshops to ensure a certain level of GCF visibility and to inform actors of the procedural aspects of the GCF. The last workshop in early 2019 was on the GCF template and how to address the different investment criteria. Some interviewees indicated that the NDA should invite a more diverse set of actors new to the climate change environment, rather than only those currently working on climate change issues.

In general, the roles and responsibilities of the various actors involved in the GCF processes, in particular, AEs and EEs, do not seem to be under the control of these actors. For instance, the flow of information and timely updates on the progress of proposal development has been interrupted. The AE and DAE have pointed out that repeated updates on “no progress” could cause further harm to them, the project and the beneficiaries. No progress has generated rumours about the accessibility and activities of the Fund. Some have misinterpreted the situation and think that the DAE and AE actually hold the money and refuse to pay the project. Others said that it was hard to wait any longer without a clear message from the GCF. The availability of a system to check for updates or which provides updates automatically could help to reduce misunderstanding. Also, the roles of each actor may be misunderstood due to the lack of guidance and procedures that explicitly draw attention to each of the stakeholders. Monitoring and reporting efforts were not understood, which is linked to the fact that most projects are not effective at this point (no FAA is effective yet). Indeed, there are major information gaps regarding the procedures of the GCF and the participation of each actor from project development to project implementation. The NDA noted that there seems to be no opportunity to be involved in the monitoring once the project is under implementation. While this has proven to provide enough flexibility for actors to become involved with the GCF, it also leads to a lack of coordination and synergy among the actors. For example, information about the GCF structure, processes and even templates is all centralised at the level of the NDA and the only DAE (CSE). Very few of the other entities have control over the procedures or have a direct link to the GCF. When asked for reasons, most interviewees have explained that this is due to the Fund’s business model. The NDA is perceived as the key institution linked to the GCF. It is the only actor that reassures country ownership and the only one that explains the opportunities and priorities of the GCF. Secondly, the CSE is perceived as a second entity next to the NDA that links directly to the GCF. The iAEs are not perceived as GCF.

Even when asked about the objective of the GCF, for example, during iAE interviews, their staff members did not agree that they had a larger role to play for the GCF. One interviewee described his institution as a public development agency that would wait for an appropriate opportunity to fund a project. The GCF could be considered as a co-financier from the iAE point of view. Such interest and alignment of priorities, between iAEs and GCF, can only be done after involving the NDA at the country level. None of the iAEs are providing training at this point in time, while some have said they would do so in the future. Some of the staff members of iAEs were however invited to trainings held by the NDA and CSE. When asked, the staff members of iAEs felt that the NDA is the representative of the GCF in the country and should be the one providing training. When asked, the concept of "the first line of defence" was little known to most iAEs. While they agreed that they have a strong role in the due diligence procedures during project preparation and implementation, they seemed undecided or unclear about their role of GCF representation as delineated by the GCF business model, including accreditation.

At least one of the iAEs visited explained its interest in both funding public and private projects. However, there seemed little understanding of the different modalities, financial instruments and the Private Sector Facility (PSF). When it was stated that the GCF has several financial instruments to choose from and the PSF – with its sub-units for Project Finance, Financial Institutions, Equity and Structured Finance – was described, the staff member of an iAE showed interest in investigating this further. It seemed that iAEs in Senegal have limited opportunity to know and learn about what the GCF would be able to do, has as its objectives and is interested in achieving. Hence, it is fair to conclude that the iAEs cannot currently provide any training and formation on the GCF in both a proactive and reactive manner. Three reasons for this were mentioned. Firstly, the senior project managers that were involved in project development for the GCF have since left. Secondly, iAEs have their own procedures for projects with a stronger GCF team at the headquarter offices. Thirdly, due to their own structures and procedures, they are not looking for new investment opportunities proactively. They are also only on the receiving end of project development. According to the interviewees, in most cases, the EEs (notably the ministries) are proposing project ideas to the iAEs.

c. Secretariat

According to interviewees across the spectrum, the only interlocutors and intermediaries between the GCF Secretariat and the country level are the NDA and the DAE. As mentioned before, it was noted by many stakeholders that information is mainly on GCF procedures, GCF priorities and the stage of project development at the level of NDA and DAE. In addition to this, many stakeholders, in particular, EEs, were aware that there should be a direct flow of information at the level of AEs, including iAEs. When asked, the iAEs declared that most information on the situation or status of projects rests with the headquarter offices, and not with the country offices.

One iAE also explained that they did share information from the beginning of project development through to the negotiations on the FAA. However, due to delays and the limited additionality, the country office decided not to share more information with the implementing/executing entities about the status of the project. Most projects are delayed by two or more years, and the chosen corporate communication strategy was to stabilise the situation by not sharing any further information, until the first disbursement and thus the commencement of the project. The decision was to only share information on the continuation and to not repeat information, as it is "no news". A similar approach was followed by the DAE (the CSE), which has had their first project approved at B.11. Most of the EEs were aware of this approach.

Based on the EEs' experience, the beneficiaries have little to no opportunity to get any information on the delay and the status of the project. While beneficiaries were very interested and excited about the GCF and its climate change projects, the perception of the GCF has begun to change. During a recent public meeting of stakeholders and beneficiaries, a representative of a local municipality called the Green Climate Fund a "red Fund", and said, "The Green Fund is not a green light" – referring to traffic lights.

Even the NDA has not been able to fully capture the status of the projects currently approved by the GCF Board. Several interviewees at the NDA have explained that this hinders the effective monitoring of the activities undertaken toward countries' priorities and highlighted potential grievances amongst local beneficiaries. One member was extremely worried about the reputation of the division, the ministry and the Government since they cannot observe within their means the progress and potential changes in GCF projects. Green Climate Fund procedures on roles and responsibilities with respect to monitoring and information sharing, particularly regarding proposals, is insufficient.

When asked about the roles of different actors within the GCF Secretariat (e.g. different divisions, task managers and Regional Advisors), most of the interviewees were interested but unaware. The role of the Regional Advisor was most of the time unknown, while the Regional Advisor has been in touch with the NDA, CSE and a selection of other stakeholders. The Regional Advisor was known by name. Many interviewees were interested in seeing a stronger GCF presence in the countries, either through the Regional Advisors, training done by GCF, GCF consultants providing assistance with the project development/review process and/or GCF country missions.

Besides the question of information flow and training, many interviewees have repeatedly argued that the GCF should use the official UNFCCC languages, including French, to ensure efficient and effective communication. To date, many stakeholders, in particular, local beneficiaries, local NGOs as well as the EEs, have noted that the country-internal processes are currently done in both languages, French and English, which creates an unnecessary burden to most stakeholders. Some iAEs have noted that this might be a problem, but they are currently not concerned. It has to be noted that the entire country internal review process in Senegal is done in both French and English, as GCF procedure requires documentation and comments to be in English only. Some representatives, in particular of CSOs and one iAE, have raised concerns that the language "inequality" puts Senegal and all other Francophone African countries at a disadvantage compared to Anglophone African countries. Some interviewees even suggested that the GCF prioritises the Anglophone countries, given the policy of only communicating in English. Even in comparison to other climate finance institutions (e.g. GEF), the business model of the GCF suggests a strong link to the needs of countries and recipients, which is in direct conflict with the reality of the "artificial language barrier" that has been put in place.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

The Department for Environment and Classified Establishments (DEEC), under the authority of the MEDD, is responsible for the implementation of government environmental policy, chiefly the protection of nature and people against pollution and other problems. The DEEC is the FP of the UNFCCC. It provides the NDA for the Clean Development Mechanism (CDM), the AF and the GCF, while the MEDD is the direct FP for the GEF.

The Senegal National Committee on Climate Change (COMNACC) was established in 1994. Subsequently, the Committee was set up by decree No. 1220 of 7 March 2003, and in 2011 by decree of the ministry responsible for the environment at the time. The COMNACC looks after the coordination, consultation, training and awareness-raising, management and monitoring of the various activities identified in the framework for the implementation of the UNFCCC and its additional legal instruments. It operates in all areas related to the activities of the UNFCCC and its additional legal instruments and provides information, awareness, training and facilitation in the design, financing, implementation, validation and monitoring of national programmes and projects, and sub-regional and regional priorities. There are 14 Regional Committees on Climate Change (COMRECC), the secretariat of which is provided by the regional divisions in charge of the environment, while the presidency is provided by the governor of the region.

The Ecological Monitoring Centre (CSE) was the first entity accredited (as a DAE) to the GCF in Africa, on 26 March 2015. The CSE is the gateway for public entities and civil society to achieve Direct Access to the GCF. The CSE develops, with other partners, climate change adaptation projects at the national and sub-national levels, and has been working alongside others on several readiness programmes in Senegal as well as in the region. The CSE accompanies the formulation and submission of project and programme documents for the GCF. The first project approved by the GCF Board was in 2015.

As mentioned before, the stakeholders, in particular, prospective EEs, believe that the private sector cannot be catered for with the current structure, in terms of available AEs. Some interviewees from the private sector are unclear about readiness support and the Project Preparation Facility (PPF). However, further training and capacity enhancement were requested, preferably in GCF processes and policies. There seems to be less demand for capacity building. In addition to this, some interviewees have requested financial support for the preparatory work, even at concept note stage, as initial involvement in project development is costly. The perception is that larger organisations and companies may have a higher chance of success, given their budgetary power to hire a climate expert, gender expert and a monitoring expert.

Another stakeholder in the agricultural sector is currently preparing a PPF project based on an initial concept note. The interviewees have indicated that the deployment of a GCF consultant to help entities in project development and preparation has been vital to the success of this project. Despite the consultant's knowledge of multilateral development banks (MDBs) and climate finance processes, the GCF process has still been very involved. It seems there is a strong demand for more conceptual definitions. In particular, the funding proposal template often creates discussions around the conceptualisation of its different terms. As an example, interviewees have referred to the paradigm shift potential and impact potential as being difficult terms to understand in both English and French. The language restriction has added to the confusion about what would be required from prospectus project managers and implementers. Professional assistance would have been preferred, but as a minimum, clear guidelines and definitions are requested by all stakeholders in the country. The NDA had little to no knowledge of the content of the first Annual Performance Report (APR) produced for one of the projects, which raised a question as to the possibility of effectively monitoring progress made in-country.

As already mentioned, another important element that emerged from the discussions was the difficulty of the English language requirement for the submission of project proposals. In Senegal, English language capacity within the various governmental bodies and implementing entities is limited. In addition to this, the language barrier was also apparent when discussing the GCF funding proposal template and the definition of specific GCF terminology. Another statement in this regard also concerns the fact that all materials related to GCF are only available in English. This induces a bias of understanding from one individual to the next when translating into French.

The country office teams of the iAEs are less involved in the project preparation and in the various discussions with the GCF Secretariat and reviewers. According to the respondents, the development of the GCF projects requires a technical capacity that does not exist at the level of the country office, which justifies only the headquarters of these institutions being involved in the submission of projects to the GCF. The interviewees noted that the time taken for the different steps within the procedures have made it difficult to effectively execute their mandate.

In terms of funding proposal processes and accreditation, several barriers have been identified that do not promote the access of local and national actors and entities in Senegal to the GCF, namely:

- Language barrier: all documents for submission are to be retrieved and sent in English, while the official working language is French. This gap introduces biases in understandings, and technical translations are costly or not always reliable;
- Lack of information on GCF procedures: there is a concentration of information at the NDA and CSE level in terms of necessary steps and requirements for successful submission of

funding proposals. The specific needs of prospectus-implementing entities are not answered, in particular on portfolio prioritisation and strategy. No training and discussions are offered by the AEs in the country. Moreover, GCF feedback on projects is not always relayed to the implementing entities, even at the level of international entities; and

- Technical knowledge: there is a very high level of technicality required. Additional requirements raised by evaluators, gender experts, etc., sometimes require further studies, which are costly. The PPF is not readily available and requires entities/project managers to go through a country's internal processes to reach it. Going from the national level (NDA) to the GCF level is time- and resource-consuming.

e. Funding programmes and instruments

In general, people interviewed in Senegal indicated that access to the GCF is far too restrictive at all levels of engagement. The AEs face lengthy and costly processes to get accredited and then pass through the review and approval processes of funding proposals. The NDA faces budgetary limits regarding the workload that needs to be handled while facing reputational risks since none of the approved projects have received funding. The access to readiness is there, but not suitably comprehensive and long-term. The NDA in Senegal asked for an extension of the readiness funding for two years but was only given 18 months.

The financial instruments available to access the GCF are unclear to most stakeholders. Even staff of iAEs were unaware of the objective to involve other private sector organisations as co-financiers, or even of project development for the PSF of the GCF. Seeing as an application was made for one of the requests for proposals (RfPs) (for the Micro, Small- and Medium-Sized Enterprises [MSME] Pilot Programme), the RfP became well known by the parties involved. It was noticed that many of the known actors have been involved in the delivery of other projects and programmes and were therefore aware of the general modalities of the GCF. However, external organisations, outsiders to this circle, had far less knowledge of the GCF. Stakeholders agreed across the different groups that the GCF should provide better communication material and expert teams to come to Senegal to further the engagement with new actors and sectors.

With three organisations in the pipeline for accreditation, the current understanding of the options of financial instruments is limited. Most stakeholders are likely to use conventional financial instruments, such as loans and grants or a mix of the two. However, representatives outside the current GCF project cycle have indicated interest in more innovative approaches and instruments, (e.g. guarantees in the energy sector). This leads to the question of awareness, preparation and training for different modalities provided by the GCF and the GCF PSF.

2. GCF POLICIES AND PROCESSES

a. GCF policies

Senegal has national guidance documents – the PSE, national climate change communiqués, the NDC and a draft country programme – which indicate a strong alignment to the best practices in the field. The International Finance Corporation (IFC) Performance Standards are well known at the level of the NDA, CSE and iAEs. Some of the iAEs interviewed declared however that the requirements and standards of their own organisations should be sufficient to satisfy GCF requirements. They would first follow their own frameworks and policies and then those of the GCF. One representative stated that the GCF accreditation process has been far more difficult than any other process they had been through with international climate funds such as the IFC, AF and GEF.

When probed further, most of the iAE teams interviewed agreed that alignment with institutional policies was performed at the country headquarters, directly through the GCF teams. One reason for this is that gender experts and monitoring experts are most likely to be located there. Direct Access Entities (prospective and actual) have employed experts in this regard to show commitment and ensure policy alignment.

Prospective project managers have stated that it is tiring to see the constant changes to GCF funding proposal templates through the inclusion of new policies. There is a perception that the GCF creates a constant stream of new policies that will have to be translated into actionable items and included in funding proposals. This constitutes another hindrance and complication for project managers.

From the perspective of the NDA, it ensures that the projects developed, consistently consider the concerns contained in both the national documents and in GCF policy guidelines. The review process will be adapted regularly once it has been approved by the country representatives, and once the country programme is finalised.

Senegal also has several policy documents providing guidelines at sectoral level regarding specific sectors such as agriculture, forestry and coastal policy. The NDA ensures that the guidelines for each sector are considered at the national level. There are currently no obvious policy gaps, although it was noted that the Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH) policy might soon need a national alignment.

b. Policy implementation

At the national level, the role of the NDA is to analyse how to include national guidelines in projects. This role is however, limited. There is no guarantee of the effective implementation of these policy guidelines in the implementation of projects, due to the restricted access of the NDA to projects, progress reports and implementation updates. Furthermore, some NDA interviewees shared the worry that without properly established and managed country monitoring systems, there is little reassurance and no incentive for the project managers to align dynamically throughout the implementation of the project. This is evident from the fact that the NDA is further upstream of the process but no longer involved in the project implementation phase funded by the GCF. As a result, it is difficult to have any evidence of the effective implementation of policies.

According to several stakeholders interviewed, the grievance mechanisms are in place at local, national and GCF level. Proper awareness of these mechanisms and their functioning remains questionable. It became apparent that the current projects with an effective FAA had to be restructured due to change requirements in terms of resettlement plans, for example.

Before any project endorsement, the NDA ensures that the project has considered national guidelines and that the beneficiaries have been involved in its development. It also ensures that the adaptation needs of vulnerable communities have been considered comprehensively.

On the ground, the beneficiaries had voiced their concerns at public gatherings held by the project managers involved, according to different interviews with the entities involved. For example, in one project, an adjustment had been made in terms of project planning and outline, which was also communicated to the GCF in the annual progress report (March 2019). While the GCF has not yet disbursed any funds, the funds will be used to provide planning assistance and disaster risk reduction (DRR) management (e.g. soft implementation activities). The beneficiaries have not been aware of the delay while in the field, partly since the infrastructural component had been pre-financed by the AE. At least one stakeholder interviewed explained that the project had a gender component. However, the core activity was not gender-related nor gender-sensitive. The project had considered social inclusion as a key principle, looking at young people as well as women to ensure the sustainability of project effects.

c. Accreditation

The evaluation team visited AEs, both international and Direct Access entities, and candidates for accreditation. The feedback from the different stakeholders on the accreditation process has been similar regarding timing and procedures. While the accreditation model is understood as an important gateway to the GCF, the shortcomings are clear. The process is too long, while little to no updates are provided on the process. Questions regarding policy gaps and necessary positions are repeated throughout the process. The Secretariat may ask questions that are later re-asked by the Accreditation Panel. The policies and criteria for policies are very restrictive. Some of the policies and their importance – particularly gender – are at times not understood. Besides, the accreditation process requires a significant investment of human, financial and time resources, which does not immediately translate into funding. The prioritisation in the accreditation process remains largely unclear, which makes it hard to decide whether to enter the accreditation process. This situation seems to be more critical for private sector related entities, since they would have to wait for the return on investment, without knowing for how long. Some interviewees proposed that the GCF should clarify the type of potential projects and priorities for particular sectors. Clarifying these two issues could provide proponents with a better idea of whether they should enter the process or not. One interviewee recommended the inclusion of a first project proposal into this process to ensure returns on investment for all sides: the entity, the country and the GCF. Most of the interviewees agreed that a higher environmental and social safeguard (ESS) risk category could be of interest, but they often anticipate more difficulty in getting through the process, and decide, knowingly, to underestimate their potential for larger and riskier projects.

There are proactive measures for promoting Direct Access and increasing the number of DAEs at the national level. According to the NDA, the optimal target for DAEs is four, with the CSE (already accredited), CNCAS in the accreditation process (stage 2), and FONSIS and FONGIP (both candidates). In particular, the gap for private sector finance and private sector entities is targeted by the NDA and its candidates, while there is competition with iAEs that have a stronger focus on Africa, such as the African Development Bank (AfDB) and other African commercial banks. In addition to this, the perceived and actual delays in project proposal review processes, and in approval, legal negotiation (i.e. FAA negotiation) and first disbursement, have discouraged many from voicing their interest and commitment towards the GCF and from submitting high-quality proposals.

The pursuit of the accreditation of several additional DAEs is known and welcomed by most stakeholders. The application for accreditation by CNCAS is very well known, as the entity is also involved in other project finance activities. The FONSIS and FONGIP are both Sovereign Wealth Fund, known financiers in the development space in Senegal. The accreditation process of the GCF itself is less well known and understood. The abovementioned organisations have raised concerns about the length of these processes and the multiple requests for documentation. Other external stakeholders had little understanding of the specifics. The prospective entities have raised concerns about the involvement and costs of the accreditation process because all of the five GCF Board-approved projects have not been disbursed.

In terms of the experience of Senegal with Direct Access, the CSE is the first AE in Africa, nominated on 10 December 2014 and with its Accreditation Master Agreement (AMA) signed on 24 October 2015. The core activities of the CSE include environmental monitoring, natural resources management, and conducting environmental impact assessments. It has built partnerships at the local (subnational) and national levels, as well as with international donors, to develop climate change projects and programmes, particularly in the areas of environment, agriculture and livestock. With its key activities in improving the access of vulnerable populations and local stakeholders to climate-related information, it aims to strengthen resilience and to build capacity to adapt to climate change variability and impacts, such as droughts and desertification. The profile of the CSE as a GCF AE is:

- Direct Access;
- Project size: micro (up to USD 50 million);
- Fiduciary standards: basic and project management; and
- ESS category: Category C.

Its first project, FP003: Increasing Resilience of Ecosystems and Communities through Restoration of the Productive Bases of Salinized Lands, was submitted and approved at B.11 in 2015. Up until now, the FAA is not effective, which prevents the project from being implemented. According to the interviewees, this delay has put the entity, country and GCF at reputational risk. This circumstance has left various stakeholders with a bitter taste in terms of accessibility to the GCF. According to the documentation and the interviews, the problem has been threefold: (i) the Board requested a revision of the estimate on the number of beneficiaries; (ii) technical aspects, in particular, procurement; and (iii) legal aspects, in particular, the AMA/FAA agreement.

Moreover, the relatively low budget of projects carried by Direct Access (national) entities compared to international entities suggests that Direct Access is more of a decoy than a reality.

The information received through multiple interviews mentions a minimum of 2 years from the introduction of the project to the GCF Secretariat by the AE upon the FAA negotiation. The bad experience of the CSE has fostered within the Senegalese community a myth of difficulty in accessing GCF funding for climate change and climate finance projects. Several expressions have been mentioned regarding the quality of access to the GCF that are appropriate for paraphrasing here:

- "*Le Fonds vert n'est pas le feu vert. C'est le fonds rouge*." - "The Green Climate Fund is not a green light."
- *"Le Fonds c'est une mirage."* - "The Green Climate Fund is a mirage that goes away every time you approach it."
- *"Le Fonds c'est une boutique vitree."* - "The Green Climate Fund is a glass shop where you can see the luxury items, but you can't get hold of them."

These expressions show the perceptions of different actors from the public sector, NGOs, local authorities and populations, of what it is like to access GCF financing.

At the level of the iAEs – although the projects have considered national concerns – there seems to be a weak link between the GCF teams at the headquarters and those at the country offices, which in turn may suggest weak appropriation by the country offices. This is because the involvement of the different units within one organisation usually changes over the course of the GCF funding proposal process, between project proposal development (at the concept note stage) to the FAA negotiation. Typically, the involvement of the country office only takes place when the comments made by the GCF Secretariat specialists are specific to the country. The country office acts mostly as a project manager once the implementation phase has started. In most cases, the implementing and executing entities involved in the project have little to no involvement nor information about the process or feedback from the GCF Secretariat.

Moreover, the iAEs seem to have similar problems regarding the delay of project implementation, due to the legal processing of the FAA and related conditions.

3. GCF PERFORMANCE AT THE COUNTRY LEVEL

a. Project cycle

For the no-objection procedure (or the project appraisal procedure), the NDA has developed a thorough review process that ensures projects have taken into account national guidelines, engagement with beneficiaries and the feasibility of the projects themselves. This review process involves different stakeholders throughout its course, according to their technical and strategic role in the country. It also ensures that the adaptation needs of vulnerable communities have been considered comprehensively. The NDA described the national review process as a mirror of the GCF procedure at country level. Discussions with representatives of the GCF led to the development of a strong procedural construct that would allow for the review of concept notes, the Project Preparation Facility (PPF) and funding proposals for the no-objection procedure. To facilitate a country-wide (horizontal) and across-all-levels of actors (vertical) review process, the NDA has initiated a three-tier process, as follows:

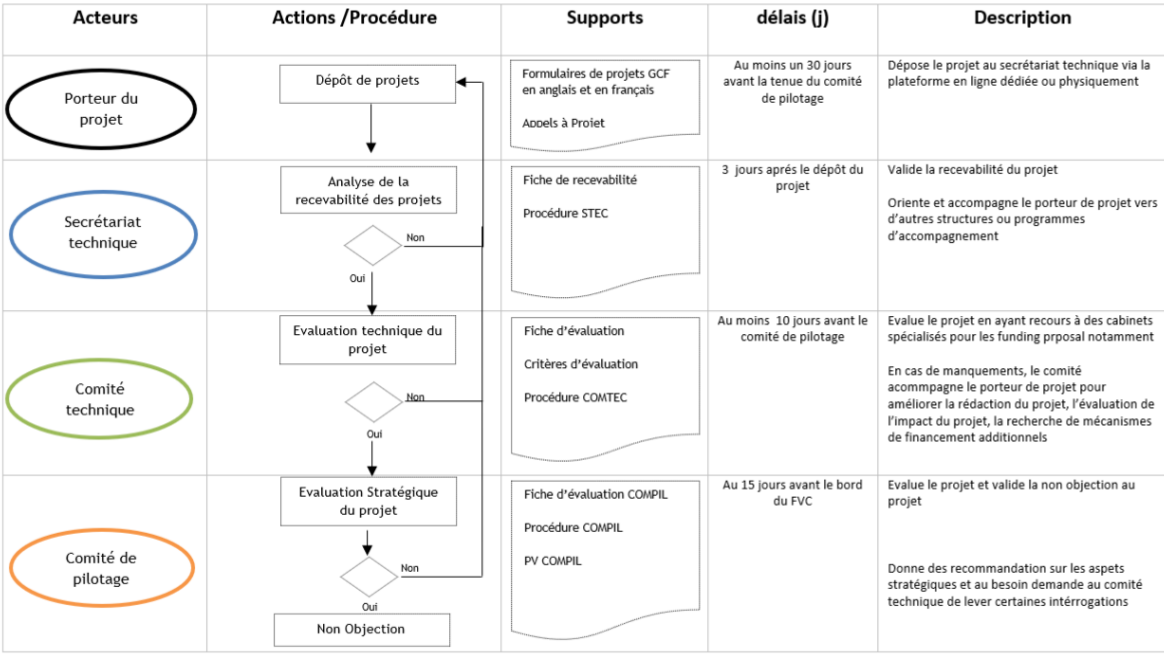


Figure 11-1. Flowchart of the project evaluation process

The process of evaluating whether a proposal is to be put into the process includes the following key elements:

1) Admissibility and eligibility of the project proposal;
2) Technical evaluation of the project proposal; and
3) Strategic evaluation of the project proposal.

It should also be noted that the development of the detailed project after the acceptance of the GCF Secretariat concept note is mostly done by teams at the respective iAE's headquarters overseas, with little to no involvement of implementing or executing entities. This might lead to poor project ownership for the implementing or executing entities during its implementation, in particular, if restructuring efforts were made. The coordination of multi-tier and multi-actor implementation could further weaken concrete project ownership, which in turn could translate into gaps in policy alignment. This could both be observed by the public and by private sector projects.

The recently approved AFD project is the only one that deals with the private sector in Senegal. It was indicated that the experience in terms of the project cycle was and is not convincing as a way to involve the private sector in a country funded by the GCF. While the wide range of funding instruments and programmes was welcomed, the project implementation delays do not currently provide a convincing argument for actively pursuing proposal options from the private sector perspective.

Another aspect mentioned was the monitoring requirements. Interviewees felt that the results management framework, especially the indicators, need improvement. For instance, gender-sensitiveness cannot solely be based on counting the number of women affected by the project. The number of direct and indirect beneficiaries is too loose in its definition and cannot provide enough insight into the core impact of an institution, nor a paradigm shift due to the GCF.

The following table provides guidance on how to prepare investment opportunities for GCF funding, according to the NDA:

Table 11-1. Eligibility criteria (Technical Secretariat)

Formats of proposals	Projects submitted must be compliant with English and French GCF templates (PPF, funding proposal)
Institutional anchoring of the project	The project must be carried out by a national agency, relevant state structure or local community
Involvement of an Accredited Entity	An Accredited Entity must be involved in any project submitted
Deadlines	Projects must be submitted 2 months before each GCF Board meeting (Respect a sufficient period of submission before COPIL (at least 1 month) to allow a rigorous evaluation by the technical and the steering committees)

Table 11-2. Project evaluation criteria

Credibility	The accounting system must maintain the credibility of the information provided by the Fund on climate action; thus, in case of doubt or uncertainty regarding the climate impact of a project, this impact will be a priori excluded
Clarity in the conduct of operations	For Green Climate Fund activities to have the greatest impact, it must be possible to determine whether a project will be counted as part of climate action, as upstream as possible of the cycle, preferably from the pre-assessment stage
Precision	Wherever possible and appropriate, the Fund will seek to consider, within large-scale global projects or programmes, only the components relating to climate action. This approach, which allows for greater accuracy of data, is in line with the harmonised methodology adopted by the MDBs
Absence of double counting	The cost of projects or components of projects contributing to both climate change mitigation and adaptation to their effects shall be either allocated between these two categories according to their relative contribution to objectives, or if in doubt, divided equally between them

Table 11-3. Technical criteria

Eligible sector	Energy Efficiency Renewable energy Transportation Waste Urban development Forestry and land use (including forestry sector)

	R&D and innovation Climate change adaptation High social dimension adaptation projects
Significant contribution to the implementation of the CPDN/CDN	Identify the corresponding CPDN/CDN project Validate adaptation potential Validate mitigation potential
Economic and financial profitability	Validate the different economic and financial profitability ratios (VAN, TRI; payback period, etc.)
Project management capacity by implementing entities	Technical capacity of implementing institutions Consistency of the organisation put in place for the implementation of the project concerning the issues
Existence of co-funding arrangements	Existence of one or more co-funding schemes complementary to those of the *Fonds Vert pour le Climat* (Green Climate Fund)
Analysis of the risks	Validate project risk assessment from design to implementation

Table 11-4. Institutional criteria

Coherence with PSE	Verify that the project achieves the objectives of the PSE and is not in contradiction to a strong orientation of the national development policy
Complementarity with other projects	Verify that the submitted project contributes to the success of other projects
Redundancy with ongoing projects	Verify that the submitted project is not redundant with another currently funded project
Socioeconomic impacts	Validate the socio-economic impact assessment business potential for the national private sector Assess projects through indicators such as employment, the size of the affected population and in what ways they will impact (health poverty reduction, access to energy, etc.) Consideration of and impact on gender
Business potential for the national private sector	Verify that the project presented offers business opportunities to local businesses. Also, assess risk for local businesses

The analytical grid developed by the NDA is systematically applied to all projects received. Also, it should be noted that the analysis takes two to three months, and the full process from the first version introduced to the last version finally accepted by the NDA sometimes takes 6 months or even 1 year.

Regarding the Independent Technical Advisory Panel (iTAP)/Private Sector Advisory Group (PSAG) assessments, in terms of ensuring the quality of funding proposals, the feedback provided by the AEs can be summarised as follows:

- Technical requirements for GCF assessments are very high, which sometimes requires the recruitment of additional international consultants to meet these requests;
- Feedback provided by the GCF Secretariat and iTAP on funding proposals is often not synthesised. Many stakeholders have observed repeated comments. Indeed, the same comments were made by different reviewers at different stages of the Secretariat’s review process. It becomes necessary to answer the same questions several times, which causes unnecessary delay;

- The project review process, in general, takes longer than those of other organisations. One issue could be that the person responsible at the GCF Secretariat may change during the process. Another issue is that the involvement of an external review board, such as the iTAP, creates a break in discussions for most of the stakeholders involved; and
- Another major challenge for AEs in responding adequately to questions from the GCF reviewers, including both the GCF Secretariat and the iTAP, is the absence of country-level data. Sometimes additional studies were necessary or indispensable for answering some of the reviewers' key questions. This delayed the implementation process further.

Also, some interviewees reported that the GCF assessment of the funding proposal is too technical and very restrictive for adaptation projects. It was added that there is a perception that funding proposals are more of a scientific thesis and not a project proposal to improve the resilience of vulnerable communities. Most of the conceptual ideas behind the funding proposal template are not explained well enough to be fully understood by the project managers.

In all project cases, the responsible parties involved in the project design and funding proposal stages at the national level of the iAEs were no longer involved in work related to GCF-funded activities and projects. All iAEs have confirmed that due to organisational structures and the rotation of staff abroad, project managers usually stay no longer than 5 years in one location. With all of the GCF projects delayed in their implementation in Senegal, there is a higher risk that original project managers will no longer be in Senegal when the project is starting its implementation. This has been the case in all projects. In the case of one AE, only staff from the EEs involved in the early project development phase were there to describe the process from beginning to end.

A special situation should be noted concerning the first draft proposal done by the CSE, presented and approved in 2015. The final version was only accepted this year due to an indicator error contained in the project, that caused an additional assessment of the vulnerable community. The interviewees explained that the four years in between were used to meet the requirements of the reviewers after the Board approval. To most stakeholders in the country, it was unclear why Board-approved projects were deemed "not fundable" for the entire time until an external international consultant was able to assess the indicator requirements and adjust the indicator target to the appropriate level. This process has not only been difficult for the DAE but also for the implementing entities and the communities targeted.

In conclusion, the funding proposal assessments of the GCF, although recognised as relevant by the reviewers, are thought of as being very restrictive and too high-level academic, which often exceeded national technical capabilities.

In Senegal, to date, no project has received a first disbursement for effective implementation of the projects. There are five GCF Board-approved projects, including four managed by international entities and one managed by the only DAE, CSE.

b. Responsiveness to the UNFCCC

The country visit could not fully address this area. However, it can be said that through the GCF Readiness programme, the GCF has responded to the country needs and climate change objectives laid out in the national documentation, such as the PSE and NDCs. The NDA ensures that all GCF policies are followed at a country and project level. At the project development level, the funding proposals must pass through a rigorous review process that involves technical, strategic and project alignment at all levels. Technical expertise from other governmental, non-governmental and private sector actors is used through the national committee, called COMNAC.

c. Funding programmes and instruments

In the case of GCF readiness programmes, the NDA and the CSE noted that more flexibility in disbursement and the extension of the period is needed. Although the period of a current readiness programme has been extended from 1 year to 18 months from the first to the second round, it would be desirable to extend it to 2 years for the effective and efficient implementation of activities.

As indicated above, the specific needs of stakeholders in terms of financial instruments include:

- The capacities of all actors in the public and private sectors, and of local authorities and local communities on GCF procedures as well as GCF portfolio priorities. According to the NDA interviewees, the readiness programmes do not cover all these needs. Furthermore, according to the private sector actors, there is very little involvement and engagement with private sector actors who may not necessarily be accustomed to climate change and climate finance discourse.

  The suggestions put forward are generally geared towards a further focus on the specific needs in the countries. There is a perception that the readiness programmes are very limited in their application, and usually only meant to provide "first-level support". There is however, a need for the dissemination of what opportunities the GCF could provide and how the different aspects of the GCF process should be handled, beyond the general capacity building. Also, some interviewees have argued for an increase in the annual allocation for readiness to individual countries.

- Funding requirements for adaptation projects: On a positive note, the current project cycle, the funding allocated and the project duration meet the country needs to be expressed by the various actors.

  However, it should be noted that according to some stakeholders, Direct Access advocated by the GCF is not a reality. Indeed, the CSE, which is involved at the national level in all processes with local authorities and communities, better understands the realities and needs of the communities. But the limited access to funding, given its ESS category and standard fiduciary assessment during the accreditation process, provides a challenge for the country.

Contrary to this, the perception amongst stakeholders is that the iAEs have a higher chance of "scoring" better during the accreditation process and therefore have access to much larger funding opportunities. In addition to this, the problem of the delay between the preparation of the project, its finalisation and its financing adds another challenge for the much smaller DAEs. The currently observed long delay does not meet the adaptation needs of local communities, which are experiencing the negative impacts of climate change, and in most cases, require urgent concrete action. Furthermore, this delay in project implementation could also lead to the aggravation or accentuation of the impacts identified and assessed during the project's development; therefore, the actual cost of community adaptation may be higher than the cost observed at the time of project implementation, which is the basis for the estimates and funding by the GCF. Stakeholders are increasingly worried about the changes that the projects may require during implementation, due to the delay. If it is a major change, the project might even have to go back to the GCF Board for approval. It has been noted that the GCF Secretariat is observant of this and is helping to prevent such circumstances wherever and however possible.

The main suggestion from stakeholders is to lighten the procedural requirements as much as possible and to ensure access to GCF finance while recognising local limitations in terms of data and country systems in place. Secondly, stakeholders urged the GCF to reduce the time required to go through all stages of the process (also taking into account the NDA procedure). It was noted that GCF does not regard the country-internal process as a quality check to reduce pressure during the Secretariat's review. Another suggestion is to address capacity support beyond a simple capacity building for national actors, and finally, there is the acceptance of French as an official UNFCCC language.

d. Private Sector Facility and non-grant instruments

Most stakeholders are unclear and unaware of the opportunities offered by the GCF PSF. Given the fact that most GCF-related training is done by the NDA and CSE, which are mostly catering to public sector projects and adaptation projects, the private sector in Senegal has urged the GCF to provide additional means to access the GCF. One suggestion was to provide more AEs which cater for private sector projects and provide clear and direct communication of GCF priorities, portfolio priorities and the long-term goals related to the private sector. While the NDA has envisaged putting three candidates forward for the accreditation process, at this moment, Senegal does not yet have a DAE to cater for private sector financing. One private-sector entity, the CNCAS, has submitted its accreditation application and is actively engaged in the accreditation process.

Senegal has had no visible contact with the PSF. A group of stakeholders had submitted an application for the RfP MSME Pilot Programme, but the proposal was not accepted. The stakeholders had, however, no understanding of the relevance to the PSF.

4. Likelihood of (and actual) results

a. Quality

Overall, no quality gap at the project level was recognised by any of the interviewees. The interviewed GCF task managers also did not identify any quality gap. One task manager, however, informed the evaluation team that it is important to check on the activities described in the GCF-approved funding proposal and to ensure the feasibility of such activity in the current planning, assuming that the project context might have changed during the long waiting period between Board approval and first disbursement.

According to some stakeholders interviewed, there has been a capacity gap at the national level for the development of quality projects that meet all the requirements of the GCF reviewers during the development stage. Respondents state that this gap is also partially explained by, among other things, the time GCF has taken to complete the assessment and the many instances of back and forth feedback between the GCF Secretariat, iTAP experts and the project management teams.

Two GCF funding proposals encountered hinderances worthy of discussion:

- The FP003 project managed by CSE had to be reviewed by the consultant paid by the GCF to reassess the indicators related to the core impact of the GCF. Only after the successful completion of the report was the GCF Secretariat satisfied to pass the conditions introduced by the Board, and thus get closer to an effective FAA.
- The FP021 project submitted an annual progress report, based on the GCF Board-approved funding proposal from 10 April 2016 and its amendment on 17 April 2018 (GCF/B.14/17/Drf.01 and B.BM-2018/06). The amendment was made due to the needed restructuring of the project. In 2017 and 2018, most of the activities were devoted to the restructuration of the project with an additional EE, APIX in Senegal. Following the amendments in the financing agreement, the change in EE was completed, and a Project Implementation Unit (PIU) was established. A revision of the resettlement plan has caused further delays and budgetary changes. Also, additional delays in the wastewater management were experienced, due to the change in EE.

These examples show that as a result of the prolonged FAA effectiveness and disbursement procedures, the project did not fit the circumstances any longer, and needed additional changes.

These changes relate directly to the impact potential and the sustainability criteria – two of the investment criteria. In particular, the changes to the resettlement plans in FP021 raised questions about the adequate impact potential to enhance awareness and reduce the level of vulnerability of the local community in Pikine. Furthermore, the resettlement plans constitute a strong social, economic and ecological co-benefits for the Pikine flood area and its local community, as explained in the section below.

5. Other

Unexpected results: referring to the FP021 field visit, the interviews revealed that wastewater management from the local municipality and local factories was not considered in the funding proposal. However, as the context of this neighbourhood changed over time, it became apparent that the community suffers from wastewater issues and water pollution. The implications were so strong that the project had to consider wastewater management as a component for the water drainage infrastructure. Through this inclusion, the sustainability of the system may be strengthened, particularly in respect to the social and environmental benefit aspects of the community, while the wastewater management activity may not directly help to reduce water pollution by the local factories. This activity might stand in conflict with the climate rationale objective of the Fund. Discussions with project representatives on the ground through the representatives of the five implementing/executing entities and discussions at the country office of AFD have shown that the GCF lacks clear guidelines on what constitutes a major change in a project and what reporting structures are required to identify changes as soon as they arise. The annual progress report template seems to miss this opportunity. There are risks that environmental and social benefits will not be identified when they arise, and further changes in projects may not be captured promptly by the GCF Secretariat. While legal requirements seem to be clear for the AFD, the active management of restructuring is not aligned with the GCF, as the key stakeholder and financial source for these projects.

APPENDIX 11-1. TIMELINE AND EVOLUTION OF THE CLIMATE CHANGE AGENDA IN SENEGAL

Direct Access Entity – Centre de Suivi Ecologique (CSE)

TYPE	DOCUMENT TITLE (WITH LINKS)	PUBLISHED DATE
Concept note	*Upscaling "Naatangue" integrated family and village farms for a resilient agriculture*	5 Sept. 2018
Approved readiness proposal	*Cote D'Ivoire | CSE | NDA Strengthening and Country Programming*	27 Jul. 2017
Approved readiness proposal	*Senegal | CSE | Entity Support*	10 May 2017
Approved funding proposal	*FP003 - CSE - Senegal*	28 Feb. 2017
	CSE - GCF Board Decision on Accreditation - B.09	29 Jul. 2016
Accredited Entity nomination	*CSE - Senegal*	17 Jun. 2016
Accreditation Master Agreement	*CSE - Senegal*	30 Oct. 2015
Approved readiness proposal	*Senegal | CSE | NDA Strengthening and Country Programming*	8 Oct. 2015
Approved readiness proposal	*Democratic Republic of Congo | CSE | NDA Strengthening and Country Programming*	2 Jul. 2015
Approved readiness proposal	*Togo | CSE | NDA Strengthening and Country Programming*	22 Jun. 2015

APPENDIX 11-2. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

GCF-funded projects

Funding proposal	Project Name	Accredited Entity	Board meeting	FAA status
FP003	Increasing the resilience of ecosystems and communities through the restoration of the productive bases of salinised lands	CSE	B.11	Pending
FP021	Senegal Integrated Urban Flood Management Project	AFD	B.14	Effective
FP049	Building the climate resilience of food-insecure smallholder farmers through integrated management of climate risk (R4)	WFP	B.18	Pending
FP095	Transforming Financial Systems for Climate	AFD	B.21	Pending
FP103	Promotion of Climate-Friendly Cooking: Kenya and Senegal	GIZ	B.22	Pending

Appendix 11-3. Documents consulted

Senegal Country Programme Brief, 2 December 2016

Senegal Country Programme 2018–2030, 1 July 2018

Senegal Third National Communication under the UNFCCC, January 2016

Senegal. Country Profile on GCF website. Available at <https://www.greenclimate.fund/countries/-/country-profiles/senegal>

Senegal. *Intended Nationally Determined Contribution (INDC)*. Climate Action Plan submitted to the UNFCCC, 2015

Senegal. *Rapport d'Evaluation des Projets Fonds Vert pour le Climat*. MEDD, Dakar, 2018

Senegal. *Plan Senegal Emergent* (PSE). Dakar, February 2014

12. SOLOMON ISLANDS COUNTRY VISIT REPORT

An oil depot in Honiara, Solomon Islands. © Daisuke Horikoshi

CONTENTS

A. Presentation of the country and GCF role

Solomon Islands was selected as it is a Small Island Developing State (SIDS), as well as a Least Developed Country (LDC), and because it has a diverse set of Accredited Entities (AEs). The GCF portfolio in the country primarily has one major funded project – FP044 – and several small-scale or nascent initiatives. The major project is the Tina River Hydropower Development Project and is usually referred to simply as Tina Hydro. It aims to enable the nation's transition toward renewable energy, and it is implemented via the World Bank (WB).[115]

Other important GCF initiatives in Solomon Islands include a pipeline concept note via Asian Development Bank (ADB); a Simplified Approval Process (SAP) concept note from the Secretariat of the Pacific Regional Environment Programme (SPREP); Project Preparation Facility (PPF) via World Meteorological Organization (WMO); readiness proposals from the Ministry of Finance and the Treasury; and a multi-country proposal under preparation by Save the Children Australia. The focus of the country trip, however, was the Tina Hydro project. Stakeholders in the country were largely unable to discuss regional initiatives that happen to include Solomon Islands.

1. Main climate change risks and context

Solomon Islands is exceptionally vulnerable to climate change: as a SIDS in the South Pacific, it is characterised by high levels of poverty, low living standards, and low human resource capacities. It is geographically isolated, and its population of 600,000 is dispersed across more than 900 islands. Its human development index (0.510) is one of the lowest in the Pacific, and 11 per cent of the population has difficulty acquiring basic needs.[116] Sea-level rise and the increasing severity and frequency of tropical storms are the most obvious concerns. However, climate change poses a broad range of threats to lives and livelihoods, including water insecurity, collapsing fish stocks, and coral bleaching, which compromises a diving-focused tourism industry. While SIDS are especially vulnerable to the effects of climate change, mitigation is also a concern and a priority. Indeed, Solomon Islands are presently 100 per cent dependent on fossil fuels, all of which are imported at a high cost. While the nation's total greenhouse gas (GHG) emissions represent just 0.01 per cent of the world's total, this figure should be interpreted in the context of a small population, many of whom lack any access to power at all. Much of the population is energy insecure, and even among those who have access to a grid, the exceptionally high cost of power – USD 0.85 per kilowatt – is by all accounts strangling economic development. It is also highly polluting. Greener, cheaper energy is thus a major national priority. To this end, Solomon Islands' Nationally Determined Contribution (NDC) commits to reducing emissions by 12 per cent below 2015 level by 2025, and 30 per cent below 2015 level by 2030.[117] However, the ability to do so is contingent on securing external funding.

Within Solomon Islands Government (SIG), the Ministry of Environment, Climate Change, Disaster Management, and Meteorology (hereafter 'Ministry of Environment', or MoE) is the coordinating body. The MoE has strong partnerships with other key bodies, such as the ministries of energy and finance. Indeed, one of the advantages of working in a small country is that the counterparts know

[115] This USD 233.48 million project has four components:
- Component 1: Tina River Hydropower Plant, a dam-tunnel type hydropower scheme of 15 MW;
- Component 2: Access road, which is required to gain access to various sites during construction and for the operation of the hydropower plant;
- Component 3: Transmission line; and
- Component 4: Technical Assistance (various activities).

[116] NDC, p. 4

[117] NDC, p. 8

each other very well. However, elections in Solomon Islands often usher in a different leadership, which is accompanied by turnover at senior government level, and sometimes policy instability. The country experienced widespread violent political instability from 1998 to 2003, which was ended by international intervention (the Australian-led Regional Assistance Mission to Solomon Islands, or RAMSI). Solomon Islands also became mired in foreign debt in recent decades, which it ultimately could neither service nor sustain. In 2005 it officially defaulted and entered into negotiations with its creditors. The subsequent Honiara Club Agreement included major debt forgiveness provisions; conditions include strict controls on its economic affairs, including a strict cap on borrowing. In 2011 the IMF upgraded Solomon Islands' status to "yellow" (i.e. moderate risk of debt distress) under the joint International Monetary Fund (IMF)/WB Debut Sustainability Framework.

Nevertheless, conditions continue to strictly control the types of financial arrangements that are possible between the GCF and SIG. It also demonstrates the enormous thirst of the SIG for the Tina Hydro project. Indeed, stakeholders emphasise that this one contract accounts for nearly half of the entire debt allowance of the SIG.

B. FINDINGS

1. FUND BUSINESS MODEL AND STRUCTURE

a. Core principles

The core principles of the GCF are reflected in Solomon Islands experience; however, Solomon Islands example also suggests, at times, tensions and trade-offs between the core principles.

Country ownership, country needs, and paradigm shift. FP044 (Tina Hydro) is strongly aligned with the needs and priorities of Solomon Islands. Diverse stakeholders universally express a strong demand for the project, which has remained a top investment priority across political parties and changing government leadership. There is absolutely no question that the project has almost unanimous support, although there have been some delicate and complicated questions surrounding social safeguards and compensation for the people whose traditional lands are affected by the hydropower dam itself.

Arguably, FP044 constitutes a paradigm shift, insofar as it is a "game-changer" in the energy sector on Guadalcanal Island. It has the potential to dramatically reduce GHG emissions and pollutants and pave the way towards other renewable energy. It is anticipated to also reduce the exorbitant cost of power on the nation's most densely populated island. Indeed, electricity prices are so high in Solomon Islands that they compromise living standards and inhibit business opportunities. However, some questions remain about the ultimate impact on electricity rates unless tariff rates and energy regulatory reform is tackled directly; this is something of a "grey area" in the project, and a delicate one given vested interest.

Beyond FP044, the question of country needs, country ownership and paradigm shift are arguably more complicated. Country ownership is too conflated with "government ownership" by many official stakeholders. Indeed, one went so far as to argue that only parties to the United Nations Framework Convention on Climate Change (UNFCCC) – that is, governments – should be able to participate. While these remarks may have been inspired by a specific issue,[118] it became clear that government representatives saw their role as securing funding for government programmes per se.

118 International advocacy NGOs initially had an "autopilot" oppositional stance to a World Bank hydropower project. In the end, the civil society organisation observers to the Board did endorse the project on an exceptional basis.

Solomon Islands is highly vulnerable to the effects of climate change, particularly around rising sea levels and tropical storms. It also presents a medley of socio-economic development needs. Some stakeholders expressed frustration with expectations that a compelling climate rationale is needed to secure adaptation funding. Indeed, there are some opinions that because Solomon Islands suffers from climate change that is caused by others, and that all development enhances adaptive capacities, that Solomon Islands should be able to spend adaptation money in any way it sees fit. This highlights potential tensions between country needs, country ownership and paradigm shift, specifically about climate resilience. Questions were raised very directly about whether and to what extent GCF aims to contribute to transformational change and paradigm shift, should specifically target mitigation or resilience for climate change separately from overarching aims (e.g. in energy security, forestry and socio-economic development).

b. Organisational structure at the country level

The National Designated Authority (NDA) of the GCF is housed in the Ministry of Environment; it coordinates closely with other relevant bodies as needed. It primarily serves to set policy priorities and agendas. The Ministry of Finance, meanwhile, is responsible for resource mobilisation and engages with the GCF in this regard. To this end, it expects to be Delivery Partner on a readiness proposal to strengthen the capacity of the NDA. The AE for FP044 is the WB. There are no in-country private sector entities actively engaging with GCF, although one international non-governmental organisation (NGO) is pursuing accreditation. While its ambitions are global in scope, its immediate aim is to finance a regional adaptation programme in the South Pacific, including Solomon Islands. There are also some accredited AEs in the region, but none with a full-time presence in Solomon Islands.

The NDA actively pursues its role, however. representatives of the NDA office suggest that they are overburdened and short-staffed. They also indicate that liaising with GCF can be time-consuming, and there is some concern that the NDA was assigned responsibilities without having the resources to fulfil the mandate. As such, while the NDA fulfils its role, it is not always able to do so pro-actively beyond a few core priorities, such as securing funding for specific government programmes.

Solomon Islands is a small LDC, and stakeholders interviewed almost universally discussed human and other resource capacity constraints. The GCF business model's core elements include NDAs operating as in-country focal points. Major funded projects, however, must go through an AE, either national or international. There are some indications that the business model is not working optimally, for reasons that are likely shared by other SIDS and small LDCs. The chief reasons include: major projects funded via AEs do not necessarily fully engage the NDA across the project cycle; a shortage of AEs willing and able to sponsor initiatives in remote areas, like Solomon Islands; and limited alternative channels to secure GCF funding. This leaves government, NGO and private sector agencies without promising avenues to pursue GCF funding. It should be understood that national organisations in Solomon Islands are unlikely to be in a position to pursue accreditation anytime soon: the country has a limited human resource base, plus a recent history of foreign debt and financial mismanagement. Indeed, it is encountering challenges even getting its readiness proposal through. Engaging in readiness and other GCF opportunities has been difficult and laborious, and in-country stakeholders are largely frustrated. In-country critiques of the GCF include slow processes; delayed responses to emails and other queries; abrupt and repeated changes to templates; vague, contradictory or changeable guidance; and insufficient capacity-building support. It appears unlikely that the SIG will successfully secure funding without more intensive support. Some within the Government recognise this and would be delighted to instead partner with AEs. However, some expressed dissatisfaction with the existent pool of AEs for various reasons, although there is also some confidence about newly accredited agencies. Others within the Government are perhaps overly optimistic about the prospect of Direct Access; one potential pitfall is expending considerable resources engaging GCF without a clear pathway to success. Knowledgeable stakeholders would welcome more certainty about proposal prospects and outcomes so that informed decisions can be made.

The WB is the AE for FP044, and within this arrangement, there is not always an opportunity for the NDA to fully engage. For example, when the proposal was presented to the Board, government representatives were not even permitted in the room to respond to queries by Board members, and they were excluded from eleventh-hour negotiations between GCF and WB on key proposal details. There are strong calls from the field to better include the NDA as a partner in arrangements between GCF and the AE.

Solomon Islands example highlights the notion that the business model may not be working optimally in practice. Capacity-building pathways (e.g. the Readiness and Preparatory Support Programme [RPSP]) are not necessarily aligned with in-country needs. Direct Access is unrealistic but tempting; this leads to government and other agencies wasting time and effort with little chance of success. Meanwhile, there are signs that the accreditation process has not yet produced an adequate suite of intermediary agencies, and that there are lost opportunities for capacity-building pathways within major funded projects administered via AEs. While some of the specificities may be idiosyncratic to Solomon Islands, the broad strokes may be shared by other LDC, SIDS and small nations.

c. Relationship with the GCF Secretariat

The NDA engages with the Secretariat on an as-needed basis. The NDA exhibits a broad understanding of its intended role; a potential weak spot is in facilitating non-government (e.g. private sector or NGO) projects as well. Others also recognise the NDA; one of the advantages of working in a small country is that key actors know each other well and coordination is typically smoother than in larger, more impersonal bureaucracies. The NDA expressed strong appreciation for additional opportunities for direct, face-to-face engagement with the Secretariat, such as through regional fora, structured dialogue and country visits. They also expressed interest in more direct GCF presence and specifically mentioned a regional office.

On the other hand, there were also calls to not view the South Pacific as a single unit and overlook individual countries' unique needs and characteristics. Solomon Islands is one of the poorest nations in the region, and there are concerns that it might not be able to compete on an equal footing with some of its neighbours. Meanwhile, there is strong demand for AEs that also have a direct presence in Solomon Islands itself, rather than elsewhere in the region.

d. Accessing the GCF: National Designated Authorities and Accredited Entities

The NDA understands and seeks to fulfil its role, although stakeholders have several suggestions to strengthen arrangements. Public officials have many roles and responsibilities but insufficient resources. They fulfil their responsibilities but must necessarily target those that directly overlap with SIG priorities. They have little time for "extras", even if they are of particular interest to the GCF (for example, outreach to the private sector). The NDA would also appreciate more opportunity for direct interaction with GCF, such as a regional representative and/or in-person meetings. There is widespread satisfaction to date with WB as an AE for FP044. However, the NDA can and should serve as a more equal partner in some respects, including representing the project to the Board and Secretariat.

e. Funding programmes and instruments

As discussed above, the access modalities of the GCF are not optimal for Solomon Islands. In terms of funding programmes and instruments, there is a strong call for grants. Solomon Islands has a history of unsustainable debt, and FP044 is assuming a considerable portion of the nation's permitted debt allowance. This does, therefore, limit Solomon Islands' ability to secure further non-grant funding. Meanwhile, Solomon Islands shares with other SIDs economic challenges associated with remote island economies, namely diseconomies of scale and dependence on imported goods whose prices reflect high transportation costs. This limits the nation's attractiveness to the private sector.

The FP044 represents strong potential for a paradigm shift within the energy sector. In addition to mitigating GHG emissions, Tina Hydro also promises ample economic co-benefits by improving energy security and lowering electricity costs. The question of a paradigm shift towards climate-resilient pathways is less clear in Solomon Islands, however. There is a strong demand for future adaptation funding from the GCF, but some stakeholders are primarily focused on immediate socio-economic development needs and do not welcome a rigorous review of climate rationales. In line with this, there is a sense from some quarters that because Solomon Islands suffers from climate change, which it did not cause, it should be entitled to spend adaptation funding as it sees fit. Solomon Islands' National Adaptation Plan (NAP) does spell out clear adaptation priorities, and key agents are engaged in efforts to implement and/or secure funding to address these priorities.

There is interest in more modest pathways to GCF funding, but even here, stakeholders feel mired. They would like to work with the Readiness programme, for example, but they have revised and resubmitted the Financial Management and Capacity Assessment (FMCA) form, and it still has not been approved.

Interviews with the private sector highlight strong interest in engaging directly with the GCF, but little knowledge of how to pursue it. It is also clear that they are unlikely to do so unless the process is straightforward, efficient, and would yield concrete results in the short term. While there is a strong appetite to secure another major project via the GCF, stakeholders point to a shortage of suitable accredited agencies in the region to partner with.

2. GCF POLICIES AND PROCESSES

a. GCF policies

The policies of the GCF on risk, environmental and social safeguards (ESS), gender and indigenous peoples are, in general, understood and supported by various stakeholders. Such policies are hardly unique to the GCF, and there is little disagreement that they are important. The FP044 has, however, posed a complicated bundle of issues regarding indigenous peoples, and this was one of the few topics on which various stakeholders expressed very different viewpoints and opinions. Land tenure and indigenous peoples' rights are by all accounts enormously complex issues in Solomon Islands, and it can be argued that the fact that an internationally acceptable approach had been approved at all demonstrated extraordinary national commitment for this project. At the time of the FPR team's visit, negotiations with affected people were ongoing, and FP044 was just opening operations (in other words, it is too early to assess the degree to which policies were actually followed in practice). Unfortunately, there was insufficient time or resources to explore these issues directly in this review. For example, as the access road had not yet been built, a direct visit would have required a helicopter, boat, and/or a long jungle trek.

There is broad agreement on the importance and scope of various GCF policies, but some frustration exists that the processes of the GCF to validate them are circular, slow, inconsistent or opaque.

There are strong calls for simplifying and streamlining paperwork, the provision of consistent guidance, and for more transparent decision-making.

b. Policy implementation

The FP044 has only recently been approved, and operations are not yet meaningfully underway. In other words, it is too early to assess the effectiveness of implementing GCF policies.

c. Accreditation

Key stakeholders argued that so far, the accreditation process has not delivered a suite of satisfactory and available partners for interested government, NGO and private sector entities. Although stakeholders are highly satisfied with the WB as the AE for FP044, it has a limited strategic scope and is not pursuing additional GCF financing for investments in Solomon Islands at this time. Stakeholders indicated that other potential AEs operating in the region were unsuitable or unavailable for facilitating additional projects. Reasons for this may include agencies operating in the region may not operate in Solomon Islands, a history of poor governance or government relations, an incongruity between in-country priority projects and the aims of AEs, and the perception that GCF is so difficult and uncertain a donor that AEs are reluctant to sponsor someone else's project.

Meanwhile, agencies which are seeking accreditation are frustrated by the slow pace, vague and/or shifting guidance, and shuffling templates and priorities. On a more optimistic note, however, new avenues are opening up with additional AEs. Overall, stakeholders are more concerned about whether an AE has an in-country presence than what type of agency it is.

Stakeholders would welcome a larger and more diverse pool of AEs to facilitate access to the GCF and would prefer this if it were the most efficient way to secure funding. Fortunately, there are signs newly accredited agencies like the Japan International Cooperation Agency (JICA) may be able to fill this gap. Nevertheless, it is arguable that country ownership has been compromised by a lack of available partners. The GCF is explicitly aiming to develop a certain mix of AEs, and it has set out several priorities to that end, including national entities. The FPR team observed some disconnect between GCF aims and those in-country. Stakeholders in Solomon Islands are overwhelmingly – and understandably – focused on securing projects and less concerned with the specificities of the arrangements. Unfortunately, regional AEs have been largely unavailable to sponsor other agencies' projects in Solomon Islands, and so in-country stakeholders feel frustrated by referrals to partner with them. This situation arguably pushes them to pursue Direct Access before they are ready. Ultimately, the strongest demand in Solomon Islands is not for accreditation per se, but for a straightforward, prompt, transparent and predictable process to secure funds. To this end, the chief demands are to expand the number of AEs – regardless of type – operating in Solomon Islands and to reduce the uncertainty and transactional costs associated with sponsoring proposals themselves. This would also make AEs more willing to serve as intermediaries.

Solomon Islands is unlikely to achieve full accreditation smoothly in the near future. Inhibiting factors include significant capacity and other resource gaps, and a recent history of unsustainable national debt. While the SIG is not actively pursuing this accreditation, the prospect is nevertheless attractive to many. The SIG is more immediately focused on engaging with GCF on readiness, etc. Even here, however, there are concerns about vague guidance, constantly changing templates, slow processes and uncertain outcomes. Uncertainty about speed and the prospects of winning either accreditation or proposals compounds anxieties. While there are indeed highly trained and educated nationals to shepherd accreditation and proposals, they are in such high demand that their skills must be mobilised judiciously and selectively. There is strong demand for the GCF to be more transparent and predictable so that informed decisions can be made about how best to engage.

The FP044 took enormous time and effort to navigate through the GCF, including unexpected last-minute crises, changes, and political "horse-trading" in the final hours at the Board meeting. While everyone is deeply grateful that FP044 was finally approved, some key stakeholders are understandably wary to again extend so much effort towards an uncertain outcome. More transparency, predictability and efficiency would rekindle confidence, however. Many stakeholders are indeed eager for further partnership with the GCF but would be immensely grateful for reduced uncertainty to enable informed decisions about whether and how to engage most effectively towards accreditation, Direct Access or proposal development.

3. GCF performance at the country level

a. Project cycle

Implementation of FP044 is not yet fully underway, and so it is premature to comment on how effectively the project cycle is functioning.

The proposal review and approval process for FP044 was contentious at some points; for example, although the Civil Society Organisation (CSO) network ultimately endorsed the proposal, the prospect of a World Bank hydropower project initially raised alarm bells. Several separate stakeholders discussed the challenges of getting the final proposal through the Board. Although all are very happy with the approval, there were highly stressful and arguably inappropriate last-minute changes to financing arrangements and last-minute renegotiations. Technical and other reviews by the Secretariat, the Independent Technical Advisory Panel (iTAP) etc., were regarded as, overall, helpful and appropriate if a bit slow. However, the Board approval process was experienced as a wild card. Unfortunately, Solomon Islands example suggests that the Secretariat's technical review and due diligence takes a back seat to other considerations for final funding decisions.

b. Responsiveness to the UNFCCC

Few in-country stakeholders were able to speak directly to UNFCCC guidance per se, although there were some important exceptions. Several interviewees raised questions concerning the governance of the GCF and the extent to which this interferes with the aims and purpose of fulfilling UNFCCC guidance. These discussions raised some fundamental questions about the extent to which GCF governance can and does reflect and oversee implementation of UNFCCC guidance, or whether it sets global agendas.

c. Private Sector Facility and non-grant instruments

No direct contact with the Private Sector Facility (PSF) was reported. However, the FPR team did meet with several private sector representatives, including Solomon Islands Chamber of Commerce and Industry, as well as companies involved in FP044. There is certainly strong interest for direct private sector engagement with GCF, but little knowledge about how to pursue it. These discussions suggest that the most important enabling factor would be clear, transparent, predictable processes that yield tangible benefit in the short term. The NDA would also be more able to pro-actively engage with private and non-government sectors if it had more resources to do so.

4. Likelihood of (and actual) results

a. Paradigm shift

There is a chorus of agreement that FP044 reflects GCF investment criteria, as well as Solomon Islands' own priorities and needs. While it is far too early for actual results, there is high optimism over the expected results. This project is anticipated to solely enable Solomon Islands to meet its

NDC commitments, as well as to dramatically increase energy security while reducing the cost of power in Guadalcanal, paving the way toward further renewable energy investments in Solomon Islands. The FP044 is well-poised to catalyse transformational change in the energy sector. This potential, however, would be greatly enhanced by coherent (and politically sensitive) reform of power tariffs and regulations.

The GCF has not yet extended significant funding for climate resilience in Solomon Islands, and there are many more question marks about it doing so in the future. As outlined above, there is very strong demand for securing adaptation funding for Solomon Islands. However, several points about achieving this are murky. Firstly, there is some misunderstanding that the commitment of the GCF to balance between mitigation and adaptation funding applies to how GCF spends money in Solomon Islands (i.e. that because the GCF is already funding mitigation, that a comparable level of adaptation funding will or should follow). Other stakeholders, meanwhile, argued that because Solomon Islands are climate victims, that they should be entitled to spend adaptation funding, however, they see fit, as a sort of compensation. Unsurprisingly, some stakeholders are largely focused on Solomon Islands' immediate socioeconomic needs and/or conflate adaptation with disaster management. These discussions do raise important questions (and tensions) about whether and to what extent climate concerns can and should be targeted separately from economic development. The FPR evaluation team noted few expressions of in-depth or innovative thinking on transformative pathways towards climate resilience in Solomon Islands – and the major exception was stymied by glacial accreditation processes, and a lack of AEs positioned to tackle climate resilience in this way.

The team does, however, acknowledge that most stakeholders were focused on Tina Hydro, which is a mitigation project. Some pointed to Solomon Islands' NAP, but few discussed its contents or priorities in depth. What did inspire strong comments was the increasing stringency of the GCF on climate rationales. This was vigorously protested, with comments to the effect of, "Climate resilience and development cannot be differentiated in Solomon Islands". These comments highlight inherent tensions between GCF commitments to country ownership and paradigm shift. The FPR team also acknowledges that the readiness proposal of the NDA is aimed at building its capacity in climate change policy and programming, so approving it may directly enable the SIG to navigate, articulate and address these questions. The team also recognises that the SIG is dependent on foreign funding. There is no question that country-driven programming is imperative, but SIG also has limited resources with which to independently finance operations. In other words, there is a "chicken-and-egg" dilemma as to whether strategies are driven by internal priorities versus external funding opportunities. External actors must be sensitive rather than judgemental to this reality. Above all, the SIG welcomes more certainty about potential funding avenues and processes, so that it can make informed decisions about how to mobilise funds.

Appendix 12-1. Timeline and evolution of the climate change agenda in Solomon Islands

FP044: Tina River Hydropower Project. Approval date: 4 April 2017.

PPF 1805-15216: Enhancing Early Warning Systems to build greater resilience to hydro and meteorological hazards in Pacific Small Island Developing States (SIDS). Approval date: 6 June 2017.

APPENDIX 12-2. OVERVIEW OF PROJECT PORTFOLIO WITH KEY DATA

Pipeline

APPROVED REF.	AE	FAA STATUS	STATUS	APPROVAL DATE	DURATION (M)	DISBURSEMENT AMOUNT	DISBURSEMENT DATE
FP044	Tina River Hydropower Development Project						
	WB	Pending	Active	4 Apr. 2017	60	N/A	N/A

Concept Notes

PPF ID	PROJECT NAME	LATEST STAGE	MONTHS	ENTITY	APPROVAL DATE	AMOUNT APPROVED (USD)
1805-15216	Enhancing Early Warning Systems to build greater resilience to hydro and meteorological hazards in Pacific Small Island Developing States (SIDS)					
		Disbursed	5	WMO	16 Jun. 2017	535,833

APPENDIX 12-3. DOCUMENTS CONSULTED

Civil Society Organisations Network. CSO Comments on the Project Given as Intervention During the 16th GCF Board Meeting. April 2017

Green Climate Fund (GCF). Consideration of Funding Proposals – Addendum VII Funding Proposal Package for FP044. GCF/B.16/07/Add.07. 14 March 2017

Green Climate Fund (GCF). Consideration of Funding Proposals – Addendum XIII. Assessment of the Independent Technical Advisory Panel. GCF/B.16/07/Add.13. 17 March 2017

Green Climate Fund (GCF). Environmental and Social Safeguards: FP044 Tina River Hydropower Project (The World Bank). 15 August 2016

Green Climate Fund (GCF). Funding Proposal: FP044 – Tina River Hydropower Development Project. 14 April 2017

Green Climate Fund (GCF). Secretariat Review and Assessment of Funding Proposal

Solomon Islands Government. Debt Management. Not Dated. Available at <www.mof.gov.sb/GovernmentFinances/DebtManagement.aspx>

Solomon Islands Government. Nationally Determined Contribution.

Independent Evaluation Unit
Green Climate Fund
175, Art center-daero. Yeonsu-gu
Incheon 22004, Republic of Korea
Tel. (+82) 032-458-6428
ieu@gcfund.org
https://ieu.greenclimate.fund

GREEN CLIMATE FUND | Independent Evaluation Unit

© Independent Evaluation Unit - the Green Climate Fund