ACT

ACTION ON CLIMATE TODAY

LEARNING PAPER

Enabling access to the Green Climate Fund: Sharing country lessons from South Asia

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Oxford Policy Management

ODI

APRIL 2019

ACT (Action on Climate Today) is an initiative funded with UK aid from the UK government and managed by Oxford Policy Management. ACT brings together two UK Department for International Development programmes: the Climate Proofing Growth and Development Programme and the Climate Change Innovation Programme. The views expressed in this paper do not necessarily reflect the UK government's official policies.

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Acknowledgements

The authors would like to thank the ACT programme team for providing the experience and learning to inform this paper, in particular Rizwan Uz Zaman, Pankaj Kumar, Nirmala Sanu, Naman Gupta, Arif Pervaiz, Masoom Hamdard, Sunil Acharya, Vidya Soundarajan and others, who shared insights from ACT initiatives. Thanks also go to the participants of the ACT workshop on accessing the GCF held in Dhaka, Bangladesh, in 2018 and who were also interviewed for this paper, including Dr Saleemul Huq (ICCCAD), Abduvakkos Abdurahmanov (UNDP, Pakistan), Dechen Zam, (Gross National Happiness Commission, Bhutan), Tashi Tjamtsho (WWF, Bhutan), Singye Dorji (BTFEC, Bhutan), Tharuka Dissanaike (UNDP, Sri Lanka), Sulaiman Bakhshi (NEPA, Afghanistan), Ahmed Bilal Akbari (Afghanistan), Mansifullah Anwari (FAO, Afghanistan), Narendra Man Babu Pradhan (IUCN, Nepal), Vijaya Singh (UNDP), Sachin Kamble (NABARD, India), Dr Kazi Anowarul Hoque (ERD, Bangladesh), Dipak Dasgupta (former GCF Board Member), Ahsan Kundi (CFU, MoCC), Fazle Rabbi Sadeque Ahmed (PKSF, Bangladesh) and Dr Kamal Uddin Ahmed (Planning Commission, Bangladesh). We extend particular thanks to Aditya V. Bahadur, Cristina Rumbaitis del Rio, Emily Wilkinson, Saleemul Huq and Feisal Rahman for reviewing drafts; and Elizabeth Gogoi for managing the research and production process.

Acronyms

ACT	Action on Climate Today
AE	Accredited Entity
AF	Adaptation Fund
CIF	Climate Investment Funds
CO_2eq	Carbon Dioxide Equivalent
COP	Conference of the Parties
CFU	Climate Finance Unit (Afghanistan, Pakistan)
DAE	Direct Access Entity
DoWR	Department of Water Resources (India)
ERD	Economic Relations Division (Pakistan)
FAO	Food and Agricultural Organization
FFRG	Financing Frameworks for Resilient Growth
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse Gas
GLOF	Glacial Lake Outburst Flood
IAE	International Access Entity
IDCOL	Infrastructure Development Company Limited (Bangladesh)
KfW	German Development Bank
LDC	Least Developed Country
MoCC	Ministry of Climate Change (Pakistan)
NABARD	National Bank for Reconstruction and Development (India)
NDA	National Designated Authority
NEPA	National Environmental Protection Agency (Afghanistan)
NGO	Non-Governmental Organisation
PFP	Project Finance for Permanence (Bhutan)
PKSF	Palli Karma Sahayak Foundation (Bangladesh)
SIDS	Small Island Developing State
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
WWF	Worldwide Fund for Nature

Executive summary

The Green Climate Fund (GCF) is a financing mechanism under the United Nations Framework Convention on Climate Change (UNFCCC). Established in 2011, it aims to make a significant and ambitious contribution towards internationally agreed goals to combat climate change. The flow of international climate finance to developing countries, particularly via the GCF, is projected to increase significantly as industrialised countries meet their commitments under the UNFCCC.

This paper provides insights and lessons from South Asia on accessing GCF finance in terms of establishing the necessary institutional mechanisms and capabilities for developing funding proposals and managing the disbursement of funds. It is based on a series of interviews and the proceedings of a 2018 workshop with GCF-related government officials in the region, and illustrated with examples from the Action on Climate Today (ACT) programme. The paper presents a 'demand-side' country perspective on the challenges faced and some of the strategies countries have employed to overcome them. It synthesises this learning into a framework for strengthening access to the GCF, looking at systemic approaches and strategies that governments, funders and practitioners can use.

The paper organises the learning on strengthening access to the GCF into four sets of challenges, and corresponding strategies to overcome these. First, it explores entry-points at the global level related to improving the GCF's own processes and structures. The GCF had a turbulent year in 2018, in terms of the availability of funds and challenges in approving proposals. However, South Asian countries can themselves help strengthen the Fund, including through a collective diplomatic effort to lobby for a successful replenishment process in 2019, signalling that the GCF is a key component of national climate strategies. Countries can also promote the evolution of innovative financing models in the GCF, including through co-financing and contributions from non-governmental resources, such as philanthropic actors, private and public pension funds, insurance and other institutional investors.

Second, there are opportunities to enhance access to the GCF by strengthening national institutional capabilities. The language and procedures of the GCF are still relatively new to developing countries and accessing the fund is resource-intensive. National Designated Authorities (NDAs) also perceive a rush to submit proposals, often relying on International Access Entities (IAEs) and external consultants, without sufficient focus on building long-term institutional capabilities and linking to strategic priorities.

The paper presents examples from across South Asia of how governments have been addressing these challenges, with more focus on strategic prioritisation of project concept notes and selecting Direct Access Entities (DAEs) based on their thematic expertise. ACT has supported the Governments of Pakistan and Afghanistan to embed capabilities to access the GCF within Climate Finance Units (CFUs), which are also responsible for managing all climate funds, as well as mainstreaming climate change into public budgets. For example, with ACT's capacity support, the CFU in Pakistan has been able to leverage around $180 million from the GCF.

Third, the paper presents potential strategies to overcome the challenge of ensuring funding from the GCF is part of a more systemic effort by national governments to finance action on climate change. GCF finance is designed to cover the additional investment required to make a project viable, and therefore to leverage additional public and private finance. Developing countries are familiar with grant-based facilities and basic co-financing arrangements but have struggled to engage with the other GCF instruments such as concessional loans, guarantees and equity. The paper presents examples of ACT's support to national and sub-national governments to understand the role of the GCF within a much wider spectrum of public and private finance required for adaptation.

Lastly, there are some specific challenges to address related to the design of GCF projects. The project approval process is lengthy and resource-intensive for developing countries, and requires meeting six investment criteria, including demonstrating that the project will lead to a paradigm shift. Such transformational change, as well as making the economic case for projects, is considered conceptually and practically more difficult for adaptation projects. The paper outlines some examples of how ACT has provided technical assistance to a number of national and sub-national

governments in a manner that improves their long-term capabilities to manage these project design challenges.

In Odisha, ACT supported the state government to secure India's first GCF project by co-developing the project with the Water Resource Department, with officials providing the concept, necessary data and information and co-drafting the actual document. As a result, there was a high degree of ownership by the government, and it has been able to apply the same skills for other climate funds.

With the aim of further improving future GCF access, the paper concludes with a set of recommendations for the GCF, national actors and agencies providing technical assistance support.

GCF-oriented recommendations

- The GCF Secretariat needs to clarify and adhere to timetables for accreditation and project approval processes.
- The GCF should release more evidence-based guidance of good practice in challenging areas for project preparation.
- The GCF Board and Secretariat should seek to increase the number of approved direct access projects.
- The GCF Secretariat should strengthen its country engagement processes.
- The GCF should host fora with NDAs to discuss innovative financing for the Fund and its projects.

Country actor-oriented recommendations

- South Asian NDAs, climate change focal points and national stakeholders must lobby donor countries to boost the GCF replenishment process in 2019.
- NDAs need to link GCF accreditation and access more strategically to national climate and development policies, situating GCF resources within wider climate financing frameworks and sources.
- NDAs should help widen awareness of the GCF, especially reaching down-scale and to the private sector.
- To expand non-grant-based finance, NDAs and the GCF should assess national barriers to investment, separating those that are generic from those specific to climate change actions.

Technical assistance-oriented recommendations

- Greater support is required to build institutional capabilities to access GCF financing, particularly in helping Accredited Entities (AEs) meet required fiduciary and safeguards standards.
- There is expressed demand for technical assistance on the challenges of proposal development.
- Technical assistance needs to go beyond individual projects to supporting regional knowledge management and learning, including peer-to-peer networks.

1. Introduction

The Green Climate Fund (GCF) is a financing mechanism under the United Nations Framework Convention on Climate Change (UNFCCC). Established in 2011, it aims to make a significant and ambitious contribution towards internationally agreed goals to combat climate change. The flow of international climate finance to developing countries, particularly via the GCF, is projected to increase significantly as industrialised countries meet their commitments under the UNFCCC.

Capacity constraints and the complex procedures involved in accessing funding are seen as affecting many developing countries' ability to compete fairly and effectively for this support. A range of support programmes have hence emerged to improve country 'readiness' to access climate finance. The Action on Climate Today (ACT) programme has provided technical support for over four years, working closely with 12 national and sub-national governments in Afghanistan, Bangladesh, India, Nepal and Pakistan to develop strategies to finance and build resilience to the impacts of climate change.

This paper provides insights and lessons from South Asian countries on accessing GCF finance. It is based on interviews with government officials and the proceedings of a 2018 workshop in Dhaka, Bangladesh, attended by representatives from the GCF Secretariat and government agencies from Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka.

As such, the paper presents the 'demand-side' country perspective on the challenges faced and some of the strategies countries have employed to overcome them, illustrated by some of the experiences highlighted at the workshop and those supported through the ACT programme. In tackling 'access' to GCF finance, the paper focuses on issues around institutional readiness, accreditation and project preparation, rather than experiences of project implementation, for which there is limited experience to date.

Findings will be of interest to those seeking to improve access to climate finance globally, including government actors, those within financing bodies such as the GCF Secretariat and those designing support programmes to enhance access to climate finance. The paper is especially significant in the context of the GCF's reviews of performance and country ownership being undertaken in 2019.

The report structure begins by presenting the background to the GCF and its status in South Asia, followed by the framework used to understand four strategies for strengthening GCF access, which are explored in each of Sections 4–7. The final section provides a set of recommendations for the GCF and National Designated Authorities (NDAs) and Accredited Entities (AEs) to improve future GCF access.

2. The Green Climate Fund (GCF): Background and status

2.1. GCF: A new paradigm in climate finance?

The GCF was formally agreed at the Conference of the Parties (COP) to the UNFCCC in Durban in 2011 as a means of implementing international commitments to support developing countries to tackle climate change. Its ambitions are innovative in five important respects:

1. **The GCF aims to scale up financing** well beyond that of existing climate funds. The establishment of the GCF was a fundamental component of UNFCCC agreements to scale up international climate finance, helping meet a long-term finance target of $100 billion per year by 2020 (UNFCCC, nd). The GCF aims to help catalyse further financing through a combination of concessional loans, guarantees, equity and grants.
2. **Governance of the GCF is weighted towards recipient countries** rather than donor countries. The GCF Board followed the example set by the UNFCCC's Adaptation Fund (AF) in having more equitable representation, including dedicated seats for the least developed countries (LDCs) and Small Island Developing States (SIDS), as well as two civil society and two private sector representatives as active observers.
3. **The GCF employs the direct access financing model.** 'Direct access' refers to developing countries directly accessing international public financing in order to implement national and local actions to address climate change, as opposed to the funding being routed through multilateral, international and bilateral bodies (Bird et al., 2011; GCF, nd.a). Accredited national and sub-national implementing entities therefore take on the

ACT organised innovative capacity building workshops for government officials at different levels to build understanding of adaptation to climate change, and the role of climate finance.

functions of budgeting, facilitation and project management.

4. **The GCF aims for geographic and funding balance.** The ambition is for equitable distribution among countries and a 50:50 allocation between adaptation and mitigation funding. The GCF also aims to ensure that at least 50% of adaptation funding goes to particularly vulnerable countries, including LDCs, SIDS and African states (GCF, 2019, nd.b).
5. **The Fund promotes a 'paradigm shift'** towards low-emission and climate-resilient development pathways through its support to developing countries. GCF therefore aims to go beyond previous funding mechanisms to catalyse wider change and transform development systems.

2.2. The GCF funding process

To access GCF funding, organisations (known as 'entities') go through the process of accreditation, project preparation, funding and implementation. **National Designated Authorities (NDAs)** are government institutions that serve as the interface between each country and the GCF. They provide broad strategic oversight of the GCF's activities in the country and communicate the country's priorities for financing low-emission and climate-resilient development. As well as nominating **Direct Access Entities (DAEs)** to receive direct access finance, they manage the pipeline for submitted proposals and provide guidance and quality control.

Two types of an Accredited Entity (AE) can apply for project funding: **Direct Access Entities (DAEs)** are sub-national, national or regional organisations nominated by developing country NDAs or focal points. **International Access Entities (IAEs)** are United Nations agencies, multilateral development banks, international financial institutions and regional institutions. They do not need to be nominated nationally and can be accredited based on expertise on climate change and related issues.

To be accredited, AE organisations must meet GCF fiduciary standards, environmental and social safeguards and gender considerations. In addition, the organisation's strategic focus should align with GCFs eight strategic impact areas for the delivery of major mitigation and adaptation benefits. The GCF Secretariat and the Accreditation Panel aim to decide within six months whether to recommend an application to the triannual GCF Board meetings.

Once accredited, the AE develops and submits project concept notes for feedback from the GCF. It then submits a full funding proposal to the GCF, including all the technical specification documents. This then undergoes a rigorous review process by the GCF Secretariat and the Independent Technical Committee. A final decision is made in the triannual GCF Board meetings.

2.3. Global state of play of the GCF

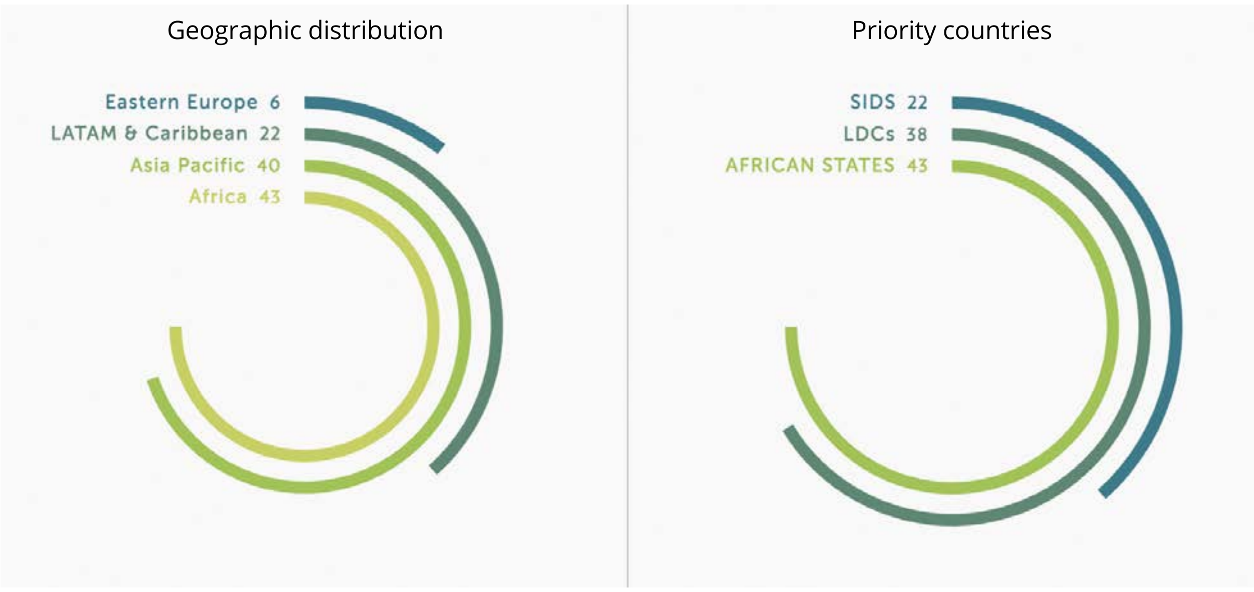
The total pledged finance to the GCF was $10.3 billion at the end of 2018, from 43 national governments, including 9 developing countries. The state of play up to the end of March 2019 is available at GCF (nd.c). The GCF Board committed $5 billion and disbursed $2 billion to support the implementation of 102 climate change adaptation and mitigation projects and programmes. These projects and programmes span 102 countries: 6 in Eastern Europe, 22 in Latin America and the Caribbean, 40 in Africa and 43 in Asia Pacific. The GCF Board is charged with explicitly prioritising the needs of LDCs, SIDS and African states (see Figure 1). Overall, the total value of GCF investments, including co-financed contributions, amounts to $17.3 billion.

On a thematic basis, 44% of total GCF finance is for projects focused on mitigation, 23% for projects on adaptation and 33% for cross-cutting projects. The mitigation projects and programmes were expected to generate 1.5 billion metric tonnes of carbon dioxide equivalent (CO_2eq) of greenhouse gas (GHG) emissions reductions. The adaptation projects and programmes were expected to increase the climate-resilient sustainable development of 276 million beneficiaries. A total of 44% of funding was disbursed as grants, 44% as loans, 8% as equity, 2% as guarantees and 2% on a results-based basis.

The GCF had a particularly challenging year in 2018, with disagreements among Board members over the need for clearer policies on co-financing, incremental cost and eligibility criteria. A failure to approve nearly $1 billion of proposed projects and the unexpected resignation of Executive Director Howard Bamsey added to the tensions (Darby, 2018).

At the COP24 UNFCCC meeting in 2018, the GCF outlined that demand for funds far exceeded the current pledged finance and that this challenge was growing; the pipeline included $10.2 billion

Figure 1: Distribution of committed GCF projects and programmes



Source: GCF (nd.c).

from concept notes and $6.3 billion from funding proposals. Meanwhile, the GCF had received only $7 billion of pledged finance because the US had not fully met its commitment and because of financial losses suffered from fluctuating exchanges rates. The GCF Board launched its first replenishment in 2019, with Germany and Norway announcing a doubling of their pledges (GCF, 2018).

2.4. Experiences of accessing the GCF in South Asia

Every South Asian county reviewed here has some experience in engaging with the GCF, including establishing the required institutional architecture and developing project pipelines (see Table 1). All countries have nominated an NDA, with a split between those located in environment or climate change ministries and those in planning or finance ministries. As of the end of March 2019, four countries have accredited DAEs; most others have pipeline DAEs that are preparing the accreditation process. Ten projects have been approved across the seven countries to date, while seventeen national and two multi-country projects have been submitted as concept notes to the GCF pipeline, signalling their potential development into full proposals for presentation and approval by the GCF Board.[1] This pipeline is showing a rapid growth in demand for funding, which may stretch available resources and capacities to manage timely approval processes.

1 See https://www.greenclimate.fund/countries for the country profiles

Table 1: Status in March 2019 of South Asian countries with GCF institutions and access

	Afghanistan	Bangladesh	Bhutan	India	Nepal	Pakistan	Sri Lanka
NDA	NEPA	Economic Relations Division, Ministry of Finance	Gross National Happiness Commission	Ministry of Environment, Forests and Climate Change	International Economic Cooperation Coordination Division (Ministry of Finance)	Ministry of Climate Change	Ministry of Mahaweli Development and Environment
Accredited DAEs	-	1. IDCOL 2. PKSF		1. NABARD 2. Small Industries Development Bank of India	Alternative Energy Promotion Centre	1. National Rural Support Programme 2. JS Bank	
Pipeline DAEs	-	1. Department of Environment 2. Bangladesh Bank 3. Local Government Engineering Department	Bhutan Trust Fund for Environmental Conservation	IDFC	1. Trust for Nature Conservation 2. Nepal Investment Bank Limited 3. Town Development Fund	-	1. DFCC Bank 2. Sri Lanka Climate Fund
Projects approved	-	3	1	3	-	2	1
Project submitted to pipeline	2	4	3	6	4	3	1

Source: Authors, compiled from https://www.greenclimate.fund/countries and interviewees.

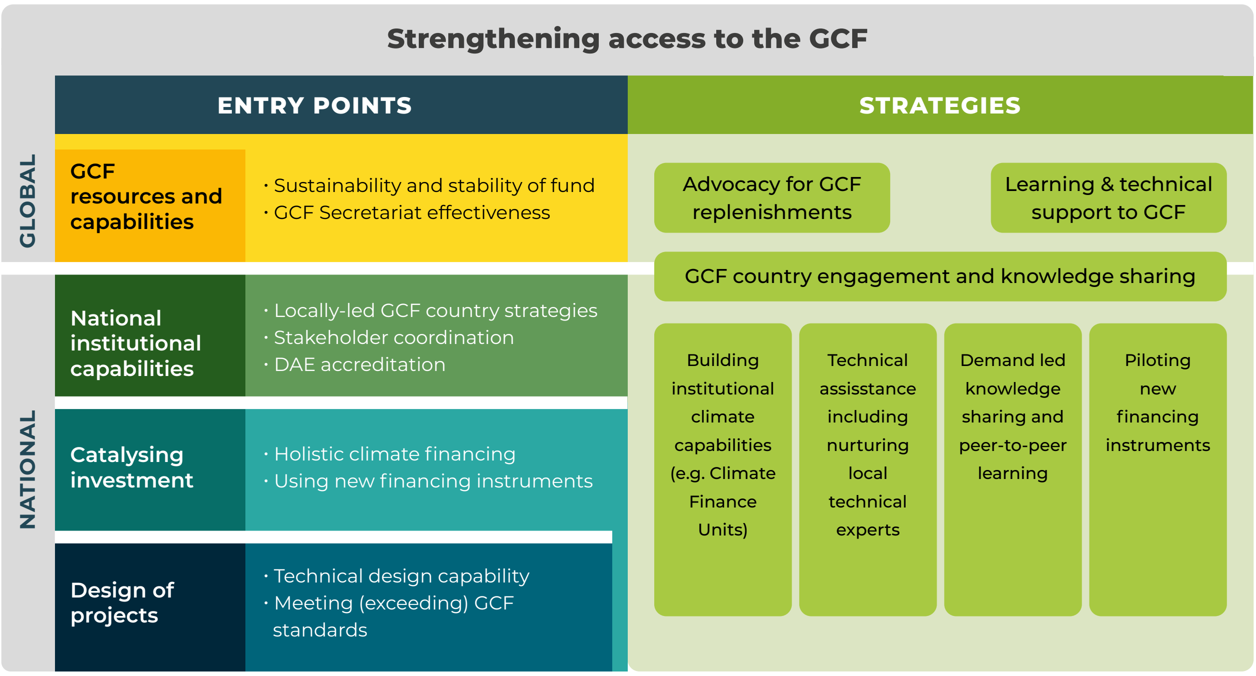
3. A framework for strengthening access to the GCF

This paper unpacks both the challenges and the progress made by NDAs and AEs in South Asia in accessing GCF finance. Figure 2 presents a framework to understand some of the different strategies that can be employed to overcome the key challenges and strengthen access to the GCF. This synthesises learning from ACT's experience in South Asia, as well as the views of government officials, the GCF and other stakeholders interviewed for this paper and who participated in an ACT workshop in the topic in 2018.

The framework puts forward four entry-points to address the most common and critical challenges faced in South Asia in accessing GCF finance, as well as a set of cross-cutting strategies that can be used by policy-makers, the GCF and providers of national technical assistance. One of the entry-points is at the global level, related to the GCF systems and structures; the other three relate to the national level, and overarching national institutional functions; the role of GCF funding in catalysing wider action on climate change; and the specific requirements and capabilities for designing funding proposals.

Sections 4–7 will examine each of these approaches in turn, presenting examples from South Asia with the aim of informing those working to enhance access to the GCF.

Figure 2: Framework for strengthening access to the GCF



4. GCF resources and capabilities

4.1. GCF challenges

A range of global-level challenges relate to the structure, scale and operational culture of the GCF. These have affected how easily governments in South Asia have been able to engage and access the Fund.

Some challenges in accessing the GCF relate to the overall model of the Fund. The GCF is based on inter-governmental processes and on the model of international financing institutions such as the World Bank. As a result, it is state-centric and places the nation-state and national governance at the heart of its processes (Bracking, 2015). This creates immediate challenges where state governance is weak, complex or dynamic. This is borne out in Nepal, for example, where changes to the constitution to fit a federalist structure have complicated GCF access in recent years.

There are differences in the expectations and understandings of the role of the GCF. Many developing countries negotiating at the UNFCCC, including developing country representatives on the GCF Board, regard the GCF primarily as a compensatory climate justice mechanism, designed to fulfil commitments to financial assistance. Developed countries tend to see the GCF's value as a catalytic source of finance to unlock the much bigger investments needed to tackle climate change. These two views are not necessarily irreconcilable but they do inform opinions on the type of financial instruments the GCF should offer.

Some countries and non-governmental organisation (NGO) observers have criticised the push for loan-based finance, arguing that assisting poorer nations to tackle climate change should not depend on the ability of countries to repay loans. The ability to generate returns on investment, or 'bankability', also generates a bias towards mitigation projects, where such returns are easier to demonstrate. The inclusion of new sets of actors including banks and other businesses is also proving challenging for poorer nations, where these sectors are less mature. The move towards greater loan-based finance has therefore been criticised as being at odds with both the adaptation needs and the capacities of many of the poorest and most vulnerable countries (Huq, 2018a).

The sustainability and predictability of climate finance is an issue for governments and climate justice advocates alike. The GCF was established to channel 'new, additional, adequate and predictable financial resources to developing countries and will catalyse climate finance, both public and private, and at the international and national levels' (GCF, 2013: 2). Despite proposals for burden-sharing, commitments are still based on a voluntary basis with no overall target (Cui et al., 2014). There is also concern that most commitments to climate funds have constituted a reassignment of existing aid budgets rather than genuinely new and additional finance (Brown et al., 2010; Bracking, 2015).

Uncertainty about the replenishment process has fuelled the perception that GCF funds are dwindling. Countries are in a rush to submit proposals, which is choking the pipeline and at odds with the cautious approach of the GCF, which is keen to ensure quality projects. Commitments to provide finance for the GCF can be made by nation-states or by private entities, but these remain voluntary, and not necessarily based on the UNFCCC's principle of 'common but differentiated responsibilities' (Vanderheiden, 2015). As such, these contributions are heavily influenced by political priorities, as illustrated by President Trump's failure to honour the committed $3 billion US pledge to the Fund. The GCF announced a second replenishment process to begin in 2019; ensuring sufficient and predictable funds provides a major concern to South Asian countries.

The rejection of projects on technical grounds is a significant concern. The late withdrawal or rejection by the GCF Board of proposals from Argentina, Bangladesh and Ethiopia in 2017 has made a lasting impression on NDAs and AEs in the region. The ACT GCF workshop in 2018 highlighted the challenges of preparing project proposals that will be able to meet the rigours of the GCF technical evaluations and whether the existing guidance is detailed and understandable enough to assist this. Enhancing NDA capacity to screen proposals effectively before submission to the Board, including proposals from IAEs, is important. The capacity needs of AEs are acute in LDCs, where vulnerability and need for finance is often highest yet expertise among regional and local consultants is lower and supporting data and evidence are less available or reliable.

The adaptation projects and programmes funded to date are expected to increase the climate-resilient sustainable development of 276 million beneficiaries.

Financing remains unbalanced, favouring mitigation projects and IAEs. While the GCF mandate is to finance a balance between adaptation and mitigation, mitigation funding dominates (at 44% of the total, compared to 23% for adaptation). As the remaining 33% projects are cross-cutting, this imbalance is not clear-cut, but emphasis on adaptation finance is an important demand in LDCs, SIDS and African countries in particular. Project finance to date also remains skewed towards IAEs, reflecting the speedier accreditation of international entities and their greater experience in similar proposal development processes compared with the DAEs.

Continuity of staff at the GCF Secretariat has been a challenge. Many country representatives reported the importance of their relationship with support staff at the Secretariat in guiding them through GCF processes. Interpersonal relationships created over time and especially in face-to-face meetings enable informal queries, easing the GCF access processes. The rapid turnover of staff at the Secretariat in recent years has disrupted these relationships, and it has taken time for new staff to get up to speed with GCF systems. These disruptions directly affect in-country capacities and institutional readiness, and can contribute to slower accreditations and weaker project proposals.

4.2. Meeting GCF challenges

The GCF enjoys broad international support and is underpinned by the Paris Climate Agreement. There is therefore a political and legal imperative for donor and recipient countries to act collectively to ensure the Fund matures into an effective vehicle for meeting the goals set out in Paris in 2015. However, there are some specific strategies that can be used to enhance the efficiency of the GCF.

The GCF Secretariat must continue to strengthen its country engagement processes, including through adequate staffing and stability in personnel. Regional dialogue meetings with DAEs is critical, and particularly engaging the 'pen-holders' responsible for leading project design and approval as well as senior bureaucrats. Those interviewed also reported the importance of outreach by technical staff at events convened outside the auspices of the GCF, enabling dialogue and two-way learning. As such, the GCF Secretariat can learn from technical assistance programmes such as ACT that are familiar with the country-level ground realities and what approaches can be adopted to work with the diverse political economy of different developing countries and LDCs (Shakya et al., 2018; Tanner et al., 2018).

Stability and capacities within the GCF Secretariat are as important as in-country processes. As much as countries need to increase capacity to access GCF funds, they are highly reliant on the GCF Secretariat to uphold consistent, quality support to and management of approval and disbursement processes. Given the current funding uncertainty, the GCF can link the replenishment process with an operational plan to demonstrate how its own capacity can match the rapidly increasing demand for GCF funds.

South Asian countries can support processes to strengthen the GCF. Such support includes collective diplomatic efforts to lobby for a successful replenishment process in 2019, signalling that the GCF is a key component of national climate strategies. At the same time, some countries without mature enabling environments for non-grant-based finance, especially LDCs, need to continue to reassert the importance of grants, and for adaptation where private sector engagement is weaker.

There is room for an evolution of innovative financing models in the GCF. As projects and the pipeline mature, the GCF can develop a niche in the wider landscape of climate finance. This could involve links and/or mergers with other major funds such as the AF, the Climate Investment Funds (CIF) or the Global Environment Facility (GEF). It can also employ innovative strategies to attract not only government contributors but also non-governmental resources. This has been demonstrated in pledges to the Fund from regional and city administrations in Belgium and France but could also extend to philanthropic actors, private and public pension funds, insurance and other institutional investors (Chen, 2018; Bowman and Minas, 2019).

There is an important role for IAEs even where direct access is the goal. While most countries are keen to enhance direct access modalities under the GCF, many countries stressed the importance of IAEs in supporting their efforts. First, they can help provide the initial capacity and support to enable early access to GCF finance, which has helped countries learn about the Fund and its procedures. Second, they can broker partnerships across countries, recognising the importance in particular of tackling climate change impacts as trans-boundary phenomena (Benzie et al., 2018). Finally, while DAEs may be better placed to reach grassroots level in country, IAEs have a deep understanding and experience of supporting institutional capabilities, meaning they are well suited to support readiness programming.

5. National institutional capabilities

5.1. National institutional capability challenges

Within many developing countries, there are institutional capacity constraints that are delaying and putting at risk their ability to access the GCF.

Countries are still getting to grips with the new procedures and language of the GCF. It is important to recognise that the GCF is still in its early years and, because of its importance in delivering on the Paris climate change agreement, there is enhanced pressure on it to deliver. Yet the systems and procedures are fairly new for many countries. In Afghanistan, for example, the Climate Finance Unit (CFU) reported difficulty in understanding the GCF language and procedures on readiness, as they were different from that used in their previous donor-funded programmes and project experience.

GCF accreditation processes are slow, resource-intensive and challenging. Countries in South Asia reported delays and difficulties in meeting the requirements for accreditation, particularly struggling to fulfil the accreditation criteria, such as fiduciary principles and standards, environmental and social safeguards and gender policy. One of the DAEs in Bangladesh, the Infrastructure Development Company Limited (IDCOL), reported when interviewed for this paper that accreditation had taken almost two years and involved the upload of 188 documents. Despite these delays, there is widespread enthusiasm for enhancing direct access financing, recognised as one of the unique selling points of the GCF.

The institutional location of the NDA can influence coordination and coherence processes. NDAs play a vital role not just in project proposal development but also in linking relevant sectors, departments and stakeholders. When NDAs are set within environment or dedicated climate change ministries, they may lack the political and financial power to coordinate cross-sectoral initiatives or generate co-financing. NDAs within finance and planning ministries are more likely to have this power, but may lack the deeper understanding of climate change issues and their institutional architecture (e.g. knowledge of the UNFCCC processes or prior experience of financing through the GEF or AF). Partly as a result, many country stakeholders identified the importance of, but difficulties in, linking GCF financing with other sectors and policies. These include more explicitly climate-centred policies such as the National Adaptation Plans and Nationally Determined Contributions to the Paris climate agreement, as well as wider national development and financing frameworks and the Sustainable Development Goals.

The rush to apply for GCF finance has been prioritised over a more strategic approach to climate financing. In many countries, creating a more strategic approach to GCF programming has come second to accessing finance. Accreditation and project proposal processes have often taken precedence over developing a strategy that places GCF funding in the context of wider climate and development financing. Some countries highlighted that proposals had been opportunistically linked to immediate priorities rather than systematically identified as strategic opportunities. To some extent, this reflects the sense that countries feel the need to apply to the Fund sooner rather than later, which is increasingly driven by the fear that available financing may be limited.

The challenges of accreditation and the rush to submit proposals mean most countries have relied on IAEs. In many cases in South Asia, the IAEs have been the first movers in developing proposals. Some interviewees felt that the dominance of IAE-led proposals could in effect be slowing the development of direct access by national entities. NDAs in Afghanistan, Nepal, Pakistan and Sri Lanka have to date relied exclusively on IAEs for proposals submitted. This has been accompanied by a reliance on external project development consultants, which constrains the levels of in-country technical capacity and project management experience in DAEs.

Capacity-building support to date has tended to focus solely on proposal development. It is acknowledged that training and support needs to do more than support proposal writing, which was an initial priority. The experiences of establishing the AF demonstrate the need to strengthen institutional capacity on overall governance of climate change, particularly in meeting required financial management standards (Schalatek et al., 2012). While GCF readiness support to both NDAs and DAEs is coming online, there is a role for additional technical assistance to enable NDAs and national AEs to access and manage GCF finance more effectively.

5.2. Meeting institutional capability challenges

The progress made in accessing GCF finance is evident across all South Asian countries reviewed, despite delays and continued challenges. All countries have now established their NDAs, and all have submitted GCF proposals for either projects or grants to improve institutional and country readiness. All countries have either accredited (Bangladesh, India) or are in the process of accrediting (Afghanistan, Bhutan, Nepal, Pakistan, Sri Lanka) national AEs to directly access GCF finance rather than relying on multilateral partners. Different countries are also at different stages in addressing the institutional capability constraints outlined above. This section outlines some of the strategies different countries have employed, drawing in particular on ACT's experiences in the South Asia region.

Build wider constituencies on managing climate change for institutional coordination and synergies. Accessing GCF finance requires coordination with multiple stakeholders such as finance and line ministries, implementation partners, civil society, local governments, the private sector and technical experts. The findings of recent analysis of the World Bank's CIF suggests success in locating cross-sector coordinating units within the ministry of finance but including the lead technical entity at the ministry of environment (Bird et al., 2019). It also requires securing high-level political support and the commitment of the senior bureaucracy, as well as continuous engagement with the GCF. The incentive of accessing additional finance has itself helped mobilise political support for a wider agenda of tackling climate change. Wider constituencies can also improve country ownership, accountability and quality of projects implemented.

Countries in South Asia have made progress in fostering this wider constituency of actors through multi-stakeholder country coordination mechanisms that variously engage with non-government stakeholders (Bhutan, Sri Lanka), local experts trusted by the government (India), concerned communities (Pakistan) or political mobilisation to influence decision-making (Bangladesh). Pakistan has established a national-level GCF board, with representation from government (provincial planning, environment and sector departments) and observer participants from NGOs, donor/international implementing agencies, the private sector and other relevant stakeholders. The board is tasked with screening approving projects for submission to GCF based on a set of nationally determined criteria that encompass the GCF's six-point investment criteria.

Take a more strategic approach by NDAs to issues around GCF access and accreditation. South Asian countries reported the benefits of NDAs having strategic oversight over the country's engagement with the GCF, acting as an interface between it and the AEs developing project proposals. In addition, where multiple AEs (national and international) are competing for proposal development, there are emerging examples of NDAs coordinating and mandating responsibilities to accredited entities more strategically. They have also matched strategic country priorities with appropriate implementing entities. Some countries in South Asia have undergone a rigorous process of mapping and screening potential DAEs based on different indicators such as thematic experience, financial expertise, project management institutional and fiduciary track record and trust and recognition by government departments. For example, in Bangladesh, the Ministry of Finance has broadly allocated adaptation and mitigation responsibilities to the DAEs IDCOL and Palli Karma Sahayak Foundation (PKSF), respectively, based on their capabilities and experience (see Box 1). However, many countries recognised this strategic element as a significant gap in their GCF access processes.

Peer-to-peer learning has helped DAEs evolve. The direct access accreditation process presents real potential to strengthen the institutional capacities of national institutions and reform their due diligence and fiduciary processes (Masullo et al., 2015). In South Asia, where DAEs are at various stages of institutional development, learning from international experiences of IAEs can support them in this institutional reform processes required for GCF accreditation. For example, in Bhutan, the Worldwide Fund for Nature (WWF) is actively working with the Gross National Happiness Commission for accreditation of the national institute Bhutan Trust Fund for Environmental Conservation. In Bangladesh, recently accredited DAEs are learning from the successful multilateral experiences of project preparation processes and the country is gradually transitioning to direct access models. ACT's 2018 workshop with government officials on GCF access demonstrated the value of greater learning between NDAs and AEs

Box 1: Bangladesh Access and Accreditation Strategy

In Bangladesh, the NDA is based within the Economic Relations Division (ERD) of the Ministry of Finance. In the interests of rapid access to the GCF funds, the NDA initially chose to engage some of the 16 IAEs accredited to operate in Bangladesh.[2] This resulted in three successful projects through IAEs partnering with the German Development Bank (KfW), the United Nations Development Programme (UNDP) and the World Bank.

This application process enhanced NDA knowledge and capacity on GCF processes, and helped the country's drive towards more nationally led direct access funding. ERD therefore nominated six national agencies to become DAEs: Bangladesh Bank, Bangladesh Climate Change Trust, the Department of Environment, the Local Government Engineering Department, IDCOL and PKSF. To date, IDCOL and PKSF have been accredited; IDCOL is a Non-Bank Financial Institute that engages mainly in mitigation activities like the Solar Homes Systems project, whereas PKSF has significant experience in community-level resilience-building projects. Selecting DAEs with niche experience helps the NDA align projects with the country strategy and avoids direct competition between the entities.

UNDP has also helped ERD prioritise potential projects through an inclusive cycle of analysis, revision, consultation and prioritisation. Initially, public, private and civil society stakeholders were introduced to the GCF's goals, procedures and funding mechanisms and Bangladesh's national climate and development priorities. They were given the opportunity to brainstorm and submit ideas or concept notes in a prescribed template. Concept notes were then scored using criteria including clarity of focus, objective and planning, climate change attribution/impact potential, alignment with national development and climate change policies, potential for sustainable development and creating a paradigm shift. A total of 111 submissions (50 from the public sector, 25 from the private sector, 33 from NGOs and 15 from IAEs) have to date been judged through this multi-criteria analysis and 71 concept notes have been shortlisted as high ranking and considered for review and prioritisation process. A total of 30 of these concept notes have been selected as 'project preparatory pipeline A', based in particular on readiness for submission and originality.

in different countries, recognising the similarities in many of the challenges faced. This experience is borne out by exchanges between Afghanistan and Pakistan in developing CFUs (see Box 2).

Setting up dedicated CFUs has helped overcome institutional challenges. Such CFUs are able to directly support and are sometimes situated within the designated NDA for the GCF. Reported advantages include the ability to maintain relationships with fund bodies and other relevant parts of national and sub-national government, as well as private sector and non-governmental bodies. They have also been able to absorb learning from accessing other climate-related funds and blend finance from different sources, including wider public development finances. The role of CFUs is well illustrated in Afghanistan and Pakistan, which provide examples of different points along the process of institutional readiness (see Box 2). The GCF could further showcase learning on establishing such units, helping countries learn internationally as well as regionally.

GCF funds are expected to lead to a paradigm shift, but there is a lack of clarity on how to measure this.

2 http://nda.erd.gov.bd/en/c/page/multilateral-implementing-entity-mie (accessed on 4 February 2019)

Box 2: Strengthening institutional capabilities through Climate Finance Units

The CFU in Pakistan was formally created in 2014, building on the 'GEF Cell'. The CFU drew on ACT's technical and financial resources to expand its scope to include enhancing Pakistan's access to a greater number of international funds, especially the GCF. The CFU has facilitated and acted as the focal point for contact with the GCF, ensuring institutional memory of engagement and continuity of GCF processes, despite changes in bureaucratic personnel. It has also run extensive training programmes across government and non-government stakeholders.

Historically, resources constraints in Pakistan's Ministry of Climate Change (MoCC), together with a division of powers between the centre and the four provinces, meant coordination between different levels of government and across different sectors were limited. In addition, there was a low level of awareness of GCF requirements and processes within the government. This meant Pakistan has missed out on opportunities to access global climate funds, and the first GCF proposal from Pakistan was submitted in 2016, six years after the fund was formed.

Housed within the MoCC, the CFU has sought to address the gaps in technical and operational capacity in the ministry while spearheading and coordinating efforts at sub-national level to build a project pipeline for the GCF. This includes coordinating across government, the private sector (e.g. commercial banks) and international agencies (e.g. UNDP, the Food and Agricultural Organization (FAO), the United Nations Industrial Development Organization), which extends to securing financial commitments from government stakeholders. For example, for the development of the second Glacial Lake Outburst Flood project (GLOF II), the CFU moderated disputes between the two sub-national governments concerned, helping broker an agreement to include a greater number of case study districts in the province where the local government had committed greater co-financing.

Recognising the importance of showcasing country ownership of climate action to the GCF, the CFU initiated and facilitated the accreditation of a national NGO, the National Rural Support Programme, as a DAE with the GCF. This has generated interest from other entities such as JS Bank (a commercial bank), which has now been accredited as a DAE, facilitated by the CFU. To date, with CFU's brokering and capacity-building, around $90 million has been already been leveraged from the GCF in Pakistan, and a further $400 million is awaiting approval from the GCF Secretariat.

The CFU in Afghanistan is at a more nascent stage of development. On 1 January 2017, a CFU was established within the government's National Environmental Protection Agency (NEPA), with ACT's support. The process of applying for GCF funds to support readiness presented a number of challenges. Initially, the Unit faced difficulty in understanding the GCF language and procedures on readiness, as they were different from its previous funding experiences. A series of initial discussions and meetings with the GCF enabled it to improve understanding and incorporate GCF comments. The process was further delayed after changes in the GCF Secretariat, amendments to the proposal template and revised comments from its new GCF focal point.

Afghanistan has also faced challenges in establishing the delivery partner for GCF readiness support. NEPA could not fulfil all the requirements of the GCF's intensive Financial Management Capacity Assessment, which include in-depth annual audit reports and benchmarked procurement standards. As a result, the CFU has agreed to endorse FAO as a partner in taking the readiness support process further as the delivery partner. The readiness proposal for Afghanistan was approved on 30 December 2018.

ACT provided initial support for local technical experts sitting within the CFU to build the capacity of the government from the inside. An initial training programme was followed up with a cross-learning visit to the Pakistan CFU, to understand its daily operations but also to build a road map to understand basic criteria for the Afghanistan CFU to access GCF readiness support. ACT has supported the CFU at regional meetings on the GCF and climate finance in South Asia, which has also enriched the readiness proposal. As a result, the CFU is in a strong position to support the entire government's approach and ability to access future GCF funding.

6. A systemic approach to climate finance

6.1. Challenges on using GCF finance to catalyse wider investment

GCF finance is designed to cover the identifiable additional costs of investments necessary to make a project viable. The Fund seeks to catalyse additional public and private finance through its activities, nationally and internationally. However, there are a number of challenges for governments in realising the catalytic role of GCF finance, in particular related to the financial instruments and modalities the GCF offers.

Experience is limited outside grant-based finance and basic co-financing. Government agencies in South Asia with experience in accessing climate finance are familiar mostly with grant-based approaches. There is far less experience with the concessional loans, equity and guarantees that the also offers GCF (see Table 2). These instruments may also be harder to apply in adaptation contexts where returns on investment are often difficult to calculate. There also remains limited understanding of the potential and national capacity for using the GCF private sector facility. As such, the GCF financing mechanism risks replicating existing development cooperation rather than catalysing new financing modalities.

Blended finance and de-risking approaches remain novel and require new actors. So-called 'blended finance' aims to scale up commercial financing for developing countries and channel these investments towards climate change. Loans, guarantees and equity can mitigate the risks and barriers associated with commercial markets that would otherwise help tackle climate change. Most of these challenges are common to private investment in developing countries but may be exacerbated for climate-related investments owing to low awareness among businesses and governments on the potential risks and opportunities, and technical, capacity-based, financial, policy or regulatory barriers (Fayolle et al., 2017). These sorts of projects often require government bodies to work at higher scales and more closely with commercial bodies that may not be as familiar with climate finance.

Generating co-finance to match the GCF is a challenge. Co-finance is a familiar requirement of funders for governments in South Asia, especially to demonstrate the sustainability of externally financed interventions. However, government officials have struggled to make a robust calculation of the 'additional cost' components, which should be covered by the GCF, and the proportion that should be funded through co-finance. This is because the climate and development benefits are closely linked, particularly in adaptation projects. In countries with less mature financial sectors, NDAs also

Table 2: GCF financial instruments and their functions

Instrument	Function
Grants	Promote investment in activities that may remain unfunded through mainstream financial activities, such as public goods or market failures Provide technical assistance and capacity-building, including feasibility studies and information generation, data analysis, development and dissemination of knowledge products
Concessional loans	Provide liquidity or absorb high market rate costs of debt with the agreement that the money will be repaid on conditions more favourable than market terms
Guarantees	Mitigate risks and can help crowd in private sector investment
Equity	Nurture a project in its early stages until it is commercially viable

Source: Adapted from Fayolle et al. (2017).

reported difficulties in generating flows of co-finance beyond in-kind co-finance provided by government agencies.

6.2. Meeting challenges on using GCF finance to catalyse wider investment

A number of opportunities have emerged in South Asia that have the potential to help governments better utilise GCF finance as a catalyst for much wider and sustained funding for climate change.

Strategic approaches to climate finance are emerging. Some countries in South Asia are taking steps to situate international climate finance in the context of national spending on climate change, often with the support of donor-funded technical assistance programmes such as ACT. In Afghanistan and across a number of states in India, employing the ACT-supported Financing Frameworks for Resilient Growth (FFRG) has helped the government and its partners identify and bridge the gap between existing and needed financial resources for adaptation, including where GCF finance may fit in. At the same time, working through the framework has helped build the institutional knowledge and capacity needed to access climate funds (Resch et al., 2018).

Stringent conditions for accreditation could actually help countries leverage other sources of finance. The strong due diligence processes required to access GCF finance are a major challenge to governments in South Asia, but officials also recognise the benefits of gearing up DAEs with stronger fiduciary management and safeguarding processes. This could put them in a better position to access finance from both the GCF and other sources. Readiness support from the GCF has also been useful to equip AEs and NDAs to develop and manage blended finance options as an important strategy to enhance future direct access. The accreditation of national AEs with a track record in commercial finance in Bangladesh, India and Pakistan also suggests local capacity for effective financial management

The Government of Nepal published in 2017 'Nepal's Citizens Climate Budget' to provide information to the public on how the government is using public funds to address climate change.

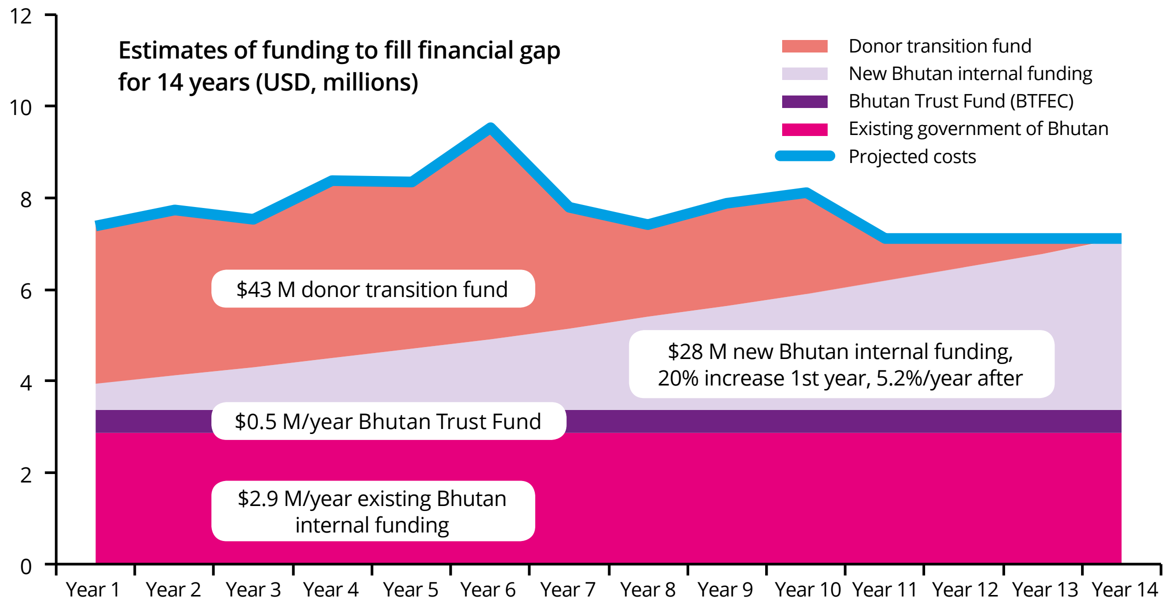
is being strengthened. Given the uncertainty of future GCF finance, such capacity can help engage other sources of domestic and international climate finance to ensure funding is not wholly dependent on the GCF in the future.

Learn from innovative co-financing arrangements for climate change funding. The Bhutan for Life project stood out for its tapered co-financing strategy to ensure long-term sustainability involving grants (including a $26.6 million grant from the GCF) to assist initial activities but tapering off to rely solely on government funds towards the end of its initially programmed 14-year lifespan (see Box 3). Similarly, the Indian GCF project for financing rooftop solar systems blends loans of $100 million each from the GCF and credit underwriters Tata Cleantech Capital Limited, together with equity from private sector investors (see Box 4). The Green BRT Karachi project in Pakistan will finance the development of a zero-emissions bus rapid transit system by blending a loan and grant from the GCF with a loan from the Asian Development Bank and a grant from the provincial government; co-financing accounts for over 90% of the total funding.

Box 3: Bhutan's innovative co-financing model – Project Finance for Permanence

Bhutan for Life is a conservation programme that has successfully secured GCF funding with a clear plan for long-term financial sustainability. It offers key lessons for other South Asian countries on exploring avenues for co-financing strategies for climate change projects. The Project Finance for Permanence (PFP) model charts out a well-defined long-term financial plan, blending finance from different sources with clear targets for financial sustainability. It has a goal of raising $43.1 million to create a transition fund to the programme but then transfer financing to domestic sources.

Bhutan for Life blends co-finance from multiple different donors including the GCF, which is the largest co-financer, with funds distributed only once the total fundraising commitment of $43.1 million has been reached. Donated funds will create the transition fund, which will gradually taper away to shift the funding responsibility to the Government of Bhutan, which has allocated $75.1 million over 14 years. The government will eventually assume the full cost of the conservation programme, developing potential internal income-generating sources such as 1) a green tax levied on the import of vehicles; 2) payment for ecosystem services from hydropower; and 3) revenue from eco-tourism in the Protected Areas.



Source: Adapted from a presentation on the Bhutan for Life programme at the ACT workshop on accessing the GCF held in Dhaka, Bangladesh in 2018.

Box 4: Using GCF resources for engaging the private sector in India

The GCF has recently approved $100 million of loan support for India's first private sector facility project. The Fund has approved the sanction of a line of credit for the development of solar rooftops in India's commercial, industrial and residential housing sectors, to be implemented by Tata Cleantech Capital. The project will develop solar rooftop photovoltaic systems, with an outlay of $250 million, creating the power generation capacity of 250 MW, helping avoid emissions of over 5 million tonnes of CO_2eq.

This case illustrates how GCF finance is able to crowd in finance where the domestic market is not currently active and does not have suitable systems for de-risking or the conditions for longer-term loans. Such loans can provide a strong incentive to private sector energy companies to provide the support for these investments. Compared with the domestic market, the GCF provides greater flexibility and lower-cost and longer-term loans that better match the investment period of solar systems. Compared with competing lines of credit from other sources such as multilateral development banks, the GCF approval process is seen as easier and finance can be accessed directly by the DAEs.

Source: Author interviews and India GCF country profile (www.greenclimate.fund/countries/india).

The NDA's engagement with a wider set of national stakeholders is required to facilitate the uptake of new financing mechanisms. Loan finance is appropriate to longer-term investments, including but not limited to infrastructure. The experience in South Asia suggests other stakeholders may be needed as executing entities to manage loan-based finance, as many DAEs are not actually set up to deliver through non-grant finance. An urgent task is therefore to identify these institutions and to raise their awareness of the GCF and its financing potential for them. The GCF also needs to engage in wider dialogue about the contested nature of long-term loans in tackling adaptation because of both the lower bankability of projects and the moral implications of making countries borrow to finance climate damage caused predominantly by other, richer, countries.

Building on existing programmes can help manage financing challenges in challenging contexts. For existing programmes, proof of concept, cost-effectiveness, co-financing and institutional roles and responsibilities can more readily be demonstrated. The GCF project in Pakistan to scale up GLOF risk reduction combines early warning systems with flood protection and infrastructure development and is complicated in structure and scope. However, it builds off a first-phase GLOF I funded by the UNFCCC AF, and, as such, despite challenges with the issue itself and the location, the proposal to the GCF was more easily able to demonstrate its climate change rationale, business case and supportive institutional and policy framework.

7. Project design

7.1. Project design challenges

Some of the most common challenges and frustrations faced by governments in South Asia relate to the process and requirements in developing projects for the GCF.

The project approval process is lengthy and resource-consuming. The GCF is still evolving its systems and processes for proposal preparation, review and approvals. The project approval process involves constant back and forth with multiple national stakeholders and the GCF Secretariat, in some cases within extremely tight deadlines. These transactions have also resulted in unanticipated costs and additional reporting requirements.

There is a lack of clarity on the GCF's requirement for projects to lead to a 'paradigm shift'. Of the six investment criteria that need to be met to access the GCF, demonstrating a paradigm shift is the most challenging. The lack of detailed guidance from the GCF on how to demonstrate the transformational aspects of projects has been a cause for concern among South Asian countries. NDAs and AEs are aware that this criterion has led to significant debate at the GCF Board level, and has contributed to some proposals being rejected. However, there is limited clarity on what constitutes a measurable paradigm shift.

Making the economic case for projects can be challenging, especially for adaptation projects and in fragile contexts. Adaptation projects generally face greater hurdles in making their economic case as many are not revenue-generating; also, with adaptation, it is also often difficult to fully quantify all the environment and social benefits. In addition, in fragile ecosystems and highly vulnerable areas, it can be difficult to show cost-efficiency, given the significant investments required. The GCF's economic assessment formula also does not prioritise issues related to equity and non-economic outcomes.

Conceptual confusion and poor data make it hard to build a climate rationale. Governments have difficulty articulating the climate rationale – one of the investment criteria for proposals. In part, this owes to conceptual difficulties in demonstrating a clear climate change element of the problem/solution. This is even harder for adaptation because of the difficulties involved in attributing weather events to climate change and lack of clear adaptation metrics. In part, the difficulties stem from the poor availability, accessibility and reliability of data and information at relevant scales, especially in remote, conflict and transboundary areas. Expertise is also needed to effectively interpret and evaluate data for decision-making, including building the climate rationale.

There was concern that the Board could reject projects on these grounds, as cited in the rejection of Bangladeshi and Ethiopian proposals in the past. The GCF does not currently take into account issues with the type of data available, and capacities to access and analyse the information, when assessing the climate rationale in a proposal.

Lack of technical skills means IAEs are favoured, which works against building national capacity. The GCF's project proposal requirements are complex and challenging for many countries, in terms of both understanding GCF-specific requirements and articulating a competitive technical/financial response in accordance with the Fund's reporting guidelines. One consequence is that some countries have relied more on IAEs as the first movers in developing proposals, as seen in Bangladesh (UNDP and KfW) and Pakistan and Sri Lanka (UNDP). While these have been developed in partnership with governments, a reliance on external project development consultants constrains the building of national capacity to understand, access and manage the GCF. The dominance of IAEs has also constrained the opportunity for DAEs to absorb project management costs that could further improve institutional capacity, including improvements in project design.

7.2. Meeting project design challenges

A number of specific strategies that can be deployed to address the challenges facing governments in South Asia in preparing successful GCF project proposals.

The meaning of a paradigm shift can be interpreted differently given the country context. Successful projects from South Asia have varying interpretations of a paradigm shift. Countries'

Quantifying the economic benefits from a proposed adaptation project is difficult for some governments and projects.

understanding of paradigm shift varies depending on the scale and nature of the impact, but also on how the impact is being achieved and how it is accompanied by structural and systemic changes. Successful projects in the region have used widely differing approaches to meet this criterion, reflecting the range of multiple factors outlined in the high-level GCF guidance (GCF, 2017). Examples include the enabling environment for sustainability shown in co-financing models in Bhutan; the integration of project learning into sub-national policies and legislations in India; a holistic approach to enhance regional endogenous adaptive capacity in Pakistan; and a systemic shift to integrated water resource management approach resources in Sri Lanka.

It would be useful for those developing proposals to see examples of how projects underway or completed have achieved the promised paradigm shift. In addition, the GCF can be more explicit in recognising that a paradigm shift can mean different things in different contexts. Finally, guidance on designing measurement of paradigm shifts into monitoring and evaluation ME plans could be key in project design to reflect intended impacts.

Building on a pre-formed concept can help fast-track processes. To avoid uncertainties associated with data availability, technical feasibility and defining project scope, some countries in South Asia have benefited from selecting a proof of concept where the project design has already been established. While this may not be applicable in all cases, building on tested pilot projects (e.g. in Bangladesh or Pakistan) as well as pre-formed concepts around existing national programme activities (e.g. in Bhutan and India) has been effective in smoothing the project preparation process. This comes with the advantage of having available preliminary documents/data, clarity on technical and implementation feasibility and a good understanding of co-leveraging opportunities. At the same time, the GCF needs to guard against the risk of stifling innovative new project ideas because of the additional time and resources required for project preparation.

Make an economic case through a calculation of loss and damage averted and a quantification of adaptation benefits. Governments in South Asia have experimented with economic tools and proxy datasets to build an economic case for GCF projects. Examples of this include providing a financial business case for adaptation (Bhutan); identifying the co-benefits of eco-tourism and valuation of ecosystem services (Nepal); and valuation of loss and damage averted (Nepal, Pakistan). This could be further complemented by ACT's experience of testing financing frameworks for supporting governments in the region. FFRG offers a way to estimate the economic cost of loss and damage, quantify the adaptation benefits of current expenditure, assess the adequacy of that expenditure relative to projected economic cost of climate change and identify areas where additional financing is needed.

Co-working between government and technical experts can link ownership with technical rigour. Establishing ownership (even within the challenging contexts of low-resourced governments) has been crucial in the success of GCF proposals submitted by countries in South Asia. Strategies that have helped balance the engagement of governments and external technical experts in the process include engaging government officials with some technical understanding of the project; building government ownership in providing relevant data; taking government inputs at different stages of development; and engaging local experts with existing relations with the government. Supporting policy entrepreneurs and champions to drive agendas and promote ownership can be crucial (Tanner et al., 2018). For example, in India, technical experts engaged under the ACT programme co-drafted the proposal with Department of Water Resources (DoWR), Government of Odisha (see Box 5). In Sri Lanka, project development was nationally driven through a technical advisory committee set up by the NDA, closely working with the UNDP team (coordinating the process) and technical experts (leading specific targeted technical sections such as the feasibility study, the economic case, safeguards and gender integration aspects).

Align the project development process with GCF timelines. Setting national project development timelines as per the GCF calendar for Board meetings and disbursement has been helpful in planning and streamlining the proposal development process. Countries are also increasingly recognising the importance of engaging with the GCF Secretariat and its country representatives. Investing time in building a relationship within the GCF Secretariat and seeking clarification and advice through regular communication is reported to catalyse and expedite the process (Bangladesh, Bhutan, India, Sri Lanka). Furthermore, timely review and approval by the NDA and in-country government approval committees has been equally instrumental in minimising delays and additional resources.

Conducted targeted training with government pen-holders. Training programmes can improve the quality and content of GCF proposals. Experience from ACT suggests that training needs to cover a variety of sectors, key GCF requirements and bureaucratic levels. Post-training backstop support is crucial to help retain knowledge gained in trainings, supported by management that encourages training beneficiaries to implement new knowledge. For training bureaucrats from Afghanistan to develop concept notes and proposals for the GCF, ACT involved participants from key line ministries including environment, agriculture, energy, water and finance. Crucially, this involved the technical specialists responsible for drafting proposals as well as managers and directors charged with putting projects together.

Box 5: The role of technical assistance in building institutional capacity for GCF access

In India, state governments were very interested in accessing the GCF but lacked the capabilities to develop a winning proposal. With 29 states and 6 union territories, the DAE (the National Bank for Reconstruction and Development (NABARD)) was also struggling to provide the necessary technical support. ACT therefore provided support in partnership with NABARD to provide a model of an effective proposal development process at the state level.

ACT supported the Government of Odisha in securing the country's first successful GCF project, Ground Water Recharge and Solar Micro Irrigation in Vulnerable Tribal Areas of Odisha, approved in April 2017. The total outlay of project is $166.297 million, with GCF funding of $34.35 million, supported by co-financing from the Government of Odisha and the World Bank.

ACT used a co-development project preparation approach and co-drafted the proposal with Odisha's DoWR. At every stage of the process, ACT worked to make this approach a government-led process, from agreeing a proof of concept with strong government buy-in to providing data/information and identifying co-financing from government funds.

The concept note was identified on the basis of its relevance to the government and the availability of pre-existing ideas and information, aligning it with an ongoing development strategy of the government but also securing its participation in the co-development process. The strategic thinking at the concept development stage also helped clarify the desired mechanism of funding at an early stage. Accessing GCF funding was seen from the perspective of tapping complementary resources for climate additionalities and creating 'paradigm shifts', rather than meeting the development budget requirements of a resource-poor state.

Engaging a proactive department at the concept development stage, identifying a technically experienced focal point and engaging a champion (Principle Secretary, DoWR) sufficiently high in the hierarchy were other factors that secured the government's ownership of project preparation. To further strengthen institutional engagement, ACT engaged local consultants in the project preparation process – using their existing relationships to build trust with government partners and also building local capabilities to strengthen future endeavours in the state. Engaging local consultants is also beneficial from the point of view of a quick response to GCF queries, which requires coordination with government focal points on an urgent basis.

ACT also took on board external experiences and learning relevant for GCF project preparation. ACT built on international best practice and prior experience of the team in project preparation for the Clean Development Mechanism, Joint Implementation and GEF, particularly in terms of drafting effective responses to the GCF eligibility criteria.

Technical assistance programmes such as ACT also play an important role in streamlining internal and external coordination processes. ACT supported the government in internal coordination with technical experts, senior and junior-level officials at DoWR, the NDA (the Ministry of Environment, Forests and Climate Change, Government of India), the DAE (NABARD) and the state-level steering committee, as well as external engagement with the GCF Secretariat, which helped strengthen the proposal at various levels of development. Setting internal timelines to align with the GCF Board meetings in April, July and October helped the government effectively coordinate with the GCF and respond to its queries in a timely manner.

Technical assistance is usually not required to help identify suitable projects but is more important in developing the proposals in a way that is acceptable to the GCF by identifying gaps during the concept stages and in assisting the implementing agency to bridge those gaps and enable a successful proposal.

During the course of the proposal development, capacity-building support was provided to the Government of Odisha through ACT's technical assistance in collaboration with NABARD. This enabled frank discussion and built a detailed understanding of the procedural requirements from the DAE's perspective, resulting in a robust and successful proposal. This also created awareness among other departments within the government about funds available from international sources, thereby increasing their readiness to submit proposals in future.

8. Recommendations

In the context of the establishment and evolution of the GCF, the experiences of countries in South Asia provide valuable perspectives and lessons for a range of stakeholders. This section outlines a set of recommendations that cut across the four entry-points and sets of strategies outlined in the ACT framework for strengthening access to the GCF. While of interest to all, these recommendations are tailored to three groups of actors: the GCF Board and Secretariat; country actors engaged in accessing climate finance; and agencies designing and delivering technical assistance to support access to the GCF.

8.1. GCF Secretariat- and Board-oriented recommendations

The GCF Secretariat needs to demonstrate its ongoing capacity to uphold quality support and reviews, and reduce the risk of high staff turn-over. This is particularly important in the context of the upcoming replenishment and the rapidly increasing pipeline of submitted project proposals.

The GCF Secretariat needs to clarify and adhere to timetables for accreditation and project approval processes. Delays followed by demands for rapid turnaround of information by NDAs/AEs are a source of frustration for many countries in South Asia.

The GCF should release more evidence-based guidance of good practice in challenging areas for project preparation. There is particular demand for guidance on meeting the criteria on paradigm shifts, and the climate and economic cases for action.

The GCF Board and Secretariat should take steps to increase the number of approved direct access projects. To do so requires accelerating support to and accreditation of DAEs, with approved projects in turn helping strengthen capabilities to manage project implementation.

The GCF Secretariat should strengthen its country engagement processes. This requires adequate and stable staffing to create trusting relationships. Regional and global dialogue meetings of government agencies should target the 'pen-holders' responsible for leading the project design and approval process, with DEAs the main target in order to enhance direct access. Knowledge-sharing on NDA coordination can draw on experiences of establishing CFUs.

The GCF should host fora with NDAs to discuss innovative financing for the Fund and its projects. A forum could provide ideas and proposals to inform the ongoing UNFCCC debate on a potential merger of climate funds and attracting non-government contributions to the GCF. A forum could also help share experiences of grant and non-grant financing of GCF projects.

8.2. Country actor-oriented recommendations

South Asian NDAs, climate change focal points and national stakeholders must lobby donor countries to boost the GCF replenishment process in 2019. Government and national stakeholders need to use international advocacy and diplomatic channels to enhance GCF commitments, demonstrating that the GCF is a key component of their national climate change strategies.

NDAs need to link GCF accreditation and access more strategically to national climate and development policies. In order to make a stronger case for accessing GCF finance, countries should establish and demonstrate how the GCF fits into a more comprehensive strategy for climate change policies and financing, including through climate financing frameworks such as the FFRG.

NDAs should widen awareness of the GCF, especially reaching down-scale and to the private sector. Evidence in South Asia suggests a need to work with executing agencies that can reach the field level more effectively, particularly those that are set up to deliver through non-grant finance.

NDAs and the GCF should assess national barriers to investment, separating those that are generic from those specific to climate change actions. Loans, guarantees and equity from the GCF can mitigate the risks and barriers associated with commercial markets that would otherwise help tackle climate change. These sorts of projects often require government bodies to work at higher scales and more closely with commercial bodies that may not be familiar with climate finance.

8.3. Technical assistance-oriented recommendations

Greater technical assistance is required to build institutional capabilities to access GCF financing. The experiences of ACT demonstrate the significant enthusiasm for the GCF and the demand for strengthening the capabilities of climate-related institutions. This is particularly urgent in helping AEs meet the required fiduciary and safeguards standards.

There is expressed demand for technical assistance to overcome the technical challenges of proposal development. In particular, this includes how to generate paradigm shifts, make the climate change case and produce economic evaluations, as well as moving beyond grant-based finance for adaptation.

Technical assistance needs to go beyond individual projects to support regional knowledge management and learning. The ACT experience demonstrates the value of integrating knowledge management and learning into climate finance programmes across a region. Despite considerable differences in the country contexts across South Asia, many challenges and strategies of GCF access are common.

Agencies supporting technical assistance should employ more peer-to-peer learning networks. Evidence from the ACT programme in South Asia shows how peer-to-peer efforts have helped NDAs and DAEs evolve and strengthen. Such networks are a contrast with the frequent use of external consultants and help embed capacity within institutions. The GCF should support such networks through its evolving country dialogue and knowledge management programmes.

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