



Enabling access to the Green Climate Fund:

Sharing country lessons from South Asia

The Green Climate Fund (GCF) was established to support developing countries to take ambitious action on climate change. The flow of climate finance from industrialised to developing countries, particularly via the GCF, is a crucial component of international agreements on climate change. However, capacity constraints and the complex procedures for accessing funding are affecting many developing countries' ability to compete fairly and effectively for the GCF. This learning brief provides insights from the Action on Climate Today (ACT) programme in South Asia to improve country 'readiness' to access climate finance.

A learning paper from ACT on enabling access to the GCF presents the 'demand side' country perspective on the challenges faced and some of the strategies that countries have employed to overcome them. It presents a framework for strengthening access to the GCF, looking at entry-points and strategies that governments, funders and practitioners can use. Entry-points at the global level include the GCF's own resources and capabilities, and at the national level includes national institutional capabilities, the design of projects, and the sustainability of financing. The recommendations for employing different strategies at each level, based on learnings from ACT should be particularly useful to the GCF as it undertakes a review of performance and country ownership in 2019.

A full description of ACT's work can be found in the associated ACT learning paper, **Enabling access to the Green Climate Fund: Sharing country lessons from South Asia**



GCF resources and capabilities

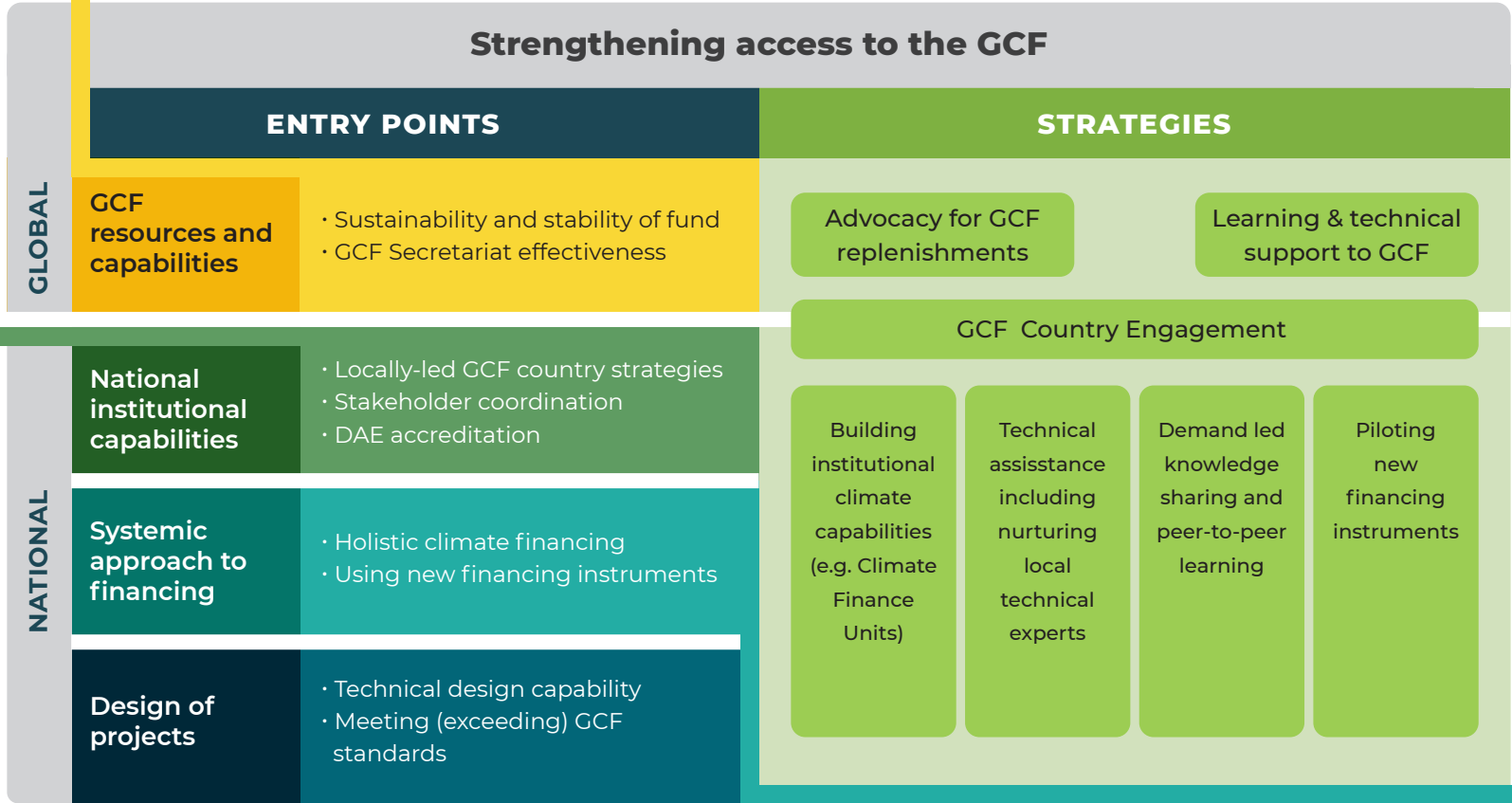
There is ongoing uncertainty about the scale and predictability of GCF finance, as well as different perceptions on the purpose of the funding (compensatory climate justice mechanisms versus catalytic finance to unlock wider investment), and therefore the appropriateness of loan-based financing. To overcome this, ACT has tried to improve engagement between the GCF Secretariat and governments in South Asia. For example, in 2018, ACT convened the Secretariat and national governments, but not in the usual formal high-level process of engagement, but involving the mid-level officials actually involved in writing proposals. The dialogue also did not focus on the problems the countries are facing with the GCF, but on the possible practical solutions.

Sustainability of finance

GCF finance is designed to cover the additional investment required to make a project viable, and therefore 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. ACT has supported 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. The Financing Frameworks for Resilient Growth (FFRG) have been used by governments to calculate their current adaptation financing gap, develop future financing scenarios, and identify the potential (and limit) of the GCF.

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 (NDA) also perceive a rush to submit proposals, often relying on Internationally Accredited Entities (IAEs) and external consultants, without sufficient focus on building long-term institutional capabilities and linking to strategic priorities. Across South Asia, governments have been addressing these challenges, with more focus on strategic prioritisation of project concept notes and selecting Direct Access Entities (DAE) 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), who are also responsible for managing all climate funds, as well as mainstreaming climate change into public budgets. The CFU in Afghanistan was established in 2017, based on learning facilitated by ACT from earlier experience with Pakistan. The CFU in Pakistan, with support from ACT, has been about to leverage around USD 90 million from the GCF.



Design of 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. Demonstrating how the project will be transformational, as well as making the economic case for projects, is conceptually and practically difficult, particularly for adaptation projects. 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 they have been able to apply the same skills for other climate funds.



Key Lessons from ACT's Experience:

A set of key recommendations based on learnings from ACT on enabling access to the GCF in South Asia, offering guidance particularly to the GCF Secretariat, national governments and those designing and delivering technical assistance programmes on enabling access to the GCF.

Clarity on GCF procedures and adhere to timetables for accreditation and project approvals. This will avoid the delays and demands for rapid turn-around times by developing countries that are currently a source of frustration for many countries in South Asia.

Evidence-based guidance from the GCF of good practice in challenging areas for project preparation. There is a particular demand for guidance on paradigm shifts, and the climate and economic cases for action.

Increase the number of approved direct access projects. Accreditation is a challenging process in many countries; the GCF needs to facilitate greater direct access to meet country demands of the Fund.

Expand and enhance the GCF's country engagement processes. This requires adequate and stable staffing to create trusting relationships. A forum of government officials and the GCF could inform the ongoing improvement of GCF processes.

Strategically link accessing the GCF to national climate to national climate and development policies. In order to make a stronger case for accessing GCF finance, NDAs 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 FFRG.

Assess national barriers to investment, separating generic and those specific to climate change actions. Loans, guarantees and equity from the GCF can help 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 who may not be familiar with climate finance.

Build wider and sustained institutional capabilities to access GCF financing. The experiences of ACT demonstrate the significant enthusiasm for the GCF and the demand for strengthening capabilities of climate-related institutions. This is particularly urgent in helping DAEs meet the required fiduciary and safeguards standards.

Establish peer-to-peer learning networks and regional knowledge management initiatives. Evidence from the ACT programme in South Asia shows how peer to peer efforts have helped NDAs and DAEs to evolve and strengthen. Such networks are an alternative to or complement using external consultants and help embed capacity within institutions.

*These and other lessons from the ACT programme are elaborated in the ACT learning paper: **Enabling access to the Green Climate Fund: Sharing country lessons from South Asia***

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