Climate Finance Architecture and Resource Mobilization for Adaptation Planning and Action

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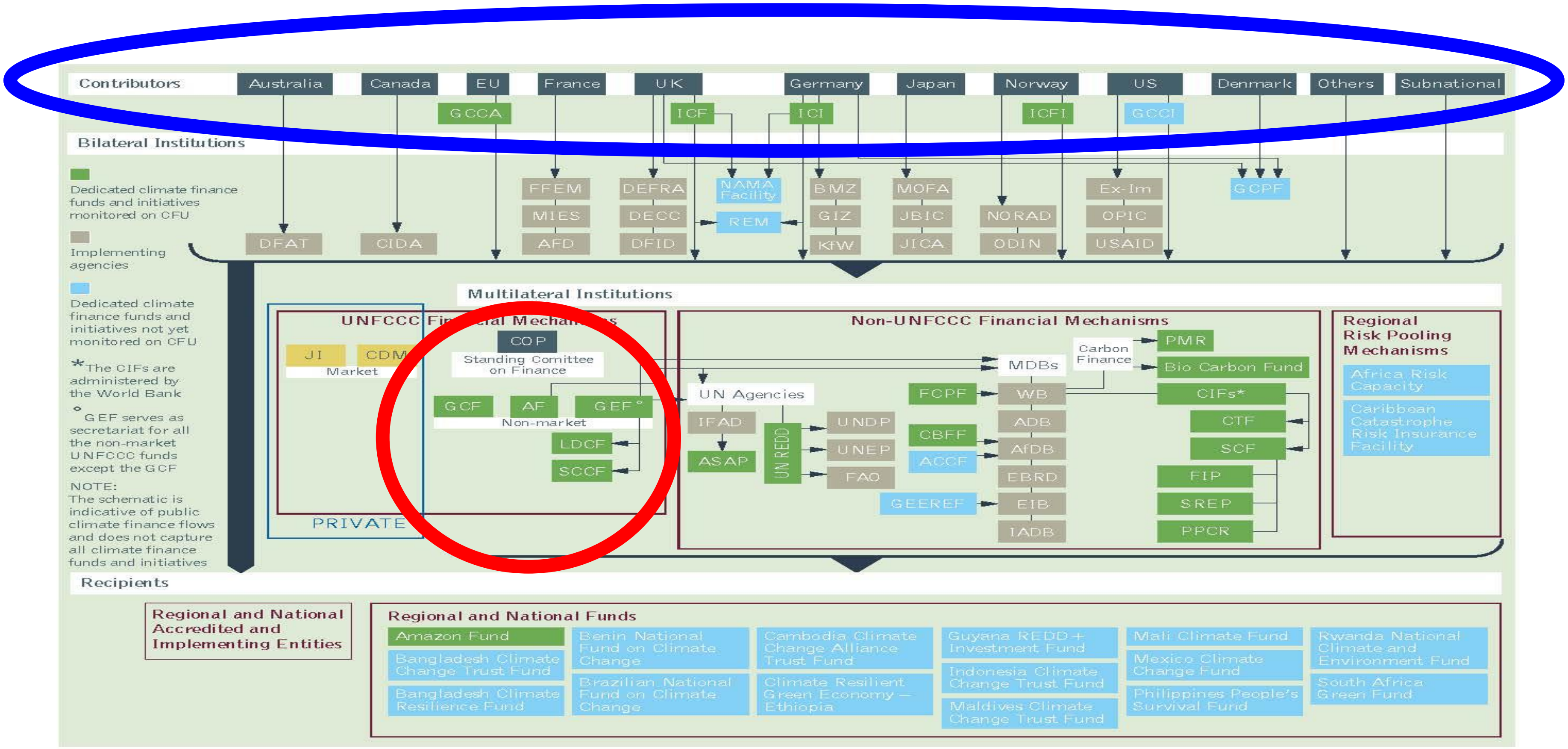
UNDP Africa

Climate Finance Architecture

NAP-GSP
NATIONAL ADAPTATION PLAN GLOBAL SUPPORT PROGRAMME



Source: ODI,UK

Climate Finance Architecture

Complex architecture (maze)

- Not easy to navigate
- Implications on access by developing countries (Africa)

Myriad of Global funding sources

- (UNDP, 2015) 60 international public funds, 60 c-markets, 6000 private equity funds.
- Why Africa's limited success in RM for transformational impact?

UNFCCC Financial Mechanism

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GREEN CLIMATE FUND

gef

ADAPTATION FUND

SCCF
LDCF

UNFCCC market mechanism

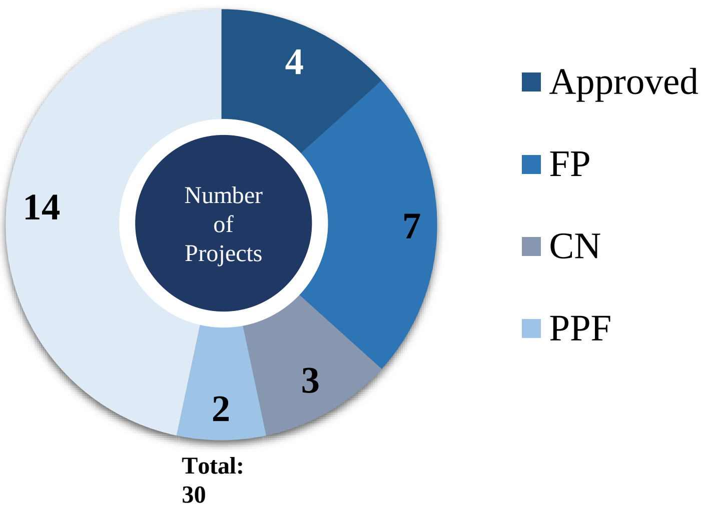
- CDM (main SoF for AF)
- JI

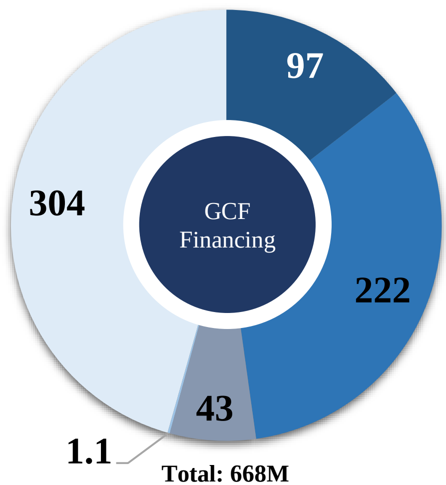
UNDP-GCF Pipeline Report
Regional Bureau of Africa (RBA)

Full Funding Proposal (FFP) Pipeline

As of 10th September 2018

Overview



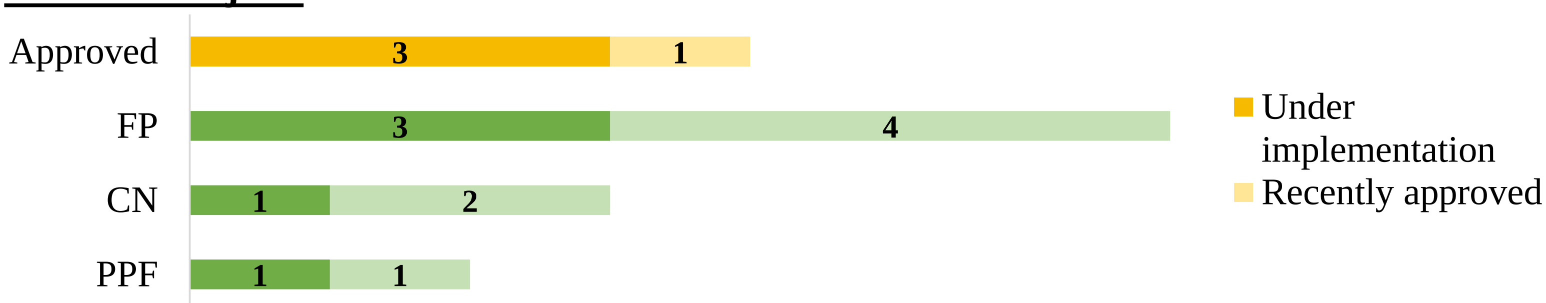


Upcoming Submissions

(Expected during the next 3 months)

FP Submission
Zimbabwe

Status of Projects



UNDP-GCF Pipeline Data
Regional Bureau of Africa (RBA)

FFP Pipeline

As of 10th September 2018

Table 1: UNDP-GCF Full Funding Proposal Pipeline

Type	Focus	Country	GCF Amount Requested (USD)
Approved	Adaptation	Malawi	12M
		Uganda	24M
		Zambia	32M
	Mitigation	Mauritius	28M
FP	Adaptation	Comoros	42M
		Gambia	26M
		Liberia* (PPF approved)	50M
		Uganda **	15M
		Zimbabwe	29M
	Mitigation	Cote d'Ivoire - REDD+	30M
		Ghana - REDD+	30M
CN	Adaptation	Benin	28M
		Cabo Verde	15M
	Mitigation	Nigeria – REDD+	TBD
PPF	Adaptation	Burkina Faso	0.53M
		Senegal	0.54M

Type	Focus	Country	GCF Amount Requested (USD)
NDA Requests	Adaptation	Angola	-
		Guinea	-
		Madagascar - EWS	-
		Madagascar - Water	-
		Mali	-
		Niger	-
		Senegal	-
		Sierra Leone	-
		Togo	-
		Burundi	-
		Tanzania	-
		Benin	-
		Regional (Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda) ***	-
		Congo Republic	-
Total		30 Projects	667.6M

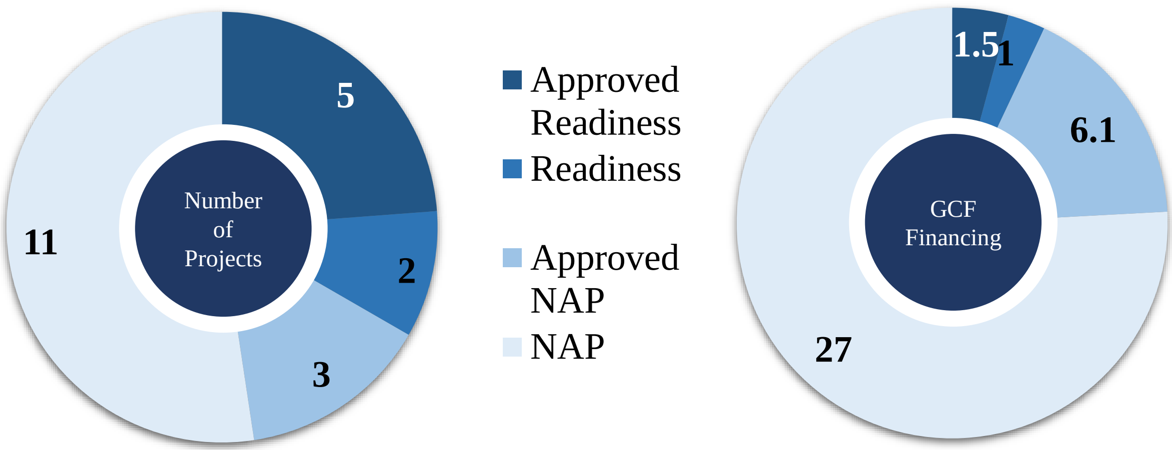
* The PPF has been approved for Liberia and currently FP development is underway
** The PPF/CN has been submitted for Uganda however the NDA has decided to pursue FP development
*** This project covers a majority of countries from the RBA region and 3 Arab States

UNDP-GCF Pipeline Report
Regional Bureau of Africa (RBA)

Readiness Pipeline

As of 10th September 2018

Overview



Total: 21

Total: 36M

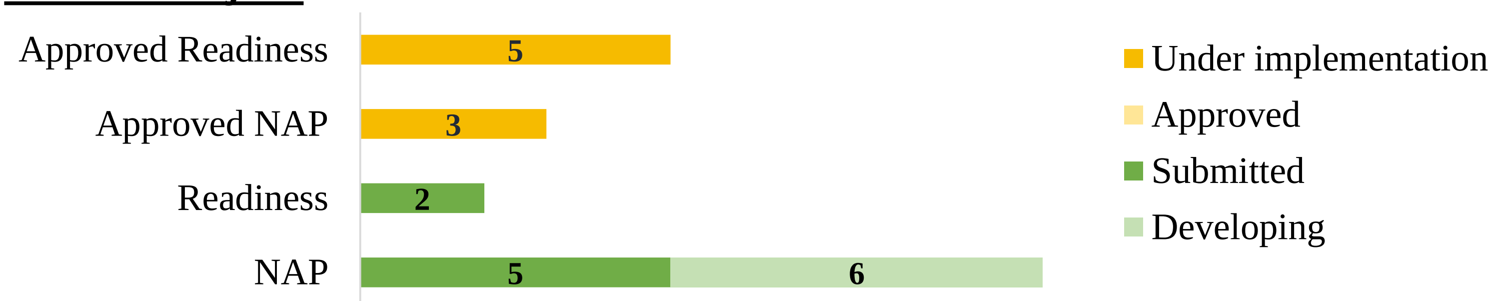
Upcoming Submissions

(Expected during the next 3 months)

NAP Submissions

Guinea Bissau
Equatorial Guinea
Guinea Conakry
Mozambique
Namibia
Senegal

Status of Projects



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UNDP-GCF Pipeline Data
Regional Bureau of Africa (RBA)

Readiness Pipeline

As of 10th September 2018

Table 2: UNDP-GCF Readiness Pipeline

Status	Type	Country	GCF Amount Requested (USD)
Approved	**Readiness**	Burundi	0.4M
		Central African Republic	0.3M
		Congo, Republic	0.3M
		Guinea	0.3M
		Liberia	0.3M
	NAP	Liberia	2.1M
		Congo, DR	1.3M
		Niger	2.7M
Submitted	**Readiness**	Ghana	0.7M
		Nigeria	0.3M
	NAP	Benin	1.4M
		Cote d’Ivoire	2.2M
		Madagascar	1.4M
		Burundi	2.7M
		Tanzania	2.7M

Status	Type	Country	GCF Requested Amount (USD)
Under Development	**NAP**	Senegal	-
		Equatorial Guinea	-
		Guinea Bissau	-
		Guinea Conakry	-
		Mozambique	-
		Namibia	-
Total		21 Projects	35.6M

Non-UNFCCC mechanisms
UN Agencies
MDBs (WB, AfDB, DBSA)

Regional Sources
Africa Risk Capacity.
RECs (COMESA)

Bilateral Sources
Japan, Nordic COs, **Germany**, UK, France, Canada, EU, **Australia**, BRICS……..

Philanthropic
Funds - experiences??

National Budgets

- CPEIR
- Africa Public Expenditure on Adaptation (UNDP, 2017)

National Climate Funds

- Ethiopia, Benin, Rwanda, South Africa,(S-S exchange with FONERWA)
- DRR (developmental i.e. preparedness, ~~response~~, recovery & resilience)
  - Innovative Idea (ARC Premium Window)

Private Sources

Navigating the Maze

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- **Climate Finance Governancel-Get policy, legal institutions frameworks right!**

a-NDCs (NDC-P partnership plan UG), CFFs
NDA (GCF), OFP (GEF), DA (AF),NCDMA, MoF or MoE or NEMA (???),legal

- **Project Management Capacity** (raison d'être!)
  - Full project cycle management (technical & financial delivery)
  - Absorption capacity
- **Ready consensus-based pipeline**
  - Think tank group (ideas prioritization)
  - Sectoral (key sector that has multiple developmental benefits –agric,water
  - Subnational levels or Resilient Cities (SDG11)
  - Scaling up pilots (GCF transformational, SGP, AAP-GCF)
  - Co-financing arrangements
- **Systemic Capacity Development for RM**
  - GoX CC learning Strategy (should take into account evolving nature of CC finance)
  - Reduce dependency on external consultants
- **S-S Exchange with Early Movers** (DAEs, NCFs e.g FONERWA)

- ACCREDITATION, DAE African experiences
- Key Global Funds Websites

1. Green Climate Fund: https://www.greenclimate.fund/
2. Adaptation Fund: https://www.adaptation-fund.org/
3. SCCF: https://www.thegef.org/topics/special-climate-change-fund-sccf
4. LDCF: https://www.thegef.org/topics/least-developed-countries-fund-ldcf

Blended Finance

Blended Finance refers to flows combining

- market (or concessional) loans and other financial instruments with
- accompanying grant (or grant equivalent) components

- The scope is to leverage additional non-concessional public and/or private resources with different financial terms and characteristics.

Source: Adopted from Evidence on Demand, 2014, TOPIC GUIDE: Blended Finance for Infrastructure and Low-Carbon Development, Oversea Development Institu http://www.evidenceondemand.info/topic-guide-blended-finance-for-infrastructure-and-low-carbon-development-full-report

Basic characteristics of blended finance

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Debt Instruments (Loan and bond)

- Repayment is required in fixed schedule with different cost according to the risk profile of the borrower
- Usually a guarantee is required to minimize default risk of borrower
- Debt is normally less than total project cost to ensure ownership of the borrower and increase incentive to complete the project
- Debt size is up to the repayment ability of the borrower and capital of the lender
- Debt maturity period should match with the project life and cash-flow for repayment

Partial Risk Guarantee*

- Partial Risk Guarantees cover private lenders, or investors through shareholder loans, against the risk of a government (or government-owned entity) failing to perform its contractual obligations with respect to a private project.

*World Bank Guarantee Products: IBRD Partial Risk Guarantee (PRG)
http://siteresources.worldbank.org/INTGUARANTEES/Resources/IBRD_PRG.pdf

Grant

- Grant normally does not require repayment however, it could be made based on certain criteria (output-based-aid)
- Guarantee is not required
- Counterpart funding (in-kind and in-cash) is usually required to ensure ownership of the project proponent
- Grant size is usually small as no repayment is needed
- Grant financed project is usually short-term as the size of fund is small

Equity

- Funds provided by a private firm's owners (investors and stockholders/shareholders) that are repaid subject to the firm's performance
- The investors normally have only expectation to be repaid.

Reference: Gitman, Lawrence J. and Chad J. Zutter, 2015, Principles of Managerial Finance, 14th Eds., Pearson

Guiding Questions for the Exercise

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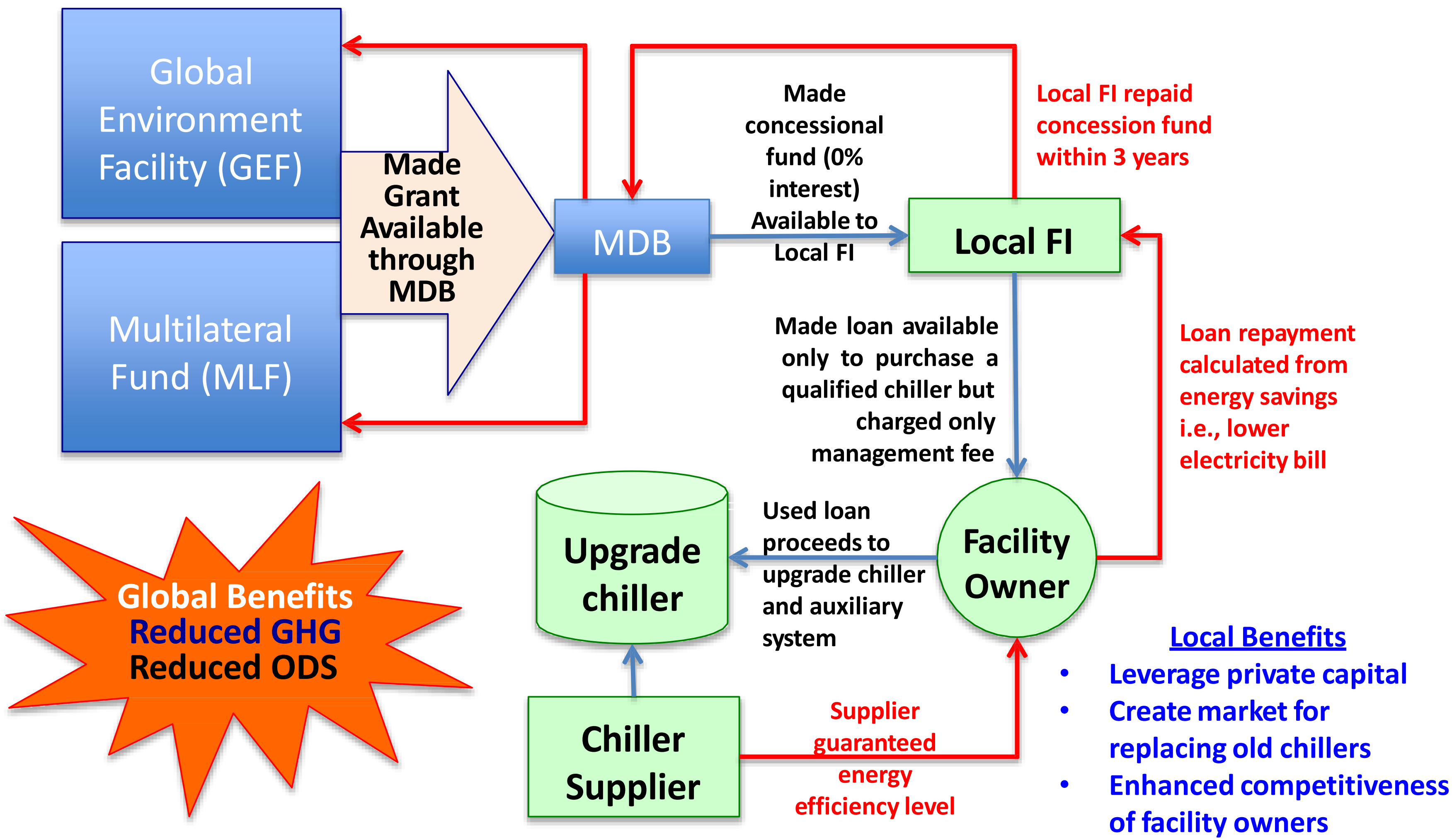
- What risk should be managed by which party?
  - Government
  - Private Party
  - Financial Intermediary (National and International)
  - Development Partner (National and International)
- What financing sources are available?
  - Government Budget
  - Grant (e.g., GEF, GCF, Adaptation Fund, Philanthropic Entity, bilateral and multilateral organization, …)
  - Debt (National and International FI)
  - Equity ((National and International Firm)
- How and when each financing source should be used during the project cycle?

Example of Blended Finance



Source: Implementation Completion Report, 2006, Thailand Building Chiller Replacement Project, the World Bank
http://documents.worldbank.org/curated/en/101781468132276470/Thailand-Building-Chiller-Replacement-Project

How different risks can be addressed by different financial instruments

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- Facility owner is reluctant to change their old inefficient chiller because
  - High upfront cost
  - High cost of borrowing
  - The new chiller may not provide sufficient savings (i.e., returns on investment may not be justifiable)
- **Grant** was used to
  - structure the business model, project management, monitoring and evaluation and
  - buy down the cost of borrowing
- **Loan** was used reduce high upfront investment cost
- **Equity** was required as the loan only cover the purchase of the chiller. The facility owner had to finance other required auxiliary equipment and related services.
- **Guarantee** was provided as a part of the package from qualified suppliers
  to ensure sufficient fund for loan repayment