

Resource Mobilization

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ADAPTATION FUND



GREEN
CLIMATE
FUND



KFW



THE WORLD BANK

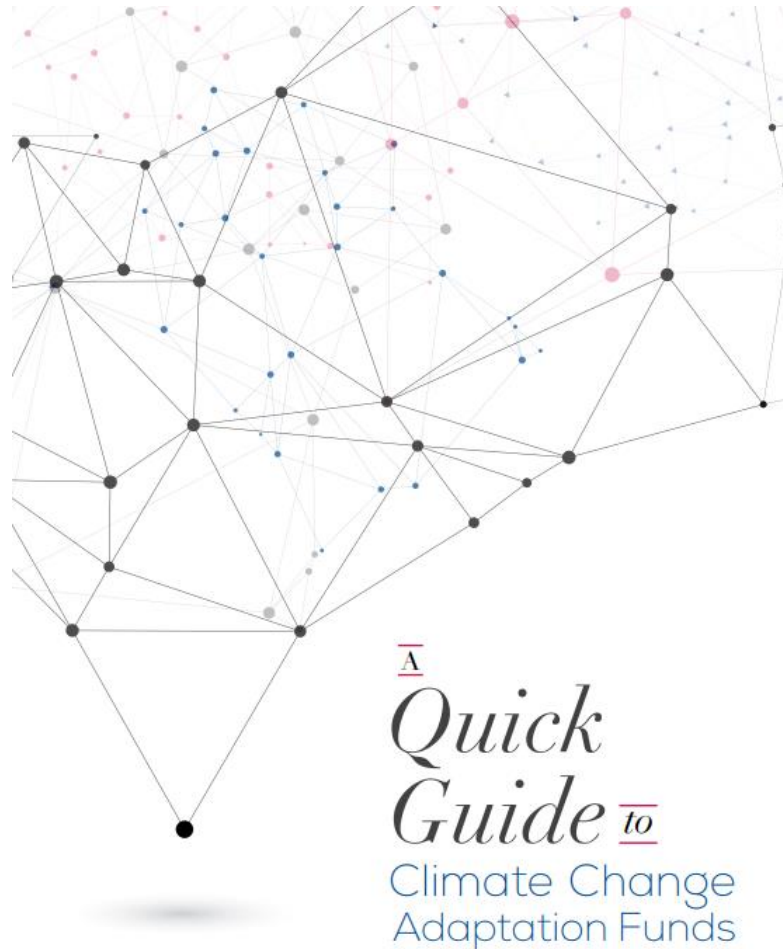


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Some First Steps...

- **Many activities and many sources of funding...which financiers are appropriate to your situation? Matching happens in pre-project planning**
- **Understand the eligibility requirements, fund goals, evaluation criteria...READ THE INSTRUCTIONS!**
- **Understand “access” (e.g. “direct access” vs. “multilateral access”)**
- **Be aware of project financing structures: co-financing, bundling, & blending**
- **Make use of supporting organizations (e.g. UNDP, UN Environment, GIZ, USAID)**

A Useful Resource...



- **Overview of 10 multilateral & bilateral climate funds & initiatives**
- **Describes eligibility criteria, target areas, & access mechanisms**
- **Includes tips for each fund**
- <https://www.climatelinks.org/file/3564/download?token=-ThARRHq>

How are projects financed?

- Grants/Loans/Bonds/Equity
- Bundling/Blending
 - Covering the *additionality*
- Bi-lateral/multi-lateral agencies
 - Generally very top-down
- International Climate funds
 - *Accessibility* issue
- National Climate Funds
 - Sustainability/politics
- Central Government Transfers
- Locally Generated Revenues
- Private Sector



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What is the justification for using public funds for your project?

GCF B.2.B: Please provide economic and financial justification...for the concessionality that GCF is expected to provide, particularly in the case of grants.

GCF D.1: Please specify why the GCF involvement is critical for the project/programme in consideration of other alternatives

**What sorts of interventions are more appropriate for loans?
Where should the private sector be engaged?**

Functions of Public Sector Investment

Justification of the use of public funds is a key consideration.

- **Developing countries are the most at risk, but they didn't cause the problem**
- **Addressing “market failures” through pricing of air/water/soil pollution, natural resource use, zoning and building standards, etc.**
- **Catalyzing private sector investment – e.g. stimulating business interest in renewables, green jobs, changing consumer behavior**
- **Support for the poorest groups and countries – addressing the most vulnerable**

Justification depends on the source of finance

Key Issues to Bear in Mind

- **Identify national and subnational sources of revenue and existing expenditures....why are these not being used?**
- **Understand the role of the private sector vs. the public sector....why is the project not being financed by the private sector?**
- **Know when loans are appropriate, and when grants are appropriate. Why can't you pay the money back?**

Example: Urban Water Supply and Wastewater Management, Fiji,
GCF

The proposed financing structure combines a maximum debt financing and a minimum grant financing, taking into account the country's debt burden, the project's revenue-generating capacity at completion, and the urgent need to adopt least-cost climate change solutions. Current debt levels constrain Fiji's ability to borrow for investments in water and sewerage. The additional costs of adaptation and mitigation measures will substantially increase the cost of providing such infrastructure. While investments in water and wastewater treatment have a strong social, economic, and environmental return to Fiji, the financial returns are limited. Grant funding by GCF will allow Fiji, a small island developing state (SIDS), to undertake vital adaptation measures without either reducing funding for other high priority development needs or increasing its risk of debt distress.

A Word or Two on the Private Sector....

- **GCF and all financiers want to promote private sector engagement and involvement but there are barriers...**
 - **Lack of awareness about climate risks (especially among SMEs)**
 - **Significant differences in the makeup of private sector (formal vs informal; gender)**
 - **Time-scale of investment vs. ROI**
 - **First mover risks**
- **“Leveraging” is good, but too much of a good thing can be bad.**
 - **High leveraging means private sector has high influence over a project or program, so maximizing profits can be prioritized over reducing vulnerability**
 - **Leveraging often not useful for addressing the needs of the most vulnerable**
- **PPPs are great, but under the right circumstances**

Commonalities #1: Alignment with existing frameworks...

- **Virtually all financiers require funded projects to be aligned with existing policy and strategic frameworks!**
 - NAPA: National Adaptation Programme of Action
 - NAP: National Adaptation Plan
 - NCCSAP: National Climate Change Strategy and Action Plan
 - Sustainable development policies
 - National Development Strategy Plans (e.g. 20-year & 5-year)
 - Relevant sectoral strategies and plans
 - Relevant sub-national/regional plans
 - Gender strategies, policies, frameworks, action plans

Climate finance used to implement priorities that have already been identified....Don't reinvent the wheel!



Commonalities #2: Rigorous Evidence Base & Additionality...

- What makes this a climate change issue?
- All bankable projects are based on good research and data...
 - Problem identification: WHY IS THIS A PROBLEM?
 - Problem formulation: HOW DO YOU KNOW?
 - Project approach: WHY DO YOU THINK THIS WILL WORK?
- Consult all sources and stakeholders!
- Always test your logic.

Commonalities #3: Clear Transformative Change and Paradigm Shift...

- Identify not only vulnerabilities, but *drivers of vulnerability!*
 - Address the disease, not the symptom...
- Addressing the needs of *the most vulnerable people and groups*...
- Encouraging climate resilient and low carbon development pathways...