



BRIEFING PAPER

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Getting Nepal Ready for the **Green Climate Fund**

Source: www.inhabitat.com

The Green Climate Fund



Source: news.gcfund.org

The Green Climate Fund (GCF) was established in 2010 as an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC). It was founded to channel a large share of international climate finance and is designed to be a multilateral financing mechanism to support climate actions in the developing countries. Currently around US\$ 10.2 billion has been pledged to this fund and is expected to mobilize the major portion of US\$100 billion by 2020 from the developed countries as their financial obligation. The Fund's secretariat is based in Songdo, South Korea and the World Bank serves as the interim trustee.

The GCF will contribute to the achievement of the ultimate objective of the UNFCCC. In the context of sustainable development, the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. National ownership is thought to be central to the GCF working approach.

The GCF supports projects, programmes, policies and other activities in all developing countries parties to the UNFCCC. It will finance activities to both enable and support adaptation, mitigation, technology development and transfer and capacity building. The fund will also support implementation of national strategies and plans of developing countries such as Low Carbon Development Strategies, National Adaptation Programmes of Action (NAPA), National Adaptation Plans (NAPs) and Nationally Appropriate Mitigation Actions (NAMA) among others.

Requirements for Accessing the Fund

All developing country parties of the UNFCCC are eligible to access financial resources from the GCF. The fund envisions providing simplified and improved access to the funding, including 'direct access'. Direct access is one of the significant provision in the fund with which countries can access the resources without the support of multilateral or UN intermediaries. Countries can submit funding proposal through National Designated Authorities (NDAs) or Focal Points. The NDAs are the interface between the country and the fund. Recipient countries will be allowed direct access through accredited sub-national, national and regional implementing entities they propose and set up. However, these entities have to fulfill certain fiduciary standards set by the GCF board. GCF funds can also be accessed through multilateral implementing entities, such as accredited multilateral development banks and UN agencies. A private sector facility is also established that allows direct and indirect financing by the GCF for private sector activities.

Box 1: Institutions required to access and implement GCF resources

National Designated Authority or a focal point is an authority designated by a national government to recommend to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes. It acts as an interface between the Fund and the government.

Implementing Entities are the national entities and multilateral organizations that have been accredited by the GCF Board which meets its criteria to accessing funding in order to implement eligible activities approved by the GCF. Implementing entities must be nominated by the NDA or focal point.

Executing Entities are the organizations that execute eligible activities supported by the GCF under the oversight of accredited Implementing or Funding Entities. Implementing entities themselves can also be the executing entities.

The GCF has adaptation and mitigation windows and the Private Sector Facility. It has decided to allocate these sources in the ratio of 50:50 between adaptation and mitigation. Similarly, 50 percent allocation of adaptation money will be split into 50:50 between the developing countries and highly vulnerable countries like the Least Developed Countries, Small Island Developing Countries and African countries.

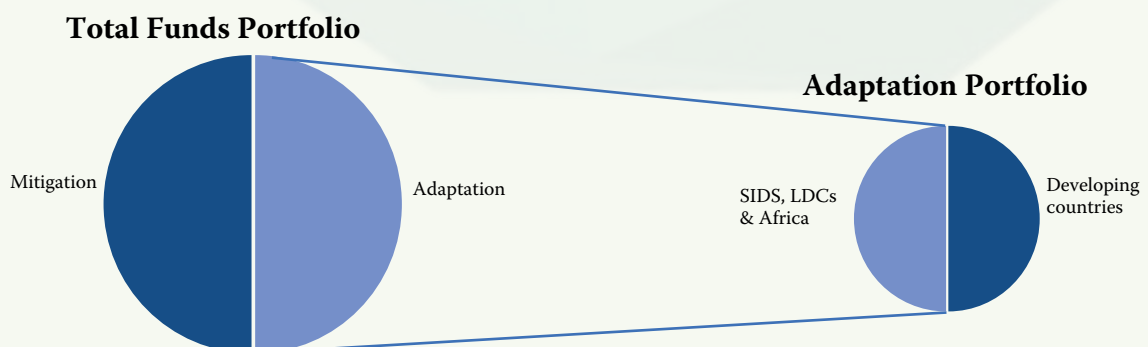


Figure 1: Allocation framework of the GCF

Nepal's Readiness to Access the Fund

The government of Nepal should consider the following measures to access funds from the GCF.

1. Strengthen National Designated Authority

Role and Function of an NDA or Focal Point

- Provide broad strategic oversight of Fund's activities in a country;
- Recommend proposals to the Fund with 'No- Objection' letter;
- Communication of nominations of national (or regional) entities for accreditation to the fund;
- Ensure consistency of funding proposals with national plans and strategies;
- Convene national stakeholders to identify priorities for funding support

The government of Nepal has nominated Ministry of Finance (MoF) as the national designated authority (NDA). The NDA will act as the interface between the fund and the country. MoF now has to initiate consultation with relevant stakeholders on how it should take its work forward. In doing so, it should take Ministry of Science, Technology, and Environment (MoSTE) in confidence as it is the focal ministry on climate change. The NDA should also inform Civil Society Organizations, private sector organizations and seek inputs for their participation and engagement.

2. Appoint National Implementing Entities

The government nominated NDA should start exploring the organizations and institutions that could potentially be the National Implementing Entities (NIE). NIE can be any national institution such as ministry or department, Non Government Organization or banking institution. Such institution should meet the accreditation standards set by the GCF board which include fiduciary standards, environmental and social safeguards, good financial track record and technical performance, experience in implementing projects and managing funds.

The appointment of NIE should be considered through a wide national consultation setting criteria for identifying which type of institution would be most appropriate to access the fund.

3. Identify Focus Area for Nepal

The GCF has set the following strategic focus areas of impact. This has been prioritized to suit the need of all developing countries.

- Food and water security
- Increased resilience of people and communities
- Increased resilience of ecosystems
- Increased resilience of infrastructure
- Reduced emission from land use and forestry
- Reduced emission from buildings and cities
- Reduced emission in energy
- Reduced emission in transport



Photo by Kritiy Shrestha, CEN

Nepal should identify its focus areas by reflecting on the existing policies, programmes and consider the need of its people and communities. Since, the fund also has Private Sector Facility, Nepal should inform and prepare the private sector to engage them from the beginning to implement climate related activities.

4. Start Readiness Programme

The GCF secretariat provides readiness support to requesting countries. Over, 26 countries have already sought readiness support from the Fund. Readiness can be utilized to strengthen NDAs, selection of implementing entities, develop country ownership plans, information sharing, experience exchange and learning. However, this is entirely based on country need and context.

As Nepal has already appointed NDA, now it should proactively seek readiness support. Currently, the fund provides small direct grants of up to US\$ 1 million per year per country once the NDAs or focal points are nominated.

5. Strengthening national capacity and institutions

Strengthening national capacity and institutions is very crucial for the effective delivery and utilization of climate finance to benefit of vulnerable people and communities. For this, government can start at the central level by establishing a National Climate Fund as envisaged in the climate change policy. Strengthening mechanisms for effective coordination among existing institutions working on climate change would be another area of importance. Enhancing capacity of local level institutions, stakeholders and linking them with the central level entities is imperative.

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