Enhancing access to climate finance through readiness support

The Global Green Growth Institute and Green Climate Fund partnership
The **Green Climate Fund** (GCF) and the **Global Green Growth Institute** (GGGI) have formed a partnership drawing on the strengths of both organisations to bolster developing country capacities to deal with the unprecedented challenge of climate change. This partnership is based on the strategic targeting of funds from GCF’s **Readiness and Preparatory Support Programme** (the Readiness Programme).

What is Readiness?

GCF has developed the Readiness Programme to progress climate action in addition to its regular portfolio of climate change projects. Readiness strengthens developing countries’ institutional capacities, governance mechanisms, and planning and programming frameworks that lead to a transformational long-term climate action agenda. It does this through grants or technical assistance. Readiness also assists in the development of innovative project pipelines for GCF and other climate financial institutions. All developing country Parties to the United Nations Framework Convention on Climate Change (UNFCCC) can access GCF’s Readiness Programme.

GGGI has become one of GCF’s major Readiness delivery partners. GGGI assists developing country National Designated Authorities (NDAs) in developing and implementing the Readiness Programme. GGGI also helps to expand funding windows for developing countries to directly access GCF funds by supporting the accreditation of national Accredited Entities. GGGI works with these organisations to develop concept notes and funding proposals to submit to GCF for inclusion in its portfolio of climate finance projects.
Addressing climate change and COVID-19

The Readiness Programme focuses on empowering developing countries build on their ambition to take climate action. As the COVID-19 pandemic has swept through much of the world, the role of Readiness can also be seen in the context of its ability to empower mutually reinforcing action that addresses both the pandemic and climate change. Readiness is well suited to help support developing countries carry out a climate-resilient recovery to COVID-19.

As a result of the COVID-19 pandemic, the world is facing a humanitarian tragedy and the broadest economic collapse in generations. But this does not reduce the need to address climate change. While the COVID-19 pandemic and the climate crisis are seemingly unrelated, they are both critical elements of a broader sustainability challenge that includes biodiversity loss, air pollution, and ocean plastic waste. Despite an initial decline of greenhouse gas emissions due to national economic slowdowns caused by COVID-19, the effects of the pandemic will not slow the cascading onset of global heating unless urgent climate action is taken. The pressing question is whether some of the trends emerging in early 2020 will lead to further structural change, or whether the world economy will simply return to business-as-usual. After the 2008-2009 financial crisis, global emissions decreased by 1 per cent in 2009 but rose by 5 per cent in subsequent years due to recovery investments.

Climate change is a global phenomenon. Fostering sustainable development while limiting climate change to well below 1.5°C, as stipulated in the Paris Agreement, will require the mobilisation of finance at a historic scale. Over the next 15 years, it is estimated the world needs about USD 90 trillion in climate smart infrastructure – most of it in developing countries. Investing in green, climate-resilient development will help mitigate the impacts of climate change and enable vulnerable societies adapt to its negative effects. Climate finance plays a vital role in accelerating the implementation by countries of their Paris Agreement climate priorities, known as Nationally Determined Contributions (NDCs), and in advancing the Sustainable Development Goals (SDGs) by 2030.
Catalysing climate finance and COVID-19 climate-resilient recovery

Against the background of the deep humanitarian and financial crisis unleashed by COVID-19, continued efforts to assist climate-resilient development, mitigation and adaptation initiatives will be critical to developing countries. Already the most vulnerable to climate impacts, they are likely to suffer the most from COVID-19. Food insecurity and poverty are particularly pronounced among vulnerable groups, including women and youth. In April 2020, the World Food Programme (WFP) Executive Director told the UN Security Council that the number of people on the brink of starvation, facing a crisis level of hunger, could double from 135 million pre-COVID-19 to 265 million by the end of 2020.

Climate investments that foster a paradigm shift towards low-emission, climate-resilient development will complement options being considered by global and national leaders to help countries recover from the devastating socio-economic effects of the pandemic. The co-benefits from such investments will contribute to job creation and food security among other socio-economic benefits.

Developing countries may not have the financial resources to consider billion and trillion dollar stimulus packages. Constrained by debt and inflationary pressures, they will need to use scarce public resources to catalyse larger public and private financial flows to revive their economies and foster green growth. The full impact of the COVID-19 pandemic is still unfolding. Still, the pressure is already mounting on governments to invest in COVID-19 recovery packages while facing budget shortfalls, rising debt, and declining tax revenues.

For countries that can afford recovery packages, there is a crucial choice between designing economic recoveries to restart the brown economy or seizing the opportunity to accelerate the transition to a green economy. A green economy approach would be a deliberate choice to build back sustainably.

GGGI and GCF are uniquely positioned to contribute to sustainable recovery in developing countries by supporting climate investments that also provide important socio-economic benefits, including jobs. Studies show that per USD invested, two to three times more green jobs are created by renewable energy and energy efficiency projects than the brown jobs created by fossil fuel projects. Many development projects have the potential to achieve this dual objective, including renewable energy, energy efficiency and nature-based adaptation initiatives. Investment in climate-resilient agriculture, water management and sanitation can protect livelihoods and restore ecosystem services.

Both organisations are taking adaptive measures to help developing countries carry out a climate-resilient recovery to the pandemic. COVID-19 recovery plans create an opportunity to build back better, and recent findings show that there is public support for greening COVID-19 recovery plans. While the primary objective of these recovery plans will be to generate short-term employment and income to restart economies, the significant investments involved can also play an important part in accelerating climate action.

In terms of the Readiness Programme, GCF measures include providing blanket no-cost extensions for eligible grants for up to six months, additional resource allocation to meet budget shortfalls and increased flexibility in budget re-allocation. In addition, developing countries can request for a standardised rapid readiness grant to craft climate-resilient recovery measures and strategies; incorporate these measures into NDCs and stimulus packages; explore innovative financing approaches without adding to a country’s debt burden; and develop concept notes for green recovery projects.
GGGI and GCF strengthen ties to help mobilise finance

Both GGGI and GCF are well placed to address constraints faced by developing countries in enhancing their ability to mobilise climate finance to where it will deliver the greatest impact, including a dearth of institutional capacity. The GGGI mandate is to help develop a low-carbon, resilient world of strong, inclusive and sustainable growth. The Institute works with its Members and partners to mobilise finance in support of climate action plans and projects aiming to achieve climate targets. GGGI has already helped mobilise over USD 1 billion in green investments and climate finance. GGGI has done this by supporting countries tap into financing from diverse sources, including bilateral aid, multilateral development banks, and the private sector.

GCF has become a critical source of climate finance. Set up by the United Nations Framework Convention on Climate Change (UNFCCC) in 2010 as a financing mechanism of the Convention, it is now the largest dedicated fund delivering climate finance for developing countries. GCF helps countries realise their NDCs by assisting them implement transformational climate mitigation and adaptation action. GGGI and GCF have already established a strong track record of collaboration in using the GCF Readiness Programme to support developing countries’ paradigm shift towards low-emission, climate-resilient development. These two global organisations based in the Republic of Korea, strengthened their common goals and ability to deliver results in developing countries by signing a Framework Readiness and Preparatory Support Grant Agreement in 2017. Under this strategic partnership, GGGI supports its Members and partners to enhance access to GCF financing through GCF’s Readiness Programme.

To ensure that GGGI remains a neutral adviser to governments, it carries out this work as a Readiness Delivery Partner. It is not a GCF Accredited Entity, which proposes and carries out climate finance projects that are approved at regular GCF Board meetings. Over 20 countries have requested GGGI to act as a Readiness Delivery Partner. GGGI’s in-country teams have supported 21 GGGI’s government partners access over USD 19 million in GCF-approved Readiness funding and submitted over USD 12 million of Readiness proposals.

The GCF readiness and preparatory support programme

This programme provides resources and technical assistance to develop policies, strategies and mechanisms for low-emission investment. It can also be used to enhance the capacity of NDAs, DAEs, Civil Society Organizations (CSOs), and the private sector to enhance climate finance coordination and integrated country programming. NDAs can submit a Readiness proposal for up to USD 3 million over 3 years, within a cap of USD 1 million per year. Each country can also access up to USD 3 million for adaptation planning.

The Green Climate Fund (GCF)

GCF is the world’s largest dedicated climate finance fund. It was set up by the UNFCCC in 2010 as a unique global platform mandated to make an ambitious contribution to the global response to climate change by investing in low-emission and climate-resilient development. GCF supports the efforts of developing countries and vulnerable communities to raise and realise their climate ambitions and actions.
GGGI’s Readiness Programme activities

As a Readiness Delivery Partner, GGGI can support the Readiness Programme implementation through various interventions.

**Private sector mobilization**

- In Mongolia, GGGI’s Readiness activities have focused on developing the Mongolia Green Finance Corporation as a market instrument to mobilise private financing to help reach the greenhouse gas (GHG) reduction targets defined in Mongolia’s NDC.
- In Vanuatu, GGGI helped to establish the National Green Energy Fund as a tool for the government to leverage private capital to spur public and private sector investments in renewable energy and energy efficiency.

**Access to climate finance**

- GGGI’s Readiness work is helping Burkina Faso, Cambodia, Cote d’Ivoire, Ethiopia, Fiji, Guyana, Indonesia, Jordan, Mexico, Morocco, Mozambique, Myanmar, the Philippines, Uganda, and Vanuatu access climate finance by developing upwards of 70 concept notes to submit to GCF.
- Following the completion of a Readiness Programme initiative in Mongolia, national DAE XacBank submitted a GCF funding proposal for the Mongolia Green Finance Corporation worth USD 70 million.
- In Thailand, GGGI’s Readiness activities have resulted in the development of a green investment plan to reduce GHG emissions and enhance the competitiveness of the food industry - which accounts for about 7.2 per cent of the country’s GHG emission in 2017.
- In Rwanda, concept notes for the development of green secondary cities and eco-industrial parks were developed as part of GGGI’s Readiness work.

USD 19.6 million in GCF approved Readiness funding

- **Completed** in 7 countries (Guiana, Lao PDR, Mongolia, Papua New Guinea, Rwanda, Thailand, and Vanuatu)
- **In progress** in 17 countries (Burkina Faso, Cambodia, Cote d’Ivoire, Ethiopia, Fiji, Indonesia, Jordan, Lao PDR, Mexico, Morocco, Mozambique, Myanmar, the Philippines, Rwanda, Sri Lanka, Uganda, and Vanuatu)
- **Proposals submitted** for 11 countries (Angola, Colombia, Dominica, Ethiopia, Guyana, Jordan, Lao PDR, Paraguay, Togo, Vanuatu, and Zambia)

**Stakeholder engagement & capacity building**

- In Indonesia, Lao PDR, Mexico, Papua New Guinea, the Philippines, and Uganda, GGGI’s Readiness activities are supporting the development and updating of GCF Country Programmes (which help match national climate action plans with GCF climate finance support).

**Supporting direct access entities**

- In Burkina Faso, Cote d’Ivoire, Fiji, Guyana, Indonesia, Jordan, Mexico, Mozambique, Myanmar, the Philippines, Uganda, and Vanuatu, GGGI’s Readiness work is helping organisations apply to become GCF’s new DAEs.

**Adaptation planning**

- Readiness will support the preparation of Rwanda’s National Adaptation Plan for submission to the UNFCCC and in building flood resilience in Rwanda to produce precise and implementation-ready planning and improve the capacity of the private sector and practitioners to mainstream adaptation and resilience practices into their planning, design and construction.
- In Sri Lanka, Readiness aims to build the resilience of the most vulnerable sectors and communities to adverse climate effects by strengthening the country’s ability to implement its National Adaptation Plan. This will include developing provincial adaptation plans; supporting climate change adaptation mainstreaming into development planning and budgeting; building stakeholder capacities; and supporting the establishment of a climate information system and national adaptation fund.

- In Lao PDR, concept notes have been drawn up which mainstream climate change into urban management and planning - with a focus on investment and infrastructure that improves flood management and utilizes climate-resilient buildings.
READINESS IN ACTION

Supporting green finance in Mongolia

Mongolia’s Ministry of Environment and Tourism (MET) oversees climate policy planning and implementation. While acting as GGGI’s host Ministry in country and GCF’s NDA, it is the focal point of GGGI-GCF collaboration in helping Mongolia enhance its NDC.

This Readiness grant funded by GCF with GGGI acting as the Delivery Partner has supported XacBank, a Mongolian private sector direct access entity, develop a climate finance project to submit for GCF Board approval. This project is designed to create the Mongolia Green Finance Corporation (MGFC), a public fund based on a private sector initiative. It aims to provide medium and long-term credit resources, lower cost credit resources to reduce interest rates to end-borrowers, and set up a risk-sharing facility for participating banks.

The rationale of the MGFC is to disburse resources to financial institutions that support green projects, with an emphasis in the short term on energy efficiency. Preliminary assessments have identified pressing needs in Mongolia to reduce air pollution from burning wood and raw coal for heating in inefficient cooking stoves in informal settlements surrounding the capital Ulaanbaatar known as gers. During winter, Ulaanbaatar experiences some of the worst air pollution rates in the world. The MGFC is also intended to help finance the thermal retrofitting of housing units and public buildings, and replace highly energy intensive equipment used in industry.

This Readiness grant has supported three market assessments, and the further development of a concept note to establish the MGFC as part of a funding proposal to GCF. GGGI’s Readiness work has also helped XacBank submit a successful application to GCF’s Project Preparation Facility (PPF), a special financing window of up to USD 1.5 million for each application designed to ease access to GCF resources.

Mongolia lacks the resources to finance its planned transition to a low-carbon and resource-efficient economy and achieve its NDC target. The financing needed to achieve these goals is estimated to be USD 3.5 billion, or 35 per cent of its GDP. Despite a supportive policy environment, both the Government of Mongolia and the domestic financial sector are unable to deliver finance at scale due to the high cost of capital and a lack of knowledge about green finance and its opportunities. Until recently, Mongolia’s existing green financing facilities have lacked the scale needed to generate transformational impacts.
READINESS IN ACTION

Reducing industrial emissions in Thailand

The Office of Natural Resources and Environmental Policy and Planning (ONEP), under the Ministry of Natural Resources and Environment, is Thailand’s NDA with GCF. It is mandated to handle all climate finance matters. GGGI has been working with ONEP since 2014. To help accelerate NDC implementation, GGGI supported the development of Thailand’s Industry GHG Reduction Roadmap in 2016, the NDC Action Plan for the Industrial Sector in 2017, and an NDC capacity needs and gaps assessment in 2018.

To achieve its NDC targets, GCF’s Readiness support has assisted the ability of Thailand to strengthen project evaluation processes and develop a sectoral investment plan with the potential to develop a climate finance project pipeline.

Through the GCF Readiness Programme, Thailand is now in a better position to access GCF financing, especially in industrial green project development. This includes a proposed investment plan for green growth investment opportunities in Thailand’s food processing industry. This plan was developed in close consultation with the private sector, particularly small and medium-sized enterprises (SMEs) - that traditionally have limited access to finance due to a lack of credit history, collateralisation, and reliable financial statements. To overcome these financial barriers, a credit guarantee has been proposed with an existing support scheme from the government to initiate two new financing facilities: The Green Growth Loan Facility and the Solar PV Rooftop Green Bond Facility. These facilities are designed to encourage investment in green technologies that not only reduce industrial production costs but also help reduce national GHG emissions.

Thailand is committed to reducing GHG emissions by 20-25 per cent from business as usual by 2030 as agreed under the Paris Agreement. To meet these targets, the country has developed an NDC Roadmap on Mitigation 2021–2030, which details how the country can achieve its targets by reducing emissions in major sectors. The industrial sector is expected to play the largest part, with a plan for it to represent 8 per cent of the total 20 per cent GHG emissions reduction goal. Thailand is exploring international resources, in addition to limited domestic resources, to fund a low-carbon transition. GCF financing has been identified as a national priority.
Since Rwanda became a GGGI Member in 2013, GGGI has supported this African country’s government implement an Economic Development and Poverty Reduction Strategy. This is intended to promote green urbanization and provide technical support to Rwanda’s National Fund for Environment and Climate Change (FONERWA).

The Rwanda Environment Management Authority (REMA), GCF’s NDA, has nominated GGGI to implement Readiness support with a focus on green city development. This is intended to ensure private sector engagement, NDA capacity building and the institutional strengthening of national coordination. The Readiness Programme has supported detailed plans for a green city, while providing opportunities for private sector investment. Readiness support has led to the development of four concept notes aimed at seeking GCF project financing. In addition, GGGI-GCF Readiness collaboration will help Rwanda develop a National Adaptation Plan (NAP), designed to assist countries carry out median and long-term measures to adjust to a changing climate. The “National Adaptation Readiness and Preparatory Support for Building Flood Resilience Capacities in Rwanda,” approved in January 2020, building on current measures, strategies and policies, will coordinate different government agencies and targeted multi-stakeholders for effective flood and landslide planning and prevention in Rwanda’s most vulnerable zones.

Country leadership and ownership in GGGI’s work were critical in providing Readiness support. Programme ideas and activities were aligned to existing and ongoing government interventions at the national and sub-national levels. This created an important entry point to mainstream climate change mitigation and resilience principles into national planning. Moreover, the robust stakeholder engagement process ensured that participatory methods were gender balanced, with meaningful feedback from both the decision makers and beneficiaries.

Greening cities in Rwanda

Rwanda has experienced strong economic growth in the past decade across a wide range of sectors. Coupled with rapid population growth, this has put pressure on land, water, food and energy resources that are already threatened by climate change effects. Rwanda is highly vulnerable to climate change, resulting in more frequent and severe floods and storms, landslides, crops losses, health risks, and infrastructure damage. As a result, adaptation to climate impacts is a major priority for Rwanda.
Vanuatu’s ability to achieve its SDGs is constrained by its limited resource base and high vulnerability to natural disasters, which are exacerbated by climate change impacts. Consequently, this South Pacific Small Island Developing State (SIDS) relies on external support, including climate finance, to advance its development objectives and enhance its climate adaptation capacity. Insufficient technical expertise also hinders the ability of Vanuatu to develop quality proposals for climate funding. GGGI’s in-country presence has provided options for Vanuatu to bridge this technical assistance gap.

**READINESS IN ACTION**

Laying the financial foundation for increasing access to clean energy in Vanuatu

GGGI’s NDA is Vanuatu’s Ministry of Climate Change, Change Adaptation, Meteorology, Geo-Hazards, Environment, Energy and Disaster Management. The Ministry is responsible for implementing national climate priorities and ensuring alignment among development stakeholders, contributing to the realisation of Vanuatu’s NDC and the SDGs. GGGI’s positioning within the NDA provides opportunities for strategic collaboration with the government to help the country achieve national and international commitments.

GGGI has supported the government’s efforts to set up institutions and plans backing an inclusive and environmentally friendly energy transition. This work included updating the National Energy Road Map (NERM) and supporting the establishment of the Vanuatu National Green Energy Fund (NGEF). This prioritises energy access and the use of renewable energy and energy efficient technologies to enhance the livelihoods of more than 35,000 households in rural off-grid and remote areas.

In 2018, GGGI completed a Readiness initiative, which focused on the capitalization and operations of the NGEF. To provide a clear basis for interventions by the NGEF, GGGI conducted a market demand assessment for energy services in both rural and urban areas, with a focus on renewable energy and energy efficiency. This initiative included preparing a detailed study of the targeted market segments within the energy services market for the NGEF. It also incorporated a comprehensive investment analysis of the business models in sustainable energy services, including off-grid energy, renewable energy and energy efficiency. The Readiness grant funding also developed prioritisation criteria to generate an investment pipeline for NGEF projects and programmes.

Readiness support has strengthened the NGEF’s ability to seek climate finance support. An investor forum in 2018 showcased the NGEF and its project pipeline, triggering interest from a number of potential donors. The Government of Vanuatu injected initial capital funding in 2018, 2019 and 2020, totaling USD 1.2 million for the NGEF’s operations and initial investments.

The success of the NGEF Readiness assistance has led to two additional Readiness initiatives, which GCF approved in 2019. The first aims to draw in private sector funding to advance Vanuatu’s long-term climate disaster risk reduction by supporting the institutional strengthening of the Vanuatu Chamber of Commerce and Industry and the Vanuatu Business Resilience Committee. It will also provide training to businesses and industries focused on project preparation and resilience building. The second initiative will support the accreditation of a candidate DAE, Vanuatu’s Ministry of Finance and Economic Management, and develop a project concept note to enhance direct access to GCF.
Continuing GGGI-GCF collaboration in a COVID-19 world

A shared feature of GGGI and GCF is that they are both partner-driven organisations. These two global bodies will continue to work closely with developing countries to explore ways in which they can support economic recovery efforts and assist the transition to low-carbon, climate-resilient pathways in the context of the COVID-19 pandemic and its aftermath. Finding ways to catalyse climate-resilient recovery that best meets local conditions will be at the forefront of continued Readiness collaboration between GGGI and GCF.
The Global Green Growth Institute (GGGI)

Based in Seoul, the Republic of Korea, GGGI is a treaty-based international, inter-governmental organisation that supports developing country governments transition to a model of economic growth that is environmentally sustainable and socially inclusive. GGGI delivers programs for more than 30 Members and partners – in Africa, Asia, the Caribbean, Europe, Latin America, the Middle East and the Pacific – with technical support, capacity building, policy planning and implementation, and by helping to build a pipeline of bankable green investment projects.

Contact
Julie Robles
Manager, Partnerships Program and GCF Portfolio
+827071179959
julie.robles@gggi.org
https://gggi.org/

The Green Climate Fund (GCF)

GCF supports developing countries reduce their greenhouse gas emissions and strengthen their adaptation to climate change. It drives climate finance to where it is needed most: in Least Developed Countries, Small Island Developing States, and African States. GCF’s innovation is to use public investment to stimulate private finance, unlocking the power of climate-friendly investment for low-emission, climate-resilient development. To achieve maximum impact, GCF seeks to catalyse funds, multiplying the effect of its initial financing by opening markets to new investments and de-risking projects to make them bankable.

GCF focal point
Lifeng Li
Coordinator, Support Programmes
+82324586384
lli@gcfund.org
https://greenclimate.fund