

FACTSHEET

Knowledge Exchange Between the Green Climate Fund National Designated Authorities

Indonesia, Mongolia, Papua New Guinea, Uganda

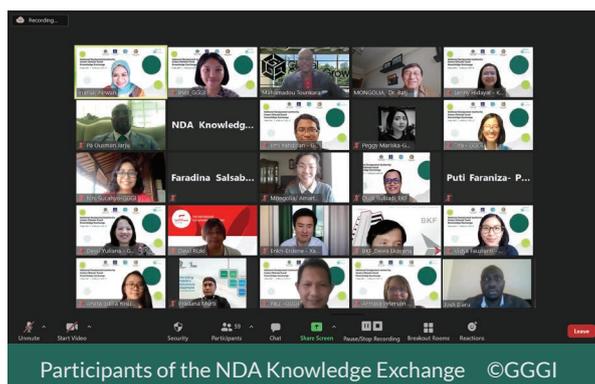
Event Background

The Green Climate Fund (GCF) is a financing mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) specifically established to provide financial support so that countries can reach their emissions reduction targets. GCF funding for country projects follows the principles of country ownership and alignment to country's priorities.

The implementation of GCF's country ownership principle commonly identified with these three attributes: (1) alignment of GCF investments with national policies and priorities; (2) meaningful engagement with non-state actors; and (3) having a (greater) say in the use of climate finance, including through national identification of project concepts and direct access¹. The National Designated Authority (NDA), or the focal point between the GCF and a developing country, takes the role to ensure the implementation this principle in GCF's funding mechanism. All NDAs operate independently according to their country's institutional and regulatory arrangements with several guiding principles from the GCF.

Noting that countries have a varying degree of progress in accessing the GCF through their respective NDA and understanding that GCF procedures are conducted differently in every country based on country-specific circumstances, NDAs of Papua New Guinea, Mongolia, and Indonesia, supported by the Global Green Growth Institute (GGGI), gathered to initiate a knowledge exchange forum that allows countries to share their experiences and consult one another on best practices and discover the possibility of applying some of these best practices domestically. It is expected that the knowledge exchange can optimize the deployment of resources by enhancing NDA business processes through adoption of best practices.

To provide a summary on the degree of progress in each country, the table on the right is a compilation of the brief GCF portfolios of the four countries.²



Brief GCF Portfolio in Each Country²

 <p>Indonesia</p> <p>National Designated Authority Fiscal Policy Agency, Ministry of Finance</p> <p>Total GCF Financing USD 273.3 million</p>	<p>2 Readiness Activities</p> <p>2 Direct Access Entity</p> <p>2 National Project</p> <p>3 Multi-Country Project</p>
 <p>Mongolia</p> <p>National Designated Authority Ministry of Environment and Tourism</p> <p>Total GCF Financing USD 437 million</p>	<p>7 Readiness Activities</p> <p>2 Direct Access Entity</p> <p>7 National Project</p> <p>3 Multi-Country Project</p>
 <p>Papua New Guinea</p> <p>National Designated Authority Climate Change and Development Authority</p> <p>Total GCF Financing USD 2.4 million</p>	<p>3 Readiness Activities</p>
 <p>Uganda</p> <p>National Designated Authority Ministry of Finance, Planning, and Economic Development</p> <p>Total GCF Financing USD 73.7 million</p>	<p>1 Readiness Activities</p> <p>1 Direct Access Entity</p> <p>1 National Project</p> <p>7 Multi-Country Project</p>

¹ Final report on the independent evaluation of the GCF's Country Ownership Approach (2019)

² As of May 2021

Learning Area #1 Nominating and Supporting Accreditation Process of National Entities

Aligning accreditation nomination with the country programme

As stated in the GCF Programming Manual, a Country Programme is a key project originating tool to strengthen the proactive and strategic approach of funding proposals which have high-impact and advances national priorities. The mandates and programmes of national Direct Access Entity (DAE) should align with the Country Programme in the specific country where it is located. The national DAEs bears the role as enabler of the Country Programme and fund projects that will achieve the country’s climate ambition.

One of the National Designated Authority (NDA)’s roles is to assist and nominate national entities that have a working sector that aligns with the Country Programme. Some countries may do so by building their accreditation pipeline such as Papua New Guinea (PNG), and others may intend to expand their list of DAEs, like Indonesia and Uganda. Currently, PNG is assisting five national entities and looking to prioritize 1-2 entities to be nominated for accreditation through a gap assessment of the entity’s readiness.

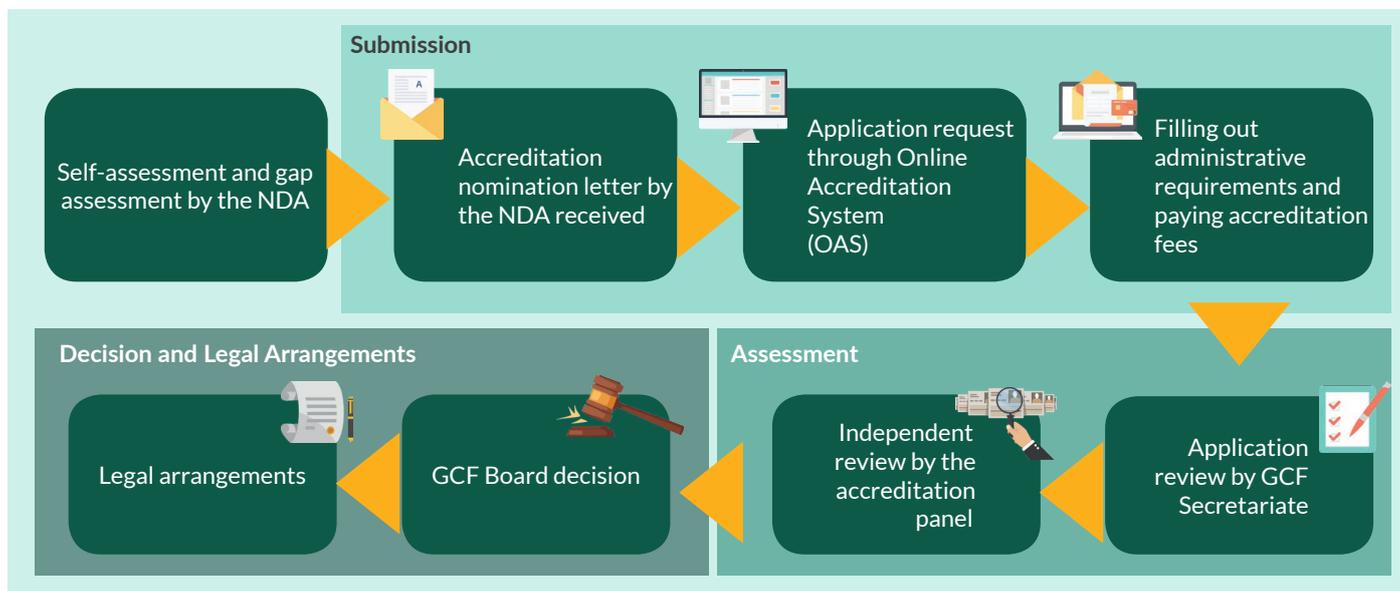
Apart from the working sector, the entity’s ability to channel various financial instruments and experience of working with various beneficiaries is also considered for accreditation nomination. Uganda has one accredited entity, the Ministry of Water and Environment, and also has a list of nominated entities with different mandates and purposes. A similar strategy is also practiced in Indonesia. PT. Sarana Multi Infrastruktur (PT. SMI), which was accredited in 2018, is a State-Owned Enterprise under the Ministry of Finance with a limited mandate to infrastructure and can only grant loans to private sector and local governments. Indonesia’s newly accredited DAE, Kemitraan, will address the country needs in areas other than infrastructure. It can cover smaller projects in the adaptation sector and collaborate with grassroots-level beneficiaries, such as local NGOs, MSMEs, and smaller communities.

Addressing challenges in the accreditation process

Undergoing the GCF accreditation can sometimes be a long and challenging journey. The high standards require entities to choose the most suitable accreditation category and prepare heavy documentations in order to be approved. Kemitraan of Indonesia and Trade & Development Bank (TDB) of Mongolia as DAEs who experienced the accreditation process first-hand, conveyed some challenges from the process.

- 1. Choosing the accreditation category**
 A DAE needs to understand its capabilities and how it fits into the GCF Accredited Entities’ categorization³. The categories are based on funding size, project risk, and fiduciary standards. Although the entities are allowed to choose the categories to be accredited to, GCF will review the application based on their experiences and track-record to decide which categories suits the entities best. Some DAEs may have also applied for higher funding size but settled with a lower one due to the GCF decision. This choice of categories needs to be communicated not only to the GCF, but also to the respective entities’ board members.
- 2. Fulfilling the institutional standards**
 Other challenges that often arise are from meeting the GCF operational procedures standards. The GCF has a high standard in policies, such as Environmental and Social Safeguards, Gender policies, Indigenous People policies, Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) policy, among others. These policies need to be presented in details and comply to the expected standard in order to be approved by the GCF. Moreover, even if a national entity does possess such policies and documents, provision of properly translating these documents to English is often another barrier that needs addressing.

Box 1 GCF Accreditation Process for National Entities



³ GCF Accredited Entities category: <https://www.greenclimate.fund/about/partners/ae>

Box 2 Role division of Indonesia DAEs in accordance with Indonesia Country Programme Priorities

	Consideration	PT. Sarana Multi Infrastruktur (PT. SMI)	Kemitraan
Mitigation	Cost-effectiveness	Financing medium-large infrastructure projects , e.g. power plant, transportation	Financing innovative micro-small projects
	Financial gap	Financing infrastructure project , such as renewable energy generation & access, and energy efficiency projects	Financing climate cross cutting adaptation - mitigation activities
	Mitigation Beneficiaries	Capable of providing financing to private sectors	Providing grant for early private sector project development
Adaptation	Vulnerability of Provinces	Financing climate-adaptive infrastructures at remote and vulnerable regions	Non-infrastructure activity with national coverage, including remote and vulnerable regions
	Adaptation Beneficiaries	Capable of providing loans to local government	Strong network with communities, local governments, and CSOs
	Adaptation Sector priorities	Covering water and health	Covering agriculture and marine & coastal

Learning Area #2 Developing Direct Access Project Pipeline

Generating good project/program proposals

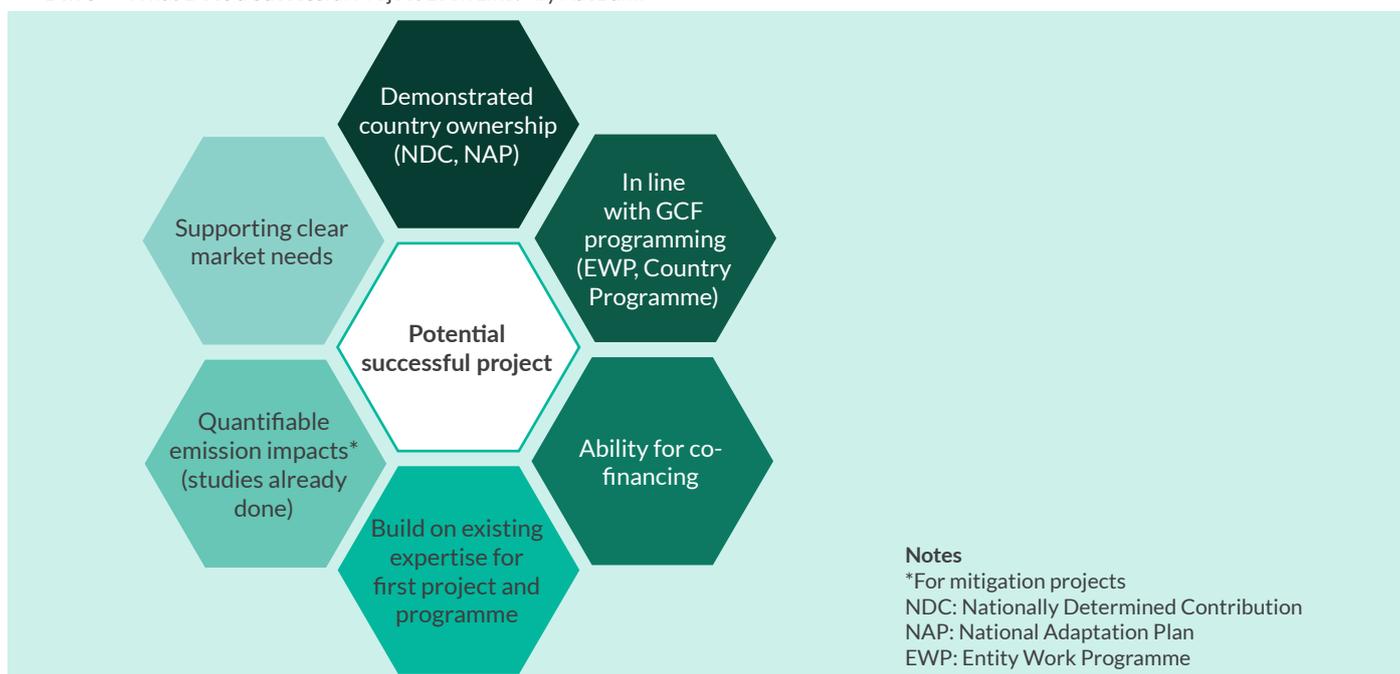
Currently, the GCF is encouraging more Direct Access Entities to propose additional projects in order to execute the country ownership principle. The projects submitted and approved by the GCF often came from International Accredited Entities (IAEs). This mostly resulted from the lack of quality concept notes/proposals proposed by DAEs. NDAs and DAEs collaboration can generate better quality projects that are innovative and have high impacts. The NDA can help DAEs to ensure the project alignment with national priorities from an early stage and coordinating with similar projects submitted to the NDA to achieve a programmatic approach.

The NDA of Indonesia conducted a pilot program called “Call for Project Concept Note”, which aimed to gather project ideas from across the nation and provide technical assistance for shortlisted concept notes. The technical assistance also included a matchmaking forum with the Accredited Entities operating in the country. These steps were designed to ensure

the projects will fit into the GCF standards and have higher chance to be followed up to project development stage. Through the process, the project become demand-based and answer to the market needs. In addition, it builds on the capacity of national stakeholders in designing and developing climate project concept notes and proposals. From this program, Indonesia identified several highly potential projects and is able to submit four concept notes under international and national accredited entities. The four concept notes submitted covers the energy and forest & land use sectors, while a soon to be submitted concept note covers the adaptation sector.

XacBank also shared some of the experiences in developing both programs and projects along the five years of being accredited. They focuses mostly on financing facilities for renewable energy, energy efficiency, and direct Green House Gasses (GHG) reduction on a national-level. This strategy, although possesses a more complicated technical requirement, can produce a project that has a paradigm-shifting and programmatic approach. They also shared what they believe to be the six pillars of developing a successful project/program.

Box 3 “What Does a Successful Project Look Like?” by XacBank



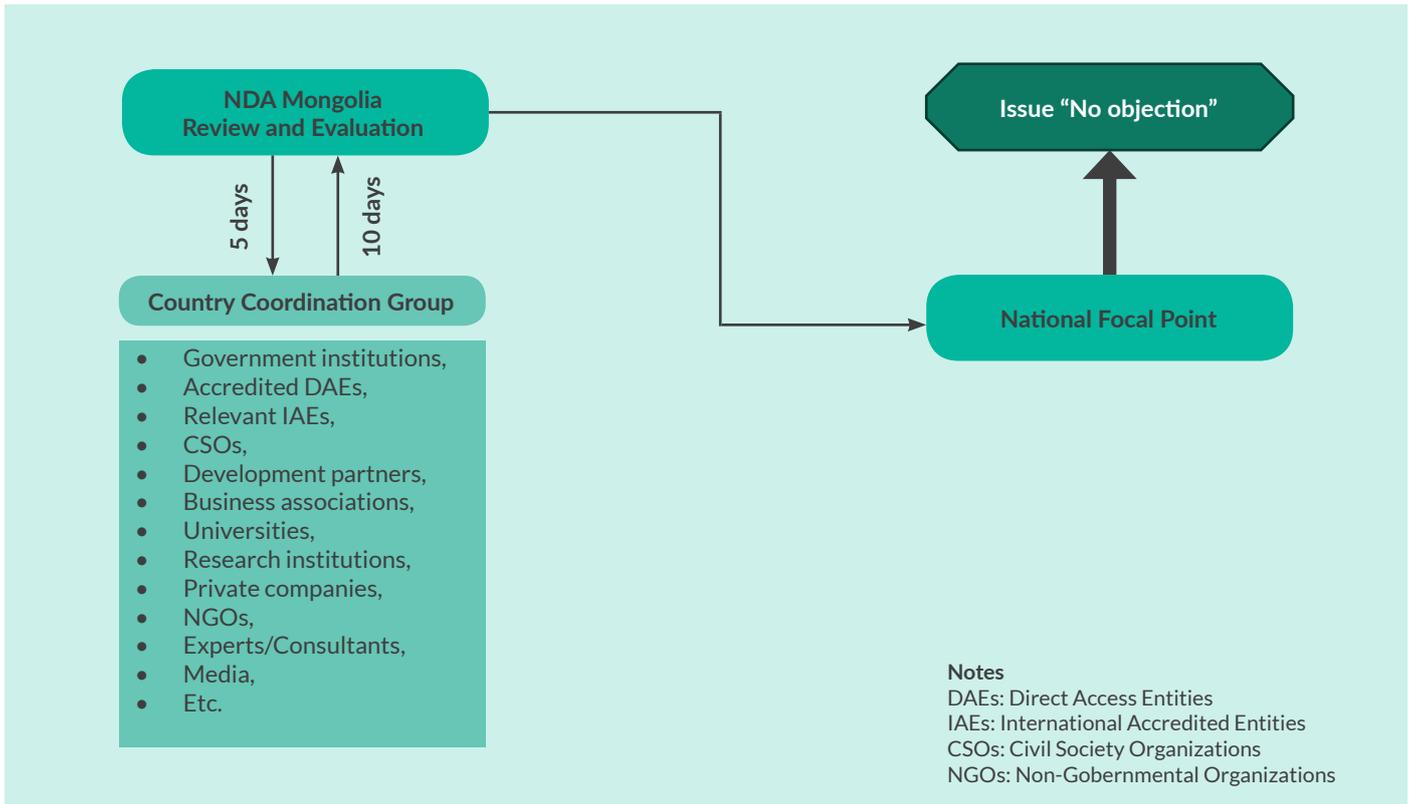
Developing an inclusive No-Objection Letter Issuance Process

Another indicator of a good project is strong engagement with related stakeholders. The NDA of Mongolia and Indonesia provide a good example in developing a thorough No-Objection Letter procedure within the respective countries. No-Objection Letter is issued by the NDA to ensure the alignment of proposed project/programme with national climate strategies and plans. This letter also serves as confirmation to the GCF that the NDA supports the proposal submission to the GCF.

Both NDAs include an extensive range of stakeholders' engagement with a transparent process and a strict timeline.

The NDA of Indonesia developed a NOL Consultation process that requires a Focus Group Discussion (FGD) consisted of Line Ministries, Ministry of Women Empowerment and Child Protection, representatives of CSOs and impacted communities, and independent sectoral expert reviewers. The decision of NOL issuance itself should be conveyed to the Accredited Entities within a maximum of 17 working days, with the FGD session included. Similarly, the NDA of Mongolia has a procedure that includes even more extensive list of stakeholders called Country Coordination Group. The timeline of the process is also limited to around 15 days. Therefore, the effort of being inclusive will not cost the interest of the Accredited Entities due to time uncertainty.

Box 4 Mongolia's No-Objection Procedure



View of Jakarta, Indonesia from above ©GGGI

Strengthening Direct Access Modalities

A strategic approach and key steps taken by both the NDA and DAE will produce strong direct access modalities, such as the national accreditation and project pipeline. The NDA Knowledge Exchange event has extracted some lessons learned and recommendations for the NDAs and DAEs, based on the discussion of the four countries.

Recommendations for the NDAs

On Supporting Accreditation

- Constant support from the NDA to the potential DAEs meeting the complex GCF accreditation will accelerate the accreditation process. The support can be in a form of strategic guidance in choosing the accreditation category, or technical assistance in fulfilling the documentation and annexes using the Readiness program.
- A gap assessment prior to nominating a national entity into accreditation will help assess the current condition of the potential DAE. The Self-Assessment Tool from the GCF and the gap assessment from the NDA will add more perspective on how long the accreditation process will be for national entities.

On Assisting Project/Program Development

- The NDA can take a proactive approach in identifying project ideas and drive concept note development. The key steps to ensure the project idea will move forward to project development is by including DAEs and IAEs early in the process.
- The Privileges and Immunities Agreement (PIA) with the GCF and the Country will allow exemption of national withholding taxes to continue the financial term concessional.
- An inclusive No-Objection Letter (NOL) consultation will ensure strong country ownership. It may involve a group of related stakeholders who can review the proposed project/programme from various perspectives, with a time-bound feedbacks to avoid stalling the NOL decision.

Recommendations for the Nominated DAEs and DAEs

On Undergoing Accreditation

- A dedicated in-house team that deals with the entire accreditation process, which can be expanded to hiring external experts in weaker areas, will accelerate the accreditation process.
- Providing a strict deadline in answering the GCF feedback to minimize delays. It will be beneficial to have time-bound rounds of revision or answers.
- Complete documentation of climate project track record, or similar accreditation documents from other donors, will greatly support the process.
- Manage expectations of some time-consuming tasks such as developing new policies, translation of supporting documents, and revising existing policies.
- Familiarization with GCF facilities will be highly beneficial to support in improving the institutional capacity and developing projects. For example, the Readiness facility can be utilized by DAE to strengthen its internal standards matching with the GCF accreditation requirements; Project Preparation Facility can be applied to conduct feasibility studies and other project preparation to develop funding proposals.

On Developing a Project/Program

- Ensure appropriate co-financing according to the project type and size to show good ownership.
- The need to support (and not crowd out) private sector must be clearly stated.

For more information about the GCF NDAs:

 www.greenclimate.fund/countries

Event's Recording:

 [NDA Knowledge Exchange](#)



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