APPROACHES TO CLIMATE FINANCE READINESS

Adaptation Fund Secretariat, Washington DC
2 May 2014
Ari Huhtala, Deputy CEO – CDKN
ari.huhtala@cdkn.org / www.cdkn.org
Key messages

• Experience of global health funds demonstrates that many countries in sub-Saharan Africa have made a success of the direct access modality. Countries have managed the direct transfer of funding from an international funding source into their national systems, at scale, and under the control of the national government.

• Understanding of access modalities cannot be limited to one element of the institutional architecture through which funding decisions are made and finance flows; to examine questions of effectiveness a ‘whole system’ approach is required, where the roles and responsibilities of all components of fund delivery come under scrutiny.
Key messages

• There are financial management challenges to be faced by global funds that disburse funding directly to national organisations in countries where national capacity is limited. Under such circumstances weaknesses in financial management can be expected to occur; operating in such an environment should acknowledge this and manage the ensuing risks as part of a long-term capacity strengthening effort.

• A significant issue for all global funds is the practical application of the concept of ‘country ownership’. If it is acknowledged as a principle of operation, there needs to be a clear mechanism in place that can credibly demonstrate such ownership.
Key messages

• Lengthy periods taken up in project screening and approval processes has been a characteristic of a number of international climate funds to-date. This highlights that some aspects determining access to funding are beyond the control of the countries requesting support.

• There are considerable practical challenges to the early start-up of fund disbursement, particularly if additional national structures are required. These challenges should not be under-estimated by new global funds, such as the Green Climate Fund; they will require the full application of the GCF commitment to support readiness activities within eligible countries in order to secure improved access for recipient countries.
Ethiopia’s Climate Resilience and Green Economy Facility (CRGE Facility)

Milestones in Ethiopia’s response to climate change

<table>
<thead>
<tr>
<th>Timeline</th>
<th>CRGE Milestone</th>
</tr>
</thead>
</table>
| 2009     | EPA provided with the mandate to lead and coordinate the climate change response of Ethiopia  
EPA assigned as the Designated National Authority (DNA) to the UNFCCC |
| 2010     | Early climate change adaptation interventions mainly in the agriculture sector |
| 2011     | Development of the green economy strategy  
Establishment of CRGE entities – Inter-Ministerial Committee, CRGE Technical Committee and sectoral CRGE units |
| 2012     | Efforts to mobilize finance including establishment of the CRGE Facility  
Detailed adaptation planning for the Agriculture Sector – the Agriculture Sector Climate Resilience Strategy  
Development and implementation of mitigation and adaptation projects  
Initiation of the Sectoral Reduction Mechanism (SRM), which is a framework approach for CRGE implementation |
| 2013     | Establishment of the Ministry of Environment and Forest  
Finalization of the Sectoral Reduction Mechanism and the documents required for the operationalization of the CRGE Facility  
Finalization of the Agriculture Sector – the Agriculture sector Climate Resilience Strategy  
Development and implementation of mitigation and adaptation projects  
Initiating the Water and Energy Climate Resilience Strategy  
Initiating the development of sectoral action and investment plans and proposals which will be funded through the CRGE Facility |
Operationalisation of the CRGE Facility

CRGE Facility established under the leadership of The Ministry of Finance and Economic Development (MoFED), a national financing mechanism for CRGE implementation. The Facility is hosted and financially managed by MoFED, with Ministry of Environment and Forests (MEF) leading on technical aspects. Overall, the CRGE Facility:

is the Government’s vehicle to mobilise, access and combine domestic and international, public and private sources of finance to support the institutional building and implementation of Ethiopia’s CRGE Strategy;

provides a single engagement point where the Government, development partners, the private sector, civil society and other stakeholders can engage and make decisions about how best to utilise available finance in the pursuit of the CRGE vision and goals;

and

blends investment sources and leverages for additional funds, it will use climate finance to complement other existing forms of investment to bolster Ethiopia’s core climate-compatible development activities, thereby promoting the full integration of CRGE with the Growth and Transformation Plan (GTP).
CDKN Support to the Government of Ethiopia (1)

MEF and MoFED capacity to ensure compliance with international best practices

✓ **MEF** - Support initial work to develop criteria for the facility to finance projects that meet acceptable social and environmental safeguards in line with international standards and requirements of funding mechanisms;

✓ **MOFED** – Support initial work to develop acceptable M&E procedures in line with the GCF and AF fund guidelines and international standards
CDKN Support (2)

Enhance MEF/MoFED capacity to manage and coordinate programmes within and across sectors

✓ Build on CRGE Facility Operational Manual to assess and provide a framework for coordinating climate finance (GCF and AF funds) at the national level,
CDKN Support (3)

Ethiopia’s capacity to prepare quality and bankable proposals enhanced through learning by doing and coaching

- Prepare an inventory of other projects to identify opportunities for scaled up finance (information to inform projects to be advanced such as cost, abatement potential, etc),
- Strategic support and coaching of key sectors to prepare quality proposals for the Adaptation Fund and for the GCF (scaled up programmes) in line with the Growth and Transformation Plan and the CRGE Strategy and facilitate follow up processes with the two funds
Lessons learnt in Rwanda

• A key success factor is the sound design of FONERWA’s structure and fiduciary mechanisms, which are aligned with the principles and requirements of international investors.

• The Rwandan Government’s long-term vision and strong leadership has helped to anchor FONERWA within Rwanda’s national planning framework. FONERWA’s strong alignment with Rwanda’s EDPRS, the Green Growth & Climate Resilience Strategy and its foundation in national law bolstered national buy-in to the Fund.

• Capitalisation is not sufficient - capacity building is a key part of a successful climate finance mechanism.
Study - Adaptation Fund NIEs in Africa: Independent insight

- To build a community of practice (COP) at fund operations level, where learning and open dialogue can help build confidence and capacity at national level.

- Provide a summary analysis of existing literature as well as updated information and analysis of 3-6 selected NIE’s and/or domestic climate funds on the Continent.

- To contribute high-quality information, provided by in-depth research on a range of implementation, programming and management issues faced by NIEs, to enable decision-makers to plan the climate finance architecture and direct access modalities.

- To provide important lessons for future operations of Climate Finance Funds, for adaptation and resilience projects in general.