Investment Days
17 December 2013

Financial Instruments for Adaption and Mitigation:
Global Environment Facility (GEF), Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF)
**Climate finance funds**

**CBD and UNCCD**
- GEF Trust Fund (as operating entity of UNFCCC financial mechanism)
  - Focal Areas: Biodiversity and Land Degradation
  - SFM Incentive Mechanism
  - Funding combinable with GEF, CCM, and CCA financing

**United Nations Framework Convention on Climate Change (UNFCCC)**
- GEF Trust Fund
- Separate UNFCCC funds managed by GEF
  - Special Climate Change Fund (SCCF)
  - Least Developed Countries Fund (LDCF)
  - Green Climate Fund (GCF)
  - Adaptation Fund (AF)
  - CCA financing for developing countries party to the Kyoto Protocol
  - Not combinable with GEF funds
  - 2% of CDM proceeds plus donations

**Kyoto Protocol**

**Multi Focal Area (MFA) projects**

**Multi Trust-Fund (MTF) projects**
PART I - What is GEF?

- Global environmental benefits
- Incremental costs
- Co-financing
- Partnership
- Catalytic
- Country ownership

Co-financing mechanism providing new and additional grant financing to achieve global environmental benefits
Origin, structure and objectives

**International Environmental Conventions**

- **United Nations Framework Convention on Climate Change (UNFCCC)**
  - **Separate UNFCCC funds managed by GEF**
    - **Least Developed Countries Fund (LDCF)**
      - CCA financing for LDCs
      - Phase 1: NAPA formulation
      - Phase 2: NAPA priority implementation
    - **Special Climate Change Fund (SCCF)**
      - CCA financing for all developing countries
      - Broad mandate
  - **GEF Trust Fund**
    - as UNFCCC financial mechanism
      - CC Mitigation Focal Area (incl. LULUCF, Climate Smart Agriculture)
    - as CCD financial mechanism
      - Land Degradation Focal Area (incl. Climate Smart Agriculture)
    - as CBD financial mechanism
      - Biodiversity Focal Area

- **UNCCD**
- **CBD**

**STAR**

**SFM/REDD+ Incentive Mechanism**

All sources combinable in Multi Trust-Fund (MTF) projects
GEF’s Unique Value for Climate Financing

1. Facilitating innovation & technology transfer

2. Catalyzing systemic impacts through synergistic multi-focal initiatives

3. Building on Convention obligations for reporting & assessments towards mainstreaming

Assisting recipient countries prepare for new climate regime under UNFCCC that seeks commitments to emission reduction at universal level
**Proposed GEF-6 CCM Strategy**

1. Promote innovation & technology transfer
   - Program 1: Promote timely development, demonstration & financing of low carbon technologies & policies
   - Program 2: Develop & demonstrate innovative policy packages & market initiatives

2. Demonstrate systemic impacts of mitigation options
   - Program 3: Promote integrated low-carbon systems
   - Program 4: Promote conservation and enhancement of carbon stocks in forest & other land use, & support climate smart agriculture

3. Foster enabling conditions to mainstream mitigation concerns
   - Program 5: Integrate findings of Convention obligations & enabling activities into national planning processes & mitigation targets

**Goal:** To support developing countries and economies in transition in achieving transformational change towards development with low carbon emissions.
• **Support mitigation-focused management practices in LULUCF** (protect carbon pools in land use systems - SFM, peatlands, blue carbon)

• **Support mitigation focused management practices in agriculture** – *Climate Smart Agriculture*, promote approaches that reduce emissions from productive landscapes and increase carbon storage in farmlands (improved soil management practices, improved fertilizing methods, livestock management, improved rice fields, irrigation, agro-forestry, integrated crop-livestock)

• **Establish and strengthen accounting and MRV in LULUCF and agriculture**
Link with CCM focal area and Food Security integrated approach

- Improve impacts of CC on agricultural lands (including water availability) to enhance agro-ecosystem resilience and manage risks;
- Diversification of crops and livestock production systems through SLM
- Mitigating impact of CC on agricultural lands
- Rangeland management and sustainable pastoralism
- Application of innovative financial and market instruments (e.g. carbon finance with public and private sector partners) to implement SLM practices that reduce GHG emissions
• **Goal**: To support developing countries to become more climate resilient by integrating adaptation measures in development policies, plans, programs, projects and actions

• **Impact** – reduced absolute losses due to climate change, including variability
## Strategic Objectives

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<th>Objectives</th>
<th>Outcomes</th>
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<td>1. Reduce vulnerability</td>
<td>- adaptation incorporated into policies/plans/budgets</td>
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<td>- adaptation practices developed and implemented</td>
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<td>- diversified and strengthened livelihoods</td>
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<td>2. Increase adaptive capacity</td>
<td>- increased knowledge of CC risks</td>
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<td>- strengthened capacity of institutions to deal with CC risks</td>
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<td>- strengthened awareness of adaptation at local level</td>
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<td>3. Promote transfer of adaptation</td>
<td>- enabling environment</td>
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<td>- technology successfully adopted by targeted groups</td>
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<td>(irrigation technology, improved seeds, etc)</td>
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Areas of Intervention

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<th>Least Developed Countries Fund (LDCF)</th>
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<td><strong>Priority areas depend on NAPA priorities as articulated by the countries</strong></td>
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<td><strong>All LDCF funded activities need to be mapped to the NAPA priorities</strong></td>
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| Food Security and Agriculture | drought resistant crop, farming techniques |
| Water Resources Management | rainwater harvesting, ground water treatment |
| Disaster Risk Management | integrated disaster risk management |
| Community Based Adaptation | SFM, mangrove restoration, animal health |
| Natural Resources Management | efficient wood management, ecotourism |
| Health | CC sensitive health programs |

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<td><strong>Priority areas are defined by COP Decision (7/CP.7)</strong></td>
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<td><strong>Broad mandate allows for flexibility regarding fundable activities</strong></td>
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| Agriculture/Land Management | drainage and water-saving technologies |
| Water Resources Management | drip irrigation, drought and salinity resistant crop |
| Infrastructure Development | climate resilient roads and harbors |
| Fragile Ecosystems | repopulation of coral reefs, biological corridors |
| Integrated Coastal Zone Management | beach reinforcement and nourishment |
| Health | heat-wave warning systems |
Comparison of GEF and LDCF/SCCF Features

**GEF TRUST FUND:**
- Incremental cost
- Global benefits
- STAR
- Co-financing
- Replenished every 4 years

**LDCF & SCCF:**
- Additional cost
- NO STAR
- NO global benefits
- Different approach to co-financing
- Rolling basis approval for LDCF
- Follows the Principle of Equitable Access
Adaptation Fund

- Set up under the Kyoto Protocol of the UNFCCC
- Goal: to finance projects and programmes that address the adverse effects of climate change (full adaptation cost), adapt and increase climate resilience
- Financed from a 2% share of the CER proceeds on the Clean Development Mechanism (CDM) project activities and other sources of funding
- Operating entity: Adaptation Fund Board
- Accessing AF Funds (developing countries vulnerable to CC):
  - Directly through an accredited National Implementing Entity (NIE)
  - Or through an Accredited Multilateral Implementing Entity (MIE)
- Fully operational in 2010: funding decisions
- January 2011: launch of first project
- Level of finance available
  - As of September 2013: USD 350.98M (received and pledged)
  - Projects funded: USD 212.18M; Funds available: USD 127.3M
- Cap per country is set at USD 10 M. No separate project cap
Key features of the Green Climate Fund

An overview

• Purpose is to make a significant contribution to the global efforts to limit warming to below 2 degrees C
• Promote a paradigm shift by helping developing countries shift their economies towards low-emission and climate-resilient development pathways
  – Activities to be country-driven and integrated into development plans/strategies
  – Linked to climate change strategies and plans, (e.g. NAMAs, NAPAs, NAPs, etc.)
• Strong emphasis on adaptation and support to vulnerable countries
• Private Sector Facility to directly and indirectly finance private sector mitigation and adaptation activities:
  – PSF as integral part of the Fund
  – Address barriers to private sector investment (e.g. market failures, capacity gaps, lack of awareness)
  – Avoid displacement of investments, market distortions, moral hazard
  – PSF to mobilize funds at scale
Initial result areas

As adopted by the Board in October 2013

- Design and planning of cities to support mitigation and adaptation
- Energy efficiency of building and appliances
- Energy efficiency of industrial processes
- Low-emission transport
- Low-emission energy access
- Small-, medium- and large-scale low-emission power generation
- Sustainable land use management to support mitigation and adaptation
- Sustainable forest management to support mitigation and adaptation including afforestation and reduction of forest degradation
- REDD+ implementation
- Adaptation activities to reduce climate-related vulnerabilities
- Selected “flagship” activities cutting across adaptation result areas
- Readiness and capacity building for adaptation and mitigation activities
- Scaling up of effective community-based adaptation actions
- Supporting the coordination of public goods such as “knowledge hubs”
Progress in operationalizing the Fund

- GCF Board has been working since August 2012
- Good progress in developing the Fund’s business model
- Already defined many aspects of the operational set-up
- GCF Secretariat established
- Will operate out of the headquarters in Songdo (Korea) after the opening on 4 December 2013
- Board agreed on a list of elements to be completed before the Fund can receive, manage, programme and disburse financial resources
  - Prioritized for the first two meetings in 2014
  - If completed, initial resource mobilization in second half of 2014