A rough guide to the Green Climate Fund: Enhancing Direct Access in Mali

Near East Foundation consortium under the Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED) programme
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Contents

Acronyms 3
Introduction 4
1. What is the GCF 6
2. Total resources available in the GCF? 8
3. How can Mali access the GCF? 10
4. What is the role of the NDA? 12
5. How can a Mali institution access GCF funds directly? 13
6. What is the status of the GCF? 15
7. What type of GCF funds can Mali receive? 17
8. What kind of projects can the GCF finance? 19
9. What are the opportunities for Enhanced Direct Access? 21
Conclusion 24
References 25
Who’s who? 27

If you have any questions about this report or about the DCF project in general please see www.nearest.org/braced or contact the Near East Foundation on info@nearest.org or +1 315-428-8670

Acronyms

AEDD Agence pour L’Environnement et le Développement Durable
COP Conference of the Parties
EDA Enhanced Direct Access
ESS environmental and social safeguards
GCF Green Climate Fund
IE Implementing Entity
LDC Least Developed Countries
MIE Multilateral implementing entities
MSME Micro, small and medium-sized enterprise
NDA National designated authority
NDC Nationally determined Contributions
NIE National implementing entities
RBM Results Based Payments
REDD Plus Reducing Emissions from Deforestation and Forest Degradation
RIE Regional implementing entities
SIDS Small Island Developing States
UN United Nations
UNFCCC United Nations Framework Convention on Climate Change
Introduction

As estimated within their Nationally Determined Contribution (NDC), Mali requires US$35 billion in international climate finance to meet their climate change mitigation and adaptation targets (Republique du Mali, 2015). This requirement for financial assistance may rise as adaptation represents a small component of Mali’s NDC – whilst Mali is one of the most vulnerable countries to climate change and has low readiness to cope with the impacts. Meeting Mali’s climate change adaptation and mitigation ambitions will therefore depend on how much financial support is accessible from international sources like the Green Climate Fund (GCF). As the world’s largest climate fund, the GCF is one of the main financial mechanisms designed to assist developing countries meet their ambitious low-emission climate-resilient development goals. To date Mali has received only US$30.6 million from international climate funds, and will need to move proactively to take advantage of these new financial resources (CFU, 2017).

Mali has demonstrated increasing engagement in climate change in recent years. Climate change has been integrated into national planning processes through several national strategic documents on climate and development. These include the Strategic Framework for Growth and Poverty Reduction, the National Policy for Environmental Protection, and the National Policy on Climate Change (NCEA, 2015). However, to effectively support climate change adaptation in Mali, financing must also reach the communities that need it most, through funding solutions that are grounded in local realities. The GCF offers opportunities to address these community financing needs through its “direct access” modality, providing national and subnational, public and private institutions the opportunity to directly draw down concessional finance for community climate change projects and programmes.

By delivering climate finance to local government authorities, Mali can ensure local investments in climate resilience are helping to meet the needs of those most vulnerable to climate change. Mali’s decentralisation policy and framework provides a “ready-made” institutional architecture to do so. By using the existing devolved government structure Mali can realise the concepts and principles of democratic governance enshrined in the country’s constitution, decentralisation policies and laws.

This document details nine areas that Malian policy makers and other national stakeholders need to know about the GCF:

1. What is the GCF?
2. What are the total resources available in the GCF?
3. How can Mali access the GCF?
4. What is, and what is the role of, a national designated authority?
5. How can Malian entities gain direct access to GCF funds?
6. What is the current global status of the GCF?
7. What are the type of funds Mali can receive?
8. What are the criteria for developing GCF funding proposals? and
9. What are the special opportunities for accessing the GCF?
1. What is the GCF

The GCF is a multilateral climate fund which pools finance to support the international goal of combatting climate change. The Fund was established in 2010 at the 16th Conference of the Parties (COP) in Cancun, and alongside the Global Environment Facility (GEF), is established as a financial mechanism of the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC). The Fund assists developing countries to respond to climate change through low-carbon climate-resilient development (GCF, 2011).

Developing countries can access the GCF’s resources for several types of activities, as illustrated by Figure 1, for:

- Climate change projects and programmes in adaptation (reducing vulnerability and/or building resilience) and mitigation (reducing or avoiding greenhouse gas emissions, and/or enhancing carbon sinks). There are several special financing initiatives provided by the GCF as outlined in Figure 1
- Support to prepare climate change projects and programmes through the Project Preparation Facility, and
- Support to build skills and institutional capacity to plan for and manage GCF finance through the Readiness and Preparatory Support funding window.

Figure 1. GCF funding opportunities

- **ADAPTATION AND MITIGATION**
  - To support programmatic small-scale responses to climate change aggregated through local intermediaries (see Section 9)

- **PRIVATE SECTOR FACILITY**
  - To support private sector climate change projects and programmes through two pilots: (i) MSME programme; and (ii) Mobilising funds at scale programme

- **ENHANCED DIRECT ACCESS (EDA) PILOT**
  - To support projects Reducing Emissions from Deforestation and Forest Degradation (REDD Plus) through Results Based Payments (RBM)

- **REDD PLUS PILOT**

- **PROJECT PREPARATION FACILITY**

- **READINESS AND PREPARATOR SUPPORT**
2. Total resources available in the GCF?

The GCF is expected to play an important role in mobilising US$100 billion per year in climate finance by 2020. As of March 2017, 43 state governments have pledged finance worth over US$10 billion to the GCF. The top contributors to this pledged finance are the United States, Japan, United Kingdom, France and Germany (see Figure 2). The Fund is beginning to raise resources from more diverse sources, including contributions from regional governments in Belgium. Eight developing countries, including Chile, Colombia, Indonesia, Mexico, Mongolia, Panama, Peru and Vietnam have also pledged finance. In the future, the GCF hopes to mobilise significant sources of private finance from institutional investors, such as commercial banks and high-net worth individuals (GCF, 2017c).

At the GCF’s sixth board meeting in Bali in 2014, the Fund agreed to equally balance its resource allocation between climate change adaptation and mitigation, as portrayed in Figure 3. Half of this adaptation finance is also to be allocated to the Least Developed Countries (LDCs), Small Island Developing States (SIDS) and African States.
3. How can Mali access the GCF?

There are several types of entities that engage with the GCF. Regardless of the country, the key entities for steering and channelling the GCF processes include:

- **National designated authority (NDA):** The NDA is the focal agency and GCF point of contact in each country. In Mali’s case, the NDA is the Agence pour L’Environnement et le Développement Durable (AEDD) within the Ministry of Environment. The NDA is responsible for communicating with the GCF and ensuring funded projects align with the countries national climate and development priorities, amongst others. The full role of the NDA is outlined in Section 4.

- **Implementing entities (IEs):** IEs are the legally accredited entities that have direct access to finance from the GCF. They manage, oversee, and if necessary prepare funding proposals within the country. There are several types of IEs, which include:
  - National implementing entities (NIEs) – any public or private, subnational or national entity which can legally access and channel GCF funds in accordance with GCF standards and national law
  - Multilateral implementing entities (MIEs) – international multilateral institutions that act across borders, such as the multilateral development banks and United Nations (UN) agencies, and
  - Regional implementing entities (RIEs) – public or private entities that work across a geographical region, such as regional development banks.

- **Financial Intermediaries:** Financial intermediaries are legally accredited entities, which may be public or private and subnational to regional. They perform a range of intermediation responsibilities, from administering grants and loans to blending financial resources of the Fund with those of their own. The role of accredited financial intermediaries is therefore broader in scope than implementing entities. If accredited, financial intermediaries are also referred to as NIEs, MIEs and RIEs.

- **Executing entities:** Executing entities are the action bodies, delivering the activities that make-up a GCF funded climate change project or programme. Executing entities perform these functions under the oversight of an accredited implementing entity and/or financial intermediary, as they are not accredited with the GCF and cannot receive its finance directly.

Mali can therefore access the GCF’s resources through two distinct channels: international or direct access. Accredited MIEs undertake international access funding. MIEs include UN agencies and multilateral development banks, international non-governmental organisations, and international private sector organisations.

Alternatively, under the direct access channel, Mali can access the GCF’s resources through accredited national and subnational entities known as NIEs. NIEs can include line ministries, national development banks, local financial institutions and national climate funds.

Mali can select any number of NIEs to access, manage and distribute GCF funding. This direct access approach is intended to increase country ownership over climate change funding and improve the institutional capacity to manage finance in-line with international standards.
4. What is the role of the NDA?

An NDA is a country’s focal point for engaging with the GCF and plays a key role in supporting GCF processes within the country. The specific roles of the NDA include:

- Strategic oversight of a country’s national climate change priorities
- Convening national stakeholders
- Nominating entities for direct access accreditation
- Providing nomination for enhanced direct access proposals (see section 9)
- Ensuring consistency of GCF funding projects and programmes with national climate strategies and plans through a “no objection” process
- Approving GCF readiness and preparatory support, and
- Leading the country’s efforts to produce climate change investment plans (country programmes) for the GCF.

Each country has flexibility to choose the NDAs location, operation and governance structure. Although, to perform these activities the GCF recommends that the NDA is:

- Situated within a ministry which possesses the knowledge and authority of the country’s national budget, economic policies, and climate change and development priorities
- Is familiar and able to communicate with the relevant institutions and stakeholders on climate change and development issues within the country. This should include potential entities that may be nominated for accreditation with the GCF, and
- Is able to facilitate multi-stakeholder coordination, and monitoring and review procedures to ensure projects with the GCF are in-line with the national climate change and development priorities.

In Mali the NDA is the AEDD.

5. How can a Mali institution access GCF funds directly?

To access the GCF’s finance directly, applicant NIEs must receive formal endorsement from the NDA through nomination.

In addition to nomination, prospective NIEs must also demonstrate that they can manage the Fund’s resources in-line with the standards and criteria set-out in the GCF’s accreditation requirements.

These standards cover a range of basic and specialised fiduciary standards to ensure applicant NIEs behave responsibly and efficiently with the Fund’s resources. They also include environmental and social safeguards (ESS) to ensure management and mitigation of environmental and social risks. Finally, the GCF requires that entities undertake their operations in-line with the Fund’s gender policy to deliver gender sensitive and equitable practices.

A team of experts on the GCF’s accreditation panel independently reviews each accreditation application to check whether the applicant meets these fiduciary standards, ESS and complies with the Fund’s gender policy.
Subnational, national, regional, public and private agencies can apply for accreditation as an NIE, provided they have:

- The legal status to perform its intended activities within the country
- Institutional systems with robust policies, procedures and guidelines in-line with the GCF’s fiduciary, ESS and gender requirements, and
- A track record which demonstrates that they implement these policies, procedures and guidelines accordingly.

**Fit-for-purpose accreditation**

The GCF possesses a “fit-for-purpose” accreditation approach, designed to enable a wide range of entities with different levels of existing capacities to gain accreditation. Under this approach, NIEs can qualify for different levels of accreditation (Table 1) based on their track record of fiduciary, environmental and social standards. This tiered approach reduces the requirement to meet all the Fund’s fiduciary, environmental and social requirements if they intend to undertake smaller scale and/or less risky activities.

As shown in Table 1, the fit-for-purpose approach accredits entities based on three criteria:

- Their intended fiduciary functions
- The size of their proposed projects and activities within programmes, and
- The environmental and social risk level of their proposed projects and activities within programmes.

<table>
<thead>
<tr>
<th>Fiduciary functions</th>
<th>Size of project or activity within a programme</th>
<th>Environmental and social risk category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shapes how the entity will operate using the funds resources – including project management, grant awarding, on-lending and/or blending resources</td>
<td>Micro: US$0-10 million</td>
<td>Category A: high risk</td>
</tr>
<tr>
<td>Small: US$10-50 million</td>
<td>Category B: medium risk</td>
<td></td>
</tr>
<tr>
<td>Medium: US$50-250 million</td>
<td>Category C: low to no risk</td>
<td></td>
</tr>
<tr>
<td>Large: &gt;US$250 million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 6. What is the status of the GCF?

**Accreditation portfolio**

As of November 2017, 59 entities have been accredited with the GCF and there are 191 entities in the pipeline. 46 percent of these accredited entities are international organisations, including both multilateral development banks and international commercial banks. Of the 21 NIEs accredited, only five are from LDCs: the Centre de Suivi Ecologique in Senegal; the Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia; the Ministry of Natural Resources of Rwanda; and the Infrastructure Development Company Ltd and Pali Karma Sahayak Foundation of Bangladesh (GCF, 2017b). None of the accredited NIE’s from LDCs specifically target the local level.
Project portfolio

There have been 54 projects approved by the GCF as of November 2017. In total the GCF has committed US$2.7 billion to these projects, with an additional US$6.5 billion in co-funding. These have included:

- 26 climate change adaptation projects totalling US$830 million in GCF funds
- 16 climate change mitigation projects totalling US$1.18 billion in GCF funds, and
- 12 cross-cutting climate change projects, i.e. addressing adaptation and mitigation.

One project has already been approved in Mali for US$22.8 million in grant-based financing. The project, Africa Hydromet Programme – Strengthening Climate Resilience in Sub-Saharan Africa: Mali Country Project, is being implemented by the World Bank, and executed by the General Directorate of Civil Protection. The project hopes to strengthen the adaptive capacity and climate resilience of communities by developing meteorological weather warning services to support adaptation planning, with an estimated 2.1 million benefitting from improved climate resilience.

7. What type of GCF funds can Mali receive?

The GCF’s major funds are available for funding climate change mitigation and adaptation projects and programmes. Depending on the type of accreditation, an NIE can access a range of financial instruments, including:

- Grants
- Concessional loans
- Equity, and
- Guarantees.

Climate change projects and programmes can be developed and submitted spontaneously or submitted to a specific pilot programme under the:

- Private Sector Facility with a present budget of US$700 million covering two programmes for MSME interventions and for mobilising funds at scale
- Enhanced Direct Access pilot with a present budget of US$200 million, and
- REDD Plus Results Based Payments pilot with a budget of US$500 million up to 2022.
Funds are available specifically to build the readiness (capacity) of national entities and systems to help utilise the project and programme based finance more effectively and efficiently. This readiness and preparatory support (see Table 2) is accessed through the NDA, and is available to support:

- Capacity building for the NDA
- Development of climate change investment plans, knowns as country programmes, and
- Capacity-building of NIEs, including on the Fund’s fiduciary standards, ESS and gender requirements

US$80 million has been made available for the Readiness and Preparatory Support programme, with US$35 million left for national readiness building activities as of October 2017.

Table 2. GCF readiness state of play in Mali as of October 2017 (GCF, 2017a)

<table>
<thead>
<tr>
<th>Readiness focus</th>
<th>Delivery partner</th>
<th>Funding amount</th>
<th>Funding status</th>
</tr>
</thead>
<tbody>
<tr>
<td>NDA no-objection procedure establishment</td>
<td>Sahel Eco</td>
<td>US$293,165</td>
<td>Approved and 48% disbursed</td>
</tr>
<tr>
<td>National stakeholder engagement in country programming</td>
<td>Sahel Eco</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National adaptation planning</td>
<td>Sahel Eco</td>
<td>US$2,557,357</td>
<td>In the pipeline for approval</td>
</tr>
</tbody>
</table>

8. What kind of projects can the GCF finance?

The GCF’s major funds are available for funding climate change mitigation and adaptation projects and programmes. To help the GCF achieve a “paradigm-shift” in low-emission climate-resilient development there are eight strategic impact areas (Table 3). Implementing entities are encouraged to design activities that meet as many of the Fund’s eight strategic impact areas as possible, including those that cut across both mitigation and adaptation. A proposed project’s contribution to the eight strategic impact areas is categorised as its impact potential.

Project proposals developed by accredited and applicant NIEs must also fulfil the following investment criteria:

- **Paradigm shift potential**: Projects and programmes should catalyse impact beyond one-off investments, through their ability to be scaled-up and replicated; provide knowledge and learning to other entities, regions or countries; contribute towards an enabling environment for climate relevant activities; and incentivise climate positive regulatory frameworks and policies.

- **Sustainable development potential**: Projects and programmes should produce wider benefits that help achieve the countries sustainable development objectives, including economic, social, environmental and gender-sensitive development co-benefits.

- **Responsive to recipient’s needs**: Projects and programmes should help to address the climate change and socio-economic vulnerability of the country and beneficiary groups. Entities should assess and target the vulnerability of the country and specific beneficiary groups; identify the economic and social development level of the
country and at-risk populations; identify the barriers to accessing alternative funding sources; and identify the strengthening needs of implementing institutions of the planned climate change activities.

- **Promote country ownership:** Projects and programmes should align with the country’s climate change priority areas; executing entities should have the capacity to implement the proposed activities; and activities should be identified through transparent national stakeholder engagement processes. In Mali, projects should aim to align with the Strategic Framework for Growth and Poverty Reduction, the National Policy for Environmental Protection, the National Policy on Climate Change, the Nationally Determined Contribution etc.

- **Efficiency and effectiveness:** Proposed projects and programmes should be economically and financially sound. This could be assured by securing adequate co-financing and developing exit strategies for when the Fund’s financial assistance comes to an end.

### Table 3. The eight GCF strategic impacts areas

<table>
<thead>
<tr>
<th>Adaptation: reducing vulnerability of, or increasing resilience to</th>
<th>Mitigation: reducing or avoiding greenhouse gas emissions from</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livelihoods of people, communities and regions</td>
<td>Energy and energy access</td>
</tr>
<tr>
<td>Health and wellbeing, food and water security</td>
<td>Transport</td>
</tr>
<tr>
<td>Infrastructure and the built environment</td>
<td>Buildings, cities, industries and appliances</td>
</tr>
<tr>
<td>Ecosystems and ecosystem services</td>
<td>Land use and forests</td>
</tr>
</tbody>
</table>

9. **What are the opportunities for Enhanced Direct Access?**

In efforts to enhance country ownership of climate finance, the GCF has launched the Enhanced Direct Access (EDA) modality. EDA offers the opportunity for nominated NIEs to undertake a programmatic approach to climate finance with greater decision making at the national level, whilst also enhancing the voices of local actors. EDA does so by building upon the direct access modality to enhance country ownership using the following key features (GCF, 2016):

- **Devolved decision making:** Rather than project approvals taking place at the GCF, the screening, assessment and selection of climate change projects is devolved to the regional, national, or subnational level – wherever the nominated NIE resides.

- **Focused on local intermediaries:** The EDA programmes should support a significant number of small-scale projects that use local intermediaries, such as local government and local banks, to reach communities and SMEs who are able to execute climate change projects grounded in local realities, and

- **National multi-stakeholder engagement:** To ensure all projects contribute towards national climate change strategies and to enable local actors to engage in the EDA process, EDA programmes are to be overseen and strategically guided by a multi-stakeholder oversight and steering function, situated at the national level – termed the national oversight committee.
EDA is not simply a process by which funding decisions are devolved to the national level, but a system by which international financial support is programmed to scale-up local action on climate change through enhanced country ownership.

A schematic example of how EDA could work is provided in Figure 4.

**Opportunity to Mali**

This EDA modality is presently a “pilot”, meaning that it is still in the learning and design phase. The GCF has earmarked US$200 million for 10 country pilots that will take place over the next five years, equating to roughly US$20 million per country. Not only does EDA offer the opportunity for Mali to take greater control over GCF finance, but also to influence the design of the mechanism to ensure the greatest local benefit. Approved pilot activities are intended to be scaled-up and replicated following their conclusion.

**How can Mali access EDA?**

To qualify for one of the ten EDA pilots, Mali’s NDA, AEDD, must nominate an entity to design a pilot proposal that meets the GCF’s objectives. There are no submissions of individual projects or programmes to the GCF, although detailed examples of sub-projects are to be provided within the proposal.

The nominated NIE must be accredited with the GCF to officially undertake the pilot, but can submit a concept to the GCF Secretariat whilst undergoing the accreditation process simultaneously.

To date, one full EDA proposal has been approved by the GCF, “Empower to Adapt: Creating Climate-Change Resilient Livelihoods through Community-Based Natural Resource Management in Namibia”.

**What is the role of the NDA in EDA?**

The NDA should play an active role during the EDA pilot and should be a key member of the national oversight committee. Their main activities will include:
• Communicating national strategic climate change and development frameworks with the nominated NIE developing the pilot
• Inviting and selecting entities to develop pilot proposals through a consultative process, and
• Participating in the pilot appraisal, monitoring and evaluation procedures.

Conclusion

The approaches outlined above provide a “snapshot” into the opportunities provided by the GCF and the ways in which Mali can access them through national accredited entities. The devolved policy and framework within Mali provides a ready-made institutional architecture to which to channel climate finance to those who need it most, and can be mobilised to take advantage of exciting new climate financing opportunities such as EDA.

This document will be followed by a more detailed practical handbook on GCF accreditation and project development, which will help national and subnational entities in Mali seeking to engage with the GCF directly.

References

Who’s who?

Near East Foundation (NEF)
For over 30 years, NEF has developed sustainable, community-based approaches to manage forests, fisheries, rangelands and agricultural lands in Mali. Operating out of a principal office in Sévaré, the NEF team of approximately 40 development professionals works to implement programs that are consistently community-based, participatory and multi-sectoral.
NEF also coordinates a national-level working group on climate adaptation and assists Mali’s government in climate policy – including participating in Mali’s official delegation to international climate negotiations.
NEF’s headquarters in Syracuse, United States, provides overall project management and governance oversight to the consortium.

Innovation, Environnement, Développement (IED Afrique)
IED Afrique is an independent not-for-profit organisation based in Senegal. The organisation builds on fifteen years of experience in francophone West Africa and works on issues related to sustainable development and citizenship in Africa by prioritising methodological and participatory innovations.

International Institute for Environment and Development (IIED)
IIED is a policy and action research organisation. We promote sustainable development to improve livelihoods and protect the environments on which these livelihoods are built. We specialise in linking local priorities to global challenges. IIED is based in London and works in Africa, Asia, Latin America, the Middle East and the Pacific, with some of the world’s most vulnerable people. We work with them to strengthen their voice in the decision-making arenas that affect them – from village councils to international conventions.

Further relevant links


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Decentralising Climate Funds (DCF)

Decentralising Climate Funds (DCF) is an action-research and advocacy project supporting communities in Senegal and Mali to become more resilient to climate change through access to locally-controlled adaptation funds. It is part of the UK government-funded BRACED programme and is implemented by the Near East Foundation (NEF) with Innovation, Environnement et Développement en Afrique (IED Afrique) and the International Institute for Environment and Development (IIED).

To find out more:

We will be sharing lessons and experiences from this project through a variety of different publications which will be made available online:

www.neareast.org/braced

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Bara Guèye: baragueye@iedafrique.org

Further reading:

Climate adaptation funds – Backgrounder http://pubs.iied.org/17341/IED/
For all DCF project publications visit: www.neareast.org/resources/#braced

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