REPUBLIC OF RWANDA

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# Accessing Climate Finance Through UNFCCC Financial Mechanism

## The Handbook

January 2023


## ACKNOWLEDGEMENT

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Rwanda Environment Management Authority is further grateful to the Ministry of Finance and Economic Planning (MINECOFIN), Ministry of Environment (MOE), Ministry of Agriculture and Animal Resources (MINAGRI), Rwanda Development Board(RDB), Rwanda Green Fund(FONERWA), Rwanda Water Board (RWB) ,Rwanda Mining Board (RMB), National Land Authority(NLA), Rwanda Forestry Authority(RFA), Global Green Growth Institute (GGGI), Private Sector Federation (PSF) , Rwanda Environmental NGO Forum(RENGOF), that considerably supported the preparation of this guide kit which intends to support all eligible public and private institutions to easily access the UNFCCC funds. The Handbook preparation was supervised by the Rwanda Environment Management Authority (REMA).

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## ACRONYMS AND ABBREVIATIONS

**UNFCCC**: United Nations Framework Convention on Climate Change
**GCF**: Green Climate Fund
**GEF**: Global Environment Facility
**AF**: Adaptation Funds
**SCCF**: Special Climate Change Fund
**NDA**: National Designated Authority
**DAEs**: Direct Access Accredited Entities
**LDCF**: Least Developed Countries Fund
**NCT**: National Coordination Team
**MINECOFIN**: Ministry of Finance and Economic Planning
**PSF**: Private Sector Federation
**FONERWA**[1] : Rwanda Green Fund
**REMA**: Rwanda Environment Management Authority
**RENGOF**: Rwanda Environment Non - Government Organization Forum
**MoE**: Ministry of Environment
**BRD**: Development Bank of Rwanda
**MININFRA**: Ministry of Infrastructure
**MINAGRI**: Ministry of Agriculture and Animal Resources
**RDB**: Rwanda Development Board
**RMB**: Rwanda Mines, Petroleum, and Gas Board
**RWB**: Rwanda Water Resources Board
**RFA**: Rwanda Forestry Authority
**NLA**: National Land Authority
**CPCIC**: Rwanda Cleaner Production and Climate Innovation Center
**RCCDN**: Rwanda Climate Change and Development Network
**PD**: Project Profile Document also known as project concept note[2]

[1] The French acronym, FONERWA, came up in 2005 under Organic Law No.4/2005 and means Fund for Environment and Natural Resources for Rwanda. Through the FONERWA Law, it has taken on the additional meaning of Environment and climate change fund for Rwanda.

[2] According to FONERWA Definition

# EXECUTIVE SUMMARY

This Handbook was prepared by Rwanda Environment Management Authority (REMA) to serve as a guide to provide an orientation to the available funds under the UNFCCC-related financial mechanisms. It will facilitate the civil society organizations, public and private institutions in Rwanda in mobilizing resources to finance climate-actions as envisaged in the UNFCCC agenda hence orienting the fund applicants to the different funds under the UNFCCC.

The kit focuses on different but closely related climate action funds that are coherently and inherently in place to facilitate the implementation of the Paris agreement and other Global climate actions and protocols. While the Handbook emphasizes the accessibility of funds that are under UNFCCC agenda, it also serves as an eye opener to the fund applicants to be aware of the available funds, how to tap into the preparation of sound projects, the financing windows for each fund, financing instruments and the applicant`s eligibility.

Rwanda Environment Management Authority, the National Designated Authority of the GCF and Operational Focal Point of the GEF, continues to mobilize efforts of all forms in making sure that climate change effects are counter reacted and all available funding opportunities are fully accessed and utilized.

# 1. INTRODUCTION

Climate finance refers to local, national or transnational financing drawn from public, private and alternative sources of financing that seek to support mitigation and adaptation actions that will address climate change. It is important for all governments and stakeholders to understand and assess a financial need, as well as to understand how this financial resources can be mobilized. To facilitate the provision of climate finance, the UNFCCC established financial mechanisms to provide financial resources to developing country parties. The financial mechanisms include the GCF and GEF.

## *1.1. Rationale of this Climate Finance Handbook*

This Handbook was prepared to serve as a guide to provide an orientation to the available funds under the UNFCCC-related financial institutions for financing climate-actions of civil society organizations, public and private institutions in Rwanda.

It highlights and encompasses a wide range of funds on climate finance available to cover various windows of the UNFCCC-related financial institutions including the Green Climate Fund (GCF), Global Environment Facility (GEF), Adaptation Fund (AF), Least Developed Countries Fund (LDCF), and the Special Climate Change Fund (SCCF). Most of these funds are relatively large, and well known, but are not necessarily easily accessible to the eligible institutions and organizations that need funding.

The handbook will provide a clear outline and ease understanding of the funding requirements to the eligible applicants of the UNFCCC funding mechanisms.

Additionally, this handbook will provide information on the Rwanda Green Fund-known as FONERWA, a National Fund established with aim of supporting the country to mobilize climate funds.

## *1.2. Purpose and Objective of this Handbook*

### *1.2.1. Purpose of this Handbook*

This Handbook is aimed at enhancing public awareness on the UNFCCC related Climate Funds access as per the mandate given to the National Designated Authority (NDA/REMA).

### *1.2.2. Objective of this Handbook*

The objective of this handbook is to provide an orientation of the funds applicants for ease of the accessibility of the available funding opportunities and requirements. This handbook will enhance the understanding of different funding mechanisms under the UNFCCC tailored to each applicant's climate actions.

## *1.3. Governance and coordination*

The governance and coordination of UNFCCC related funding mechanisms requires a well- structured approach that facilitates smooth fund application procedures, approval process and monitoring of the fund users and beneficiaries.

Rwanda Environment Management Authority (REMA) in addition to being the National Designated Authority for the GCF, is also the Operational Focal Point of the GEF and the National Focal point of the UNFCCC. It serves as a coordinating authority of all climate change actions in Rwanda. It is a Government institution that serves as the interface between Rwanda and the GCF. It provides broad strategic oversight of the GCF's and GEF activities in the country and communicates Rwanda's priorities for financing low emission and climate resilient development

# 2. UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE FUNDS (UNFCCC)

In 1992, countries joined an international treaty, the United Nations Framework Convention on Climate Change, as a framework for international cooperation to combat climate change by limiting average global temperature increases and the resulting climate change, and coping with impacts that were, by then, inevitable.

By 1995, countries launched negotiations, known as Conference of Parties (COP), to strengthen the global response to climate change, and, two years later, adopted the Kyoto Protocol. The Kyoto Protocol legally binds developed country Parties to emission reduction targets. The Protocol's first commitment period started in 2008 and ended in 2012. The second commitment period began on 1 January 2013 and ended in 2020.

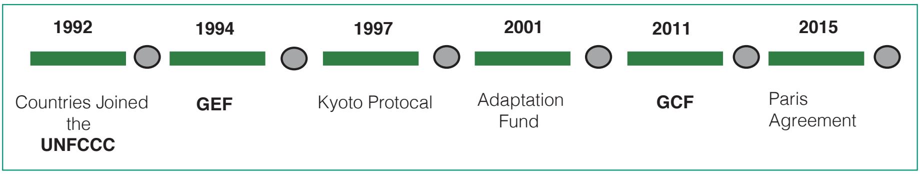
The 2015 Paris Agreement, adopted in Paris on 12 December 2015, marks the latest step in the evolution of the UN climate change regime and builds on the work undertaken under the Convention. The Paris Agreement charts a new course in the global effort to combat climate change. It seeks to accelerate and intensify the actions and investment needed for a sustainable low carbon future.

Its central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

The Agreement also aims to strengthen the ability of countries to deal with the impacts of climate change. The convention facilitated developing countries to access climate finance by establishing financial mechanisms.

The Global Environment Facility (GEF) has served as an operating entity of the financial mechanism since the UNFCCC's entry into force in 1994. At COP16, in 2010, Parties established the Green Climate Fund (GCF) and in 2011 also designated it as an operating entity of the financial mechanism. The financial mechanism is accountable to the COP, which decides on its policies, programme priorities and eligibility criteria for funding.

In addition to providing guidance to the GEF and the GCF, Parties have established two special funds-the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF), both managed by the GEF, and the Adaptation Fund (AF) established under the Kyoto Protocol in 2001.




# 3. GLOBAL ENVIRONMENT FACILITY (GEF)

## *3.1. Background and financing sources*

The Global Environment Facility (GEF) is a multilateral environmental fund that provides grants and blended finance for projects related to biodiversity, climate change, international waters, land degradation, persistent organic pollutants (POPs), mercury, sustainable forest management, food security, and sustainable cities in developing countries and it distributes more than $1 billion a year on average to address inter-related environmental challenges.

The Global Environment Facility (GEF) was established at the 1992 Rio Earth Summit to tackle environmental problems. Today 184 countries are GEF members (called partner countries). International institutions, civil society organizations, and the private sector GEF partners address global environmental problems while supporting national sustainable development initiatives in developing countries that generate global environmental benefits. Partner countries represented in the GEF council comprised 32 members (14 from developed countries, 2 from economies in transition and 16 from developing countries.)

The GEF supports the implementation of several multilateral environmental agreements mainly the UNFCCC, the CBD and the UNCDD.

### *3.1.1. GEF Trust Fund*

The Global Environment Facility (GEF) Trust Fund aims to help developing countries and economies in transition contribute to the overall objective of the Rio Conventions including the United Nations Framework Convention on Climate Change (UNFCCC) to mitigate climate change, while enabling sustainable economic development.

The GEF is intended to cover the incremental costs of a measure to address environmental issues such as climate change, relative to a business as usual base line. Additionally, the GEF has multiple, focused initiatives:

1. Support for Programming Through National Dialogues, which provides resources so that countries can carry out multi stakeholder exercises that help prioritize actions that can be financed with GEF funding.

2. Non-Grant Support Program, which supports non-grant financial instruments to combat global environmental degradation.

3. Small-Grants Program, which promotes community-based innovation, capacity development, and empowerment of local communities and civil society organizations.

**1. Eligibility to receive funding**

Countries are eligible for GEF funding in two ways;

- The country has ratified the Conventions that the GEF serves, and meets the eligibility criteria decided by the COP of each convention.
- The country is already eligible to receive World Bank funds or is a recipient of technical assistance from the UNDP.

Thus Rwanda meets both the two criteria above as it is a recipient of the Technical Assistance from UNDP and World Bank funds as well as meeting the eligibility criteria decided by the COP of all conventions that the GEF serves.

## 2. Sector Focus

The main focus areas of GEF are around five focal areas – **biodiversity loss, chemicals and waste, climate change, international waters, and land degradation** – and take an integrated approach to support more areas including sustainable food systems, forest management, ecosystem restoration, cities, etc.

## 3. Funding conditions

All projects or programs must fulfill the following criteria to be eligible for GEF funding:

### *01. National priority*

The project must be country-driven and consistent with national priorities that support sustainable development

### *02. GEF priorities*

The project has to address one or more GEF focal areas i.e. biodiversity, international waters, land degradation, chemicals and waste, and climate change, as well as cross-cutting issues like sustainable forest

### *03. Financing*

The GEF would only cover the incremental costs of measures to achieve global environmental benefits

### *04. Participation*

The project must involve the public in project design and implementation, it must follow the Public Involvement in GEF Financed Projects policies and the respective guidelines.

## 4. Application procedure

In most cases, the GEF provides funding to support government projects and programs. The Operational Focal point on behalf of the Governments decide on the executing agency (governmental institutions, civil society organizations, private sector companies, research institutions). The GEF has 18 partner agencies/GEF agencies. The Operational Focal Point decides which GEF agency would be best suited to develop and implement the project idea. This is an important decision since the agency will be the partner at all stages of the project or program.

The GEF provides funding through four modalities: full-sized projects, medium-sized projects, enabling activities, and programmatic approaches. The selected modality should be the one that best supports the project objectives. Each modality requires completion of a different template.

- Full-sized Project (FSP): GEF project financing of more than two million US dollars.
- Medium-sized Project (MSP): GEF project financing of less than or equivalent to two million US dollars.
- Enabling Activity (EA): A project for the preparation of a plan, strategy, or report to fullfill commitments under a convention.
- Program: A longer-term and strategic arrangement of individual yet interlinked

## 5. Project selection, design and partnership

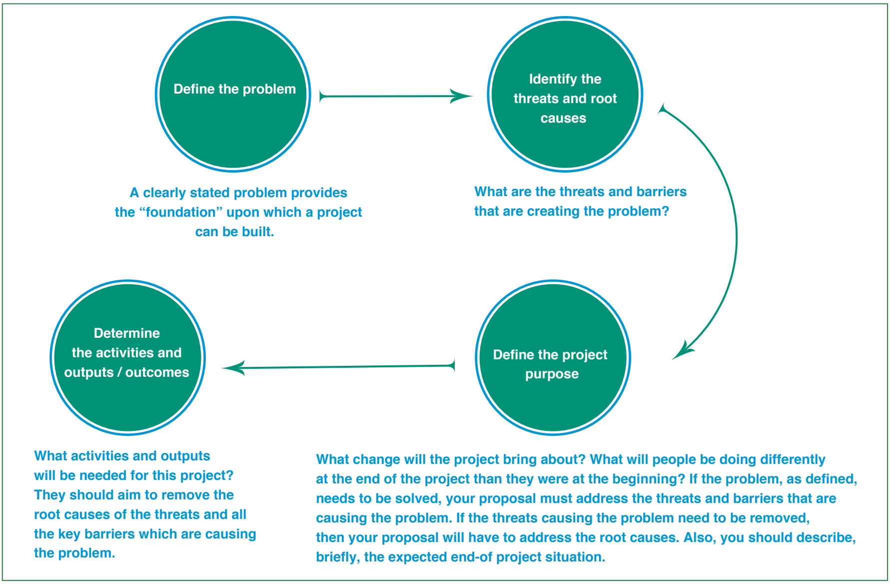
Projects are generated in the countries. Governments, non-governmental organizations (NGOs), academic and research institutions, private sector entities, among others stakeholders, can submit a project to be considered by the GEF through an Implementing or Executing Agency. These projects can address one of the Focal Areas or inter-relate them. Projects can focus on activities at the national or regional levels. Other projects are generated at the international level. It is up to each project proponent to design the project that will best meet national priorities and benefit the global environment.

Project proponents determine where GEF funding is allocated through project design, selection and partnerships to achieve the best possible solutions to address global environmental threats. As the GEF will not be the only source of financing for your project, various sources of co-financing, include: multilateral and bilateral institutions, governments, foundations, the private sector and NGOs.

The GEF opens various challenging opportunities to build partnerships between non-governmental organizations, community-based organizations, research institutions, private sector entities and government agencies from developed and developing countries, to work together for the global environment.

To start defining your idea to develop a GEF proposal, you need to first determine the type of project your organization will be pursuing.

To start the design process of a GEF project, the following tips will help:




## 6. Allocation of resources to countries

The GEF allocate resources to countries using STAR which is a short name of the System for Transparent Allocation of Resources. With the STAR, the GEF Secretariat allocates resources in an indicative way to its eligible countries in a replenishment period. The main benefits of the STAR for eligible countries are predictability of funding and flexibility in programming. This will enhance planning and contribute to country ownership of GEF projects and programs. In addition, the STAR can incentivize eligible countries to maximize their investment benefits, so that they may get higher allocations in the next replenishment period.

The three GEF focal areas to be covered by the STAR are biodiversity, climate change, and land degradation. The other focal areas were excluded because of the limited availability of suitable indicators of global environmental benefits and a lack of adequate datasets.

The funding envelope that a given country can access during a replenishment period is called "indicative allocation". Indicative allocations are calculated based on a combination of the GEF benefits index (GBI), the GEF performance index (GPI), and a social and economic index based on the Gross Domestic Product (GDPI). The GBI represents the global environmental benefits that can be generated for each focal area in a specific country.

The GPI is specific to a country, and is the same across all focal areas. The GDP- based index is a new design feature of the STAR.

The rationale to have the new index in the STAR is that poorer countries need additional funding to build the capacity that is required to ensure the success of GEF project development and implementation. The GDPI is the same for all focal areas in a country.

**7. Financial instruments**

Grants, Concessional loans, Equity, Guarantees.

### *3.1.2. Enabling activity*

The GEF provides support to countries in three main modalities:

- Enabling activities,
- Medium-sized projects, and
- Full-sized projects.

Additional financing is provided through programs such as the GEF Small Grants Programme, Programmatic Approaches, Integrated Approach Pilots, Integrated Programs, and the Non-Grant Instrument Program.

The GEF enabling activities are foundational modalities specifically designed to prepare plans and/ or strategies, and to help countries fulfill their obligations under the Conventions to which the GEF is the financial mechanism. The GEF currently serves as the financial mechanism and funds enabling activities related to five conventions: The Convention on Biological Diversity, the UN Convention to Combat Desertification, the United Nations Framework Convention on Climate Change, the Stockholm Convention on Persistent Organic Pollutants (POPs), and the Minamata Convention on Mercury.

During GEF-5, the GEF introduced a direct access modality for enabling activities and the National Portfolio Formulation Exercises, allowing national entities to request up to $500,000 of direct financing to meet their objectives under the Biodiversity, and Degradation, and Climate Change Conventions. In 2013, the GEF was chosen as the financial mechanism for the Minamata Convention within which the GEF is providing support for countries to ratify and meet their obligations under the Convention.

Reporting requirements may be addressed using funds under the Focal Area Set-Aside (FAS), where eligible countries will be able to access up to $500,000 to implement all enabling activities. Countries are not required to use their STAR allocation for Enabling Activities.

However, there is the possibility of combining the FAS with STAR funds to finance an Enabling Activities project with a larger scope.

Enabling Activity support could be provided for:

1. *Revising National Biodiversity Strategies and Action Plans (NBSAPs) in line with the CBD's new strategic plan; Implementation of guidance related to the Clearing House Mechanism (CHM);*

2. *Biodiversity National Report, preparation of National Communication reports to the United Nations Framework Convention on Climate Change (UNFCCC) as per their obligations under Articles 4.1 and 12.1 of the UNFCCC,*

3. *Alignment of National Action Programs (NAPs) with the UNCCD 10-Year Strategy (i.e. NAP Alignment); and*

4. *Reporting process, as per obligations to the UNCCD; Preliminary inventory of new POPs and national capacity assessment,*

5. *Coordination mechanism, Priority setting,*

6. *Development of action plans for new POPs,*

7. *NIP endorsement and transmission to COP, among others.*

### 3.1.3. Capacity Building Initiative for Transparency (CBIT)

As part of the Paris Agreement, Parties to the United Nations Framework Convention on Climate Change (UNFCCC) agreed to establish a Capacity-building Initiative for Transparency (CBIT). The goal of CBIT is to strengthen the institutional and technical capacities of developing countries to meet the enhanced transparency requirements of the Paris Agreement, as defined in Article 13. The CBIT is one of the ways in which the GEF is supporting the successful implementation of the Paris Agreement and its key pillars of transparency and accountability.

For example: CBIT activities dovetail with the GEF's critical provision of support to developing country Parties to fulfill their reporting obligations under the United Nations Framework Convention on Climate Change (UNFCCC), including National Communications and Biennial Update Reports. The trust fund for CBIT is administered by the Global Environment Facility (GEF). All developing country Parties have access to CBIT funds upon request, and all GEF policies and procedures apply to projects supported by the CBIT. The CBIT is proposed to support activities aligned with its aim at the national and regional/global levels.

**National level:**

Developing countries can request resources to implement the priority needs to build capacity to meet enhanced transparency requirements as defined in Article 13 of the Paris Agreement at the national level.

The portfolio of support may include a range of activities included in the following non-exhaustive list.

- *Activities to strengthen national institutions for transparency-related activities in line with national priorities: Support to national institutions to lead, plan, coordinate, implement, monitor, and evaluate policies, strategies, and programs to enhance transparency, including identification and dissemination of best/good practices for institutional strengthening and national network of practitioners; Support on how to integrate knowledge from transparency initiatives into national policy and decision-making; and Assistance with deployment and enhancement of information and knowledge management structure to meet Article 13 needs.*
- *Activities to provide relevant tools, training, and assistance for meeting the provisions stipulated in Article 13: Access to tools, templates, and applications to facilitate the use of improved methodologies, guidelines, datasets, and database system tools and economic models needed for implementation of enhanced transparency-related activities; Country-specific training and peer exchange programs on transparency activities, such as establishing domestic MRV systems, tracking nationally determined contributions (NDCs), enhancement of greenhouse gas (GHG) inventories and economic and emissions projections, including methodological approaches, data collection, and data management, and adaptation monitoring, evaluation, and communication measures; Development of country-specific emissions factors and activity data; Assistance in quantifying and reporting impact of policy measures; Clarifying key NDC information, e.g. baseline projections including for business as-usual targets, and reporting progress towards achieving their NDCs; and Assistance in quantifying and reporting on support provided and received.*
- *Activities to assist with improvement of transparency over time; Capacity needs assessment for transparency, in particular to assess institutional arrangements for data collection, analysis, and reporting: the assessment supports mapping of current baseline and planned reporting and related activities, including associated institutions, tools, methodologies, MRV systems, associated data systems; and Support to introduce and maintain progress tracking tools for transparency related actions and progress towards targets/goals*

**Global coordination platform:**

A global, cross-cutting CBIT program coordination platform will be established to support the CBIT management, with the engagement of the GEF Secretariat. The platform will enable coordination, maximize learning opportunities, and enable knowledge sharing to facilitate transparency enhancements. The platform will engage countries, the GEF Partner Agencies, and other relevant entities and institutions with related programming activities to enhance partnership of national, multilateral, and bilaterally supported capacity-building initiatives. Additional elements will also be eligible for support at the regional and global level, as presented in the following non-exhaustive list:

1. *Global assessment of transparency, and capacity needs and achievements as needed;*
2. *Development and sharing of best practices on establishing and enhancing transparency, and building capacity, building on existing best practice materials, sharing of tools, methodologies, and data, and technical consultations on lessons learned from ongoing/existing assessments;*

3. *Implementation of progress tracking tools in all participating countries;*

4. *Regional and global capacity building programs to enhance transparency, such as institutional and policy measures, tools, methodologies, and data, tracking progress and enhancements;*

5. *Exchange of transparency practitioners and experts, planners and implementers: south-south and north-south exchange of experiences and lessons learned;*

6. *Collaboration with ongoing Global Programs that support NDC implementation;*

7. *Collaboration with UNFCCC bodies on transparency and capacity building;*

8. *Collaboration with Intergovernmental Panel on Climate Change, including Taskforce on National Greenhouse Gas Inventories and other initiatives supporting UNFCCC processes; and*

9. *Contributions to knowledge management on transparency-related initiatives.*

All developing country Parties may make proposals that meet CBIT objectives to access CBIT resources. The CBIT will seek to fund a diversity of countries and regions, taking into account of each country's capacity.

Proposals for both full-sized projects and medium- sized projects, as per the established policies and procedures of the GEF, will be considered.

Medium-sized projects can be submitted for CEO consideration on a rolling basis, consistent with regular processing modalities.

### 3.1.4. NAGOYA Protocol Implementation Fund

The Nagoya Protocol Fund supports signatory countries, as well as those in the process of signing The Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (the Nagoya Protocol) and that intend to ratify the Protocol in order to accelerate the ratification and implementation of the Protocol.

The fund encourages engagement with private sector entities interested in exploring the economic potential of genetic resources and facilitate the transfer of appropriate technologies.

Through the implementation of this type of project, countries should be generating additional information that can help to understand their capacities and needs on Access and Benefit Sharing (ABS), with focus on the provisions from existing policies, laws and regulations affecting genetic resources.

The NPIF assists GEF eligible developing countries and countries in transition economy that are signatory Parties and those in the process of signing the Nagoya Protocol, and that intend to ratify the Protocol in order to accelerate the ratification and implementation of the Protocol.

Supported Activities:

- Pursue opportunities leading to ABS agreements between users and providers of genetic resources.
- Promote technology transfer, private sector engagement, and projects targeting investments in the conservation and sustainable use of genetic resources in-situ.
- Build capacity among indigenous peoples and local communities.
- Further the knowledge and scientific-base for the implementation of the protocol.
- Review capacities and needs on ABS with focus on existing policies, laws and regulations that compliments investment from the GEF Trust Fund.

Projects under the NPIF are supported mainly through the GEF Medium Size Project modality ($1 million or less). Full size projects (above $1 million) can also be pursued.

### 3.1.5. Small Grant Programme (SGP)

The GEF Small Grants Programme (SGP) is a corporate program of the Global Environment Facility that provides financial and technical support to local civil society and community- based organizations to develop and implement innovative local actions that address global environmental issues, while also improving livelihoods and reducing poverty.

Launched in 1992, SGP works closely with and complements other GEF projects and programs, supporting 136 countries since its inception. Evaluations led by the Independent Evaluation Offices of the GEF and the United Nations Development Programme (UNDP) have proven that civil society-led initiatives can generate environmental benefits, while supporting sustainable livelihoods, gender equality and civil society empowerment.

The funding provided by SGP to civil society and community-based organizations, including Indigenous Peoples, women, youth, and persons with disabilities enables them to take measured risks while furthering innovation. Once a community has proven the effectiveness of an innovative idea or strategy on the ground, it can often scale up impact through networking with other communities and partner organizations.

SGP finances community-led initiatives to address global environmental issues through a decentralized, country-level delivery mechanism managed by a multi-stakeholder National Steering Committee and supported by a SGP Country Program Team in each of the participating countries.

It is currently implemented by the UNDP, on behalf of the GEF partnership. SGP is designed to mobilize bottom-up actions by empowering local civil society and community-based organizations, including women, Indigenous Peoples, youth and persons with disabilities.

It funds grants up to $50,000. In practice, the average grant has been around $25,000. In addition, SGP provides a maximum of $150,000 for strategic projects.

These larger projects allow for scaling up and replication of successful approaches, covering a large number of communities within critical landscapes or seascapes.

SGP remains one of the GEF's flagship initiatives and enjoys strong and broad support from its stakeholders, including governments, donors, civil society, and community-based organizations.
Finally, SGP prioritizes the following strategic initiatives, which complement the focal area investments and Impact Programs at the community level:

1. *Sustainable Agriculture and Fisheries;*
2. *Low-Carbon Energy Access Benefits;*
3. *Community-based Threatened Ecosystems and Species Conservation: Land and Water;*
4. *Local to Global Coalitions in Chemicals and Waste Management; and*
5. *Catalyzing Sustainable Urban Development.*

## 3.2. Adaptation Fund (AF)

### 3.2.1. Background and financing sources

The Adaptation Fund (AF) is one of several international funds in the multilateral climate finance landscape. The Adaptation Fund was established under the Kyoto Protocol of the UNFCCC. The goal of the fund is to increase resilience through concrete adaptation projects & programmes and focus on most vulnerable countries and communities. It was established at the 7th Conference of the Parties (COP7) held in Marrakesh, Morocco in 2001 and was created as a financial instrument under the UNFCCC and the Kyoto Protocol (KP) in 2016, with the entry into force of the Paris Agreement (PA), negotiations started on how to embed the AF into the new financial architecture of the PA.

## *3.2.2. Eligibility to receive funding*

To access the AF, Implementing Entities need to be accredited by the Adaptation Fund Accreditation Panel on suggestion of the Designated Authority of a developing country that is a party to the UNFCCC, and is particularly vulnerable to the adverse effects of climate change. This includes; low-lying coastal and other small island countries, and countries with climate-sensitive, mountainous ecosystems, arid and semi-arid areas, and areas susceptible to flood, drought and desertification.

Thus, the AF is directly accessible by eligible countries through their accredited National Implementing Entity (NIE). If a country lacks the national institutions to serve as a NIE, it can nominate a Multilateral Implementing Entity (MIE). This will fulfill the required criteria to serve as Implementing Entities. There are 3 modalities that developing countries can use to access Adaptation Fund resources which includes funding decision (AFB), funds transfer (Trustee) and Proposal submission (Project supervision, financial responsibility, Project execution [work on the ground] and Report to the IE).

**Direct Access:** whereby a country can access funds directly from the AF and other funds adopting similar modality to manage adaptation/mitigation projects, requires a National Implementing Entity meeting the funds' fiduciary standards, environmental and social safeguards and gender policy. Accredited Adaptation Fund pioneered fully operational direct access to climate financing.

**Benefits of Direct Access:** Funds projects directly managed and led by countries, elevates issues relating to climate change and adaptation to the national level, improves intergovernmental collaboration and amplify stakeholder voices, Fosters transparency, inclusiveness and competition in project formulation, sustains institutional knowledge and enhance internal management, empowers developing countries to build national adaptive capacities.

## *3.2.3. Sector Focus*

The Adaptation Fund only finances concrete adaptation projects and programs in developing countries. For instance, the AF is:

1. *Implementing adaptation activities, inter alia, in the area of water resource management, land management, agriculture, health, infrastructure development, fragile ecosystems, mountainous ecosystems, and integrated coastal zone management;*
2. *Improving the monitoring of diseases and vectors affected by climate change, related forecasting, and early-warning systems, and in this context, improving disease control and prevention;*

3. *Supporting capacity building, including institutional capacity for preventative measures, planning, preparedness and management of disasters related to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events;*
4. *Strengthening existing and where needed, establishing national and regional centers and informational networks for a rapid response to extreme weather events, utilizing information technology as much as possible.*

### 3.2.4. Funding conditions

Applicants are usually national government agencies. Civil society organizations can be included in the project implementation. For a NIE to become accredited, entities are required to meet the legal and fiduciary standards as listed in the Operational Guidelines.

### 3.2.5. Application procedures

The Adaptation Fund Board considers project proposals throughout the year on a rolling basis. The proposals submitted are reviewed by a technical committee and are published on the website for public commenting before they are discussed and approved by the AF Board. The AF elaborates on the steps of the application procedure on its website. Proposals are to be submitted via e-mail to the Adaptation Fund Board Secretariat. The portfolio of approved projects can be viewed on an online interactive mapping portal. Furthermore; the AF website contains a lot of additional information on approved projects, project performance reports, and projects in the pipeline, which may help applicants to draft successful project applications.

### 3.2.6. Project development and proposal writing

Support for projects available is Project Formulation Grants, Readiness grants (Technical assistance, Project formulation assistance, South-South Cooperation and Readiness support package), Learning and Project scale-up.

#### 3.2.6.1. Readiness Grant Funding

These are small grants meant to facilitate the delivery of
more enhanced, targeted and tailored readiness support for accreditation to developing countries. The Readiness Package Grant is available for accreditation of NIEs only, up to a maximum of US$ 150,000.

#### 3.2.6.2. ProjectFormulationAssistance (PFA) Grants

Asper Decision B.37/1(e), PFA grants have been discontinued to be merged with PFGs grants. The PFG grants available to NIEs have increase to USD 50,000.

### *3.2.6.3. Project Scale-up Grants*

Project Scale-up Grants are funded under the Readiness Programme for Climate Finance and through the grants, NIEs may finance activities that may include, but are not limited to: planning, assessment, capacity enhancement (individual, organization and institutional) for designing and developing scaling up pathways for project scale up; and public and private partnerships and collaborations to support project development for scale up. To be eligible to receive a project scale-up grant, the NIE must meet all of the below criteria. The NIE:

1. *Must be an accredited national implementing entity of the Adaptation Fund and have an accreditation status of "Accredited";*
2. *Must have, at minimum, completed the medium-term review/evaluation or, for projects with a life span of less than 4 years, have submitted at least two project performance reports (PPR) for the project/programme being proposed for scale up;*
3. *Must submit together with the application form, a letter of endorsement by the Designated Authority to the Adaptation fund in support of the scale-up grant application;*
4. *Must have identified a potential source, or sources, where the entity could seek funding to scale up the proposed project/programme.*

### *3.2.6.4. Technical Assistance (TA) Grants for ESP and Gender Policy*

These are small grants to help NIEs build their capacity to address and manage environmental and social as well as gender associated risks within their projects/ programmes in accordance with the Fund's Environmental and Social Policy (ESP) and Gender Policy. Through these grants, NIEs have the option to hire external expertise to help them address these issues.

**The TAs is in twofold: Technical Assistance Grant for the Environmental and Social Policy and Gender Policy (TA-ESGP):** Aimed at strengthening the capacity of NIEs to identify, screen, address and manage environmental and social risks as well as gender related issues in their projects and programs in line with the Fund's Environmental and Social Policy and Gender Policy. The grant is up to a maximum of US$25,000 per NIE.

**Technical Assistance Grant for the Gender Policy (TA-GP):** Meant for NIEs that already have robust environmental and social policies to put in place measures to avoid, minimize and/or mitigate adverse gender impacts in accordance with the Adaptation Fund's Gender Policy. The grant is up to a maximum of US$10,000 per NIE.

### *3.2.7. Adaptation Funds Accreditation Process*

The adaptation fund accreditation process includes:

**1. Nomination**

This is where an entity that meets the accreditation standards identified and nominated as an implementing entity by a Designated Authority.

1. *A National Implementing entity (NIE) must be nominated by their respective governments prior to submitting an application for accreditation.*
2. *A Regional Implementing Entity (RIE) must receive a letter of support from at least 2 of the countries in which they operate (RIEs typically consist of member countries from a certain region).*
3. *Multilateral Implementing Entities (MIE) are invited by the Board to apply for accreditation and do not require an endorsement letter to submit an application*

**2. Application**

The nominated entity submits an accreditation application and supporting documentation through Adaptation Fund's Accreditation Workflow online system (access is granted once a nomination letter is received).

**3. Screening by the Adaptation Fund Board secretariat**

The secretariat screens the application for completeness and requests any missing part of the application.

**4. Review by the Accreditation Panel**

Once the application is complete it is forwarded to the Accreditation Panel for review. The Panel identifies any questions and potential gaps and communicates directly with the applicant until it is ready to make a final assessment. The Accreditation Panel will provide its final assessment to the Board with a recommendation.

**5. Accreditation Panel recommendation**

The Adaptation Fund Board approves the recommendation of the Accreditation Panel. All accreditation or non-accreditation decisions are ultimately made by the Adaptation Fund Board based on the Panel's assessment and recommendation. Please note: ***Both the application form and relevant supporting documentation must be submitted in English and in electronic/digital format through the Accreditation Workflow.***

### *3.2.8. Accreditation standards*

The Adaptation Fund's accreditation process is composed of a set of accreditation standards that consist of four broad categories: legal status, financial and management integrity, institutional capacity, and transparency, self-investigation and anti-corruption.

1. ***Legal status:*** *Status to contract with the Adaptation Fund Board*

2. ***Financial and management integrity:*** *Accurate recording of transactions, disbursing funds on a timely basis, and audited periodically by an independent firm or organization*

3. ***Institutional capacity:*** *Ability to manage procurement procedures, ability to identify, formulate and appraise projects/programmes, competency to manage or oversee the execution of the project/programme, competency to undertake monitoring and evaluation, including monitoring of measures for the management of environmental and social risks*

4. ***Transparency, self-investigation, & anti-corruption:*** *Mechanism to monitor and address complaints about environmental or social harms caused by projects*

5. ***Compliance with Adaptation Fund's*** *Gender Policy*

### *3.2.9. Financing Windows*

1. *The project scale-up grants are aimed at increasing readiness of NIEs to expand or replicate quality adaptation projects based on country needs, views and priorities. They provide readiness funding to support plans and designs for scaling up Fund projects currently under implementation, while the implementation phase of the designs would be expected to be funded by other sources.*

2. *The learning grants are expected to assist NIEs in enhancing their systems to capture and disseminate adaptation experiences and knowledge. Up to US$ 150,000 is available per project with up to three grants to be approved annually through 2022. The grants focus on transferring knowledge to other NIEs or the adaptation community at large.*

3. *The innovation grants will be offered to NIEs up to a maximum of US $250,000 per grant. They are aimed at enhancing and speeding development of innovative adaptation practices on the ground. They can be used to address adaptation challenges within various themes, including but not limited to advancing gender equality and women and girls' empowerment, disaster risk reduction, youth inclusion, community focus, innovative adaption financing, enhancing cultural heritage, nature-based solutions, social innovation, urban adaptation and water resource management.*

### 3.2.10. Financing instruments

| Grants | Loan | Equity |
|---|---|---|
| Financial transfer typically made by the public sector or by charitable organizations. Money does not have to be repaid and is usually exempted from tax. Grant providers closely monitor the impact of the funding provided. Grants are often provided for project preparation and technical | Dept with a fixed time period for repayment, and fixed or variable interest rate payable periodically. Usually, the repayment starts immediately after the loan is taken out by a recipient. | Financing provided by an investor in exchange for partial or full ownership of a (often for-profit) company by acquiring its shares. Often provided by private rather than public financiers; also available for (PPP-) projects. |

## 3.3. Least Developed Countries Fund (LDCF)

### 3.3.1. Background and financing sources

The LDCF was established in November 2001 as part of the United Nations Framework Convention on Climate Change to address the needs of the world's least developed countries, whose economic and geophysical characteristics make them particularly vulnerable to the effects of global warming and climate change. The LDCF, together with the Special Climate Change Fund (SCCF), is tasked with implementing the Paris Agreement and the financing source of both is the Global Environmental Facility.

### 3.3.2. Eligibility to receive funding

A country is eligible to receive LDCF grants provided that it is also eligible to borrow from the World Bank. Eligible countries need to appoint a national focal point.

### 3.3.3. Sector Focus

The LDCF finances the preparation and implementation of National Adaptation Plans, to address immediate and urgent adaptation needs in LDCs. The LDCF plays a role in vulnerability reduction in areas that are crucial for development and livelihoods. This includes sectors of agriculture and food security, water, health, disaster risk management and prevention, infrastructure and fragile ecosystems. The NAP implementation projects designed under the LDCF are in line with each country's priorities. They are implemented by national stakeholders and benefit vulnerable communities.

### 3.3.4. Funding conditions

Proposals submitted for funding are reviewed in light of agreed project criteria, under the guidance of the COP. These criteria include; country ownership, program and policy conformity, financing, institutional coordination and support, and monitoring and evaluation.

### 3.3.5. Application procedure

In a first step, the LDC develops the concept for a project as a Project Identification Form (PIF), with the assistance of one of the GEF agencies. For NAP preparations, this would involve an initial scoping of existing activities and awareness-raising amongst key stakeholders. The PIF may be supported with a small preparation grant.

In a next step, the PIF is submitted to the GEF for approval by the LDCF Council, and can be accompanied by a request for a project preparation grant (PPG). Once the PIF is approved, the country embarks on the development of a full project document, and PPG funding is provided to the country if requested. Once completed, the full project document is submitted to the GEF for endorsement, to finally trigger the disbursement of the requested support to the country for the full project implementation. In some cases, a country may combine the PIF and PPG stages.

The project can be a Medium-Sized Project (MSP) if the total cost from the LDCF is less than or equal to USD 2 million or can be a Full-Sized project (FSP). The FSP undergoes a full review process under the LDCF Council, thus, it takes longer to process the project application in comparison to a MSP. The latter is directly approved and endorsed by the GEF CEO. A complete description of the GEF modalities for accessing the LDCF is contained in Operational Guidelines for the Least Developed Countries Fund.

### 3.3.6. Financing Windows

LDCF financing windows are categorized into three which include World Bank, African Development Bank and Development Banks (e.g: Asian Development Bank).

### 3.3.7. Financing instruments

LDCF financing instruments are grants.

## 3.4. Special Climate Change Fund (SCCF)

### 3.4.1. Background and financing sources

The Special Climate Change Fund (SCCF) was established under the UNFCCC in 2001, to complement the LDCF. The Global Environment Facility (GEF) operates the SCCF.

The SCCF is based on voluntary contributions from donor countries. The SCCF falls under the governance structure of the GEF. GEF governance structure is composed of the Assembly, the Council, the Secretariat, 18 Partner Agencies and a Scientific and Technical Advisory Panel.

### 3.4.2. Eligibility to receive funding

Unlike the LDCF, all developing countries are eligible for the SCCF. Like the LDCF, it does not provide direct access. Accordingly, applications have to be submitted by governmental entities in cooperation with international entities (e.g. FAO, UNDP, MDBs) that are accredited to the GEF. SCCF is open to all vulnerable developing countries and is therefore not restricted to ODA eligible countries.

All Non-Annex 1 countries are eligible to apply, although the needs of the most vulnerable countries in Africa, Asia, and the Small Island Developing States (SIDS) are to be prioritized strategic documents.

### 3.4.3. Sector Focus

The SCCF is designed to finance climate change related projects and programs that are complementary to projects funded by the GEF under its climate change focal areas. While adaptation so far has been the key priority, the following sectors are eligible for funding

1. *Technology transfer and capacity building;*
2. *Mitigation in selected areas, including energy, transport, industry, agriculture, forestry and waste management;*
3. *Economic diversification.*

### 3.4.4. Funding conditions

Grants need to be matched by co-financing, provided by the grant-seeker.

### 3.4.5. Application procedures

GEF accredited entities submit their project concepts for a pre-selection process. Details of the submitted projects are discussed on a monthly basis. The pre-selection process aims to identify and prioritizes suitable projects for admission to the formal project cycle. This is in order to ensure that the number and scope of the projects entering the formal cycle match the funds available. The pre-selection process attempts to ensure the following aspects of the SCCF portfolio;

*1. Project or program quality;*

*2. Equitable regional distribution;*

*3. Balanced support for all priority sectors;*

*4. Balanced distribution among GEF agencies based on comparative advantage.*

### 3.4.6. Project development and proposal writing

A Project Identification Form (PIF) is a short (maximum 4 pages) description of a project concept that is used by the GEF to determine whether or not the project meets certain basic criteria. If these criteria are met, the project is included in the GEF pipeline i.e.,

funds are allocated to the project to cover total project costs (funds are not committed until CEO endorsement). A Project Preparation Grant (PPG) is a small amount of funds that can be utilized to cover partial project preparation costs incurred by the project proponent. The SCCF Project Proponent develops a concept for a project and requests assistance from an Implementing Agency of the GEF.

1. *The SCCF Project Proponent secures the endorsement of the national GEF Operational Focal Point.*
2. *Projects over USD 1 million are referred to as Full-sized Projects (FSP); those of USD 1 million or below are referred to as Medium-sized Projects (MSP.) MSPs follow a further streamlined project cycle, compared to FSPs.*
3. *For FSPs, submission to the GEF under the SCCF starts with a Project Identification Form (PIF), followed by a CEO Endorsement Form.*
4. *MSPs may start with the CEO Endorsement Form. Once the GEF CEO Endorses the project, the funding is released to the Implementing Agency.*
5. *The project cycle for the SCCF is similar to that employed by the GEF Trust Fund.*
6. *The coordination between the stakeholders should be established early in the process, and prior to submission of a funding request to the GEF, consistent with the GEF's Public Involvement Policy 10. The application for funding will be submitted through the selected Agency.*
7. *The implementing agency that is most suitable for the given project should be selected among the 10 GEF Agencies.*
8. *Each of the stages of the project cycle is approved by the LDCF/SCCF Council and/or GEF CEO*

9. *In the case of Full-sized Projects (FSP), the steps of the SCCF project cycle include submission of a PIF, including a project preparation grant if desired (PPG, this is optional). After the PIF has been approved by the LDCF/SCCF Council, the GEF agency then works with the Project Proponent to develop the project fully into a detailed Full Project Document (FPD). The GEF CEO endorses the project; after which it is ready for implementation.*

10. *The Medium-sized Project (MSP) is approved by the CEO, and can be done in one step. This means that the proponent can start by submitting a detailed FPD. After the project document is approved by the GEF CEO, implementation can begin. However, if the proponent desires to access a Project Preparation Grant (PPG), an approved PIF is required for MSPs also*

11. *The PIF, PPG and Project CEO Endorsement/ Approval Templates are available and can be downloaded from the GEF website and used while applying to SCCF funding. Two steps SCCF project design and processing and approval*

### STEP. 1: Project Proponent and Implementing Agency

**Project Idea:** The proponent of the project, a government, NGO, or CBO entity from a non- Annex I Party, pursues a partnership with one of GEF Agencies and GEF Operational Focal Point endorsement of the project concept. Submission of the concept in Project Identification Form (PIF) to the GEF secretariat. A project preparation grant request can also be submitted at this stage.

**Project Concept (PIF) Review:** The GEF Secretariat technically reviews the PIF. The GEF has a service standard of 10 business days for this stage. If the GEF Secretariat recommends the PIF, it is web-posted for the LDCF/SCCF Council (Otherwise, the project can be returned for revisions, or rejected, if ineligible). The LDCF/SCCF Council has 4 weeks to review the PIF prior to the Council meeting on the Work Program. Approval is granted on a no-objection basis. If a project preparation grants (PPG) request has been approved, the PPG funding is released.

### STEP.2: Project Preparation

Project preparation is expected to be completed as soon as possible, and no later than 18 months from LDCF/SCCF Council PIF approval date.

**Once the full project proposal** has been submitted, the GEF has a service standard of 10 business days to process it, including a technical review. It is circulated to the Council only if a council member has requested, at the time of the PIF approval, that the Secretariat circulate the final project document to the Council for review prior to endorsement; or the GEF CEO has, upon review, determined that there have been major changes to the project scope and approach since PIF approval.
The GEF CEO endorses the project after which Disbursement and implementation follows.

### *3.4.7. Special Climate Funds Accreditation Process includes*

Initially, only UN agencies and multilateral development banks were accredited as GEF Partner Agencies. As part of an effort to broaden the number of GEF implementation partners, 2011 a pilot programme to accredit "up to ten" new agencies was launched. Applicant entities were reviewed in a three-stage process with an independent GEF Accreditation Panel assessing whether they meet the GEF's fiduciary standards, as well as the GEF's environmental and social safeguards, including on gender mainstreaming. Of the initial applicants, eight have successfully completed the accreditation process and been added as fully-accredited GEF Partner Agencies.

A recent review of the accreditation approach of the GEF confirmed that no further GEF Partner Agency expansion is planned for the foreseeable future. The SCCF works through formally accredited GEF Agencies. Among them are UN agencies, multilateral and regional development banks, national government institutions, and international and non- governmental organizations. The complete list of the 18 GEF Agencies is available at: https://www.thegef.org/partners/gef-agencies).

Projects are intended to be nationally owned and country-driven. A project has to be endorsed by the country or countries where it will be implemented to be considered to receive GEF funding.

1. *The GEF Operational Focal Point is "designated by each country that receives GEF funding, and is responsible for operational aspects of GEF activities such as, endorsing project proposals to affirm that they are consistent with national plans and priorities and facilitating GEF coordination, integration, and consultation at the country level.*

2. *The GEF Focal Points (Country Representatives) are "government officials, designated by member countries, responsible for GEF activities and to ensure that GEF projects are country-driven and based on national priorities. The complete list of GEF Focal Points is available at: http://www.thegef.org/focal_points_list*

### *3.4.8. Financing Windows*

**Full-sized Project (FSP):** GEF project financing of more than two million US dollars.

**Medium-sized Project (MSP):** GEF project financing of less than or equivalent to two million US dollars.

**Enabling Activity (EA):** Enabling Activity support is provided for activities related to reporting about the MEAs a country is a signatory/party.

**Program:** A longer-term and strategic arrangement of individual yet interlinked projects that aim at achieving large-scale impacts on the global environment.

### *3.4.9. Financing instruments*

The financing instrument used by SCCF is Grants (as incremental cost finance to address climate change adaptation relative to a development baseline).

# 4. GREEN CLIMATE FUND (GCF)

## *4.1. Background and financing sources*

The financing instrument used by SCCF is Grants (as incremental cost finance to address climate change adaptation relative to a development baseline) The Green Climate Fund (GCF) is a global financial mechanism under the United Nations Framework Convention on Climate Change (UNFCCC) to respond to climate change by investing in low-emission (mitigation) and climate-resilient (adaptation) development. It is created to help developing countries respond to climate change mitigation and adaptation activities and to strengthen their national capacities to effectively and efficiently plan for, access, manage and monitor international climate funds.

GCF finances private sector projects relating to mitigation and adaptation activities at all levels. It aims for a 50:50 balance between mitigation and adaptation in its portfolio in terms of funding, with special focus on vulnerable countries. GCF provides countries with direct access to the Fund and supports readiness and preparatory activities to enhance country ownership and access to the fund.

## *4.2. Eligibility to receive funding*

All country parties to the Paris Agreement are eligible and the GCF provides direct access. However, to become accredited there are high transparency and fiduciary standards that have been set by the Governing Board that must be met. Thus, the accreditation process is lengthy and the list of entities in the accreditation pipeline is long and it may take years to get through the accreditation phase. Readiness programs and a grant are available to applicants to ease the accreditation process and to widen the spectrum of accredited entities, including from resource-poor climate vulnerable countries

## *4.3. Sector Focus*

The GCF's work aims to support paradigm shifts in both climate mitigation and climate adaptation efforts. Climate change mitigation interventions seek to reduce the release of greenhouse gas emissions, or to increase the capacity of carbon sinks. On the other hand, Adaptation needs as a result of climate change are also coming into sharp focus as impacts become more evident. GCF also seeks to have an impact within eight mitigation and adaptation results areas. The eight results areas cover both mitigation and adaptation and provide the reference points that will guide GCF and its stakeholders to ensure a strategic approach when developing programmes and projects, while respecting the needs and priorities of individual countries. The results areas have been targeted because of their potential to deliver a substantial impact on mitigation and adaptation. The GCF has identified eight main impact areas:

- Low-emission energy access and power generation;
- Low-emission transport;
- Energy efficient buildings, cities and industries;
- Sustainable land use and forest management;
- Enhanced livelihoods of the most vulnerable people, communities, and regions;
- Increased health and well-being, and food and water security;
- Resilient infrastructure;
- Resilient ecosystems.

## 4.4. Funding conditions

In line with the respective eligibility criteria and standards, recipient countries first have to appoint a National Designated Authority (NDA). Next, a National Implementing Entity (NIE) needs to be nominated and accredited by the GCF. Alternatively, if there is no accredited NIE in a country, funds can be accessed through Multilateral Implementing Entities (MIEs), also called intermediaries, such as accredited MDBs or UN agencies. NGOs, private banks, or other organizations can also be accredited as an implementing entity.

## 4.5. Application procedure

The funding proposal requires a No-Objection of the NDA and is then forwarded to the Fund Board through the accredited entity. The accredited entity is in charge of overseeing the development and approval of the project, and the monitoring of its implementation, while the Executing Entity is responsible for carrying out the project.
Funding proposals are usually developed in close cooperation with the Secretariat of the GCF. Funding decisions are taken by the Governing Board which meets four times a year. All decisions of the board are made available online. A comprehensive Guide on how to access the GCF can be found on the GCF Website (www.gcfund.org).

## 4.6. Project development and proposal writing

The GCF Accredited Entities are responsible for developing and initially appraising the funding proposal, as part of its First-level due diligence.

The AE should conduct all necessary and desirable due diligence on the proposed project/programme that it would apply to its own portfolio or when using or investing its own funds or funds for which it has management or investment responsibility, pursuant to its own policies and procedures.

The AE should clearly document the conclusions/recommendations of its first-level due diligence in the funding proposal. Due diligence should cover the following aspects, including but not limited to:

- The technical, engineering, economic, financial, risk, legal and commercial viability of the proposed activities;
- Compliance with GCF standards (environmental and social safeguards (ESS), fiduciary standards and the Gender Policy) to the extent and scope of its accreditation, and with the applicable requirements under the Indigenous Peoples Policy;
- Climate change mitigation and/or adaptation impacts, including developmental benefits;
- Administrative and regulatory requirements; and
- Any business or company searches to ascertain the legal capacity, solvency or financial health of the executing entity (EE) and other recipients/beneficiaries of the funding and the parties to the transaction set out in the relevant FP.

Project/programme appraisal by the AE involves an in-depth evaluation of the proposed activities and interventions to meet the GCF investment criteria and achieve the desired climate mitigation and/or adaptation results.

This helps the AE to determine whether the proposed project/ programme offers an effective solution to address the identified problem, and whether it is technically, financially, economically, environmentally and socially sound and cost-effective. The process often involves site visits, consultations with relevant stakeholders, and conducting technical studies.

The first-level due diligence appraisal enables AEs to obtain the necessary design parameters, such as environmental, social and gender assessments; technical, economic, financial and legal analyses; risk evaluation; monitoring, reporting and evaluation plans; and development of a results management framework.

## 4.7. Financing Windows

The GCF financing can be accessed through different available windows which includes:

1. *Readiness and Preparatory Support*
2. *Project Preparation Facility*
3. *Full project funding support*
4. *Private Sector Financing window*

## 4.8. GCF Financing instruments

GCF offers and combines a full range of financing instruments, including loans, equity, guarantees and grants to design bespoke solutions that tackle specific investment barriers.

| Instruments | Transformational Potential |
|---|---|
| Grants<br>• Readiness Support<br>• Project Preparation Facility<br>• Full Project Financing Support | GCF can support:<br>• Planning and institutional capacity building,<br>• Technical assistance,<br>• Pipeline development, project identification, and project preparation,<br>• Project grant financing. |
| Loans | GCF can provide:<br>• Concessional lending to match long-term nature of public investments,<br>• Finance to leverage co-financing,<br>• Concessional private sector loans. |
| Insurance | GCF can play a role in de-risking new insurance products, market development, including financing technical assistance for new insurance services or other emerging financial instruments in this area. |
| Guarantees and equity | • GCF can help to de-risk investment<br>• GCF can issue partial (first loss) risk guarantees<br>• Can be an anchor investor in equity funds |
| Bonds | • Targeted bonds can help overcome financing barriers to both public and private investment,<br>• GCF can provide partial credit guarantees to de-risk bond issuance, or support capacity building for the creation of resilience bond facilities. |

| | |
|---|---|
| Public-private partnerships | • Leverage private investment for public delivery,<br>• GCF can play a role in technical assistance and institutional strengthening for climate-targeted or climate proofing PPP infrastructure,<br>• GCF concessional finance can be used to engage the private sector with acceptable risk-reward conditions. |

## *4.9. Overview of Accreditation Support*

**What is GCF accreditation?**

Accreditation is a process under which entities have to prove that they have the ability and capacity to manage the fund's resources in accordance with standards and criteria set out by the Fund. To access finance directly from GCF, the NDA will identify and nominate national entities to be accredited as Direct Access Entities (DAEs).

To get accredited to access the Fund, GCF panel undertakes an independent review of the application to assess whether the prospective applicants meet GCF's fiduciary standards and environmental and social safeguards (ESS) and complies with its gender policy.

## *4.10. GCF Accreditation Process*

**Who qualifies to apply for GCF Accreditation as Direct Access Entity?**

The funds from the GCF will flow directly to Accredited Entities (AEs) for project/programme implementation. All entities, including public and private and NGOs in all member countries qualify to apply for accreditation as DAE. The entity must be:

1. Legally established,
2. Able to demonstrate robust organization policies, procedures and guidelines,
3. Able demonstrates capacity and experience in implementing similar actions.

In addition, all prospective DAEs must meet the fiduciary principles and standards, the environmental and social safeguards, and gender policy, as given in the operational policies and guidelines of the GCF Board for accessing resources from the Fund.

## *4.11. GCF Readiness and Preparatory Support Programme*

The GCF Readiness Programme provides up to USD 1 million per country per year to help strengthen the institutional capacities of National Designated Authorities/focal points (NDAs) and direct access entities (DAEs). The programme works through grants and technical assistance.

An additional one-time provision of USD 3 million per country can be used to support the formulation of National Adaptation Plans (NAPs) and/or other adaptation planning processes. Furthermore, multiple-year Readiness implementation requests allocate up to USD 3 million for a grant term of 3 years. Grants have an annual cap of USD 1million per country. Countries may submit multiple requests over different timeframes based on the needs of the country. The programme works through grants and technical assistance.

### *4.11.1. Areas of Support*

Countries are fully encouraged to address capacity and technical gaps to achieve priorities described in Nationally Determined Contributions (NDCs), NAPs, and other national climate change strategies. Support requested under the Readiness Programme should aim to achieve one or more of the objectives indicated below.

#### *4.11.1.1. Capacity Building*

Strengthens the capacity of the GCF NDAs including staff training; coordinating engagement between Accredited Entities and relevant institutions; and enhancing the programming process for key partners such as DAEs, executing entities, civil society, and private sector stakeholders.

#### *4.11.1.2. Enhancing Strategic Frameworks*

Supports the development of Country Programmes, Entity Work Programmes, long-term low-emission strategies, and action plans which guide GCF investments and programming. It also enhances strategic frameworks to address policy gaps and creates ideal conditions for mobilizing climate finance.

#### *4.11.1.3. Adaptation Planning*

Helps in adaptation planning and establishing monitoring systems that enable climate resilience across sectors.

It also catalyzes and scales up public and private adaptation finance through articulation of strong climate rationale and support for active stakeholder engagement.

#### *4.11.1.4. Transformational Pipeline Development*

Bolsters the development of transformational project pipelines by providing technical assistance.

This includes preparing concept notes, identifying sector priorities, outlining pipeline metrics and indicators, and establishing implementation plans to deliver impactful projects and programmes.

### *4.11.1.5. Knowledge Sharing and Learning*

Enables sharing of best practices, methodologies, and knowledge products for future development of transformational climate action concepts and projects.

It also fosters collaborations at subnational, national, and regional levels to encourage dissemination of frameworks and information systems.

### *4.11.1.6. Formulating the National Adaptation Plan*

To help countries access financial support for adaptation planning and implementation in accordance to the recommendation of the 19th Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), the GCF Readiness Programme provides developing countries a one-time grant allocation of up to USD 3 million for the formulation of National Adaptation Plans (NAPs) and/or other adaptation planning processes. Requests can be submitted by a National Designated Authority/focal point (NDAs) following the readiness application process.

### *4.11.2. Flexible use of GCF resources for adaptation planning*

Countries have the option of accessing the USD 3 million cap through one proposal with one Delivery Partner, or through a set of multiple sequential proposals. A 'phased' approach to accessing the resources can enable countries to 'learn by doing' and thereby benefit from the iterative nature of adaptation.

NDAs also have the flexibility to involve multiple Delivery Partners in different proposals and to thereby access the most relevant expertise for formulation of adaptation planning activities.

Delivery Partners for adaptation planning and other GCF Readiness proposals can be implemented by any organization, regardless if they are a GCF Accredited Entity, as long as they undergo a Financial Management Capacity Assessment.

### *4.11.3. Adaptation planning catalyzes finance for implementation*

Adaptation planning should include a comprehensive financing strategy to implement priority actions which countries identify in their NAPs. This financing strategy can include a prioritized pipeline of funding proposals, including but not exclusively for submission to GCF.

# 5. ADDITIONAL INFORMATION

The Government of Rwanda aims at becoming a low carbon and climate resilient economy by 2050. To achieve this, a lot will need to be done in terms of implementing various climate actions. Therefore, a Green Fund (FONERWA) has been established to The section below explains in details what FONERWA is and how it operates.

## *5.1. FONERWA, the Rwanda Green Fund*

### *5.1.1. Background and financing sources*

The National Fund for Environment – FONERWA is a groundbreaking Environment and climate change Fund, established by the Rwandan Government in 2012. The Fund is the largest in its kind in Africa with the Rwanda Green Fund being its branding name.[4]
1

The Fund's purpose is to be the engine of green growth in Rwanda, while serving as a touchstone for Africa and the rest of the world. Its strategy is to provide unheralded technical and financial support to the best public and private projects that align with Rwanda's commitment to a green economy[4].

The Fund's core responsibilities[4] are to:

- *Mobilize and manage resources used in financing activities aiming at protecting and preserving environment and natural resources;*
- *Mobilize and manage funds to be used in the fight against climate change and its impact;*
- *Collect and manage funds from the public and private sector, through bilateral and multi-lateral partnerships, to achieve the country's objectives to advance national priorities in the field of environment and climate change;*
- *Support public organs, associations and individuals for environment protection and conservation, research as well as the fight against the climate change;*
- *Coordinate and ensure that various finance partnership agreements related to prevention as well as fighting against climate change are prepared and effectively managed across various national stakeholders;*
- *Collaborate with other national regional and international institutions with the same mission.*

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[3]Final Report GoR June 2012, Environment and Climate Change Fund (FONERWA) Design Project
[4]http://www.fonerwa.org/who-we-are

### *5.1.2. How the Fund Works*

The Fund carries out public Calls for Proposals and all applicants have a one-month window of opportunity to submit their project concepts, known as Project Profile Documents (PPDs), developed according to pre-established criteria. All proposals received are taken through a rigorous screening process.
The project or programme proposal screening is carried out in a fair, transparent, competitive multi-step process. It is overseen by the Fund Management Team (FMT)/ Secretariat with ultimate funding decisions made by the Fund Managing Committee (FMC) based on evaluations and recommendations provided by the FMT & Fund Technical Committee FTC.

### *5.1.2. Existing Financial Instruments*

There are three main financial instruments that are currently provided by the Fund:

| | |
|---|---|
| **Grant:** | Accessed by public institutions and Non-Governmental Organizations (NGOs) |
| **Innovation Grant:** | This product is a performance based investment for research and development, proof-of- concept and demonstration. Private sector companies can apply for up to USD 300,000 and must provide 25% match funding. |
| **Credit Line:** | The Fund provides Rwanda's cheapest money with a credit line that provides Financing at 11.45%, well below market rates. Developed with Rwanda's Development Bank, private sector companies must provide 30% match funding. |

### *5.1.3. Who Can Apply*

| | |
|---|---|
| **Public Institutions** | The Rwanda green Fund provides grant to public institutions including central government, local government, and academic to implement green projects that have the potential for transformative change and that align with Rwanda's commitment to building a strong climate resilient and green economy. |
| **Civil Society** | The Rwanda green Fund provides grant to civil society to implement green projects that have the potential for transformative change and that align with Rwanda's commitment to building a strong climate resilient and green economy. |

| | |
|---|---|
| **Private Sector** | The Rwanda green Fund provides innovation grant and credit line to private sector to respond to Environment and Climate Change related challenges facing Rwanda as well as the aspiration to have green growth path to development.<br><br>The credit line, a subsidized loan facility, provided by the Fund and administered by the Rwanda Development Bank provides funding to transformative projects that will demonstrate clear impact in achieving national and sectoral priorities.<br>They must be backed by a business model with sound underlying fundamentals to manage risk and deliver returns. |

### *5.1.4. How to ensure a successful application:*

**Tips for Project Profile Document applications**

Below are some of the common mistakes made in Project Profile Document applications

1. *Complete all the relevant fields in the log frame. Many applicants are not completing all the relevant fields on the log frame including inputs, impact weighting, risk level and assumptions.*

2. *All the activities mentioned in the PD should be included in the work plans and budgets. Some of the work plans and budgets do not include all the activities mentioned in the PD. Ensure that the inputs (activities and budget) are sufficient to deliver the project outputs – often projects fail to include activities that enable consultation, awareness and capacity building among target communities (although these are often included in the PD, they are not provided for in the work plan and budget).*

3. *Ensure the activities in the work plan correlate with the activities in the budget and the terminology is consistent across the PD. Sometimes, the activities in the work plan do not correlate with the activities in the budget and the terminology is inconsistent across the PD, work plan, log frame and budget.*

4. *Ensure the budget is comprehensive. There is often an insufficient breakdown or failure to include all the necessary items in the budget. E.g. rain water harvesting, often I see a budget for the tanks but not for the pipework, filters and other ancillary equipment needed for rain water harvesting.*

5. *Ensure there are measures in place to operate and maintain the facilities beyond project completion and to recover O&M costs. Often with infrastructure interventions (e.g: rainwater harvesting) there are no provisions (including providing the community with training and tools so they can maintain the installed infrastructure) included in the work plan to operate and maintain the facilities beyond project completion or to recover O&M costs to ensure the long-term sustainability of the infrastructure. Applicants should be encouraged to establish and support infrastructure management committees and advise on appropriate tariffs (affordable to vulnerable households) where necessary.*

6. *Try where possible and relevant to quantify the number of people who will benefit from the project. Often the PDs do not quantify the number of people who will benefit from the project which makes it difficult to broadly assess the scale of impact and VfM.*

7. *Be specific about which elements of the strategies are relevant to the proposed interventions. National, sectoral and district development strategies (GGCRS, NDC, NST, etc) are often referred to but the specific priorities and relevant objectives are often not made explicit and references are not always for the figures quoted. A good proposal will go into detail on how the proposed interventions conform with specific elements of each of the key strategies.*

8. *Think about how lesson learning can be maximized. The learning and knowledge management component is generally quite weak in capturing and sharing lessons learned from project interventions compared to some of the NGO applications.*

9. *Explain how the outputs meet the project objectives and how the indicators will be used to demonstrate effectiveness. Under the effectiveness section, applicants often fail to explain how the outputs meet the project objectives and how the indicators will be used to demonstrate effectiveness linking this to the "why this project is needed" section.*

# 6. CONCLUSION

This Handbook targets civil society organizations, public and private institutions in Rwanda that qualifies and wishes to utilize the available funds under the UNFCCC-related financial mechanisms as well as FONERWA as another available financing option for climate-actions in Rwanda. It will assist these fund beneficiaries to ease the available bottlenecks in applying and accessing climate actions funding options. Further detailed information can be found on the websites of the funds stipulated above.

# ANNEXES

## Annex 1: NDA responsibilities

National Designated Authorities (NDAs) are government institutions that serve as the interface between each country and the Fund. They provide broad strategic oversight of the GCF's activities in the country and communicate the country's priorities for financing low-emission and climate-resilient development.

Specifically, the roles and responsibilities of the NDA includes:

- **Convene relevant public, private and civil society stakeholders to identify priority sectors to be financed by the Fund:** Stakeholders include other relevant government entities, civil society, project developers, private sector actors, financial institutions and communities, including vulnerable groups and women who will be affected by the Fund's activities. This is clearly detailed in the NDA Multi-Stakeholder Strategy.

- **Developing and updating Country Programmes:** The NDA plays a lead role in developing and updating country programmes, a document that presents a country's climate change priorities with the GCF, including a pipeline of projects that the country would like to develop with the Fund.

- **Communicate accredited entities to the Fund**: NDA engages with potential public, private sector and non-governmental entities and nominates such entities for accreditation to the Fund. Applications from DAEs wishing to become accredited via the direct access track need to be accompanied by a nomination letter from the NDA.

- **Communicate no-objection approval for programmes and project proposals to the Fund applicants:** The NDA communicates a no-objection to confirm that funding proposals by applicants are in compliance with the country's national climate change priorities and strategies.

- **Secretariat for the National Coordination Team (NCT):** The NDA also serves as the secretariat for the NCT and is responsible for convening meetings of NCT and providing administrative support for the work of NCT.

- **Monitoring:** The NDA is involved in the monitoring of the implementation of the approved programmes and projects to ensure their compliance with Rwanda's key priority indicators and conditions of approval throughout the life cycle of the projects.

- The NDA also retains information on all funding proposals relating to Rwanda and facilitates information sharing on the projects.

- The NDA also disseminate and share GCF process, key requirements, challenges and operational procedures of the Fund to the national actors and stakeholders.

- The NDA pre-screens all proposals before submission to the NCT for approval and issuance of no-objection letters.

- The NDA drives and coordinates relevant coordination mechanisms and multi-stakeholder engagement, as needed and appropriate, including processes for no-objection for funding proposals.

- As a part of the readiness programme, the NDA is responsible for in-country institutional strengthening, including strengthening the capacities for country coordination and to meet fiduciary principles and standards and environmental and social safeguards, in order to enable countries to directly access the Fund.

**National Coordination Team (NCT), members and roles**

The National Coordination Team (NCT) was established to support the performance of the NDA. The country coordination team ensures the systematization of stakeholder engagement and the decision-making process. It supports the NDA in the effective implementation of its tasks, especially the identification of country priorities for GCF funding and the preparation of the Country Programme and Strategic Framework for engagement with the GCF, the implementation of the No-objection procedure, and the nomination of Direct Access Entities.

The main role of the NCT is to support the NDA in providing a broad strategic oversight of the Fund's activities in the country as well as to lead and coordinate a country coordination mechanism that allows for an overview of key sectors as they relate to the country's climate change strategies and plans.
The NCT is composed of 15 members from public institutions, private sector and civil society. The NTC is headed by one chair-person assisted by two co-chairs and one secretary.

The NCT should contribute to the establishment of a Country programme and strategic framework for the GCF funding. Specifically, the NCT should:

- Review proposed projects/programme and propose recommendations for NDA consideration based on GCF six investment criteria and national project/programme selection criteria;

- Advise the NDA on project/programme compliance with GCF and national selection criteria;

- Support the NDA in defining country priorities and project portfolio for GCF funding by participating in the coordination activities and stakeholder consultations;

- Contribute to the identification of project ideas and cooperation with AEs;

- Monitor and evaluate the implementation of projects approved by GCF.

To do so, the NCT pursues the following main objectives:

- Ensure the country programme is regularly updated
- Ensurethe proposed project/programme compliance with national strategies, policies and programs;
- Ensure that local participation in the proposed project/programme is considered;
- Ensure that national priorities and country programme are respected in the project/programme design;
- Ensure that relevant stakeholders are engaged;
- Oversee and provide feedback through a stakeholder engagement process;
- Ensure projects approved by the GCF are implemented effectively and efficiently,
- Ensure GCF activities are well coordinated in the Country;
- Ensure a strong stakeholder's coordination and engagement.

The NCT is composed by the Chair (MINECOFIN), the 1st Vice-Chair (PSF), the 2nd Vice-Chair (FONERWA), the secretariat (REMA) and permanent members (MoE, MININFRA, MINAGRI, RDB, BRD, RMB, RENGOF, RWB, RFA, RLMUA). A no-permanent member may be invited depending on the expertise needed for the project review.

## Annex 2: NOL application procedure

| NATIONAL NO_OBJECTION PROCEDURES | | |
|---|---|---|
| ACTIVITY | RESPONSIBLE BODY | TIME FRAME |
| Project Proposal generation/ Accretitation Proposal preparation | Project promoter seeks consideration of Accredited Entity/ Application for | When needed |
| Subnission of request for Letter of no objection to NDA secretariat | Accredited entity/ Aapplicant for Accreditation | When a concept note/ project proposal is ready |
| Review the request and check completeness | NDA Secretariat | 2 weeks from submission |
| Put request on the agenda of the soonest NTC meeting | NDA Secretariat | 1 month from submission |
| Give NDA analysis and recommendation on the request for no objection | NCT meeting | 1 week from the day of NCT Meeting |
| Additional infrormation requested, OR No objection letter issued within | NDA Secretariat | 1 week from the day of NCT Meeting |
| Proposal submission to the GCF/Online application for accreditation | Accredited entity/ Aapplicant for Accreditation | As soon as the Accredited Entity can and within enough time before GCF Board meeting. |

SCAN for more information

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