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Training on Financing for Disaster Risk Management

Session 2.1 Global Financing or Funding facilities for DRM and CCA

Session Objectives

At the end of this session, participants should be able to:

- Explain the Green Climate Fund (GCF), Global Environmental Facility (GEF), Global Facility of Disaster Reduction and Recovery (GFDRR), Adaptation Fund (AF)

- What is the Green Climate Fund (GCF)?
- What is the Global Environmental Facility (GEF) Trust Fund?
- What is the Adaptation Fund (AF)
- What is the Special Climate Change Fund?
- What is the European Union Global Climate Change Alliance?
- What is the Global Facility for Disaster Reduction and Recovery (GFDRR)

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What is the Green Climate Fund (GCF)?

- A financial mechanism adopted by the **United Nations Framework Convention on Climate Change** (UNFCCC) in 2011
- Developed to assist **developing countries** in **adaptation** and **mitigation** practices to counter **climate change**
- Objectives: i) to raise **climate finance**; ii) to support projects, programs, policies and other activities in developing countries
- Available financial instruments: combination of **grant**, concessional **debt**, guarantees or **equity** instruments to leverage blended finance and crowd-sourced finances in private investment

What is the Green Climate Fund (GCF)?

Main features

- **Developing countries lead** GCF programming and implementation
- Country **ownership** of GCF financing decisions enables developing countries to turn NDC ambitions into climate action
- GCF operates through a network of over 200 **Accredited Entities** and **delivery partners** who work directly with developing countries for project design and implementation
- Partners include international and national commercial banks, multilateral, regional and national development finance institutions, equity funds institutions, United Nations agencies, and civil society organizations
- GCF can **accept higher risks** to support early-stage project development as well as policy, institutional, technological and financial innovation to catalyse climate finance

What is the Green Climate Fund (GCF)?

In Tajikistan

- **Committee of Environmental Protection (CoEP)** acts as the **focal point** for GCF
- CoEP have established a **National Design Authority (NDA)** where it has secretariat and a technical expert group with appointed representatives from various ministries
- Proposals are submitted to the NDA which reviews them to ensure that they follow national and sector plans; NDA recommends the funding proposals to the GCF Board
- To improve the **national capacity**, governments can request readiness support from the GCF and other donors to access GCF funds

What is the Green Climate Fund (GCF)?

Advantages vs. Disadvantages

Advantages

- **High monetary potential** if the GCF becomes the main multilateral climate-related financing mechanism
- Strong focus on **country ownership**
- **Multiple access options** to funding on national, regional, or international level
- Focus on developing domestic **financial markets** and the **private sector**
- Climate finance readiness support to strengthen **absorptive capacity**
- In future, access through an **accredited national entity** could be an option
- GCF has funding for **large-scale programmatic** approaches if they comply with transformative investment criteria of up to 250 million USD

Disadvantages

- A mix of loans and grants are available; grants are expected to lead measures in **adaptation only**
- The GCF operational processes are **not fully functional; no prior experience exists**
- Strong focus on Least Developed Countries (LDCs), (Small Island Developing States) SIDS and sub-Saharan Africa
- **Adequate institutional structures and personnel capacities** must be set up;
- Demanding **accreditation process** (e.g., fiduciary standards, environmental and social safeguards (ESS) makes access through a national institution work intensive

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What is the Global Environmental Facility (GEF) Trust Fund?

- A financial mechanism of the UN climate operation and started in 1991
- A multi-focal, **project-based fund** where they have 183 partner countries, international institutions, civil society organizations, and private sector
- Allocated to **developed** and **developing countries** for **mitigation** and **adaptation** projects and programs in the fields of biodiversity, climate change, international waters, land degradation, and chemicals and waste, among others
- A different approach is applied compare with GEF Trust Fund where they require a national focal point

What is the Global Environmental Facility (GEF) Trust Fund?

Countries eligibility

Countries eligible are those that can borrow from the **World Bank** or receive **technical assistance** from **UNDP**. They can apply for different projects where they are mainly grant for:

- Full-sized projects for over US\$ 2 million funding
- Medium-sized projects for up to US\$ 2 million funding
- Enabling activities to help countries prepare national inventories, strategies, action plans, and reports under various conventions for up to US\$ 0.5 million
- Programmatic approaches that involves partnerships between countries, the GEF and other interested stakeholders (e.g., the private sector, donors and/or the scientific community) for US\$ 5-150 million
- Small grants program for up to US\$ 50,000 funded by GEF as a corporate program

What is the Global Environmental Facility (GEF) Trust Fund?

Advantages vs. Disadvantages

| Advantages | Disadvantages |
|---|--|
| <ul style="list-style-type: none">• As a country in the United Economic Commission for Europe, Tajikistan is eligible to apply for GEF funding• Several international partners are already accredited GEF agencies, which can be leveraged to tap into GEF resources• No bilateral funding permitted, more country ownership• The delivery mechanism of the GEF Trust Fund are grants• GEF is at the core of operation delivery of finance in line with the UNFCCC agreements, therefore a strong partner | <ul style="list-style-type: none">• Close World Bank relations due to Trustee status; the World Bank still invests in fossil fuels• Stronger top-down governance approach to award project results in less agency for low/middle income countries. |

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What is the Adaptation Fund?

- Established under the **Kyoto Protocol** of the UN Framework Convention on Climate Change
- Finance national and regional **adaptation** projects and programs in **developing countries** that are committed to the Kyoto Protocol
- Project and activities that are eligible under this fund include water resource management, land management, agriculture, health, infrastructure development and fragile ecosystem

What is the Adaptation Fund?

- Funds projects that support improving disease monitoring and forecasting, establish climate change **early-warning systems**, build climate change **capacity**, and strengthen existing/or establish national and regional centers and information networks for rapid response to **extreme weather events**
- The Fund is financed largely by **government** and **private donors**, and from a two percent share of proceeds of **Certified Emission Reductions (CERs)** issued under the Protocol's Clean Development Mechanism projects.

What is the Adaptation Fund?

- **Eligible countries** for this fund are those that are in particularly **vulnerable** to the **climate changes** including mountainous ecosystems, countries with arid and semi-arid areas, and countries susceptible to **floods**, **drought**, and **desertification**. Criteria includes the level of climate change vulnerability, the level of urgency and risks from delay of action
- The Fund can be accessed through **national implementing entities**, **regional** implementing entities, or **multilateral** implementing entities
- The entities follow **similar approach as GCF** where they need to be approved by the board of AF. After the submission of the proposal, accreditation can take up to a year. Country **ownership** is guaranteed through the coordination function of the NDA

What is the Adaptation Fund?

Advantages vs. Disadvantages

| Advantages | Disadvantages |
|--|--|
| <ul style="list-style-type: none">• Special attention to the needs of the most vulnerable countries and populations• The AF and GCF accreditation processes are similar• Documents can be leveraged• Several existing international partners are already accredited multilateral implementing entities• Projects are financed through grants• Climate finance readiness support to strengthened absorptive capacity | <ul style="list-style-type: none">• Access requirements for implementing entities are demanding• Future existence of AF is not secure• Primary source of revenue are Certified Emissions Reductions• Adequate institutional structures and personnel capacities are required• Long accreditation process for implementing entities of 3 months–1 year• Maximum of 50% of total funding available is allocated to Multilateral Implementing Entity projects• “Temporary” funding cap at US\$ 10 million per project• Since 2010, only 48 projects approved, indicating a slow approval process, overall slow disbursement of funds |

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What is the Special Climate Change Fund?

- Created in 2001 under the **UNFCCC** to address the specific needs of **developing countries**
- Main priority is climate change **adaptation**, and it supports climate change **technology transfers** and **capacity-building** activities. Also, also supports projects in energy, transport, industry, agriculture, forestry, and waste management
- All projects that are approved must focus on **climate change** and the development of **vulnerable socio-economic** sector
- Project/program must be **cost effective** where it shall integrate national sustainable goals and consider National Adaption Program

What is the Special Climate Change Fund?

- When a project commence it must be concluded within **18 months after approval**
- Application is submitted to UNFCCC Secretariat where it begins with a concept note
- After a review and **endorsement** by GEF secretariat and in some cases another endorsement might be needed before the disbursements

What is the Special Climate Change Fund?

Advantages vs. Disadvantages

| Advantages | Disadvantages |
|---|---|
| <ul style="list-style-type: none">• Complements GEF Trust Fund activities, but managed separately• Access modalities are rather simple compared to the GCF or AF• Country-driven proposals• SCCF aims for a balanced distribution of agencies in its work program, e.g., Tajikistan has not yet accessed funds;• The SCCF uses grants to finance projects• Since 2007, 76 country accessed funds under 67 approved projects, including Tajikistan with US\$ 3.2 million | <ul style="list-style-type: none">• It is subordinated to the GEF Trust Fund and projects require GEF CEO clearing before approval• A considerable amount of SCCF funding is linked to co-financing, requiring Tajikistan to mobilize additional resources in advance to SCCF approval (e.g., European Bank for Reconstruction and Development co-financing for water resilience) |

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What is the European Union Global Climate Change Alliance?

- Created by the **European Union** (EU) in 2007 with a focus on **strengthening dialogue** and **cooperation** with countries most vulnerable to **climate change**
- Its focus lies particularly on LDCs, SIDS and African countries; **Tajikistan** is **qualified** to apply for funds from GCCA
- Funding originates from the **EU budget**, the 10th **European Development Fund**, and contributions from Ireland, Sweden, Estonia, Cyprus, and the Czech Republic
- About 326 million USD have been deposited in the GCCA and 347 million USD have been approved

What is the European Union Global Climate Change Alliance?

GCCA is based on **two pillars**:

- i) Pillar 1 focuses on **dialogue** between the EU and developing countries on climate policy on different levels, national, regional and global where it deals with practical approaches to integrate climate change into development policies and budgets
- ii) Pillar 2 is split into the following:
 - **Mainstreaming** support on climate change into poverty reduction and development efforts
 - **Adaptation assistance** and **emissions reduction** from deforestation and forest degradation
 - **Enhancing participation** in the global carbon market
 - **Disaster risk reduction**

What is the European Union Global Climate Change Alliance?

- If government wants to have access to the funds that are handled by GCCA then they must contact the **EU delegation** in the country
- **EU delegation** in **Tajikistan** contacted and discuss possibility to engage them
- EU delegation, in collaboration with the European Commission, decides whether a partner country is eligible for funding
- A **dialogue** may begin regarding possible fields of intervention and priorities

What is the European Union Global Climate Change Alliance?

Advantages vs. Disadvantages

| Advantages | Disadvantages |
|--|---|
| <ul style="list-style-type: none">• Presents easy-to-access and concentrated information for Tajikistan• A knowledge sharing and technical support platform in the fields of climate mainstreaming, adaptation,• The deployed financial instrument are grants• In 2014, a new phase of Global Climate Change Alliance+ began and extended the framework until 2020. | <ul style="list-style-type: none">• Funds are allocated based on availability of resources and population figures• GCCA understand the need to move towards more program support; currently the main funding mechanism is through project support, much less for general budgets or programs• Least Developed Countries have priority in accessing funding following a vulnerability assessment (especially agricultural sector) |

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Global Facility for Disaster Reduction and Recovery (GFDRR)

- A **global partnership** that helps developing countries better understand and reduce their **vulnerability** to **natural hazards** and **climate change**
- GFDRR is a **grant-funding mechanism**, managed by the World Bank, that supports disaster risk management projects worldwide

Global Facility for Disaster Reduction and Recovery (GFDRR)



Working modality

Through its **in-country work**, GFDRR awards **grants** for specific activities in line with its seven operating principles:

1

Demand-driven approach to ensure maximum impact

2

Leveraging development investments and policies

3

Focusing on inclusive design and participation

4

Empowering women and main-streaming gender

5

Jointly addressing disaster and climate risk

6

Developing knowledge and sharing best practices

7

Prioritizing a results-oriented approach

Global Facility for Disaster Reduction and Recovery (GFDRR)

Areas of engagement

GFDRR's grants are organized around eight **areas of engagement**, which represent our priorities in the coming years:



Global Facility for Disaster Reduction and Recovery (GFDRR)



Priority topics

- GFDRR labs
- Resilient infrastructure
- Resilient cities
- Hydromet services and early warning systems
- Financial protection
- Inclusive disaster risk management and gender equality
- Resilience to climate change
- Resilient recovery

Let us brainstorm.....for 20 minutes

Guiding questions

Q1. What is your experience of funding facilities for disaster risk management and climate change in Tajikistan?

Q2. Do you think Global Funding Facilities for disaster risk management and climate change (discussed in this session) can be used to improve current funding facilities in Tajikistan?

Q3. What are your suggestions for improving current funding facilities for disaster risk management and climate change in Tajikistan?

Activities: i) Sit in a group of at least 5 people, ii) Discuss Q1, Q2, and Q3, iv) Prepare your answer on a flip chart provided

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- Green Climate Fund (<https://www.greenclimate.fund/>)
- Global Environment Facility (<https://www.thegef.org/>)
- Global Facility for Disaster Risk Reduction (GFDRR) (<https://www.financialprotectionforum.org/what-is-disaster-risk-finance-drf>)
- **Global Risk Financing Facility**
<https://www.worldbank.org/en/topic/disasterriskmanagement/brief/global-risk-financing-facility>
- International Bank for Reconstruction and Development (<https://www.worldbank.org/en/who-we-are/ibrd>)
- Nine Year Investment Plan
- OECD Recommendation on Disaster Risk Financing Strategies (<https://www.oecd.org/daf/fin/insurance/OECD-Recommendation-Disaster-Risk-Financing-Strategies.pdf>)
- World Bank including the Global Facility for Disaster Reduction and Recovery (GFDRR); Climate Investment Funds – Pilot Program for Climate Resilience (implemented through five Multi-lateral Development Banks)
https://unfccc.int/files/adaptation/cancun_adaptation_framework/loss_and_damage/application/pdf/wb.pdf



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