

ideas opinions solutions



Every Thursday
8:30 to 9:00 a.m.
at the Library K-Hub

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Speaker for Insight Thursday



Climate Finance Architecture and the Green Climate Fund

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Preety coordinates the RSDD Climate Change Unit's work on climate finance, with a particular focus on accessing finance from the Green Climate Fund. She has supported international negotiations on climate finance under the UN Framework Convention on Climate Change, which led to the evolution of the finance architecture to enable low emission and climate resilient growth in developing countries. She also coordinated the establishment of the Technology Mechanism under the Convention, which includes the Climate Technology Centre and Network.

Prior to joining ADB, Preety was responsible for the finance, technology and capacity building program at the Climate Change Secretariat in Bonn. She has also worked as the Director of the Policy Analysis Division at TERI (The Energy and Resources Institute) in Delhi.

A national of India, Preety has a Masters in Business Economics from the University of Delhi, and has also participated in training in energy policy and planning at the University of Pennsylvania.

Climate Finance Architecture and the Green Climate Fund

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Annual Global Climate Finance Flows, 2010-2011

Sources and Intermediaries	Mitigation (\$ Billion)	Adaptation (\$ Billion)	Total (\$ Billion)
Private¹	250.3 - 285.5	not estimated	250.3 - 285.5
Public²	80.4 - 83.7	12.3 - 15.7	92.7 - 99.4
Multilateral Finance Institutions	18.3	2.9	21.2
Climate Funds	1.1	0.4	1.5
Others	61 - 64.3	8.9 - 12.3	69.9 - 76.6
Total	330.7 - 369.3	12.3 - 15.7	343.0 - 385.0

¹ Private actors include project developers, corporate actors, household, institutional investors, commercial financial institutions, venture capital, private equity and infrastructure funds

² Other public sources include government budgets, national finance institutions, and bilateral finance institutions

Some CPI notes: "We report committed finance rather than disbursed finance... Where available, we used disbursement figures. In the case of Climate Funds, we include annual commitments approved for specific projects rather than total pledges to the Funds which are disbursed over a number of years. Likewise, for DFIs we include annual commitments i.e. funds approved for projects in a given budget year..."

Key Multilateral Climate Funds

Fund*	Pledged (\$ million)	ADB-Administered (\$ million)
Mitigation	10,002	1,234
Climate Investment Funds (CIF)-Clean Technology Fund (CTF)	4,980	1,125
CIF-Scaling-Up Renewable Energy Program for Low Income Countries (SREP)	410	35
CIF-Forest Investment Program (FIP)	639	31
GEF Trust Fund - Climate Change Focal Area and Sustainable Forest Management/REDD+	3,973	43
Adaptation	2,351	271
CIF-Pilot Program for Climate Resilience (PPCR)	1,200	264
GEF-Special Pilot on Adaptation (SPA) (2006-2010)	50	4
GEF-Least Developed Countries Fund (LDCF)	537	0
GEF-Special Climate Change Fund (SCCF)	242	4
Kyoto Protocol Adaptation Fund (AF)	323	0
Total	12,353	1,505

* Not a comprehensive list. Does not include other funds such as the Forest Carbon Partnership Facility (\$435 million) and the UN REDD Programme (\$119 million)

Evolution of the Climate Finance Architecture

Green Climate Fund
\$ 100 bn per year by 2020

FSF
\$ 30 bn 2010-12

Fast Start Finance

WB-CIFs
\$ 7 bn

CTF

FIP

SCF

SR EP

PP CR

AF
\$ 200 mn

AF Adaptation Fund

CDM and carbon markets
\$ 2 / 176 bn

National Funds

- Bangladesh Climate Change Resilience Fund
- Indonesia Climate Change Trust Fund
- Brazil Amazon Fund

CDM: Clean Development Mechanism

SCCF
\$ 240 mn

LDCF
\$ 537 mn

GEF Trust Fund
1.1 bn

GEF: Global Environment Facility
SCCF: Special Climate Change Fund
LDCF: LDC Fund

CIF: Climate Investment Funds
CTF: Clean Technology Fund
SCF: Strategic Climate Fund
FIP: Forest Investment Programme
SREP: Scaling up RE Programme
PPCR: Pilot Programme on Climate Resilience

Bilateral Initiatives
Forestry (Norway, Australia)
Others UK, Germany

Multilateral Initiatives
UN REDD
ADB- FCF, APCF
WB FCPF
AfDB Congo Basin Forest Fund

Green Climate Fund

- **Paradigm shift** towards low-emission and climate-resilient development pathways
- **Channel new, additional, adequate and predictable financial resources** to developing countries and will **catalyze climate finance**,.
- Pursue a **country-driven approach** and promote and strengthen of relevant institutions and stakeholders.
- The Fund will be **scalable and flexible** and will be a continuously learning institution
- Simplified and improved access to funding, including **direct access**

Governance

- Governed and supervised by a **Board**

(24 members, composed of an equal number of members from developing and developed country Parties, each member has an alternate)

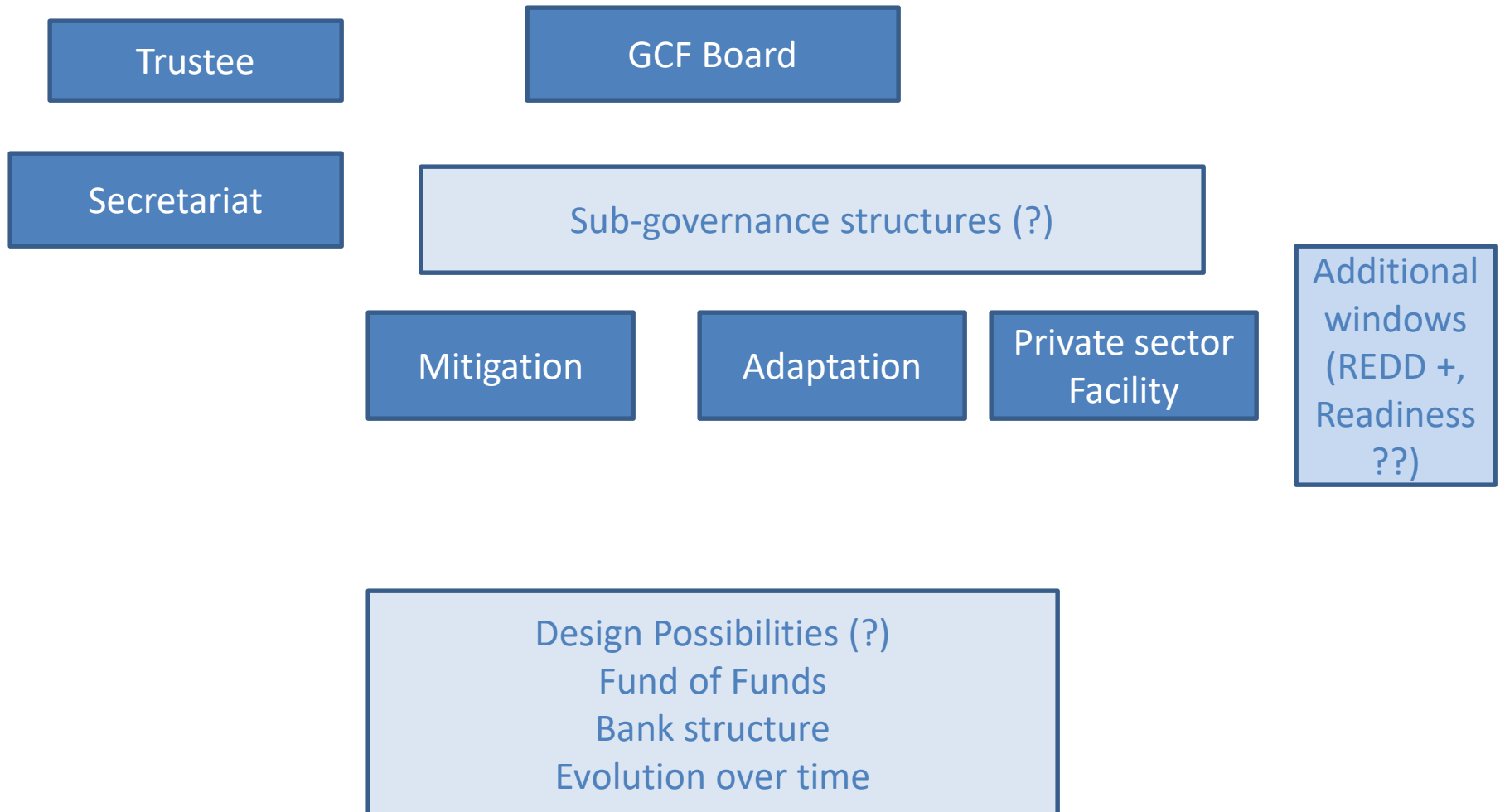
- **Independent Secretariat**

(currently there is an interim secretariat in Bonn with support from UNFCCC and GEF secretariats; independent secretariat to be established in Songdo, Korea, where the fund will be hosted)

- **a Trustee with** administrative competence to manage the financial assets of the Fund

(World Bank is the interim trustee for a period of 3 years, with strong likelihood of being anointed as the permanent trustee)

Funding windows and Fund structure



Current State of Play

- Host country has been decided: Republic of Korea
- 3 meetings of the Board have taken place in 2012, first two largely procedural in nature
- The World Bank in its role as a trustee has established a FIF to receive contributions to GCF, which have largely been for the administrative expenses

- The Board has established committees for
 - selection procedure for its Executive Director
 - Conducting the work on its business model framework

The work of the Board this year is crucial in determining how relevant and prominent GCF will be in funding transformational change

Work plan Of GCF for 2013

Indicative priorities

I. Business model framework

II. Private sector facility-related matters

III. Resource mobilization

IV. Results management framework

V. Establishment of the independent Secretariat

(a) Host country agreement

(b) Selection of the Executive Director

(c) Guidance on administrative policies of the independent Secretariat

VI. Modalities for readiness and preparatory support

VII. Access modalities (direct access and other access modalities)

VIII. Programme and project funding cycle

IX. Funding approval criteria and processes

X. Financial instruments and their terms

XI. Allocation system

XII. Standards and safeguards

XIII. Risk management policy

XIV. Information disclosure policy

XV. Audits

GCF Prospects and Implications for CIFs

- **Scenario 1:** GCF is **well designed** with capitalization at the end of 2013, taking funding decisions in 2014
- **Scenario 2:** There will be **major delays** in the design of the GCF.
- **Scenario 3:** GCF is **poorly designed**

- **Scenario 1:** no new visible joint pledging for the CIFs and funding will only happen depending on individual donors preference
- **Scenario 2:** clear political message will be CIF is still the interim climate finance mechanism until the successful design of the GCF becomes operational.
- **Scenario 3:** CIFs overhauled to fit the purpose

Role of ADB

- As an implementing agency
 - accreditation process yet to be designed by GCF Board
 - Experience with GEF, AF and CIFs (lobby for an expedited process for MDBs with track record)
- Monitoring developments—contributions to the design process, secondments to the secretariat if asked
- DMC readiness to access funds

Thank you