

Section 4

International Policies and Cooperation to Advance an Inclusive Green Economy

6

Learning Unit

International Funding Sources for Green Economy

The Green Economy transition requires the mobilizations of substantive and reliable funding. This unit gives an overview of some of the existing international funding mechanisms, which can provide financing for Green Economy to developing countries.

PAGE Green Economy Introductory Learning Materials



Global Environmental Facility – GEF (World Bank, UNDP, UNEP and others)

Financial mechanism for a number of international conventions:

- ❑ \$10.5 billion in grants
- ❑ \$51 billion in co-financing
- ❑ Projects in over 165 countries since 1991
- ❑ GEF funds relevant to Green Economy:
 - Least Developed Countries Fund
 - Special Climate Change Fund
 - Strategic Priority for Adaptation Fund



Speaker's Notes:

- This slide gives a brief overview of the Global Environment Facility (GEF).
- GEF was established in 1991 as a \$1 billion pilot program in the World Bank. It was later restructured to become a permanent separate institution, with the World Bank serving as the Trustee of the GEF Trust Fund.
- The United Nations Development Programme, the United Nations Environment Program, and the World Bank were the three initial partners implementing GEF projects.
- The GEF serves as the financial mechanism for the Convention on Biological Diversity, the United Nations Framework Convention on Climate Change, the Stockholm Convention on Persistent Organic Pollutants and the UN Convention to Combat Desertification. Since 1991, the GEF has provided \$10.5 billion in grants and leveraged \$51 billion in co-financing for projects in over 165 countries.
- The GEF incorporates a number of funds relevant to the green economy including:
 - Least Developed Countries Fund: established to support a work programme to assist Least Developed Country Parties (LDCs) carry out, inter alia, the preparation and implementation of national adaptation programmes of action (NAPAs);
 - Special Climate Change Fund: established to support adaptation and technology transfer in all developing country parties to the UNFCCC. The fund supports both long-term and short-term adaptation activities in water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management.
 - Strategic Priority for Adaptation Fund: established in 2004 and designed to support pilot and demonstration adaptation projects that provide real benefits and can be integrated into national policies and sustainable development planning.

Key Message

- GEF is the largest public funder of projects to improve the global environment. An independently operating financial organization, the GEF provides grants for projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants.

Further Reading:

- See: GEF: <http://www.thegef.org/gef/home>

Climate Investment Funds (CIF)

- ❑ A joint instrument of five multilateral development banks
- ❑ Consists of two distinct funds:
 - Clean Technology Fund (CTF)
 - Strategic Climate Fund (SCF)



Speaker's Notes:

- This slide presents the Climate Investment Funds (CIF), as well as two funds that comprise it.
- CIF is a joint instrument of five multilateral development banks (AfDB, ADB, EBRD, ADB, World Bank) (including their private sector arms).
- CIF assists developing countries in scaling up financing that is needed for the transition to a green economy.
- CIF consists of two trust funds:
 - **Clean Technology Fund (CTF)**, which promotes investments to initiate a shift towards clean technologies. Thus the funds concessional financing focuses on large-scale, country-initiated projects in the power, transport and energy sectors.
 - **Strategic Climate Fund (SCF)**, which serves as an overarching fund to support three targeted programs with dedicated funding to pilot new approaches with potential for scaled-up, transformational action aimed at a specific climate change challenge or sectoral response. The Strategic Climate Fund thus provides funding for:
 - *Pilot Program for Climate Resilience*
 - *Forest Investment Program*
 - *Program for Scaling-Up Renewable Energy in Low Income Countries.*
- Contributions of \$7.5 billion have been pledged by 14 countries to date.
- Only the CTF pipeline consists of 134 projects and programs, totalling \$6.1 billion and with expected co-financing of \$51 billion from other sources.
- A range of sectors have benefited from CIF, most notably: renewable energy and energy efficiency.
- The initiative includes projects with investments in the natural resource sector, both national and multi-country regional activities.
- MDBs operate on a country demand basis, their portfolios reflect increasing demand from different stakeholders in developing countries for developing sustainable policies and practices.

Key Message

- The Climate Investment Funds (CIF) was designed by developed and developing countries and are implemented with the multilateral development banks (MDBs) to bridge the financing and learning gap between now and the next international climate change agreement.
- CIF is two distinct funds: the Clean Technology Fund and the Strategic Climate Fund.

Further Reading:

- Clean Technology Fund, CTF: <https://www.climateinvestmentfunds.org/cif/node/2>
- Strategic Climate Fund, SCF: <https://www.climateinvestmentfunds.org/cif/node/3>

Green Climate Fund (GCF)

- ❑ A financial mechanism of the UNFCCC
- ❑ Main multilateral financing source supporting climate action in developing countries
- ❑ Expected to close the gap towards the 100 billion per year deemed necessary



Speaker's Notes:

- This slide presents the rationale and objectives of the Green Climate Fund (GCF).
- GCF was created after a decision of the Parties at the sixteenth session of the Conference of the Parties (COP) to the UNFCCC, held in Cancún, Mexico, in 2010.
- In 2012 it was decided that the host city for the fund will be Songdo, Incheon City, Republic of Korea. In June 2013 Ms. Héli Cheikhrouhou from Tunisia became the first Executive Director of the Green Climate Fund.
- Over time it is expected to become the main multilateral financing mechanism to support climate action in developing countries.
- In the context of sustainable development, the Fund will promote the shift towards low-emission and climate resilient development by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.
- The GCF will support projects, programmes, policies and other activities in all developing country parties to the UNFCCC.
- The GCF will finance activities to both enable and support adaptation, mitigation (including REDD+), technology development and transfer, capacity building and the preparation of national reports.
- Countries will also be supported in the pursuit of project-based and programmatic approaches in accordance with strategies and plans (such as low-emission development strategies, Nationally Appropriate Mitigation Actions, National Adaptation Plans of Action and others).

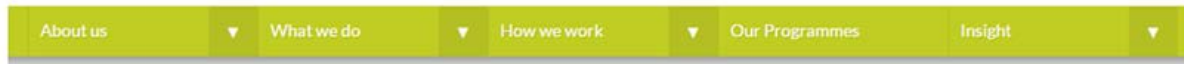
Key Message

- The Green Climate Fund (GCF) is a fund within the framework of the UNFCCC founded as a mechanism to provide necessary funding for climate action, in order to assist developing countries in adaptation and mitigation practices to counter climate change.

Further Reading:

- Green Climate Fund, GCF: <http://gcfund.net/home.html>

Sustainable Development Fund



Areas of work



Speaker's Notes:

- This slide presents the objectives and functioning mechanism of the Sustainable Development Fund (SDG-F).
- The SDG Fund was established in 2014 by UNDP, on behalf of the UN (with an initial contribution of the Government of Spain) to support sustainable development activities through integrated and multidimensional joint programmes.
- SDG Fund joint programmes in 18 countries are directly improving the lives of more than 1 million people.
- SDG Fund joint programmes cover 3 key thematic areas: inclusive growth for poverty eradication, food security and nutrition, and water and sanitation.
- For the implementation of its joint programmes, the SDG Fund builds on the lessons learned from the MDG Achievement Fund.
- The participatory process to formulate joint programmes engaged around 2,000 participants from civil service and government, communities, international development agencies, and the private sector.
- All programmes are joint programmes, meaning they bring together an average of 3 UN agencies. This strengthens the UN's ability to deliver as one entity.
- 12 different UN agencies and many of national counterparts are involved in the realization of the SDG Fund joint programmes.
- So far, the SDG Fund programmes total budget is approximately USD \$60 million. National and international partners provide approximately 55% of these resources in the form of matching funds.

Key Message

- The Green Climate Fund (GCF) is a fund within the framework of the UNFCCC founded as a mechanism to provide necessary funding for climate action, in order to assist developing countries in adaptation and mitigation practices to counter climate change.

Further Reading:

- Sustainable Development Fund (SDG-F): <http://www.sdgfund.org/>

Clean Development Mechanism (CDM)

- ❑ A mechanism for flexible emission reduction of the Kyoto protocol
- ❑ CDM projects in developing countries result in emission reduction
- ❑ Certified emission reductions (CER) can be traded on the carbon market
- ❑ Gives developed countries flexibility in meeting reduction targets
- ❑ 2% of all CDM profit sponsors the UNFCCC Adaptation Fund



Speaker's Notes:

- This slide presents the functioning of the Clean Development Mechanism.
- CDM is a mechanism for both emission reduction and investment for green projects in developing countries.
- CDM allows emission-reduction projects in developing countries to earn certified emission reduction (CER) credits.
- The CERs can be traded and sold, and used by industrialized countries to meet a part of their emission reduction targets under the Kyoto Protocol.
- The CDM is the main source of funding for the UNFCCC Adaptation Fund, which was established to finance adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change. The Adaptation Fund is financed by a 2% levy on CERs issued by the CDM.
- The total investment in registered CDM projects as of June 2012 is estimated at USD 215.4 billion. The investment in projects that are known to be operating is USD 92.2 billion. This makes the CDM mechanism the biggest source of green and climate related investments until now.

Key Message

- CDM stimulates investments in sustainable development and emission reductions, while giving industrialized countries some flexibility in how to meet their emission reduction targets.

Further Reading:

- UNFCCC, What is CDM?: <http://cdm.unfccc.int/about/index.html>
- Adaptation Fund: <https://www.adaptation-fund.org/>

Reduction of Emissions from Deforestation and Forest Degradation (REDD+)

- ❑ UN-REDD assists countries to prepare and implement national REDD+ strategies
- ❑ 58 partner countries across Africa, Asia-Pacific and Latin America and the Caribbean
- ❑ 21 countries are receiving support for national activities



Speaker's Notes:

- This slide presents the UN-REDD Programme, which is the United Nations Collaborative Initiative on Reducing Emissions from Deforestation and Forest Degradation (REDD) in developing countries.
- To date, the UN-REDD Programme's Policy Board has approved a total of US\$ 67.8 million for National Programmes in 21 partner countries. These funds help to support the development and implementation of national REDD+ strategies.
- The Programme was launched in September 2008 to assist developing countries prepare and implement national REDD+ strategies, and builds on the convening power and expertise of the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP).
- REDD+ goes beyond deforestation and forest degradation, and includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.

Key Message

- UN-REDD Programme assists countries to reducing Emissions from Deforestation and Forest Degradation by providing financial support for their National REDD Programmes.

Further Reading:

- UN REDD Programme: <http://www.un-redd.org/>