

# RAISING AMBITION. EMPOWERING ACTION.



GREEN  
CLIMATE  
FUND

## ACHIEVING THE PARIS AGREEMENT: KEY CHALLENGES FOR DEVELOPING COUNTRIES

The investment decisions we make now and over the next few years will determine the world we and our children will live in. The next decade is crucial in achieving the necessary transition towards a low-emissions, climate-resilient global economy that is the foundation for a safe planet. This includes increased mitigation and adaptation investments by both the public and private sectors, a greater integration of climate considerations into local and national policy making, and accelerated technological innovation. National government commitments under the Paris Agreement are the building blocks for climate action. It is heartening that developing countries have displayed considerable ambition in their commitments as they will play a key role in allowing us to achieve critical climate goals.

## RAISING AMBITIONS ON NATIONALLY DETERMINED CONTRIBUTIONS (NDCs)

Under the 2015 Paris Agreement, the GCF was given an important role to serve the agreement and support the goal of keeping climate change well below 2°C. Reflecting the challenge we face, even though the initial emission reduction commitments made by countries in 2015 were ambitious they still put the world on a course where it will experience an increase in global temperatures by 2.5-2.8°C.



*The GCF is delivering, but it needs to grow and play a more decisive role in support of climate action. I appeal to nations to show global commitment to providing the climate finance needed under the Paris Agreement.[...] It is essential that the international community supports developing countries in their mitigation and adaptation efforts. GCF plays a key role. It is crucial that we support a successful and ambitious replenishment.*

*Secretary-General of the United Nations António Guterres*



*Planting of saline-resilient plant varieties in Bangladesh from GCF's project 'Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change induced salinity'.*

At least 80 percent of developing country NDCs presented in 2015 at COP21 were conditional on the availability of concessional climate finance, technology transfers and capacity-building support. In 2020, all countries are expected to increase their NDCs to the Paris Agreement.

Estimates of the investments required to bring the world closer to the goal of limiting temperature rises to well below 2°C are in the range of USD 5 trillion. While most of this investment is expected to come from the private sector and capital markets, public money has a critical role to play in de-risking private investment in low-carbon and climate-resilient projects by driving innovative business models, technologies and investment practices. The replenishment of the GCF in 2019 is key to ensuring the availability of public finance required by developing countries to raise and realize their climate ambitions. A successful replenishment will assure developing countries the international community stands ready to support both their commitments to help meet the climate targets and their adaptation to unavoidable climate change.

## THE UNIQUE ROLE OF THE GCF IN CLIMATE FINANCE

Building on its success and operational experiences, GCF's comparative advantage to achieve its mandate under the Paris Agreement lie in the Fund's ability to unlock initiatives and projects that would otherwise have remained on the drawing board. GCF has also been able to integrate rigorous appraisal of climate considerations into project design. Four key elements illustrate GCF's unique role:

### GCF IS THE MOST COLLABORATIVE AND OPEN CLIMATE FUND

GCF works through a network of 88 Accredited Entities (AEs). Partners span multilateral and national banks, international financial institutions, development finance institutions, UN agencies, conservation organizations, equity funds, government agencies, regional institutions and more. These diverse partnerships enable GCF to build on knowledge and experiences to drive systemic change that achieves climate ambitions.

### GCF IS COUNTRY DRIVEN

GCF invests in building long-term capacity and readiness in developing countries to drive transformational programming. It targets key areas of alignment between their needs and impact potential. GCF is the largest supporter of climate finance capacity building in developing countries through its readiness and preparatory support programme. This helps countries to fully integrate climate information and risks when planning and implementing their policies, regulations and investment decisions.

### GCF IS FLEXIBLE AND WILLING TO TAKE RISK

GCF is able to combine a full range of financing instruments including loans, equity, guarantees and grants to design bespoke solutions that tackle specific investment barriers. GCF can accept higher risks when deploying its resources to de-risk high-impact, transformative and innovative climate investments that crowd-in private finance and public partner investment. This capacity to take risk is supported by a robust second level due diligence system that also promotes transparency and accountability.

### GCF BALANCES MITIGATION AND ADAPTATION

GCF drives more finance into adaptation and resilience, including prioritizing funding for the particularly vulnerable. By working to balance allocation of funding, the GCF is positioned to create synergies through interventions that optimize adaptation, mitigation and development co-benefits. Proving new adaptation business models, building the scale of adaptation responses, and attracting greater private sector investment are challenges the Fund is uniquely prepared to take on.

GCF leverages these comparative advantages to support developing countries across four economy-wide transitions towards low-emission and climate-resilient development pathways, in line with the goals of the Paris Agreements. Its integrated approach delivers both adaptation and mitigation co-benefits in development. Overall the Fund equally divides its resources between adaptation and mitigation. Fifty percent of adaptation resources are allocated to Small Islands Developing States (SIDS), Least Developed Countries (LDCs) and African States.

	ADAPTATION	MITIGATION
HUMAN SETTLEMENT AND INFRASTRUCTURE	<ul style="list-style-type: none"> <li>Resilient infrastructure and built environment</li> </ul>	<ul style="list-style-type: none"> <li>Low emission buildings, cities and transport</li> </ul>
HUMAN SECURITY, LIVELIHOODS AND WELLBEING	<ul style="list-style-type: none"> <li>Livelihoods of people and communities</li> <li>Health, food and water security</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable agriculture</li> </ul>
ENERGY AND INDUSTRIES	<ul style="list-style-type: none"> <li>Resilient energy systems</li> </ul>	<ul style="list-style-type: none"> <li>Low emission power generation and energy access</li> <li>Low emission industries and appliances</li> </ul>
LAND USE, FOREST AND ECOSYSTEMS	<ul style="list-style-type: none"> <li>Ecosystems and ecosystem services</li> </ul>	<ul style="list-style-type: none"> <li>Forest and land use</li> </ul>

The two projects highlighted below demonstrate how GCF is supporting communities most vulnerable to the impacts of climate change in LDCs, African States and SIDS with both mitigation and adaptation benefits.



### DEVELOPMENT OF ARGAN ORCHARDS IN DEGRADED ENVIRONMENT

GCF is working with the Agency for Agricultural Development of Morocco to help farmers move to more climate-resilient and profit-making crops. This project helps to recover degraded lands in Morocco by planting argan trees, which produce a ‘liquid gold’ which has become increasingly popular in global cosmetics and food industries over the past few years. The deep-rooted argan trees are critical in protecting water resources and preventing soil erosion, while their widespread planting also comes with mitigation benefits by locking carbon in the ground. This climate finance initiative is targeting cooperatives run by local Berber women. It is expected to improve their livelihoods and boost literacy, dovetailing with the GCF milestone of being the first climate finance mechanism to mainstream gender perspectives.



### WATER SECTOR RESILIENCE NEXUS FOR SUSTAINABILITY IN BARBADOS (WSRN)

Strengthening the resilience of water systems in SIDS is particularly important, since they are threatened by salinification caused by rising sea levels as well as the impact of droughts and extreme weather events. WSRN-S Barbados is a partnership with the Caribbean Community Climate Change Centre (CCCCC) and the Barbados Water Authority (BWA) to work on an integrated approach to the water sector. Solar power is being installed at three water pumping stations, alongside micro-gas turbines. This will both increase resilience and reduce the carbon footprint of BWA, the largest energy customer in Barbados. Savings from reduced energy costs will be reinvested to create a revolving adaptation fund, financing subsidies for water conservation, rainwater harvesting, and efficient agricultural irrigation. The project will also include water loss reduction initiatives such as the creation of a climate smart distribution network, replacing defective mains to reduce leakage losses, and supplying water storage backup systems for vulnerable consumers, schools and hospitals.

## RESULTS TO DATE

99

Countries with approved projects

111

Approved projects

USD 5.2b

GCF project funding approved

USD 18.7b

Total value of Approved projects

56

Projects under implementation with 2.2b of GCF funding

88

Project partners

127

Countries with approved Readiness activities

267

Readiness requests approved

USD 155.7m

Readiness funding approved

**These investments will mitigate over 1.5Gt of CO<sub>2</sub>e and enhance the resilience of over 310.6 million beneficiaries.**

The two GCF-supported initiatives highlighted below illustrate the crowding-in of investment into renewable energy projects at both the micro and large scale. By collaborating with the private sector, multilateral development banks, small medium enterprises and local finance institutions, GCF has catalysed investment into the world’s largest solar park in Egypt, as well as an innovative micro off-grid solution in Kenya.



### KAWISAFI VENTURES FUND IN EAST AFRICA

Together with the Acumen Fund, GCF has created the KawiSafi Ventures Fund to provide equity and debt capital to local private sector companies offering low carbon energy solutions. GCF’s anchor investment in KawiSafi of USD 20 million in investment capital will help bottom of the pyramid customers access clean energy through solar lanterns, solar mini-grids and solar home systems. Traditional investors are wary of the risks, but KawiSafi is tapping innovative payment solutions like mobile pay-as-you-go that can deliver returns on investment by creating new markets for clean energy in rural, hard to reach areas. GCF’s ability to engage the local private sector is supporting them to drive the transition.



### EGYPT RENEWABLE ENERGY FINANCING FRAMEWORK

In partnership with EBRD, GCF’s Renewable Energy Financing Framework is helping Egypt to meet its target of 20 percent renewable energy generation by 2022. In the desert of Benban, 40km north west of Aswan, the world’s largest solar park is being built. The Egyptian Government has put in place a Feed-in Tariff system, and GCF is funding a technical assistance programme to enable the integration of new renewable power into the grid system. At the same time, GCF is providing long-term, 18-year financing (local banks can only provide 5 to 7 years) to support at least 600MW of solar and wind power projects. Financing of USD 154 million from GCF is unlocking private investment, and Egypt is already moving from the first phase – fixed price feed-in tariffs – to the second phase of competitive bidding through tenders, which could result in even cheaper clean power.

## TOWARDS AN AMBITIOUS AND SUCCESSFUL REPLENISHMENT

GCF is thankful for the contributions by 48 countries, regions and cities in the Initial Resource Mobilization period in 2014. GCF would have allocated the USD 7 billion received from contributors during the initial resource mobilisation period by the end of 2019. As a result, its Board launched the first GCF replenishment in October 2018. In a competitive global landscape, the announcements of Germany and Norway that they will double their national currency contributions have given a head start to the replenishment, sending a strong signal for others to follow. Building on the initial announcements, including those anticipated at the UN Climate Action Summit, a Pledging Conference in autumn will be a key milestone to launch the Fund's formal pledging for the coming period. Subsequent efforts will continue beyond 2019 to maintain momentum in mobilizing additional pledges to meet the scale and urgency required to limit global heating to 1.5°C.

An ambitious and successful replenishment will enable GCF to fulfil its role in channelling adequate and predictable climate finance to developing countries. GCF's support over the next programming period will be critical in raising and realising the climate commitments to be articulated by developing countries in their updated NDCs in 2020. Over the next replenishment period, GCF will continue to enhance the efficiency, responsiveness and effectiveness of its operations to optimise the contribution of the Fund to address climate change at scale.

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*We call upon all countries to reach a balanced outcome under the Paris Agreement Work Programme during COP24 that enables operationalization and implementation of the Paris Agreement. We stress the importance and urgency of conducting a successful and ambitious first replenishment process of the Green Climate Fund.*

*BRICS Leaders' Meeting on the margins of the G20 Summit  
(30 November 2018)*

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*[The G7 members that are committed to the swift and effective implementation of the Paris Agreement] reconfirm the commitment to implement their part in mobilizing finance for supporting climate action in developing countries, as decided at COP21 in Paris. They will work towards a successful replenishment of the Green Climate Fund.*

*G7 Environment Ministers' Meeting (5-6 May 2019)*

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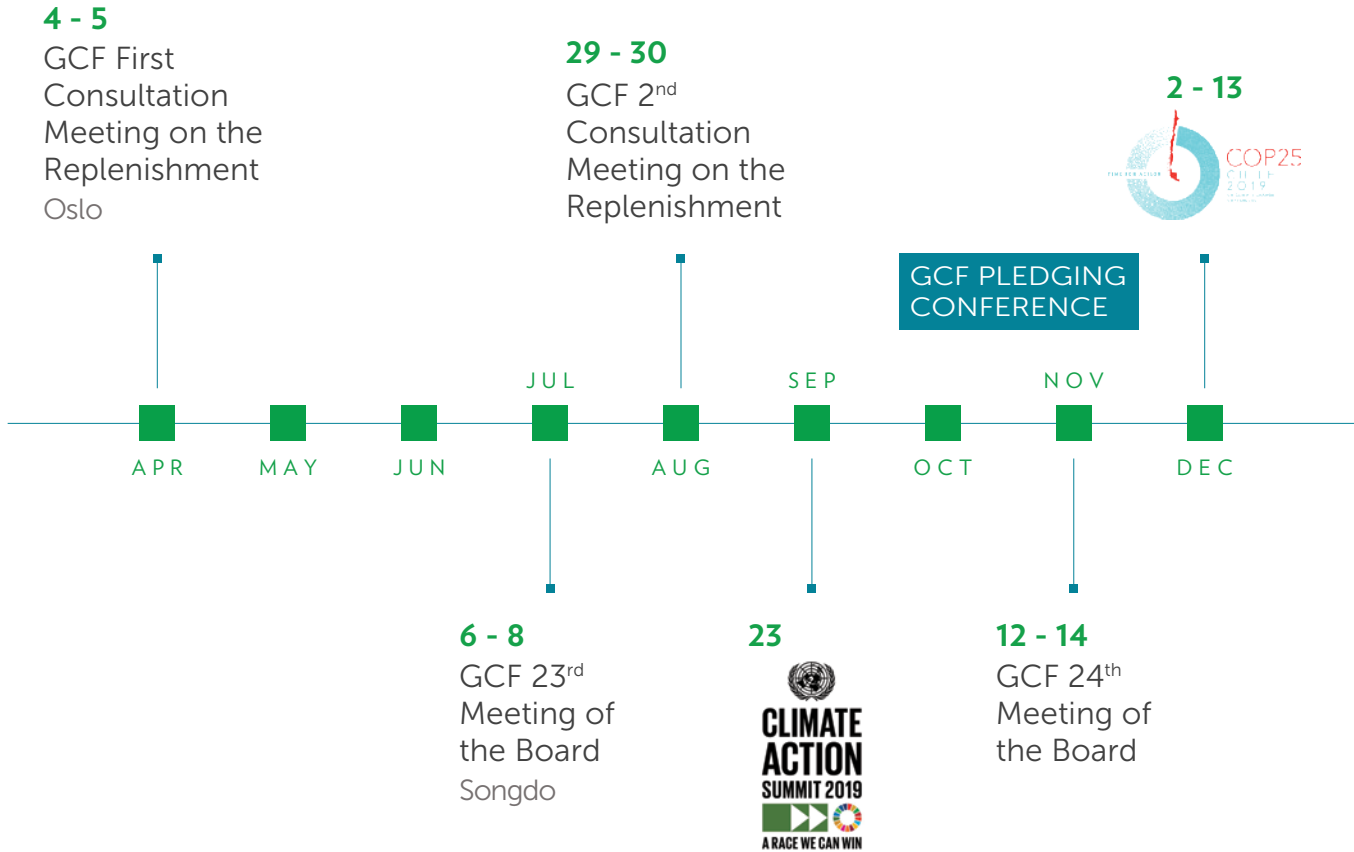
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*Capacity building workshop from GCF's project 'Scaling Up of Modernized Climate Information and Early Warning Systems in Malawi'.*



## TIMELINE FOR GCF'S FIRST REPLENISHMENT

GCF Board to endorse the outcome of the Replenishment



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