



Union for the Mediterranean
Union pour la Méditerranée
الإتحاد من أجل المتوسط

IMPROVING ACCESS TO CLIMATE FINANCE FLOWS

COMPARATIVE ANALYSIS

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1. Introduction

In response to the Union for the Mediterranean (UfM) Ministerial Declaration on Environment and Climate Change adopted in Athens on 13 May 2014, in which the UfM Member States call for an increased role of the UfM with regard to finance, technology transfer and capacity building in the context of international cooperation, the UfM has created the Regional Finance Cooperation Committee for Climate Action (RFCCCA) and in parallel the UfM Climate Change Expert Group (CCEG). The latter ensures that all UfM Member States have an accurate understanding of the UfM regional context.

In the context of the Paris Agreement adopted by the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in December 2015 the UfM through the UfM Secretariat (UfMS) started to look at the financial flows committed to the UfM region by IFIs and other donors. In 2009, developed countries pledged to raise 100 billion USD per year by 2020 to finance global climate action. The UfM investigates how much of this funding reaches the UfM region and how this funding is tracked and reported on for the second consecutive year. Two RFCCCA meetings took place in Barcelona (March 2016, May 2017), initiating the cooperation through sharing information among IFIs and donors active on climate finance in the Mediterranean region.

For two consecutive years, 2016 and 2017, the UfMS with the financial support from the European Union provided through the Integrated Maritime Policy / Climate Change (IMP_CC) Facility commissioned an expert organization, Climatekos, to analyse international public climate finance to the Southern and Eastern Mediterranean (SEMed) region¹. In addition, the different eligibility requirements have been analysed in a comparative analysis with a view to giving the beneficiaries of climate finance in the region first insights into better targeting the right sources of funding and what are the access requirements.

In particular, the countries that receive limited international climate finance at present will benefit from categorizing and comparing the funding opportunities in this briefing. After a comparative overview matrix of main groups of funding sources the groups are investigated in more detail using strengths, weaknesses, opportunities, and threats (SWOT) analyses, followed by describing how to make use of the different sources best and related issues.

¹ The countries included in the studies are: Albania, Algeria, Bosnia & Herzegovina, Egypt, Israel, Jordan, Lebanon, Mauritania, Montenegro, Morocco, Palestine, Tunisia, and Turkey, as well as Libya and Syria.

2. Comparative overview of main groups of funding sources

Table 1 Overview and comparison of main groups of funding sources - accessing & managing climate finance (focus: investment projects)

Group/Category & Characteristics*	Investment criteria/framework	In-house/-country technical & soft infrastructure requirements	Technical skills required	Support from climate finance/other experts required	Examples	Comments
A) Direct access mode (here: in particular GCF)	(++***) Accessing larger funding volumes under (enhanced) direct access requires sophisticated (climate finance) governance structures and processes (multilevel/territorial)	(+++) Designated authorities, registered entities, PFM system and int. accounting standards & integration of climate finance, climate change/policy know how	(+++) Registration criteria and approval processes, climate finance tracking and MRV, RBM/RFM	(++) Climate finance experts, financial modellers, sector experts, environmental & socio-economic experts (as needed), legal, ...	GCF, AF	Requires larger project/programme development teams & long lead times (2-3 years for larger programmes)
B) Dedicated/specific climate finance vehicles	(++) Detailed, comprehensive requirements regarding climate mitigation/adaptation project submissions	(++) Climate change/policy know how	(++) RBM/RFM Planning, monitoring, reporting & evaluation (relevant tools for planning & MRV of climate action)	(++) Climate finance experts, financial modellers, sector experts, environmental & socio-economic experts (as needed), legal, ...	ICI, ICF	Long lead times (2-3 years for larger programmes)
C) IFIs/DFIs with climate windows	(++) General requirements of financial institutions with regard to their investment portfolios, combined with climate impact requirements	(++) Climate change/policy & public-finance institutions workings know how	(+) RBM/RFM Programming, monitoring, reporting & evaluation (relevant tools for	(++) Climate finance experts, financial modellers, sector experts, environmental & socio-economic	EIB, EBRD	Climate actions integrated into larger infrastructure investments, add-ons to or mainstreamed into related larger projects/programmes

			planning & MRV of climate action)	experts (as needed), legal, ...		
D) Bilateral & multilateral climate development finance (ODA)	(+) Priority countries/sectors, mainstreaming of climate change/finance into sectors (enabling environment, policy/planning, projects/programmes), country-owned & -led programming and actions, tech. development/transfer & deployment, capacity building	(+) Climate development finance as part of programming between donor and recipient	(+) RBM/RFM Programming, monitoring, reporting & evaluation (relevant tools for planning & MRV of climate action)	(+) Limited support by relevant external experts (if and as needed)	Bilateral & multilateral development organisations	Conventional (short-term) donor funding cycles
E) National (budget) contributions	(+) PFM system and related tools and processes	(O) No specific requirements beyond established government infrastructures & processes	(O) No specific requirements	(O)	N/A	Conventional national budget allocation cycles
F) Private sector finance	(++) Profitability, cash flow projections, size, legal & country environment/risk, main accounting elements (debts, liabilities), mezzanine finance, other description elements (ownership structure, history of organization, personnel)	(++) Business description/plan, concept idea (description of activity, financial projections/needs, capital structure, competition, management structure & existing team, innovation, impact assessment, MRV)	(++) Elaboration of commercial business plans RBM/RFM (or similar methods to quantify and measure implementation) Planning, monitoring, reporting & evaluation	(++) Financial experts/modellers, sector experts, legal, ...	N/A	Conventional private sector business/operations planning & implementation (profit-orientation)
G) Social/impact investors & foundations/non-profit	(++) Profit-orientation (but valuing environmental & social returns), impact(s), other description elements (ownership structure,	(++) Business description/plan, concept idea (description of activity, financial projections/needs,	(++) Elaboration of concepts/proposals RBM/RFM (or similar methods to quantify and	(++) Climate finance experts, sector experts, environmental & socio-economic experts, legal, ...	N/A	Conventional operations planning & implementation (less profit-oriented/valuing environmental & social impacts)

	history of organization, personnel)	capital structure, competition, management structure & existing team, innovation, impact assessment, MRV)	measure implementation) Planning, monitoring, reporting & evaluation			
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3. SWOT analyses of main groups of funding sources & making use of them

Section 3 compares the identified main groups of funding sources and points out for what kind of measures they are most useful and issues with accessing them. SWOT analyses are to provide more/additional insights into each of the groups and compare them.

3.1 SWOT analysis: direct access mode*

Strengths	Weaknesses
<ul style="list-style-type: none"> • Mobilization of large funding volumes • (Much) longer funding cycles • High flexibility with regard to deployment of funds 	<ul style="list-style-type: none"> • Elaborate national climate finance strategies are required • (Enhanced) direct access for large funding volumes requires establishment/established (climate finance) governance structures and procedures being in place
Opportunities	Threats
<ul style="list-style-type: none"> • Design of large, sector-wide programmes allowing for transformational change • Blending of different funding sources and instruments (encouraged) • GCF Readiness Programme supports the establishment of the required infrastructure and process for (enhanced) direct access 	<ul style="list-style-type: none"> • Highly complex programmes require determined, skilled programme development (incl. proposal preparation) and implementation teams committed over longer periods of time, which is challenging for most developing/SEMed countries • Long lead times for establishing the required framework conditions for (enhanced) direct access can be discouraging and often have to be implemented by at least two government administrations (due to changes caused by elections)

Note: *Relates mainly to the GCF. The AF applies direct access modalities as well, but is far less capitalized than the GCF.

3.2 Making use of direct access mode

Direct access (here mainly referring to the GCF) asks for *programmatic approaches with a view to support large, transformational projects/programmes, managed by the recipient countries* and the respective entities over longer periods of time. On the one hand, this is the huge advantage by giving a lot of freedom and responsibilities to the countries themselves. On the other hand, the flip-side of the coin is the related structures and processes to be put on place and the related technicalities, which requires patience and commitment by the related government administrations.

Building the required technical infrastructure and (climate finance) governance system is challenging, at least for most developing/SEMed countries, and takes a few years – including required processes for registering entities. Designing such large, transformational programmes is a challenging task in itself and requires a couple of years lead time, at least, if developed from scratch. Therefore, it is advantageous and advisable to build on existing programmes and structures and/or rely on project/programme ideas already ‘in the drawer’ in an advanced stage.

Other, less challenging funding sources should be pursued for small(er) projects, whilst building up infrastructure, processes and related capacities (4-5 years), using other funds and GCF readiness funding for doing so. However, the GCF has put in place simplified access procedures for smaller projects.

3.3 SWOT analysis: dedicated climate finance vehicles

Strengths	Weaknesses
<ul style="list-style-type: none"> • Cover well-defined climate action projects or components (of larger projects/programmes) • No such requirements as under (enhanced) direct access with regard to required framework conditions in place 	<ul style="list-style-type: none"> • Limited overall capitalization • (Less) long term funding provided • Less flexibility with regard to using funding
Opportunities	Threats
<ul style="list-style-type: none"> • Preparatory work for building governance frameworks for larger, programmatic approaches later on • Dedicated climate action in sectors, cross-sectoral or capacity development activities 	<ul style="list-style-type: none"> • Development of proposals requires significant amount of climate change/policy/finance knowledge • To a lesser extent, but still, such projects require a certain lead time

3.4 Making use of dedicated climate finance vehicles

Usually, these funding sources can be used for dedicated, well-defined climate actions in various sectors, for general cross-sector climate change activities as well as capacity building measures – preparing for and building on for larger, transformational projects/programmes as mentioned above later on.

Being technically challenging in the development process, i.e. knowing and applying specialist climate change and climate policy knowledge next to RBM/RFM approaches, some projects may still require a certain lead time, but to a lesser extent than large GCF projects. Relying solely on these sources for large, transformational programmes is not feasible due to them being closely linked to the traditional, rather short term donor funding cycles and the limited overall capitalization; although some of them run for longer periods of time being constantly or several times replenished.

The increasing trend toward programmatic approaches (see above) may also be reflected in projects receiving funding for phases. We assume that access and management of ‘conventional’ bilateral and multilateral climate development finance, here channelled through dedicated climate finance instruments, will consequently lead to similar requirements as under (enhanced) direct access modalities.

3.5 SWOT analysis: IFIs/DFIs with climate windows

Strengths	Weaknesses
<ul style="list-style-type: none"> • A rather integrated investment perspective across sectors & technologies • Rather significant capitalization & available funding volumes for projects/programmes • Often TAs for developing relevant projects available 	<ul style="list-style-type: none"> • Less or not really useful for establishing framework conditions (governance) & broader capacity building measures • Less or hardly any grant funding (only for TA etc.),
Opportunities	Threats
<ul style="list-style-type: none"> • Business/industry-oriented actions are well-suited • Loans (soft/concessional loans) for larger infrastructure and technology interventions etc. 	<ul style="list-style-type: none"> • Business/industry/technology deployment driven projects require clear profit-making orientation, which, in turn, requires a related project development setup • Not suited for innovative approaches and projects, but bringing initiatives to market

3.6 Making use of IFIs/DFIs with climate windows

These finance institutions clearly target larger projects/programmes that fit into their project portfolio with regard to sectors, technologies and countries. Often they have specific climate windows attached to existing larger funds or designed dedicated climate funding windows – complying with increasing demands by their shareholders to address the environmental/climate change agenda. Off-the-shelf climate relevant infrastructure and technology projects promoting established measures and technologies are the primary beneficiaries here.

3.7 SWOT analysis: bilateral & multilateral climate development finance (ODA)²

Strengths	Weaknesses
<ul style="list-style-type: none"> • High(est) flexibility with regard to financing climate (development) actions • Combination of climate action with establishing climate policy and finance framework conditions (governance & capacity development) & mainstreaming of climate change/policy/finance into sector strategies, programmes and actions possible 	<ul style="list-style-type: none"> • (Currently) still short-term donor funding cycles
Opportunities	Threats
<ul style="list-style-type: none"> • Best-suited for one-off or phased grant funding requests and related projects • Loans for larger investment projects 	<ul style="list-style-type: none"> • Changing political agendas in certain donor countries can lead to (direct) climate finance drying up with other policy fields/areas receiving more attention and funding instead

3.8 Making use of 4th level sources (bilateral & multilateral climate development finance/ODA)

Government-to-government programming and related implementation processes make it much easier to access and handle funding for many developing/SEMed countries, compared to the preparation of proposals tendering for climate finance from some of the abovementioned sources and/or establishing direct access structures & processes. These sources can be tapped into to develop capacities and build governance and institutional framework conditions, preparing for large investments to come, on the one hand. They are also useful for accessing funding for larger investment projects that fit both the climate policy agendas and related investment strategies of the recipient and the donor countries.

Climate development finance accessed via conventional bilateral or multilateral ODA flows is not yet best-suited for the long-term, large-scale transformational programmes the GCF is supposed to promote. However, it is expected and there first indications already there that this group also starts leaning towards, and favouring programmatic approaches with similar framework conditions may be required in the future, or at least deemed favourable, as for (enhanced) direct access. For example, large bilateral finance organizations such as AFD or KfW start to favour larger programmes aiming at transformational changes.

Although, changing political agendas can lead to drying up of (direct) climate finance from certain donor countries, i.e. projects addressing climate change as a primary objective, this does not necessarily mean to not pursue related projects. ‘Selling’ or ‘packaging’ such projects differently, rather emphasising relevant objectives and activities in the sector (e.g. water, energy, agriculture, transport etc.), may still allow for receiving funding from such donors.

² Although the other groups of public funding sources do also mostly rely on ODA, here in this case we refer to the most direct way of using ODA for climate finance and action purposes.

3.9 SWOT analysis: national budget allocations

Strengths	Weaknesses
<ul style="list-style-type: none"> • Most direct way of implementing the climate policy agenda with high impact potential for national governments • Alignment with climate change and policy mainstreaming in sectors, if done properly and in parallel 	<ul style="list-style-type: none"> • The development and integration of clear tracking and MRV frameworks and processes for climate finance allocations into PFM systems and procedures at the national and local levels are usually challenging tasks in many developing/SEMed countries - taking years until full implementation
Opportunities	Threats
<ul style="list-style-type: none"> • Leveraging of (much more) national and international public and private co-finance 	<ul style="list-style-type: none"> • Despite promises and signed agreements at the national and international levels a clear commitment by the highest government level is required • The required 'backing' by legal mandates can take years of 'in the making' before materialization of such laws and regulations, and they are subject to threats from changing governments

3.10 Making use national budget allocations

National budget allocations across and within all, or the identified priority sectors are obviously the most straightforward and direct way for governments to implement the climate policy agenda and related actions on the ground and at the local level. However, without a clear climate finance tracking and MRV framework and procedures such allocations will be or are considered arbitrary. The they cannot be used to report on climate finance internationally or comply with certain donor co-financing requirements, in the case they concern national budget contributions.

If done properly and in a consequent manner, the regular/annual allocation of meaningful climate finance from the national budget within the climate-relevant sectors is useful and probably the most powerful starting point with respect to: a) bringing the mainstreaming of climate policies and actions in the sectors to life, whilst b) establishing the foundation and setting the scene for the mobilization of additional public and private climate finance flows, nationally and internationally.

3.11 SWOT analysis: private sector finance

Strengths	Weaknesses
<ul style="list-style-type: none"> Fast and direct investments (equity & debt) into climate actions and climate-relevant activities 	<ul style="list-style-type: none"> Larger projects/programmes with non-profitable components and adaptation projects, i.e. environmental and social returns with less or no economic value/return, are not suitable (yet)
Opportunities	Threats
<ul style="list-style-type: none"> Scaling up of proven and mature business concepts, technologies and management approaches across all sectors Bringing innovative business ideas, technologies and management approaches to market and scaling up deployment later on 	<ul style="list-style-type: none"> Long-term, sustainable and large investments by the private sector require respective governance and framework conditions, in particular regulatory frameworks. If these are not given, insecure or dismantled by (new) governments and their administrations, the private sector withdraws its investments quickly.

3.12 Making use of private sector finance

Innovation and scaling up can only be done with or by the private sector, whereas the public sector can establish conducive framework or investment conditions and provide seed funding, as well as cover cost or finance areas and fields the private sector does not go or invests into. Investing in less or not profitable environmental and social benefits (to society) is the task of the public sector, in particular most adaptation projects are to be mentioned in this context.

However, aside from projects at the interface between mitigation and adaptation, such as in the rural sector (energy and climate-smart agriculture, for example), the situation slowly changes in certain sectors. For instance, agri-food businesses, such as the large multinational corporates (Unilever, Kraft, Nestle), see their supply chains affected by climate change and invest in related counterstrategies and first pilot projects with a view to improve the situation and avoid economic losses going forwards.

3.13 SWOT analysis: social/impact investors & foundations/non-for-profits

Strengths	Weaknesses
<ul style="list-style-type: none"> • Combination of profitable business concepts with less or not profitable components possible • Well-suited for capacity building, preparatory work, tools and methodologies at the interface between applications and applied research 	<ul style="list-style-type: none"> • Limitations with regard to scaling-up and bringing to market
Opportunities	Threats
<ul style="list-style-type: none"> • Innovation and seed funding somewhere in between of what private sector and public sector promote and support 	<ul style="list-style-type: none"> • Unless a long term vision or perspective beyond an initial, smaller project financed by this group is in place, i.e. bringing larger public and private investments on board, the longevity and upscaling potential of related projects is uncertain and limited

3.14 Making use of funding from social/impact investors & foundations/non-for profit

This investment approach is particularly interesting for projects with low(er) profitability due to environmental and social components that cannot (yet) be (easily) commercialized. However, there are organizations from or close to the non-for-profit sector valuing environmental and social returns, in particular social impact investors/foundations. Furthermore, such funders often support capacity building, preparatory work for larger projects, and the development of tools and methodologies similar or complementary to the abovementioned support from bilateral or multilateral donors.

Annex – overview of eligibility requirements/criteria of multilateral and bilateral funding sources

1. Selected multilateral funds/programmes

Fund/programme & administering bodies	Sector	Target beneficiaries and eligibility requirements	
<p>Adaptation for Smallholder Agriculture Program (ASAP) International Fund for Agricultural Development (IFAD) (UN agency)</p>	<p>Agriculture Natural Resource Management Sustainable land Management Water</p>	<p>Smallholder farmers in developing countries (existing and new IFAD investment programmes in poor developing countries which are vulnerable to climate impacts)</p> <p>The objective of ASAP is to improve the climate resilience of large-scale rural development programmes and improve the capacity of at least 8 million smallholder farmers to expand their options in a rapidly changing environment. The project should increase the resilience of smallholder farmers and fall into one of the following sub-objectives:</p> <ol style="list-style-type: none"> 1. Improve land management and promote gender-sensitive, climate-resilient agricultural practices and technologies 2. Increase availability and efficient use of water for smallholder agriculture production and processing 3. Increase capacity to manage short- and long-term climate risks and reduce losses from weather-related disasters 4. Increase climate resilience of rural infrastructure 	<p>More information on how to apply:</p> <p>https://www.ifad.org/documents/10180/ab3054ad-d9f4-4c64-bd75-2dc7f9d4f97b</p>

		<p>5. Document and disseminate knowledge on climate-smart smallholder agriculture</p> <p>Key qualitative criteria are (i) the additionality of ASAP funding to the project that it is co-financing; and (ii) whether the ASAP supported project is given strong support from the beneficiary Government, the relevant IFAD Regional Division, country team and communities of smallholders including women and marginalised groups. Quantitative ex ante estimates of potential project contributions towards the ten key indicators of the ASAP Results Framework will provide the main criteria for project selection.</p>	
<p>Clean Technology Fund (CTF), one of the Climate Investment Funds (CIF) - World Bank</p>	<p>Agriculture Energy Efficiency Renewable Energy Transport Other</p>	<p>Middle-income and developing countries. Countries that have an active multilateral development bank (MDB) country program (World Bank and Regional Development Banks) including Algeria, Egypt, Jordan, Morocco, Lybia and Tunisia.</p> <p>Project eligibility and level of financing is assessed on potential “transformative” effects as well as project viability in the absence of concessional finance. CTF programs intend to “stimulate lasting changes in the structure/ function of a sector, or market” by improving internal rates of return on low GHG emissions investments. Eligible sectors: power sector (renewable energy and highly efficient technologies to reduce carbon intensity); transport sector (efficiency and modal shifts); energy efficiency (buildings, industry, and agriculture).</p>	<p>https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/ctf_governance_framework-final.pdf</p>

<p>GEF Trust Fund - Climate Change focal area (GEF 6) (GEF6) – Global Environment Fund (GEF)</p>	<p>Biodiversity Chemicals and Waste Climate Change Energy Efficiency Forestry Infrastructure Land Degradation Land use Renewable Energy Transport Water</p>	<p>Countries must ratify the conventions that the GEF serves (incl. the CoP) or be eligible to receive World Bank (IBRD and/or IDA) financing or UNDP technical assistance, through its “Target for Resource Assignments from the Core” (known as TRAC-1 and/or TRAC-2).</p> <p>GEF support is provided to government agencies, civil society organizations, private sector companies, research institutions, amongst many other potential partners, to implement projects and programs in recipient countries.</p> <p>National priority: The project must be driven by the country (rather than by an external partner) and be consistent with national priorities that support sustainable development.</p> <p>GEF priorities: The project has to address one or more of the GEF focal area strategies (biodiversity, international waters, land degradation, chemicals and waste, and climate change mitigation, as well as cross-cutting issues like sustainable forest management).</p> <p>Financing: The project has to seek GEF financing only for the agreed incremental costs on measures to achieve global environmental benefits.</p> <p>Participation: The project must involve the public in project design and implementation, following the Policy on Public Involvement in GEF-Financed Projects and the respective guidelines.</p>	<p>GEF resources can be accessed through accredited GEF Agencies (https://www.thegef.org/gef/gef_agencies) or, in the case of certain enabling activities, through a direct access modality.</p>
<p>Global Climate Partnership Fund</p>	<p>All</p>	<p>Requirements for financial institutions: Financial Institutions (e.g. local</p>	<p>For Financial Institution -</p>

<p>(GCPF) Board of Directors (BMU, IFC, KfW, Denmark government etc.)</p>		<p>commercial banks) or ESCOS (small scale renewable energy and energy efficiency service and supply companies, which serve energy efficiency and renewable energy market in the target countries) that:</p> <ol style="list-style-type: none"> 1. Require financing of between USD 5m and USD 30m for on-lending to green energy projects 2. Are willing to initiate or develop further green energy products (renewable energy or energy efficiency) 3. Have a social and environmental risk management system or are willing to implement one <p>Requirements for direct project investments: Energy efficiency projects: these should improve energy efficiency and/or reduce greenhouse gas emissions of buildings, plants or processes by at least 20%. Renewable energy projects: preferred technologies include small-scale solar PV, mini-hydroelectric projects, onshore wind farms and biomass projects.</p>	<p>Investment process available: https://www.gcpf.lu/impact-investment-criteria.html</p>
<p>Global Energy Efficiency and Renewable Energy Fund (GEEREF) - European Union</p>	<p>Energy Efficiency Renewable Energy</p>	<p>As a Fund-of-Funds, the GREEEF invests in private equity funds that specialise in providing equity finance to small and medium-sized clean energy projects in developing countries As a Fund, the GREEEF focuses on renewable energy and energy efficiency projects which deploy proven technologies</p> <p>GEEREF NeXt adopts a five-phase approach to initial fund screening, assessment and investment decision-making and monitoring. For funds: 1. Fund screening (appraisal authorization): review Environmental and</p>	<p>Further information: http://geeref.com/assets/documents/EN%20-%20FINAL%20GEEREF%20NeXt%20ESMS%20March%202017.pdf</p>

		<p>Social (E&S) documentation, policies and ESMS if available against GEEREF Next requirements</p> <p>2. Due diligence</p> <p>3. Investment decision: Review of the materials submitted by GFO to the Investment Committee</p> <p>4. Investment agreement: Negotiation of contractual agreement between GEEREF NeXt and Fund Manager</p> <p>For direct project investments:</p> <p>1. Project screening: initial deal identification, review of E&S and assigning an environmental category for the project (A, B or C)</p> <p>2. Due diligence: external due diligence for E&S for categories A and B</p> <p>3. Investment decision: Term Sheet including standard general conditions regarding compliance; investment proposal</p> <p>4. Investment agreement with appropriate E&S clauses</p>	
<p>Green Climate Fund (GCF) COP (UNFCCC) and Green Climate Fund Board</p>	<p>All</p>	<p>All developing country parties to the UNFCCC</p> <p>The Fund finances the agreed full and agreed incremental costs of activities to enable and support enhanced action on adaptation, mitigation (including REDD-plus), technology development and transfer (including carbon capture and storage), capacity-building and the preparation of national reports by developing countries. (Example areas: readiness; innovation including technology research and improvement; institutional capacity; capacity building; policy, regulatory and enabling environment; collaboration with private sector;</p>	<p>Recipient countries can submit funding proposal through National Designated Authorities (NDAs):</p> <p>http://www.greencclimate.fund/gcf101/funding-projects/project-funding</p>

		<p>deployment of technologies; access to cleaner cookstoves and lighting through innovative business models)</p> <p>GCF Readiness programme: (i) Strengthening NDA and Focal Point; (ii) Developing strategic framework; (iii) Accreditation of implementing entities; (iv) Pipeline development; (v) Information and experience sharing</p> <p>Five cross-cutting investment priorities: (1) climate-compatible cities; (2) sustainable low-emission climate-resilient agriculture; (3) scaling up finance for forests and climate change; (4) enhancing resilience in SIDS; (5) transforming energy generation and access</p>	
Special Climate Change Fund (SCCF) - GEF	<p>Agriculture</p> <p>Energy</p> <p>Forestry</p> <p>Industry</p> <p>Transport</p> <p>Waste Management</p>	<p>All developing country Parties to UNFCCC</p> <p>The SCCF has four financing windows: (a) adaptation to climate change; (b) technology transfer; (c) energy, transport, industry, agriculture, forestry and waste management; and (d) economic diversification (for countries highly dependent on income generated from production, processing, and export or on consumption of fossil fuels and associated energy-intensive products).</p> <p>Project size can be small, medium or large, but must focus on the ‘additional costs’ imposed by climate change on the development baseline. Projects are intended to be nationally owned.</p> <p>Requires project concept and assistance from GEF implementing agency National GEF Focal Point needs to endorse project</p>	<p>https://www.thegef.org/sites/default/files/publications/23470_SCCF_1.pdf</p>

<p>Sustainable Energy Fund for Africa (SEFA) – African Development Bank (AfDB)</p>	<p>Energy Efficiency Renewable Energy</p>	<p>Private project developers/promoters to facilitate pre-investment activities for renewable energy and energy efficiency projects</p> <p>For project preparation: cost-sharing grants and technical assistance to private project developers/promoters to facilitate pre-investment activities for renewable energy and energy efficiency projects.</p> <p>For equity investments: combined with TA deployed by Africa Renewable Energy Fund (AREF) solely focused on small/medium (5-50 MW) independent power projects from solar, wind, biomass, hydro as well as some geothermal and stranded gas technologies</p> <p>For enabling environment: capacity building and advisory activities for the public sector. Not more than 10% of a SEFA grant may be utilized for capital expenditures, including equipment and software licenses</p>	<p>https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Conditions for PPG Requests - 09 2014.pdf</p>
<p>Adaptation Fund (AF) - Adaptation Fund Board (GEF/World Bank as Trustee</p>	<p>All</p>	<p>Developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change including low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems.</p> <p>The decision on the allocation of resources of the Adaptation Fund among eligible Parties shall take in to account: (a) Level of vulnerability; (b) Level of urgency and risks arising from delay; (c) Ensuring access to the fund in a balanced and equitable</p>	<p>Information on how to apply: https://www.adaptation-fund.org/apply-funding/</p>

		<p>manner; (d) Lessons learned in project and programme design and implementation to be captured; (e) Securing regional co - benefits to the extent possible, where applicable; (f) Maximizing multi- sectoral or cross -sectoral benefits; (g) Adaptive capacity to the adverse effects of climate change.</p> <p>Project screening is done in two parts:^[1]_[2]</p> <ol style="list-style-type: none"> 1. Project document submission must be based on a template approved by the Board (see: <i>Request for project/programme funding from the Adaptation Fund</i> at https://www.adaptation-fund.org/apply-funding/project-funding/project-proposal-materials/). Allocated submission periods are three times a year. 2. Projects are reviewed a) by the secretariat and b) by the Projects and Programmes Review Committee based on project criteria (https://www.adaptation-fund.org/wp-content/uploads/2015/03/Review-Criteria-5.12.pdf). Committee then gives recommendations to Board. 	
<p>Climate Action in the Middle East and North Africa (CAMENA) – European Investment Bank (EIB)</p>	<p>Energy Efficiency Renewable Energy Transport Agriculture, forestry and land use Waste and wastewater Other</p>	<p>CAMENA can be used:</p> <ol style="list-style-type: none"> 1. To identify, catalyse and prepare climate action investment projects, which could subsequently benefit from EIB financing 2. To fund actions to improve the enabling environment in relation to climate investments among public and private institutions within the Mediterranean partner countries 3. To finance equity operations 	<p>Through FEMIP Trust Fund http://www.eib.org/projects/regions/med/trust-fund/index.htm</p>

		Eligible countries: Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco and Tunisia	
Mediterranean Hot Spots Investment Programme (MeHSIP) - EIB	Industry Waste and wastewater Water	Eligible countries: Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia. Providing technical and financial advice for the preparation of investment projects. Supports Horizon 2020's objective to reduce pollution of the Mediterranean Sea. Eligible areas: <ol style="list-style-type: none"> 1. Wastewater 2. Solid waste 3. Industrial de-pollution 4. Water resources, supply and efficiency 5. Or contribute to climate change mitigation or adaptation in one or more of the above areas 	http://www.eib.org/infocentre/publications/all/mediterranean-hot-spots-investment-programme.htm
Horizon2020 – Executive Agency for SMEs (EASME)	Energy efficiency Renewable energy Transport Cross-sectoral and technology	Applicants from non-EU countries are almost always free to take part in Horizon 2020 programs. All applications must meet the minimum conditions in the Rules for Participation. Tunisia associates with Horizon2020 and is therefore automatically eligible for funding. Non-EU applicants may be granted funding if: <ol style="list-style-type: none"> 1. There is a bilateral scientific / technological agreement or similar arrangement between the EU and the country where the applicant is based 2. The call for proposals clearly states that applicants based in such countries are eligible for funding 3. Their participation is deemed essential for carrying out the action by the Commission or the relevant funding body on the grounds that participation 	https://ec.europa.eu/easme/en Before being able to sign a grant agreement, one must register via the beneficiary registration tool

		<p>by the applicant has clear benefits for the consortium</p> <p>You must be a consortium of at least 3 organisations if you want to apply to run a standard research project. Each consortium member must be an organisation that has legal standing such as a registered business, partnership or charity. Different funding competitions may have other conditions.</p>	
<p>Finance and Technology Transfer Centre for Climate Change (FINTECC) – European Bank for Reconstruction and Development (EBRD)</p>	<p>Energy Efficiency Water Materials</p>	<p>Two key areas:</p> <ol style="list-style-type: none"> 1. Creating enabling environments for climate technology projects: policy support and market insights 2. Providing project support: technical support and investment support <p>Three priority areas of policy support have been identified for SEMED:</p> <ol style="list-style-type: none"> 1. Preparing or upgrading National Energy Efficiency Action Plans as needed 2. Creating energy performance standards and labelling (S&L) schemes 3. Developing associated S&L monitoring, verification and enforcement processes 	<p>http://fintecc.ebrd.com/cs/Satellite?c=Page&cid=1395247814847&pagename=FINTECC%2FPage%2FFINTECC_Gener icPage</p>

2. Selected bilateral funds/programmes

Fund/Programme & Administering Body	Sector	Eligibility Requirements	
<p>International Climate Initiative (ICI), German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)</p>	<p>All</p>	<p>GHG reduction measures in the context of building climate friendly economies and investment-related measures</p> <p>Energy efficiency and renewable energy/sustainable energy systems</p> <p>Eligible activities: mitigation GHG emissions, adapting to the impacts of climate change, conserving natural carbon sinks with a focus on reducing emissions from deforestation and forest degradation, conserving biological diversity</p> <p>Potential beneficiaries: partner countries by federal implementing agencies, NGOs, business enterprises, universities and research institutes, international and multinational organizations and institutions.</p>	<p>https://www.international-climate-initiative.com/en/project-funding/information-for-applicants/</p>
<p>French Global Environment Facility (Fonds Française pour l'Environnement)</p>	<p>Renewable Energy Energy efficiency</p>	<p>In line with the French commitments on issues related to climate change, in particular those relating to the organization of COP21, FFEM</p>	<p>https://www.ffem.fr/fr/tra-vailler-avec-le-ffem</p>

Mondiale) – FFEM, AFD’s Directorate for Strategy	Industry Agriculture Infrastructure Transport Tourism Forestry	<p>has sought to focus its operations on climate change mitigation and adaptation.</p> <p>Focus primarily on sustainable urban territories, innovative financing of biodiversity, integrated management and resilience of coastal and marine areas, the energy transition and agriculture and sustainable forests.</p> <p>Potential beneficiaries: developing countries</p>	
International Climate Fund (ICF), DFID, DECC, DEFRA, FCO	All	<p>ICF will fund projects that display consistency with the DAC definition of ODA and ensure open and transparent project performance. Other critical eligibility factors include the choice of instrument and appropriate enabling environment.</p> <ul style="list-style-type: none"> - Low carbon future that reduces poverty, focusing on low carbon growth, low carbon energy, energy efficiency, clean technology innovation and finance; - Ensuring private finance contributions; - Eligible activities: building global knowledge and evidence; developing and scaling-up low-carbon and climate resilient programs; building capacity in the public and private sectors 	<p>https://www.gov.uk/guidance/international-climate-finance</p>

		<p>and supporting country level action; mainstreaming climate change into UK development aid;</p> <ul style="list-style-type: none">- Financing vehicles: funds are usually channeled through global multilaterally administered programs rather than towards specific country initiatives;- Potential beneficiaries: governments developing countries, civil society organizations, private sector entities.	
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3. Other bilateral and multilateral climate development finance

Financial instruments available

- Technical assistance grants: Grant schemes to promote and build the implementation capacities of market actors (i.e. project developers) for creating a critical mass of skilled users and to remove non-financial barriers (e.g. preparation/structuring of related financial transactions)
- Project development grants: Assisting project developers to achieve financial closure by covering some of the costs of the more expensive and time intensive project development activities
- Loan softening programmes: Incentives in the form of interest subsidies or the provision of a partial guarantee. These programmes are provided alongside other financial instruments through CFIs, with the benefits passed on to customers via lower interest rates, lower front end deposits and extended loan repayment periods
- Concessional loans: Loans with lower interest rates and/or lenient servicing conditions when investments generate stable cash-flows. Due to the need for the amount of the loan to eventually be paid back (i.e. principal and interest), efficient operations are encouraged
- Project loan facilities: Financing facilities of governments or MDBs that serve as special vehicles with a view to providing project finance in the form of debt financing. Applicable for projects that do not reach financial closure because of local CFIs not being able to provide the required financing.
- Soft loan programmes: Loans to finance the gap during actual project preparation and pre-commercialization provided by semi-public agencies at concessional interest rates. They can introduce innovative technologies and help project developers through sharing some costs – leveraging more commercial finance by proving the viability of technologies and projects to CFIs
- Credit lines and subordinated debt: Debt finance to cover liquidity issues regarding medium and long-term financing requirements of projects, such as clean energy activities. For projects with high credit risks, limited or non-recourse credit lines may be applied so that the risk of the FI loans is shared by the DFI
- Equity investments: Investment capital via equity stakes may come not only from private sources but also from public partners who take a subordinated equity stake in a company or project – acting as a door opener for potential private equity partners (see below).

Procedures and processes

- Multiannual frameworks with priority countries are developed and defined: Projects can be developed according to recipient (country) demands. In some cases, regional strategies or programme documents create the framework for a couple of years. They can either be prepared by the donor country in consultation with recipient country or prepared by the recipient, or jointly prepared. The country strategies or plans are concretised by sector strategies or similar processes and documents, such as operational plans. Criteria and indicators are developed to determine the appropriate funding approach and provide a basis for the measurement of impacts.
- Overall approach to bilateral development cooperation: The whole process can be rather decentralised and can involve or be led by local embassies and country offices of the donor country. In other cases, headquarters of technical or financial cooperation agencies are more involved. Donor countries with large development agencies, such as Germany (GIZ/KfW), France (AFD), and Sweden (Sida), tend to be more actively involved in the development of concrete project proposals, and

management and monitoring of the projects. In countries with no large development agencies, development cooperation activities are often led by the embassies. If no other implementing agencies exist, the responsibility for implementation often lies with the recipient government, or consultants or civil society organisations (CSOs). Programming of bilateral development cooperation in Norway is based on requests from partner countries. After receiving a request, the embassy prepares an agreement document that needs to be signed by both parties. The responsibility for implementation lies with the partner country.

- Funding channels: The majority of the bilateral ODA budget is channeled by the Ministry of Foreign Affairs or Development Cooperation (or the underlying development cooperation agency). In others countries, the bilateral ODA budget is more spread over different ministries (e.g. Ministry of Finance, Ministry of Economy, Ministry of Education). Furthermore, bilateral ODA is channeled through CSOs, whilst the shares of bilateral ODA to CSOs however vary widely. Usually smaller countries tend to channel larger percentages through CSOs. ODA funding to CSOs is often channeled through the national development agency's budget. This can involve competitive bidding processes
- Tools for planning, monitoring, reporting and evaluation: There are tools commonly used to mainstream climate change into the development cooperation project cycle. These can be summarised as: A) Ex-ante screening of climate impacts of envisaged / planned development projects (e.g. AFD selectivity matrix, Hands-on Energy Adaptation Toolkit, Climate-Proofing for Development, Quality@Entry (Q@E) peer review process, Japan's Climate Finance Impact Tool, USAID's 6-step Vulnerability & Adaptation approach, AusAID's Integrating disaster risk reduction, environment and climate change (DEC) tool, GHG Protocol by the World Resources Institute and the World Business Council for Sustainable Development); B) Ex-durante and ex-post screening of ongoing projects and project portfolios (e.g. climate-proofing, OECD/DAC Rio markers) using a M&E protocol with specific climate indicators integrated into its conventional development project evaluation processes (UK) or climate proofing assessment processes with a handbook for climate and environmental assessments (Germany); C) 'Follow the money' or reporting on funds (most bilateral donors as well as multilateral climate funds have now developed results-based management frameworks to guide climate-related programmes).

Investment/Project criteria & principles

Sectors: Development cooperation is generally grouped into sectors, although these are often highly interlinked. The key sectors differ substantially between donor countries. E.g. the sectors that received the largest shares of bilateral ODA from the biggest European donor countries and the EU (2012) are education, government and civil society and humanitarian aid, while industry, construction and mining, general budget support and water and sanitation score the lowest (but are still in the top 5 of some donor countries). Mitigation mostly takes place in the infrastructure, industry, agriculture and forestry sectors. It involves three cross-sectoral actions: (1) switching to low-carbon energy sources; (2) enhancing GHG sinks; and (3) improving energy efficiency. Adaptation is generally more integrated in traditional development aid projects and approaches.

Mainstreaming strategies and approaches: There are various mainstreaming strategies and approaches recommended at the local/project level, in particular:

- *Establishing climate profiling of the area to assess vulnerabilities and opportunities* through the analysis of opportunities linked to an area's morphology and activities to strengthen resilience to climate change are crucial elements of such a profiling.
- *Including local initiatives in broader frameworks for better national governance of actions can mainstream climate change related actions* and provide more confidence in their coherence. This can also improve national governance.
- *Providing and mobilising funding for the elaboration and implementation of integrated approaches* by funding a variety of partnerships and types of cooperation. This can be achieved by using international funding provided by the
 - Various climate-specific and relevant bilateral and multilateral sources and channels
 - Local public resources (state budget, tax income)
 - Private sector resources (e.g. PPPs, investment in programmes of action, foundations, microcredit institutions).
- *Applying resilience and low-emission/energy criteria to local level actions* with terms of reference specifying minimum low-emission and resilience conditions. These can be elaborated for local communities and applied to projects implemented, funded or subsidised by the community, and to the actions implemented in the area by local development stakeholders.
- *Strengthening participation by decision-makers, planners and citizens via awareness-raising actions* by organising information and training campaigns for local populations, employees of local-development support organisations and local planners and decision-makers. This is best carried out during local climate profiling and early in planning processes. Examples here include disaster risk management programs changing community perceptions of risk.

"Building blocks" for mainstreaming climate into development (which are currently either being established and also funded by donors or expected to be in place)

- *An enabling environment:* This is usually established through climate-relevant components of national development policies or legislation, policies/strategies and action plans or climate objectives within sectoral policies and programmes. It may include the establishment or improvement of inventories and datasets, tools, methods and institutions generating and managing such data.
- *Policy and planning:* Actual and effective mainstreaming of climate change considerations through integration into annual, medium- and long-term sectoral and development plans, as well as annual and medium-term expenditure and budgetary frameworks. Furthermore, resource mobilisation strategies directing the resources needed over time to reach scale and capacities to access and manage climate funds (with on-budget disbursement) are needed.
- *Projects and programmes:* At this stage climate-proofing tools or similar approaches can be used to ensure that climate actions are integrated into existing or planned development planning initiatives.

Integrated approaches: Most of ODA is planned and programmed bilaterally between donor and recipient countries and integration is increasing for all bilateral donors. Individual donor priorities with respect to strategies and programmes need to be taken into consideration. E.g. Spain and the EU Institutions have a preference for integrating climate considerations in projects instead of setting up projects with climate mitigation/adaptation as the main objective. Difference between mitigation and adaptation: Mitigation projects are receiving a significant amount of finance. However, unless financing and project development are integrated into national plans, their overall influence on emissions will remain limited compared to if they are automatically part of the development plans of countries. Adaptation projects are, by contrast, further integrated into national plans but until they are scaled-up their overall potential to reach as many vulnerable people, communities and societies is inhibited.

Focus on bilateral funding channels and establishment of national climate funds: Donor countries provide the majority of their climate-related ODA through bilateral channels. Several countries have also established national climate funds/programmes (see also above) to support developing countries in climate actions.

Innovative financing approaches have emerged: Several innovative financing approaches for integration of climate and development cooperation have emerged in practice. The instruments focus on: 1. Mitigating investment risk (e.g. stress-testing, lending guidelines, credit agency regulation); 2. Reducing cost of capital (e.g. monetary policy, bond markets, tax incentives, public finance institutions' instruments); 3. Making less climate-friendly assets ("brown" assets) less attractive (e.g. taxing externalities, fiduciary duties, disclosure and reporting requirements).

Support country-owned and country-led programming and actions: Climate-related development aid needs to be developed in light of local climate considerations and plans. Ownership of projects by the recipient country is widely believed to be a feature of successful projects and programmes. By giving a greater share of authority in design and implementation to experts in local circumstances within a project boundary, projects have a higher chance of being implemented in a more efficient way, at lower cost, being more integrated and coordinated with other national and internationally implemented projects.

Capacity building is crucial: A lot of effort has and is also been put in capacity building in developing countries in order to create a strong basis for sustainable climate integration across the national development plans and implementation of climate actions.

Climate technology development and deployment: There is a preference to support technology transfer and development as part of packages and efforts in all climate policy streams such as mitigation, adaptation and forestry. Direct support to climate technology development, and/or access and deployment at scale in the context of adaptation or off-grid energy measures in rural development interventions is probably easier to integrate into development cooperation projects and programmes than mainstreaming of large-scale industrial mitigation activities, for example. Another issue linked to the technology question is the engagement and collaboration with the private sector.



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