

Climate Financing Instruments for Industrial Parks

*Part of the study on Baseline and Selection of IPs for the
CCA Project in the State of AP and TS*

Executive Summary

The efforts to tackle climate change are at a critical juncture. At the Paris Climate Change Conference during 30th November to 11th December 2015, 195 countries adopted the first-ever universal, legally binding global climate deal. The agreement sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C. Achieving it requires mobilizing climate finance to support developing countries to reduce emissions, decarbonize their economies, and adapt to climate change. Governments across the world's poorest countries see financial commitments as key to a global deal that can deliver meaningful climate action. In this context investment for private sector climate resilient infrastructure and services by private sector and public sector have already got substantial momentum during the last few years. Series of specific, quantified and targeted initiatives from across the sector, involving both individual companies as well as organizations acting in partnership is under progress. However, gaps in private sector climate finance remain: investment levels are still too low; not all companies are seeing benefits; and leadership by some in the sector is matched by inertia from others.

This report provides a critical review of the existing national and international climate finance architecture. It examines funding opportunities from multilateral climate funds including the Global Environment Facility (GEF), the Climate Investment Funds (CIFs), and the Adaptation Fund (AF). It also considers the experience of national funds created to address climate change such as India's National Adaptation Fund for Climate Change (NAFCC). This report also illustrates existing architecture under GCF and NAFCC that is fit for the purpose of delivering finance for the industrial parks climate change adaptation measures.

Building on the positive momentum in the finance sector, as well as recent policy action for climate change solutions, industrial sectors now have a unique opportunity to prepare themselves so as to address the current gaps and weaknesses in climate finance.

List of Contents

Executive Summary	1
1. Introduction	1
1.1 Aim of this Study	1
1.2 Background	1
2. Accessible Funds at National Level.....	4
2.1 National Adaptation Fund on Climate Change (NAFCC)	4
2.2 Proposal Formulation and Submission Procedures	5
2.3 Proposal Implementation.....	5
2.4 Reporting, Monitoring and Review Mechanism.....	5
3. Accessible Funds at International Level.....	7
3.1 Bilateral and Multilateral Agencies	7
4. Role of Private Sector in Climate Finance	12
4. Way Forward.....	14
4.1 Climate Financing for Industrial Parks	14
Annexure I.....	16

List of Tables

Table 1: Proposal Formulation process under NAFCC and GCF

Table 2: Project and Programme Cycle

List of Figures

Figure 1: Results Management Framework

Figure 2- Initial Proposal Approval Process

Fig 3: NAFCC Implementation Framework

Fig 4: GCF Architecture (Source: Green Climate Fund)

List of Abbreviations

AEs	Accredited entities
APIIC	Andhra Pradesh Industrial Infrastructure Corporation Limited
ADB	Asian Development Bank
CDM	Clean Development Mechanism
CIF	Clean Investment Fund
CSR	Corporate Social Responsibility (CSR)
CTF	Clean Technology Fund
GCF	Green Climate Fund
GEF	Global Environment Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
IBRD	The International Bank for Reconstruction and Development (<i>IBRD</i>)
IPs	Industrial Parks
KP	Kyoto Protocol
MOEF&CC	The Ministry of Environment, Forests and Climate Change
NABARD	National Bank for Agriculture and Rural Development
NAFCC	National Adaptation Fund on Climate Change (NAFCC)
NAPCC	National Action Plan on Climate Change (SAPCC)
NSCCC	National Steering Committee on Climate Change
SAPCC	State Action Plan on Climate Change (SAPCC)
TSC	Technical Scrutiny Committee
SLSC	State Level Steering Committee
UNFCCC	United Nations Framework Convention on Climate Change
USAID	The US Agency for International Development
ITeS	Information technology enabled services
TSIIC	Telangana State Industrial Infrastructure Corporation Limited

1.Introduction

1.1 Aim of this Study

The overwhelming evidence of climate change documents both, current impacts with significant costs and extraordinary future risks to society and natural systems. The range of uncertainty associated with climate change along with the current emissions trend have wider potential to encompass massively disruptive, abrupt, unpredictable and potentially irreversible changes. Thus, there is an urgent need for a major investment shift toward low-carbon and climate-resilient infrastructure and away from high emitting activities. Adapting to climate change and reducing emissions intensity by scale requires an unprecedented mobilisation of financial resources. This is also required to support the economic transition necessary to reduce emissions in line with the internationally agreed goal to limit global temperature rise to 2° Celsius. The scale of these climate finances needed thus require multiple sources of climate finance via a complex combination of public and private sources, actors and instruments.

This Background Report on Climate Finance for Industrial Parks is being prepared for APIIC and TSIIIC to serve two objectives; 1) to provide an updated climate financing overview of sources, actors and instruments relevant for IPs and 2) to describe the procedural aspects of climate financing.

The trends and updates presented in this report aim to facilitate serious consideration of climate financing opportunities for industrial parks in Andhra Pradesh and Telangana.

1.2 Background

Climate change is expected to increase risks to businesses, infrastructure, assets, economies and people. Understanding how to involve the industries and industrial parks in responding to these risks or encouraging them to take advantage of the new business opportunities that may arise from changing climate conditions is crucial to catalyse greater investment in activities that increase industrial parks' and surrounding communities' climate resilience.

Climate finance is on the rise, with contributions by governments, intermediaries and private actors reaching at least USD 391 billion¹ in 2014.

In 2014, public actors and intermediaries committed USD 148 billion and USD 243 billion was committed through private investment.

In December 2016 at the birth of new climate agreement in Paris Climate Change Conference, it brings in strong hope that it could represent a turning point for facilitating more climate-financing for parties in the developing countries.

The financial resources are currently being channelled through number of international and national funds which have mostly evolved under United Nations Framework Convention on Climate Change and National Action Plan on Climate Change. Accessible funds are national and international levels have been highlighted in the succeeding sections with their sectoral focus.

The Government of India has formulated the national action plan on NAPCC that provides for eight missions in specific areas of Solar Energy, Enhanced Energy Efficiency, Sustainable Habitat, Water Mission, Sustaining the Himalaya Ecosystem, Green India, Sustainable Agriculture and Strategic Knowledge for Climate Change to help the country to adapt to the impacts of climate variability and change. National Water Mission and National Mission on Strategic Knowledge for Climate Change targets strategies which lead to an integrated plan for climate change adaptation measures for industrial marks, with active participation of the industries and other relevant stakeholders. With water scarcity projected to worsen as a result of climate change, the plan under National Water Mission sets a goal of a 20% improvement in water use efficiency through pricing and other measures. To gain a better understanding of climate science, impacts and challenges, the plan under National Mission on Strategic Knowledge for Climate Change envisions a new Climate Science Research Fund, improved climate modelling, and increased international collaboration. It also encourages private sector initiatives to develop adaptation and mitigation technologies through venture capital funds. As on February 2016, Andhra Pradesh State has prepared State Action Plan on Climate Change (SAPCC) and Telangana state is developing SAPCC consistent with the objectives of NAPCC, focusing on the state specific issues relating to climate change and strategies to tackle them.

¹ Global Landscape of Climate Finance 2015, A Climate Policy Initiative Report Nov 2015

2. Accessible Funds at National Level

2.1 National Adaptation Fund on Climate Change (NAFCC)

The overall aim of the NAFCC is to support concrete adaptation activities, which are not covered under on-going activities through the schemes of State and National Government that reduce the adverse effects of climate change facing community, sector and states.

Adaptation projects can be implemented at the community, national, and trans-boundary level. Projects concern discrete activities with a collective objective(s) and concrete outcomes and outputs that are more narrowly defined in scope, space, and time. The overall goal of all adaptation projects and programmes assisted under the Fund will be to support concrete adaptation activities that reduce the adverse effects of Climate Change facing communities and sectors. Provision of funding under the Fund will be based on, and in accordance with, the strategic priorities on Climate Change and as per allocation of the Scheme.

NAFCC earmarked a budget of INR 3500 Million for the year 2016-2017, and an estimated requirement of Rs.1815 Million for 2017-18 to scale up adaptation interventions in accordance with the SAPCC. As per the availability of budget, the funding will be provided on adaptation cost basis of projects and programmes to address the adverse effects of Climate Change. The cost of adaptation means the cost associated with implementing concrete adaptation activities that address the adverse effects of climate change. The Fund will finance projects and programmes with an indicative cap of up to INR 250 Million and whose principal and explicit aim is to adapt and increase climate resilience.

The funding objectives are as follows:

- a. Funding adaptation projects/programmes aligned with Missions and SAPCC in agriculture, horticulture, agro-forestry, environment, allied activities, water, forestry, urban, coastal and low-lying system, disaster managements, human health, marine system, tourism, habitat and other rural livelihood sectors to address climate change related issues.
- b. Preparing and updating climate scenario settings, assessing vulnerability and climate impact assessment

- c. Capacity building of various stakeholders on climate change adaptation and project cycle management and developing knowledge network
- d. Mainstreaming the approaches/learning from project/programme implementation through knowledge management

The State of Telangana has already successfully submitted one project under the NAFCC on climate smart agriculture.

2.2 Proposal Formulation and Submission Procedures

State Governments/Executing Entities will prepare Concept Notes in consultation with the National Implementing Entity or NIE (which is the National Bank for Agriculture and Rural Development (NABARD) and submit with the endorsement of State Steering Committee on Climate Change to the Ministry of Environment, Forests and Climate Change (MoEF&CC), as per the attached template in Annex A.

All the Concept Notes will be considered by the Technical Scrutiny Committee (TSC) at the MoEF&CC and recommendations will be provided by the TSC, MOEF&CC. On the basis of the recommendations of TSC, State Government Department (EE)/ NABARD, will prepare Detailed Project Report (DPR) of Adaptation Projects, and submit along with the appraisal report, before State Level Steering Committee (SLSC).

Projects with recommendation of SLSC will be forwarded by NABARD to MoEF&CC. The National Steering Committee on Climate Change (NSCCC) chaired by Secretary (E, F&CC) will consider the project for approval and sanctioning of the funds for implementation of the project.

2.3 Proposal Implementation

The project implementation period will normally be three to four years. All the projects will have a dedicated Project Coordinator and adequate field level technical & other staff as per requirement. This Project Team will be responsible for field level execution and progress reporting. State Governments/Executing entities will draw implementation plans (activity wise) for half yearly interval and submit the same to NABARD. Projects will be taken up for sanction on first-come-first-served basis.

2.4 Reporting, Monitoring and Review Mechanism

A mechanism will be developed to see the outcomes regularly by forming a committee under the chairmanship of Joint Secretary (Climate Change), MoEF&CC with Director (Climate

Change), MoEF&CC, Director (IFD), MoEF&CC, representatives of National Implementing Entity and representatives from relevant states as members, to regularly monitor and evaluate the progress of the scheme. Periodic reporting in a specified format will be advised at the time of sanction depending on the type of project. State Government/Executing entities will submit the prescribed progress report to NABARD. NABARD in turn will apprise the State/National Steering Committee on the progress based on the report. Field monitoring will be done by NABARD in such a way that monitoring visits are undertaken before every release or for a minimum of four times during the period of implementation. Programme with more than three years of implementation period will involve third party mid-term evaluation. All the projects will have third party final evaluation with detailed analysis of output and outcomes of the projects. The third party agencies will be drawn from an accredited panel of experts/agencies. Project Completion Report (PCR) will have to be submitted after completion of project period as per the format prescribed by NABARD.

3.Accessible Funds at International Level

3.1 Bilateral and Multilateral Agencies

There are a number of multilateral and bilateral agencies funding, providing technical assistance, and implementing climate change adaptation activities in India. These include, for instance, the World Bank, Asian Development Bank, UN Development Programme, the Swiss Agency for Development and Cooperation, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, KfW Development Bank, the US Agency for International Development (USAID), and the UK Department for International Development where the fund is allocated through government consultations. In addition, there are many multilateral agencies providing climate finance include the Adaptation Fund, Green Climate Fund and Global Environment Facility where the project formulator can apply directly through defined procedures.

Climate Investment Fund of World Bank

The Climate Investment Funds (CIF) is providing 72 developing and middle income countries with urgently needed resources to mitigate and manage the challenges of climate change and reduce their greenhouse gas emissions. CIF champions innovative country-led investments in clean technology, renewable energy, sustainable management of forests, and climate-resilient development. Fourteen contributor countries have pledged a total of \$8.1 billion to the CIF, which is expected to leverage an additional \$57 billion from other sources.

The CIF allocates financing through four funding windows:

- Clean Technology Fund;
- Forest Investment Program;
- Pilot Program for Climate Resilience;
- Scaling Up Renewable Energy in Low Income Countries Program.

To support climate change mitigation and adaptation efforts, the government of India drafted an investment plan that will tap US\$775 million from the Clean Technology Fund (CTF) for transformative investments to improve and expand India's hydropower operations, develop untapped solar resources, and improve energy efficiency. The plan was drafted in coordination with the Asian Development Bank (ADB), World Bank (IBRD), and key Indian stakeholders. CTF financing is expected to leverage nearly US\$30 billion in additional financing, and will focus in particular on catalysing private sector development in the low carbon sectors.

However, there are no provisions for consideration of CCA measures in IPs under the current or subsequent phase of investment plans.

Adaptation Fund

The Adaptation Fund is a financial instrument under the UNFCCC and Kyoto Protocol (KP). It has been established to finance concrete adaptation projects in an effort to reduce the adverse effects of climate change facing communities, countries and sectors. The Fund has allocated US\$331 million to 51 concrete adaptation projects in 45 countries, benefiting over 3.5 million people. The Fund finances programs across a range of sectors, including coastal zone management, sustainable agriculture, water security, disaster risk reduction, food security, multisector projects, rural development and water management. National Bank for Agriculture and Rural Development (NABARD) – NABARD is the National Implementing Entity for Adaptation Fund in India, and is eligible to access funds directly for adaptation activities.

The Adaptation Fund was originally intended to be funded through a 2% levy on CER transactions, but with the near-collapse of prices since 2011, that source of revenue has nearly dried up. Recently the Fund has relied on donations from European governments.

During COP-21 in Paris last month, governments pledged almost \$75 million in fresh funds, most of it from Germany (\$54.5m) and Sweden (\$17m). The Adaptation Fund has currently received 23 funding applications for new climate resilience projects that has been assessed at a March meeting in Bonn, a slight drop from the record interest in the previous approval cycle.

Considering drop in funding from CDM sources and limited funding from some of the EU governments, there are limited funding opportunities for CCA measures in IPs.

Green Climate Fund (GCF)

GCF set up under U.N. climate change negotiations, is a mechanism within the framework of the UNFCCC to redistribute money from the developed world to the developing world, in order to assist the developing countries in adaptation and mitigation practices to counter climate change. The goal of the Fund will be to seek the “sweet spots” between national priorities, potential to deliver concrete climate benefits, cost considerations, and opportunities to deliver co-benefits. The Green Climate Fund will support projects, programmes, policies and other activities in developing country Parties using thematic funding windows’. It is intended to be the centre piece of efforts to raise Climate Finance of \$100 billion a year by 2020. Pledges to the fund have reached \$10.3 billion on Apr, 2016. A significant portion of these pledges have already been converted into actual financial resources. Access to the Green Climate Fund's resources is done through sub-national, national, regional and international, public and private entities that are accredited by the Board of the Fund. So far, 20 such partners have been accredited and nine more have been recommended to the Board. In India,

National Bank for Agriculture and Rural Development (NABARD) – NABARD is the National Implementing Entity for GCF, and is eligible to access funds directly for adaptation activities. The \$10.3 billion Green Climate Fund (GCF) approved its first set of eight projects in November before the Paris climate summit. That funding, totalling \$168 million, in early November will: help build resilience of wetlands in the Province of Datem del Marañón in Peru; scale up the use of modernized climate information and early warning systems in Malawi; increase the resilience of ecosystems and communities through the restoration of the productive bases of salinized lands in Senegal; lead to climate resilient infrastructure mainstreaming in Bangladesh; set the KawiSafi off grid solar energy access Fund in place in Eastern Africa; catalyse a major Energy Efficiency Green Bond Programme in Latin America and the Caribbean; support vulnerable communities in managing climate change Induced water shortages in Maldives; and enhance the urban water supply and wastewater management in Fiji.

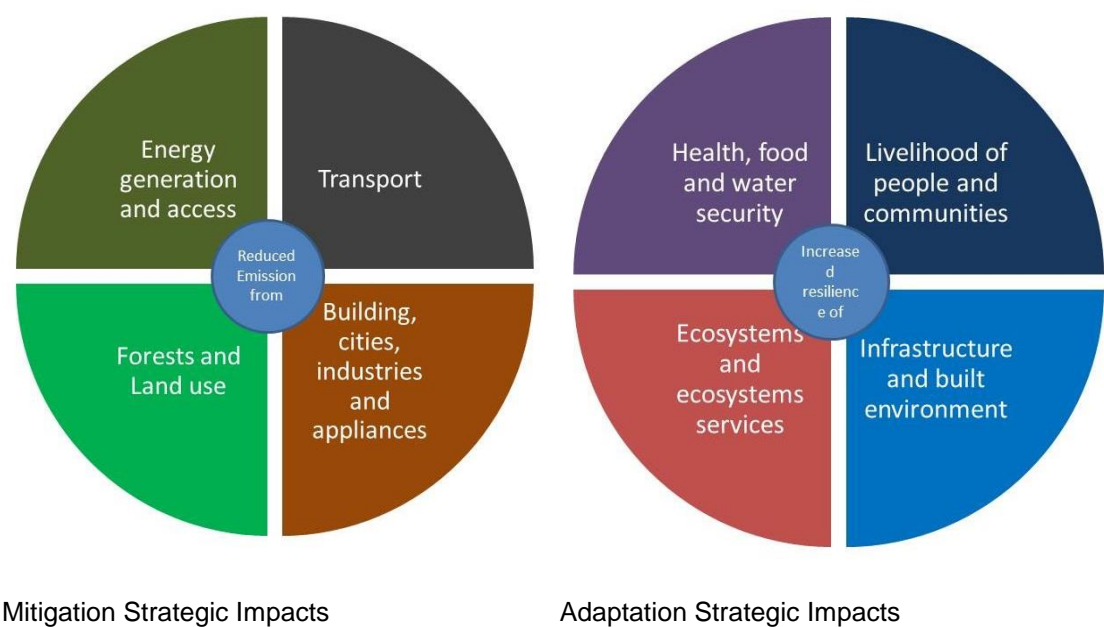
The Fund has position itself by differentiating itself from other climate finance channels by catalysing greater investment in adaptation, particularly from the private sector. The Fund is determined to partner with the private sector and harness its implementation capacity, to catalyse investment in the results areas and maximize the impact of the Fund's own investments.

The Private Sector Facility

The Fund's USD 10,3 billion of mobilized resources is very small in comparison to the USD 200 trillion in financial assets that it seeks to shift towards low-emission and climate-resilient development. The Fund wants to harness the existing global financial architecture to make this possible, and has set up its Private Sector Facility (PSF) to take on this challenge. The PSF seeks to help scale up investment in low-emission development and unlock private sector investments in adaptation, responding to different country financial contexts and availability of capital. The PSF can support mitigation by finding innovative ways to scale up increased supply of clean energy. These could include using funds to "de-risk" investment, while also mobilizing private sector activity on the demand side to trigger more efficient energy use and more climate-compatible business practices. The Fund can also act innovatively to boost private sector involvement in adaptation projects, which until now have suffered from a lack of private capital.

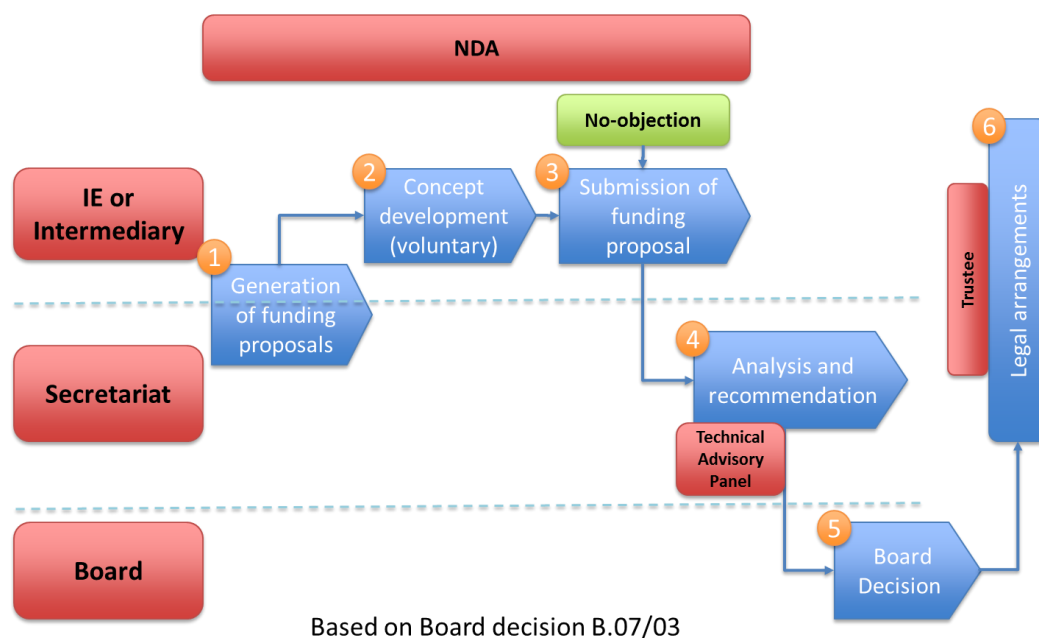
The Green Climate Fund finances projects and programmes in the public and the private sectors that contributes towards achieving at least one of the eight strategic impacts of the Fund, which is presented below.

Figure 1- Results Management Framework



Thus, considering the focus on private sector, CCA projects for IPs can be well positioned under infrastructure and built environment strategic impact areas.

Access to GCF resources to undertake climate change projects and programmes can be done through accredited national, regional, and international entities. The Projects and Programmes will obtain a no-objection from National Designated Authorities in accordance with the Fund’s initial no-objection procedure and will then submit funding proposals to the Fund through Accredited Entities (AEs). The Initial Proposal Approval Process is illustrated in the below figure 2 and proposal template is attached as Annex B:

Figure 2- Initial Proposal Approval Process

Global Environment Facility (GEF)

GEF provides grants related to biodiversity, climate change, land degradation and persistent organic pollutants.

The above funds highlight a greater potential for climate financing opportunities for climate change adaptation measures for industrial parks in the state of Telangana and Andhra Pradesh. The imminent opportunity lies under the National Adaptation Fund, and Green Climate Fund.

4. Role of Private Sector in Climate Finance

Mobilizing sufficient finance to meet the climate challenge extends well beyond global mechanisms negotiated under the UNFCCC and funding from multi-lateral, bi-lateral or national donors. While the public sector has a vital role to play to help the world reorient itself to a low-carbon, climate-resilient future, the bulk of the financing and insurance driving the much needed transition will be provided by the private sector. The private sector has led the effort so far by investing USD 243 billion², but now it is time to accelerate the pace of private sector investment and engagement to address climate change.

In addition to direct investments by the private sector, there has been the creation and expansion of the green bond market, which will issue billion dollars for climate finance in coming years.

YES BANK, India's 4th largest Private Sector Bank has successfully issued India's FIRST ever Green Infrastructure Bonds raising an amount of INR 1000 crores. The issue launched on February 16, 2015 for INR 500 crores plus green shoe option witnessed strong demand from leading investors including Insurance companies, Pension & Provident Funds, Foreign Portfolio Investors, New Pension Schemes and Mutual Funds, resulting in a total subscription of INR 1000 crores and was closed on February 24, 2015. The bonds are for a tenor of 10 years. YES BANK's Sustainable Investment Banking and Debt Capital Markets team acted as arranger to the transaction. The amount raised will be used by YES BANK to finance Green Infrastructure Projects in Renewable Energy including Solar Power, Wind Power, Biomass, and Small Hydro Projects.

Other shifts include: the increased use of corporate CSR fund for climate change adaptation and mitigation measures for the community application of internal carbon pricing by companies that will determine investment opportunities and increased concern around the activities of carbon-intensive assets and companies.

In the context of industrial parks, private companies can invest in the industrial parks in developing climate resilient infrastructure and services, where private sector in combination with public sector can develop infrastructure / services, though not limited, in the following areas;

- Renewable Energy: Investment by private companies in solar and wind power.

² <http://www.climatefinancelandscape.org/>

- Wastewater Treatment: Investment in wastewater treatment facility and biogas generation. The return on investment can be through nominal initial capital cost and operation and maintenance cost. The treated water can be reused in the industries / gardens for cleaning.
- Modifications to infrastructure, e.g. changing road-surfacing materials, increasing the capacity of culverts. The investor can earn through tolls, and weighing bridges and parking.
- Construction of climate resilient warehouses through private investor and contribution of land by the developers.
- Construction of shelters centres, which can be used during the natural disasters.
- Common areas used as developing nurseries, commercial plantations like horticulture and floriculture in low polluting industrial areas, rain water harvesting purposes.

The above examples are just an indicative, the detailed plan of activities where private investors can be included in implementing climate resilient infrastructure and services, will be considered in the detailed adaptation plan for pilot case studies.

4. Way Forward

4.1 Climate Financing for Industrial Parks

Climate change is not one of the criteria studied and considered in the current process of development of IPs. However, in several new IPs provision is made for few climate change adaptation measures like storm water management system and water/wastewater management, etc. through existing resource allocation. Several of these are currently at a stage where they need to be supported by investments on the ground. There is an urgent need to scale up investments towards CCA measures considering imminent threat of climate change impacts. Thus, the overall investment quantum will be large and several alternate funding avenues need to be considered in this regard.

With at least INR 3500 Million targeted under NAFCC and USD 10.2 billion pledges under Green Climate Fund, climate finance has become more reality in 2015. The good news is that there are opportunities to avail climate finance and shift the pattern of growth and resilience of industrial parks in projects like climate resilient infrastructure in Industrial parks, mainstreaming climate resilient in planning of Industrial parks and capacity development of stakeholders, etc.:

First, map and identify industrial park, which is most vulnerable. On-going efforts to map the climate vulnerabilities and resilience capacity of industrial parks under the current project activity will strengthen the ability to understand and analyse mobilization of climate finance for adaptation measures. It will lay the foundation for further collaborative work to address outstanding climate vulnerabilities and issues and gaps in climate financing.

Second, choose climate finance support frameworks right. Government of India has already approved four projects under the NAFCC which justifies aggressive project funding of another INR 2500 Million during the coming year. The procedure and process under NAFCC is also simpler and faster. A clear understanding of how to quickly fund investments on climate change adaptation measures under NAFCC and what their underlying drivers can help to identify and overcome the remaining barriers to climate- investment. Thus, funding for pilot project for CCA measures in IPs under NAFCCC is desirable. In addition, preparation for funding opportunities for pilot CCA measures in IPs and mainstreaming climate resilient infrastructure in IPs development process under Green Climate Fund.

Third, prepare and submit a proposal for climate financing as per the defined template and requirements. The success of the funding depends on meeting the requirements of Implementation Guidelines for NAFCC and GCF.

Table 1: Proposal Formulation process under NAFCC and GCF				
Funding Opportunities	National Adaptation Fund on Climate Change		Green Climate Fund	
Project Objective	CCA measures in identified IPs		CCA measures in identified IPs and mainstreaming climate resilient into IPs development planning	
Applicable under Areas defined under the proposal	Thematic Areas: Water and Disaster Management		Strategic Impact Areas: Infrastructure and built environment	
Budget	Budget: (Maximum Budget: INR 250 Million)		Budget: (Micro: Up to and including USD\$ 10 Million Small: Above US\$ 10 Million and up to USD 50 Million Medium: Above US\$ 50 Million and up to US\$ 250 Million Large: Above USD 250 Million)	
Steps	NAFCC	Timeline	GCF	Timeline
Step 1	Map and Identify industrial park which is most vulnerable to climate change	1 Month	Map and Identify industrial park which is most vulnerable to climate change	1 Month
Step 2	Identification of Adaptation measures (Consultation and field visit)	1 Month	Identification of Adaptation measures (Consultation and field visit)	1 Month
Step 3	Proposal formulation	1/2 Month	Feasibility Study / Confirmation on co-financing commitment	1 Month
Step 4	Submission of Proposal to MOEF & CC	1/2 Month	Proposal formulation Environmental and Social Impact Assessment (ESIA) or Environmental and Social Management Plan (CC Adaptation Plan)	1 Month
Step 5	Feasibility Study	1 Month	No Objection from NDA	1 Month
Step 6	-	-	Submission of Proposal to NIE	1 Month

Annexure I

Procedural Aspects of Climate Finance (NAFCC and GCF)

National Adaptation Fund on Climate Change (NAFCC)

Under the NAFCC NABARD has been appointed as National Implementing Entity. The mode of implementation of NAFCC has been briefed below:

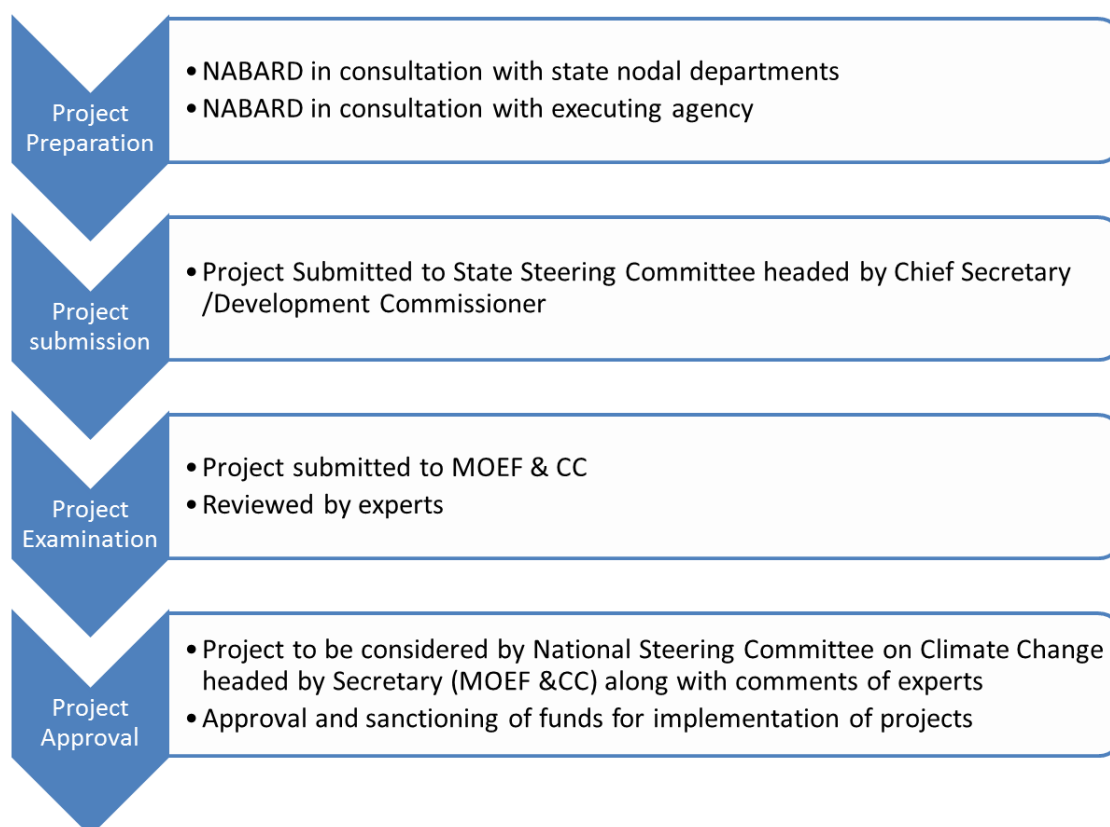


Fig 3: NAFCC Implementation Framework

Green Climate Fund (GCF)

In order to achieve maximum results, GCF seeks to catalyse funds, multiplying the effect of its initial financing by opening markets to new investments. The Fund has identified 5 investment priorities which will deliver major mitigation and adaptation benefits:

- Transforming energy generation and access
- Creating climate-compatible cities
- Encouraging low-emission and climate-resilient agriculture
- Scaling up finance for forests and climate change
- Enhancing resilience in Small Island Developing States (SIDS)

These priority areas cut across different sectors and are relevant in many zones of the planet. The Fund will work through a wide range of entities to channel its resources to projects and programmes. Such entities may be international, regional, national, or subnational, public or private institutions that meet the standards of the Fund. Countries may access the Fund through multiple entities simultaneously.

As part of its innovative framework, the Fund has the capacity to bear significant climate-related risk, allowing it to leverage and crowd in additional financing. The Fund offers a wide range of financial products, enabling it to match project needs and adapt to specific investment contexts, including the use of its funding to overcome market barriers for private finance.

GCF will aim for a floor of 50% of the adaptation allocation for particularly vulnerable countries, including Least Developed Countries, Small Island Developing States and African States.

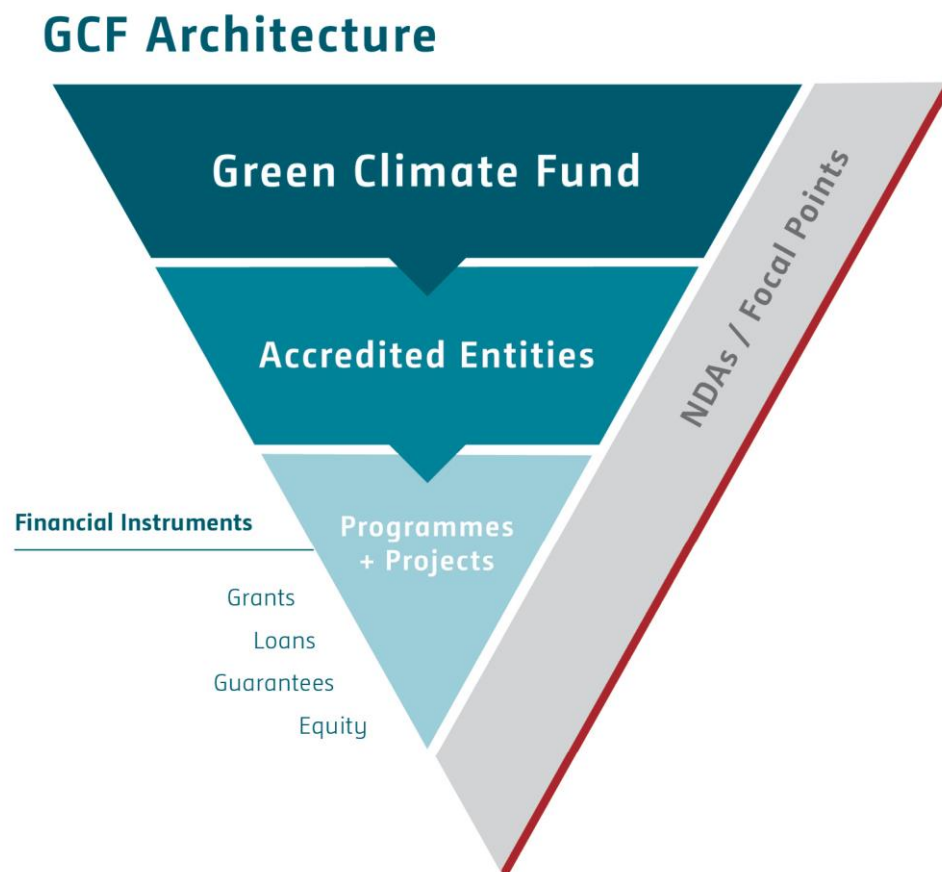


Fig 4: GCF Architecture (Source: Green Climate Fund)

The Green Climate Fund will finance projects and programmes in the public and the private sectors that contribute towards achieving at least one of the eight strategic impacts of the Fund:

- Energy generation and access
- Buildings, cities, industries, and appliances
- Land use, deforestation, forest degradation
- Transport
- Enhanced livelihoods of vulnerable people and communities
- Food, water security, and health
- Infrastructure
- Ecosystems and ecosystem services

Access to GCF resources to undertake climate change projects and programmes is possible for accredited national, regional, and international entities. Accredited Entities (AEs) can submit funding proposals to the Fund at any time. To ensure country ownership, the Fund's Board will consider only those funding proposals which are submitted with a formal letter of no objection in accordance with the Fund's initial no-objection procedure.

An AE or an executing entity (i.e. project or programme sponsor) may submit a concept note for feedback and recommendations from the Fund, in consultation with the National Designated Authority or Focal Point. The recommendation will clarify whether the concept is endorsed, not endorsed with a possibility of resubmission, or rejected.

The detailed project and programme cycle has been illustrated in the below section:

Table 2: Project and Programme Cycle

Submission of funding proposal		
No-objection	NDA/focal point	No-objection by the NDA or focal point, in line with the Fund's transparent no-objection procedure to be agreed by the Board.
Funding proposal ² submission to the Secretariat	IE/intermediary	Full proposal submitted to the Secretariat in accordance with the transparent no-objection procedure. The Secretariat acknowledges the submission of the documentation, reviews it for completeness, and acknowledges receipt.
Analysis and recommendations to the Board		
Analysis and recommendation to the Board	Secretariat, technical advisory panel	The Secretariat carries out necessary and appropriate second-level due diligence. The Secretariat also assesses compliance with Fund interim environmental and social safeguards, gender policy, financial policies and any other policies promulgated by the Board, in addition to performance of the project or programme against activity-specific criteria (as contained in the investment framework). The technical advisory panel independently assesses performance of the project or pro-

		<p>gramme against activity-specific criteria.</p> <p>The Secretariat submits the following documentation to the Board:</p> <ul style="list-style-type: none"> •The final funding proposal as submitted by the IE or intermediary; •The Secretariat's assessment of compliance with safeguards and policies and performance of the project or programme against activity-specific criteria. Proposals that best achieve the Fund's objectives will be selected based on selection process methodologies to be approved by the Board; •The technical advisory panel's independent assessment of and advice regarding the performance of the project or programme against activity-specific criteria; •A summary of the second-level due diligence carried out by the Secretariat; •A cover note containing: the funding recommendation by the Secretariat; and a summary of the proposal and the underlying assessments with respect to the activity-specific criteria.
Board decision		
Board decision	Board, Secretariat	<p>The Board takes a decision to:</p> <ul style="list-style-type: none"> (i) Approve the funding proposal; or (ii) Provide an approval that is conditional on modifications to project or programme design or subject to availability of funding; or (iii) Reject the funding proposal. <p>The decision is recorded by the Secretariat and communicated to the Interim Trustee.</p> <p>The Secretariat informs the Implementing Entity (IE) or intermediary and the National Designated Authority (NDA) focal point of the</p>

		<p>decision and next steps.</p> <p>In the case of rejection, the Secretariat will inform the developing country that they may request reconsideration of the funding decision via the independent redress mechanism.</p>
Legal arrangements for approved proposals		
Legal arrangements	Secretariat with IE or intermediary	<p>Necessary legal arrangements between the Fund and the IEs and intermediaries.</p> <p>Legal agreements are signed by the Executive Director and by the IE or intermediary.</p> <p>The Interim Trustee is notified.</p> <p>The NDA or focal point are informed.</p>
Letter of commitment	Interim Trustee	The Interim Trustee provides a letter of commitment, subject to availability of funding.

(Source: Green Climate Fund)

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Ministry of Environment & Forests Climate Change Division, GOI



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