



Green growth and climate financing opportunities to promote GMS regional cooperation

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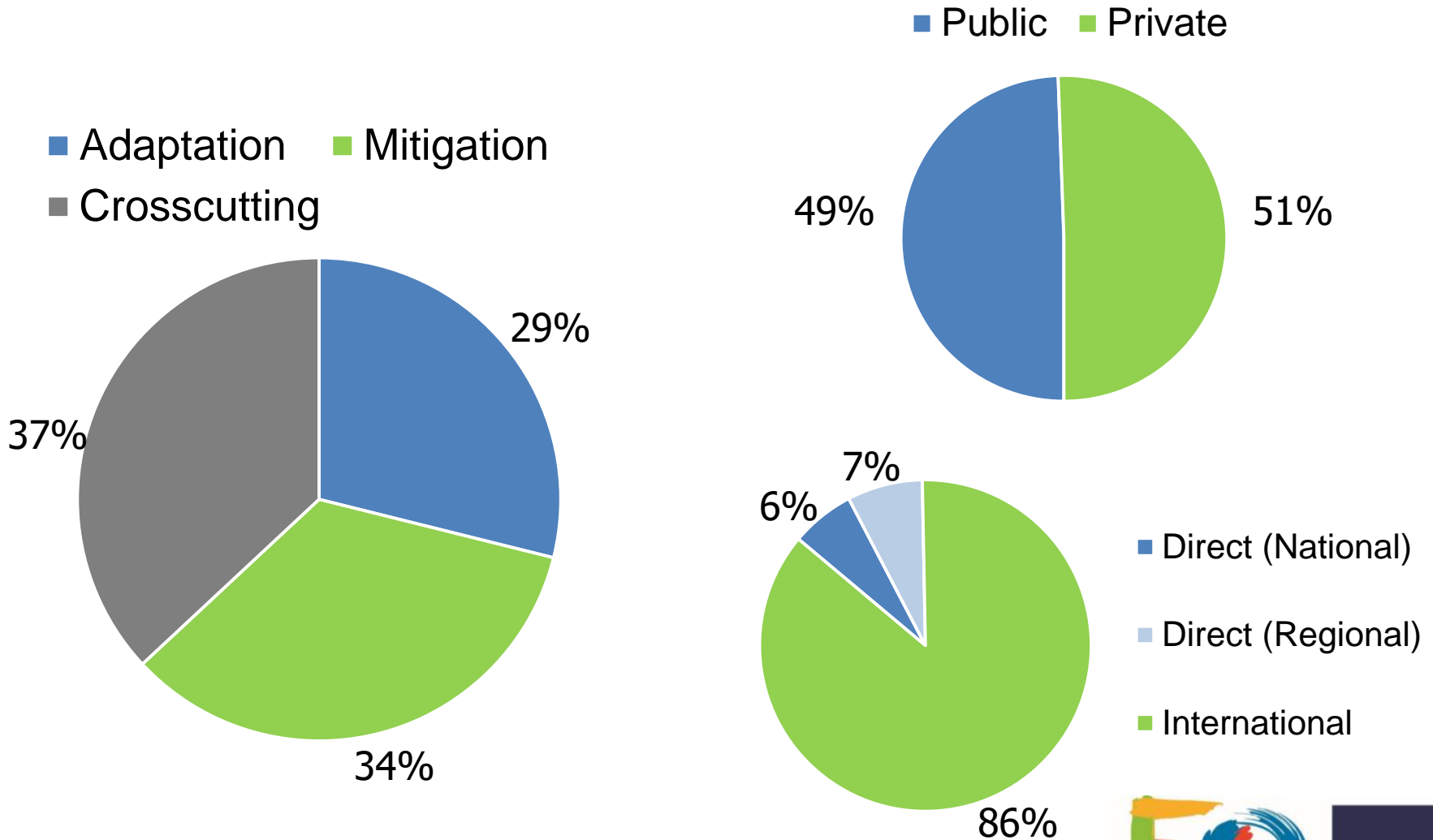


ADB and the Green Climate Fund (GCF)

- GCF established by the Copenhagen Accord to channel climate finance; up to now: pledges of \$10.3 billion from 43 state governments
- GCF funding operations exclusively through accredited implementing entities
- ADB among the first entities accredited, since early 2015
- ADB accredited for all sizes of projects (including >\$250m), all fiduciary functions and highest environmental and social safeguards category
- GCF has approved **two ADB projects in the Pacific**, total \$48 million grant
- ADB's operations departments (public and private sector) develop the projects; ADB and GCF in discussions for several proposals
- The umbrella legal agreement between ADB and GCF still under negotiation
- Sustainable Development and Climate Change (SDCC) department is ADB's GCF focal point and manages the relationship



Overview of all GCF approved proposals*



* By funding amount, not number of projects

Overview of all GCF approved proposals

Indicator	Amount (\$ million)	% to total	
IMPACT			
Adaptation	429		29%
<i>ANR</i>	237	55%	
<i>Energy</i>	-	-	
<i>Finance</i>	-	-	
<i>Multisector</i>	63	15%	
<i>Water and Urban</i>	129	30%	
Mitigation	507		34%
<i>ANR</i>	41	8%	
<i>Energy</i>	257	51%	
<i>Finance</i>	209	41%	
<i>Multisector</i>	-	-	
<i>Water and Urban</i>	-	-	
Crosscutting	548		37%
<i>ANR</i>	75	14%	
<i>Energy</i>	17	3%	
<i>Finance</i>	403	73%	
<i>Multisector</i>	54	10%	
<i>Water and Urban</i>	-	-	

Indicator	Amount (\$ million)	% to total	
Financing			
Public	734		49%
Private	751		51%
Access Modality			
Direct (National)	93		6%
Direct (Regional)	109		7%
International	1,283		86%
<i>Bilateral</i>	57	4%	
<i>UNDP/UNEP</i>	368	29%	
<i>MDB</i>	725	56%	
<i>Private</i>	80	6%	
<i>Others</i>	54	4%	
Delivery Modality			
Technical Assistance	205		14%
Investments	1,280		86%



Overview of all GCF approved proposals

- **13 of 35 GCF projects are in the ADB's developing member countries**
 - Bangladesh (KfW), adaptation, GCF \$40m grant of \$80m total
 - Maldives (UNDP), adaptation, GCF \$23.6m grant of \$28.2m total
 - **Fiji (ADB)**, adaptation, GCF \$31m grant of \$222m total
 - Vietnam (UNDP), crosscutting, GCF \$29.5m grant of \$40.5m total
 - Tajikistan, Uzbekistan (WB), adaptation, GCF \$19m grant of \$68.8m total
 - Tuvalu (UNDP), adaptation, GCF \$36m grant of \$38.9m total
 - Sri Lanka (UNDP), adaptation, GCF \$38.1m grant of \$52.1m total
 - Pakistan (UNDP), adaptation, GCF \$37m grant of \$37.5m total
 - Regional (EBRD), crosscutting, GCF \$344m loan and \$34m grant of \$1.4bn total
 - Mongolia (Xacbank), mitigation, GCF \$20m loan of \$60m total
 - Samoa (UNDP), adaptation, GCF \$57.7m grant of \$65.7m total
 - **Pacific regional (ADB)**, crosscutting, GCF \$17m grant of \$26m total
 - Vanuatu (SPREP), adaptation, GCF \$23m grant of \$26.6m total



Pacific Department Fiji project (Q4 2015)

- **Fiji Urban Water Supply and Wastewater funded by GCF**
 - \$31 million GCF grant out of total \$222 million funding
 - GCF covers *incremental cost of adaptation* in water supply system
 - Co-funded with ADB, EIB and Government of Fiji
- **Details**
 - ADB water supply project component, designs and constructs a new water intake by the Rewa River, with a pumping station, water treatment plant, clear water reservoir and pipeline to increase water production; and will reduce non-revenue water due to technical and non-technical losses.
 - ADB conducted a detailed assessment of climate change risks: Identified risk of saline intrusion into river that provides water supply for Greater Suva Area. Project mainstreams adaptation in the water sector.



Pacific Department Fiji project (Q4 2015)

- **Details (continued)**

- The activity to be financed by the GCF proceeds includes the cost of climate change adaptation measures for the Rewa water system, i.e. the incremental cost of moving the water intake upstream in order to increase resilience of the system to climate change impacts.

- **Lessons learned**

- Country demand: Work with country's national designated authority (NDA) and other relevant authorities to establish strong *ownership*;
- Establish clear and strong rationale for *climate* finance
- No business-as-usual projects—
project must be *innovative*, scalable, and replicable
- Requested instrument (grant, loan) must fit ambition of the project and project/country needs—strong focus on *value for money by GCF Board*



Pacific Dep. RE regional project (Q4 2016)

- **Pacific Islands Renewable Energy Investment Program**
 - \$12 million GCF grant for Cook Islands investment project (mitigation)
 - \$5 million GCF grant for regional CDTA for related capacity building and sector reforms in 7 Pacific countries. ADB to cover PPTA for those.
- **Description**
 - The program will support a paradigm shift from diesel power generation to renewable energy in seven Pacific Small Island Developing States: Cook Islands, Tonga, Republic of Marshall Islands, Federated States of Micronesia, Papua New Guinea, Nauru and Samoa, and place them on a sustainable, climate resilient development pathway. GCF approval for
 - Subproject 1: Cook Islands. Includes installing battery storage to allow upscaling of private sector investment in renewable energy. This additional battery storage capacity will enable an additional 6MW of solar photovoltaic capacity to be connected to the grid, after which electricity supply on the Rarotonga Island will be approximately 50% renewable energy.



Pacific Dep. RE regional project (Q4 2016)

- **Description (continued)**

- Subproject 2: SIDS Program Support Technical Assistance. A regional program support technical assistance package will prepare sector planning documents, and build related capacity in the program's target countries.

- **Lessons learned**

- GCF financing for *project preparation* can be obtained from GCF “Project Preparation Facility”; initially ADB had requested TA for developing project for remaining 6 countries
- *Programmatic proposals* are difficult as long as there is no clear related policy guidance by the GCF board
- Projects need to be *innovative*—again stressed by board members and Independent Technical Advisory Panel (ITAP) of GCF
- ADB project teams need to be *flexible and adaptable*: GCF secretariat capacity constraints and standardized processes not fully in place as yet



GCF investment criteria are key

- **Impact potential**

Potential of the programme/project to contribute to the achievement of the Fund's objectives and result areas

- **Paradigm shift potential**

Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment

- **Sustainable development potential**

Wider benefits and priorities

- **Needs of the recipient**

Vulnerability and financing needs of the beneficiary country and population

- **Country ownership**

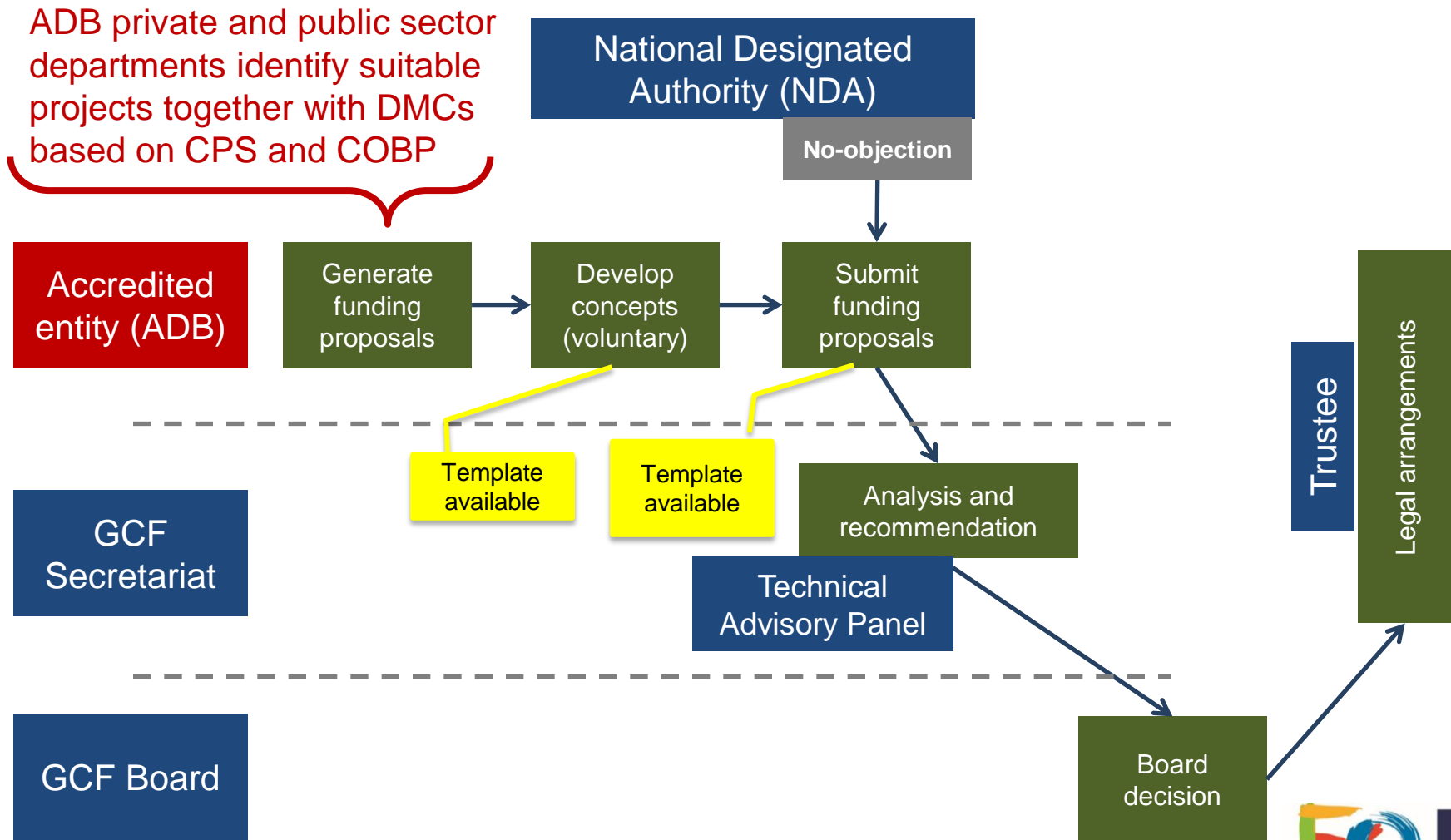
Beneficiary country ownership of, and capacity to implement, a funded project or programme (policies, climate strategies and institutions)

- **Efficiency and effectiveness**




Economic and, if appropriate, financial soundness of the programme/project



GCF proposal approval process



Lessons learned: Some examples from GCF portfolio

- **Innovative financing structures:**
IDB (Caribbean regional) – Energy Efficiency bonds 
 - Focus on paradigm shift makes financing structures attractive that are seen as unlocking barriers, and being catalytic.
- **Leveraging private sector:**
XacBank (MON) – Business Loan Programme for GHG Emissions reduction 
 - Loans to MSME renewable energy and energy efficiency
 - Blending with private capital
- **Lack of impact and innovation:**
WB (TAJ, UZB) – Climate Adaptation and Mitigation Program for the Aral Sea Basin (CAMP4ASB) 
 - Scored low by ITAP, e.g. for “lack of adaptation impacts” and “lack of a real theory of change”
 - Approved by GCF board despite a very unpleasant discussion



Conclusions

- **GCF values country driven approach**
 - Work with relevant beneficiary country agencies and fit with their climate change priorities is crucial
- **Strong climate change impacts key to success**
 - GCF is looking for strong mitigation and adaptation impacts, which ideally extend beyond the immediate project investment, and have potential for scalability and replicability
- **ADB is ready to access GCF funds, pending signing of umbrella legal agreement**
 - GCF financing can be used in ADB public and private sector investments to deliver mitigation and adaptation benefits in its developing member countries
 - ADB is open to discussing project ideas jointly with project proponents and the GCF for their guidance
 - Private sector projects need certainty and quick assessment by GCF



ADB



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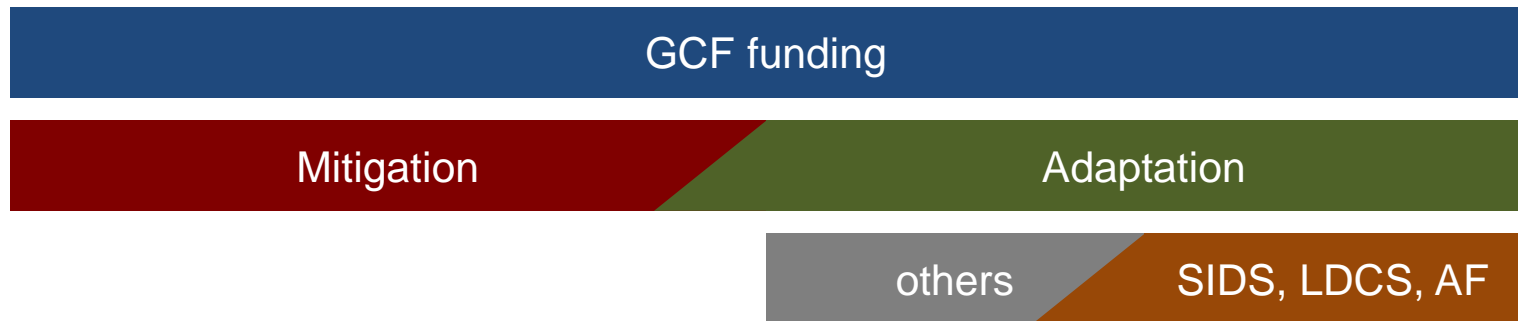
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Backup information



GCF funding allocation

- Balanced allocation



- No funding envelopes for regions or organisations
 - “first come, first served”
- No active portfolio management (e.g. through calls for proposals) until commitments reach US\$ 2 billion or after 2 years



Financial terms and conditions

- Possible financing instruments:
 - Grants
 - Loans (high/low concessionality)
 - Equity
 - Guarantees, etc.
- Financial terms and conditions to be applied on a case-by-case basis (e.g. grants vs loans, etc.);
 differentiated terms for concessional loans to public sector

	Maturity (yrs)	Grace period (yrs)	Annual principal repayment year 11-20/ 6-20 (% of initial principal)	Annual principal repayment year 21-40 (% of initial principal)	Interest	Service fee (per annum)	Commitment fee (per annum)
High concessionality	40	10	2%	4%	0.00%	0.25%	Up to 0.50%
Low concessionality	20	5	6.7%	NA	0.75%	0.50%	Up to 0.75%