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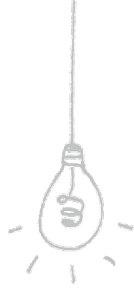
Climate Finance Readiness Programme

Early Action for Ambitious Goals

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KfW



The challenge

'Business as usual is not an option'

(German Advisory Council on Global Change, 2011)

In order to limit global warming and to make societies more resilient to the expected impacts of climate change, the global economy and society must undergo a major transformation towards sustainability. This shift towards low-carbon and climate resilient development requires a concerted mobilisation of financial resources.

By 2020, annual contributions to international climate finance, which are to be mobilised through both private and public channels, should amount to USD 100 billion (Copenhagen Accord). A significant part of these resources is expected to be channelled through the Green Climate Fund (GCF).

Great expectations are being placed on the GCF: The GCF shall meet ambitious goals in terms of transformational impact and mobilizing funds at scale, also from the private sector. The Fund and its recipient countries embark on new and innovative approaches to support countries in their transformation towards low-emission and climate-resilient development pathways, as well as greening investments, and the promotion of green growth. In addition, the Fund is expected to work effectively and efficiently, with the highest fiduciary standards and social and environmental safeguards. At the same time, the Fund aims to increase the recipient countries' ownership - new approaches and structures are to be embedded in the recipient country's own strategy in order to ensure the sustainability of actions. The ambitious goals of the GCF present opportunities as well as challenges for developing and contributor countries. Many developing countries are already looking for ways to prepare for these, for instance in country programming, coordination or in meeting the standards for direct access.

To maximise the transformational effects of the GCF and, at the same time, ensure that developing countries are able to benefit from the Fund from the very beginning, as well as climate finance in general, recipient countries need appropriate institutional capacities, national strategies, and high-quality programmes and project proposals. Given the importance of early action and obtaining expedient access to resources, preparatory and readiness activities need to begin as early as possible. Many countries have already expressed an interest in capacity development and technical assistance in this field.

The German Government is committed to the objectives of the GCF and has offered to provide EUR 50 million

in order to assist a limited number of partner countries to prepare. The German Federal Ministry for Economic Cooperation and Development (BMZ) has commissioned the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and KfW Development Bank to implement the Programme bilaterally. Some of the funds are going to be implemented multilaterally through World Bank Group for example. The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) has invited the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) and the World Resources Institute (WRI) to carry out elements of the Climate Finance Readiness Programme.

The Programme encompasses support in all aspects of institutional and strategic preparation for the GCF as outlined by the GCF Board. Its purpose is to bridge the gap until readiness activities are financed by the GCF.

Our approach

We are supporting recipient countries in building a foundation for a results-oriented, transformational and efficient use of international climate finance with emphasis on the GCF. The programme offers customised, long-term capacity development and technical assistance packages. Individual support for a country will be based on an initial assessment of its challenges and barriers. In cooperation with the recipient countries, the specific contribution of the Programme will be customised to best serve their needs and optimally supplement existing programmes in this field.

The Climate Finance Readiness Programme is working with an initial group of countries that have requested support. The main activities will be as follows:

- **Institutional support**, e.g. Support for regional and national climate finance institutions including development banks in gaining accreditation for direct access, promotion and support for the work of National Designated Authorities (NDA) and Country Focal Points. The support offered will include, in particular, country coordination and multi-stakeholder consultation mechanisms and advisory services for compliance with fiduciary standards and environmental and social safeguards.
- **Strategic and conceptual advice** in advancing and implementing national climate strategies (e.g. Nationally Appropriate Mitigation Actions – NAMAs; and National Adaptation Plans – NAPs) and policy packages for ambitious, climate-resilient low-carbon development paths as



a basis for funding decisions. This package also involves establishing links with and between national and sector strategies and integrating them into development strategies.

- **National GCF investment plans and corresponding project pipelines:** Support in establishing a pipeline of bankable projects for the GCF via national investment plans in key sectors. This activity includes technical, financial and economic advisory services for the evaluation and prioritisation of investment proposals. Prefeasibility studies may be financed for the most promising project proposals.

- **Global sharing of experiences** in climate finance and refinement of approaches and methodologies. National and international workshops, South-South exchange, knowledge management and evaluation of experiences are intended to enable a continuous debate on best practices in climate finance readiness.

The Programme is working in close partnerships with the GCF Interim Secretariat, UNDP, UNEP, World Bank/MDBs and think tanks from around the world, as well as national experts.

Stories from our work

Zambia



The climate change issue has been met with great interest in Zambia, and large-scale climate programmes such as the Pilot Programme for Climate Resilience are currently being implemented in the country. The environment and finance ministries have amassed extensive experience and expertise in the area of climate change through the ongoing climate activities.

With funds from the GCF, the country will be able to intensify its climate activities effectively, both in adaptation and in mitigation. However, in order to be able to benefit from the GCF as early as possible, Zambia needs continued support to prepare its institutions for

the GCF. The GCF Readiness Programme is therefore advising Zambia in the further planning stages for improved access to and implementation of international climate finance. For example, in collaboration with relevant Zambian institutions it is analysing which institutions are suitable as NDAs and what requirements they have in order to assume the role of NDA, particularly in coordinating climate finance activities. Based on the findings of this analysis, they are then to receive support in the right areas. In addition, the GCF Readiness Programme is assisting the Zambian Government in understanding the strengths and weaknesses various institutions have with respect to the fulfilment of fiduciary standards. This will help Zambia to make an informed decision about what efforts may have to be undertaken to obtain direct access to funds from the GCF.

In addition, the programme is also supporting climate-sensitive planning within the Ministry of Finance. Tools will be developed and trainings implemented in order to equip planning practitioners in the Ministry with the necessary skills required to take aspects of climate change into consideration in the financing of public expenditure programmes. This will enhance the necessary capacities to plan for GCF funds.

Peru

In recent years, Peru has been able to build up extensive expertise in the field of climate change. The country is already applying international climate funds in a significant volume. In order to achieve the climate objectives it has set itself, Peru continues to require increased access to and implementation of international climate finance. In particular, Peru wants to seize the opportunity in the future to obtain direct access to funds from the GCF. In this context the Ministry for the Environment has asked for support to prepare a national institution for a possible future task as a National Implementing Entity (NIE) for the GCF. In order to support Peru in preparing for the GCF, the GCF Readiness Programme will

initially prepare two studies, one on Peru's institutional landscape and another on specific options for supporting a national fund. A particular focus of the study on the institutional landscape will be to establish which institution is suitable as an NIE, and under what conditions. The study is intended to serve as a basis for the next possible steps towards accreditation with the GCF. As the studies involve collaborating both with the Ministry for the Environment and with the Ministry of Finance, they are also designed to improve the coordination between the two ministries and to establish clear responsibilities for the implementation of climate finance and direct access to the GCF.

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