Climate Finance Literature Review

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A DEW Point assessment by Catherine Smith, Practical Action Consulting

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[1] Consortium comprises Harewelle International Limited, DD International, Practical Action Consulting, Cranfield University and AEA Energy and Environment

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Acronyms

ADB	Asian Development Bank
AFD	French Development Assistance
BCCRF	Bangladesh Climate Change Resilience Fund
BNDES	National Bank of Economic and Social Development
BWP	Bretton Woods Project
CBFF	Congo Basin Forest Fund
CDM	Clean Development Mechanism
CCCA TF	Cambodia Climate Change Alliance Trust Fund
CCCSP	Cambodia Climate Change Strategic Plan
CCTT	Climate Change Technical Team
CGY	Yasuni Guarantee Certificates
CIF	Climate Investment Fund
CSO	Civil Society Organisation
DRC	Democratic Republic of Congo
ERC	Energy Regulatory Commission
EPF	Environmental Protection Fund
FAO	Food and Agricultural Organisation
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Programme
FNMC	National Environment Fund
FRDF	Forest Resource Development Fund
GoL	Government of Lao
GCE	Government Coordinating Entity
GDC	Geothermal Development Company
GRIF	Guyana REDD+ Investment Fund
GoK	Government of Kenya
ICCTF	Indonesia Climate Change Trust Fund
IDA	International Development Association
IDS	Institute of Development Studies
IFI	International Financing Institution
IP	Investment Plan
IREDA	Indian Renewable Energy Development Agency
ITT	Ishpingo Tambococha Tiputini Trust Fund (Ecuador)
KenGen	Kenya Electricity Generating Company
KEPSA	Kenya Private Sector Alliance
KETRACO	Kenya Electricity Transmission Company Ltd
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KPLC	Kenya Power
LIC	Low Income Country
LCDS	Low Carbon Development Strategy
MAF	Ministry of Agriculture and Forestry
MoE	Ministry of Education
MoF	Ministry of Finance
MENCT	Ministry of Environment, Nature Conservation and Tourism
MEHU	Ministry of the Environment, Hygiene, and Urban Planning
M&E	Monitoring & Evaluation
MRV	Monitoring, Reporting and Verification
MPTF	Multi Partner Trust Fund
NAPA	National Adaptation Programmes of Actions
NCF	National Climate Funds

NDRC	National Development and Reform Commission
NEMA	National Environment Management Authority
NGO	Non Government Organisation
NNSCCTF	Nigeria National Strategic Climate Change Trust Fund
NORAD	Norwegian Agency for Development Cooperation
NREG	Natural Resources and Environmental Governance
NTFP	Non Timber Forest Products
PES	Payment for Ecosystem Services
PSB	Programme Support Board
PROSOL	Tunisian Solar Programme
REA	Rural Electrification Authority
REDD+	Reducing Emissions from Deforestation and Degradation
RPP	Readiness Preparation Proposal
SC	Steering Committee
SCCU	Special Climate Change Unit
SME	Small and Micro Enterprises
SOFA	Amazon Fund Steering Committee
SPIAF	Service for Forest Inventory and Management
SREP	Scaling-up Renewable Energy Programmes
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change

Introduction

The main objective of this assignment is to perform a literature review of climate financing mechanisms, pulling out the lessons around how other funds globally are set up and managed. The review aims to cover the sorts of mechanisms that are in place, what their governance structures are, and how they are managed. In addition, the review explores the implications for development planning, the key issues and the lessons to be drawn from these experiences, as well as identification of gaps.

The Bangladesh Climate Change Resilience Fund (BCCRF) has been cited in the literature discussing national climate financing mechanisms as a demonstration case for Low Income Countries (LICs) to learn from. As Bangladesh is seen to be on the progressive end of the scale in terms of developing national climate financing mechanisms, many of the fundamental lessons to be learned about designing and establishing effective governance and management structures may only be useful as a reminder of good practice, rather than new information. This literature review presents an overview of the standard and innovative types of financing mechanisms available, as well as best practice in establishing national climate financing mechanisms and the implications for development planning, drawing heavily from a UNDP guidance paper on the subject. This review makes use of a recent critique of the BCCRF by the Institute for Development Studies (IDS), and focuses lesson learning around the weak areas that were identified in this review.

Literature Review

1. Key areas for development for the BCCRF

IDS recently published a policy briefing paper on the effectiveness of climate finance in Bangladesh (2011), noting positive expansion of efforts by the government in developing climate funding mechanisms. The following points were identified as areas for development within the BCCRF, which are addressed in the sections below:

- Better coordination, planning and prioritisation of climate change objectives amongst stakeholders
- Building capacity for coordination and convergence, particularly in disbursal of funds
- Better and more careful monitoring of funding successes to note and share good practice
- Better record keeping of current and past projects through using coherent modalities for data collection
- Better integration of climate change into development planning
- Strengthened capacity to involve the private sector
- Building capacity of financial institutions to evaluate projects

2. Overview of national climate finance options

The United Nations Development Programme (UNDP) published a thorough and useful guide book on designing and establishing national climate funds in 2011, which makes use of UNDP's experience in designing and administering funds at the national, regional and international level (UNDP, 2011). Building on this guidebook, this section aims to tease out the key lessons and examples noted in this study, augmenting these with examples and lessons identified from other sources.

According to the UNDP guidebook (UNDP, 2011), national climate funds have four distinct functions:

- Collecting funds and disbursing them to meet climate change objectives
- Blending of funds from various sources of financing, including public, private, bilateral, multilateral etc.
- Coordinating country-wide climate change activities, with flexibility in order to make best use of possibly unpredictable funding opportunities
- Capacity building of national implementing agencies and other agencies in terms of technical, financial and operational skills and approaches.

More than acting as the receiving end point of global funding pipelines, national climate funds should be designed by national stakeholders (government, civil society and the private sector) in line with national climate change strategies, keeping in mind the clear synergies with development planning and assistance. The process of blending funding from multiple financing mechanisms is both empowering and challenging, particularly in low and medium income countries where governance and fiduciary capacity may be weak (UNDP, 2011).

In an early review of the lessons learned from the **Amazon Fund**, Zadek et al. (2009) present three core, practical principles that national climate funds should adhere to in order to be effective:

- National institutions must be designed as enablers of economic transformation, not just the 'receiving' end point of global funding pipeline
- Situating responsibility within purely bureaucratic institutions will not work in driving transformation.
- The critical thing is not to 'get it right' first time but to create a dynamic system, which meets minimum standards and is able to evolve and learn.

The UNDP guidebook (2011) lists the following lessons in designing effective national climate funds (NCF):

- Clearly define the functions of the fund
- Ensure that the objectives are well-defined and practical
- Have realistic expectations of capitalisation
- Design a streamlined project cycle
- Undertake stakeholder engagement to identify needs and requirements
- Ensure unambiguous appraisal and performance criteria
- Establish a clear system of fiduciary standards
- Incorporate design elements that are stable but flexible to adjust over time
- Allow the NCF to evolve by supporting stability and flexibility
- Establish capacity development as a key element of the fund.

This review explores the functions, governance structures, implementation approaches and capitalisation involved in the national funds in the following Low- and Middle Income Countries: Benin, Brazil, Cambodia, China, DR Congo, Ecuador, Ghana, Guyana, Indonesia, India, Kenya, Lao PDR, Maldives, Nigeria, Philippines and Thailand. These include Reducing Emissions from Deforestation and Degradation (REDD+) programmes, Scaling-up Renewable Energy Programmes (S-

REP), climate change trust funds, clean energy funds and Clean Development Mechanism (CDM) funds.

3. Design

As Zadek and others (2009) discuss, designing national climate funds involves more than simply scaling down of the principles and functions of an international mechanism. The authors argue that while financial integrity, 'Monitoring, Reporting and Verification' (MRV), and capacity building are crucial criteria for such a fund, it is important that it is oriented towards national development priorities, policies and competencies: "National institutions are therefore likely to look quite different from United Nations Framework Convention on Climate Change (UNFCCC) financing and monitoring institutions negotiated at global level" (Zadek et al. 2009:26).

Local ownership is a key ingredient in any national climate fund. For instance, according to the Norwegian Agency for Development Cooperation (NORAD's) evaluation of the Democratic Republic of Congo (**DRC) REDD readiness process**, the DRC's Ministry of Environment, Nature Conservation and Tourism (MENCT) has taken a strong lead in this process, and REDD is high on its agenda. The Minister himself actively mobilised support and interest across government in general, and the process was keenly followed and supported within the Prime Minister's Office (NORAD, 2010). According to the UNDP (2011), the design components of an effective national climate fund can be grouped into six key areas:

1. Goal setting and strategic programming
2. Capitalisation and fundraising
3. Partnership management, including establishing roles and responsibilities of key parties
4. Structure for project approval and implementation of interventions
5. Policy assurance (social and environmental policies and impacts), financial control, and performance management
6. Knowledge exchange and information management.

4. Functions

An initial function to be addressed in establishing a national climate fund is to identify the goals and strategy for delivering these, under the broad umbrella of achieving climate change objectives. One way of going about this might be to distinguish between adaptation and mitigation objectives.

For example, the **DRC REDD** programme specifically targets climate change mitigation by reducing emissions from deforestation and forest degradation. This impacts on the financing mechanisms the programme accesses, which are vertical funds such as the Climate Investment Fund Forest Investment Programme (FIP); bilateral agencies, such as Norway, UK, Australia and Japan; and multilateral agencies, such as the World Bank Forest Carbon Partnership and the UNDP (NORAD, 2010). In contrast, the Philippines are in the process of developing the **Philippines National Survival Fund**, which aims to manage international and national funding for adaptation interventions (Whande, W. 2011). The majority of national climate funds, however, set objectives for both adaptation and mitigation, which tends to broaden the financing base, as discussed below.

In deciding on the objectives, the UNDP suggests the following issues to be considered (UNDP, 2011):

- National priorities, in collaboration with diverse stakeholder groups
- Fund focus
- Relation to other funds
- Timeframe
- Expected financial flows
- Stakeholders - civil society, private sector, marginalised groups
- Relation to other entities/programmes.

5. **Governance structures and fiduciary arrangements**

While all national climate funds will vary depending on national priorities and structures, there are a number of common components in the structure of national climate funds, according to the UNDP guidebook (2011). According to Gomez-Echeverri, L. (2010) the large and quick growth in financial resources to be made available for climate change in developing countries will be more successful as adequate institutional mechanisms are put in place to identify needs, manage resources, disburse funds, and support activities being funded. Those countries that create adequate institutions are the ones that will benefit the most from these new and additional resources.

Effective financial integrity and management involves accurate and regular recording of transactions and balances, audited periodically by an independent firm; managing and disbursing funds efficiently and with safeguards to recipients on a timely basis; producing forward-looking plans and budgets; and legal status to contract with parties (Frankfurt School, 2011).

According to the UNDP (2011:25):

> *Fiduciary arrangements facilitate relationships between different actors in the NCF structure. An NCF could be potentially coordinating the disbursement of funds to multiple implementers that have different fiduciary standards from the NCF and from each other. It is critical that decision-makers consider how fiduciary standards will apply to these various actors. Some NCFs choose to have tailored fiduciary standards for different types of implementers or projects. For example, an NCF may wish to have a different set of fiduciary standards for a multilateral implementer than for an implementer from the private sector. They may also wish to have certain fiduciary standards for a large project that differ from those for a smaller project with lower risk.*

Transparency is a key component in designing effective fiduciary arrangements, and in order to achieve this, the Frankfurt School (2011) recommend strengthening competence to deal with financial mismanagement and others forms of malpractice.

In designing the governance structure, Zadek et al (2009) recommend that national climate funds be fit for purpose, which means they must be developed locally and with seriousness. Separating the governance of the criteria from project investing appears to be a strength of the Amazon Fund (Zadek, 2009), as it enables the fund to start fast, and prevents investment decision-making being held up in stakeholder negotiations.

The UNDP's (2011) guidelines suggest the following key considerations in deciding on a governance structure:

1. Governing bodies identified
2. Relation to existing bodies
3. Representation on bodies
4. Decisions-making process
5. Proposal submission
6. Proposal approval
7. Safeguards
8. Oversight
9. Relation to other national funds

Effective NCFs often house a set of governing bodies at the centre, which can include a steering committee, a technical committee, a secretariat, a trustee, and the implementers (UNDP, 2011). This is the model that the BCCRF has followed.

The steering committee can be made up of government ministries and representatives from civil society, the private sector, multilateral agencies (United Nations (UN) agencies, World Bank) and other partners. Led by a chair, the role of the steering committee tends to be to set the goals of the fund, make decisions on mechanisms for disbursing funds, and overseeing the high-level activities of the fund, including policy and operational guidelines, strategic direction and reporting. The make-up of the steering committee, and level of support through sub-committees, will depend on the objectives of the fund itself. The steering committee is often supported by the sub-committees below:

- The technical committee tends to be made up of a panel of experts who provide substantive reviews of project proposals;
- The secretariat manages the day to day running of the fund.

The trustee is charged with holding the funds on behalf of the NCF, and is directed by the steering committee to distribute funds to the implementing entities. The implementers conduct the projects and report on their activities to the governing bodies. In the case of loans, the loans will be repaid back to the trustee.

As detailed in the UNDP guidebook (2011), the roles, responsibilities and relationships between the various bodies within the national climate fund must be clearly outlined at the design stage, in order to ensure that decisions are made efficiently and effectively. When examining and building institutional capacity, the following elements should be considered (Frankfurt School, 2011):

- Procurement procedures which provide for transparent practices, including those on competition
- Capacity to undertake monitoring and evaluation
- Ability to identify, develop and appraise projects
- Competence to manage or oversee the execution of the project/programme including the ability to manage sub-recipients and support delivery and implementation

An example of a relatively light-touch governing body can be found with the **Benin National Environment Fund**. This national climate fund is governed by a Board of Directors, which approves all projects and is informed of their execution, holds authority and defines the governing structures. The fund meets the fiduciary standards by having audited financial statements. Some of the controls that are necessary to meet the fiduciary standards are executed by the Ministry of the Environment, Hygiene, and Urban Planning (MEHU) who performs the internal audit function and plays a significant role to identify projects (Adaptation Fund, 2011).

In contrast, the **Guyana REDD+ Investment Fund (GRIF)** has a more standard and robust governing structure. According to the Adaptation Fund (2011), the governing structure comprises a Steering Committee, which serves as the oversight and decision-making body, chaired by the Government of Guyana. Its members are the Government and the financial contributors to the GRIF. The Trustee, each of the GRIF partner entities, civil society organisations and private sector entities are invited by the steering committee to participate as observers. A Secretariat of the GRIF has been established and as an interim solution, the Governments of Norway and Guyana will constitute the secretariat and provide necessary administrative support to the Steering Committee for the operation of the GRIF.

The World Bank International Development Association (IDA) was invited by Guyana and Norway to act as Trustee and is responsible for providing financial intermediary services to the GRIF. The Trustee receives funds from contributors and manages them within a trust fund on Guyana's behalf. The Trustee makes transfers of GRIF resources in the amounts approved by the Steering Committee to Partner Entities (implementing agencies). Partner Entities provide operational services for the approved low carbon development strategy (LCDS) projects. The Inter-American Development Bank (IDB), the World Bank, and any programme or specialised agency of the United Nations that is a member of the UN Development Group is eligible to serve as a Partner Entity. Each GRIF Partner Entity is mandated to ensure:

1. Consistency with the LCDS and the applicable decisions of the Steering Committee, including the purpose for which the funding has been provided;
2. That the Partner Entity's fiduciary safeguards and operational policies and procedures are followed; and
3. That a robust results framework, as defined by the Steering Committee and the Partner Entity, is developed and agreed upon at the project level. (Adaptation Fund, 2011)

A third example is the **Amazon Fund Steering Committee (SOFA)**, which has a three chamber system comprising the federal government, state governments and civil society. Each block has one vote on committee decisions, and each member has one vote inside their block. States are only allowed to vote within their chamber once they have developed their own plan to combat deforestation. There are some stakeholder concerns about the balance of representation in the SOFA, however (Zadek, 2009).

It is generally recommended that the governing structures promote empowerment of local actors, and particularly of a multi-stakeholder body, including civil society and the private sector. Participation of civil society and affected communities is key in delivering an effective climate fund (Bretton Woods Project (BWP), 2011). For instance, despite the relatively successful progress in the beginning stages of the **DRC REDD**+ readiness programme, it was a centrally coordinated and steered process, and insufficient thought and commitment has been given to empowerment of actors at provincial levels and of Congolese civil society through allocating capacity, resources and sharing and delegating responsibilities (NORAD, 2010). In response to this, the DRC fund mandated that civil society participation is crucial at all levels and partnerships have already been formed in this regard with the REDD Climate Work Group of civil society. In order to allow all stakeholders to play the key role they have been entrusted with, capacity-building measures will be conducted (SADC, 2012).

6. Implementation

The implementation of national climate funds can be organised in a number of ways and must support the objectives of the fund and its other functions and components (UNDP, 2011). According to Whande, W. (2011), implementing entities have oversight roles in the development, approval, monitoring and evaluation of projects. Whande suggests that implementing agencies do not necessarily have to be housed in environmental agencies, as long as they have a demonstrated ability to manage funds, provide oversight and put in place project monitoring and evaluating systems.

As part of the **Brazil National Fund on Climate Change**, projects can be derived from the national climate change programming portfolio, National Bank of Economic and Social Development (BNDES), public calls for proposals or other methods. Implementation can take place through a variety of channels, including national ministries and BNDES (UNDP, 2011). The **Cambodia Climate Change Alliance Trust Fund** (CCCA TF) is arranged such that implementation is undertaken either solely by government agencies or in partnership with Non Government Organisations (NGOs), UN agencies and universities (UNDP, 2011). The CCCA TF will provide up to $300,000 per grant. However, if a civil society organisation is the applicant in partnership with a government entity, the maximum grant amount is $150,000. The CCCA TF provides complete or partial funding to activities in the following ways: co-financing of new or existing projects; full financing of new projects; financing of new components within existing projects. Grantees submit implementation reports every three months to the Trust Fund Secretariat, who compiles the information into a single report.

Whereas the **China CDM Fund** uses grants to support climate-related capacity building and promotion of public awareness, importantly it tends to mainly support industrial activities contributing to addressing climate change and can provide equity investment, entrusted loans, financing guarantees, and other government-approved approaches. For grants, applicants must be institutions with research and training capabilities that are working on climate change in China. This is a more restrictive, and government-led approach.

It is recommended that reporting mechanisms of implementing partners be streamlined to fit with financing reporting requirements, which eases the monitoring of projects by implementing partners as well as the national climate fund itself (Chaum et al., 2011). Indeed, a set of standard reporting parameters would allow interventions to be compared on the basis of a common set of “climate finance effectiveness” metrics, also across different organisations. **The Amazon Fund** uses competency-based investing, which means that project investing is undertaken through a mandate to the BNDES. The bank is mandated to take resource allocation decisions in a timely and professional manner, using clear criteria set by the Fund. This enables a wide range of stakeholders to be involved in setting these principles, but prevents the ongoing management of the Fund being bogged down in political negotiations, rivalry for resources and slow and expensive bureaucracy. Resource allocation depends on the competency of BNDES to incorporate criteria related to forestry, climate change, and sustainable development into their project assessment process. The Amazon Fund is subject to third party audit with relations to the projects funded (Zadek 2009).

Chaum and others (2011) outline a list of possible approaches to monitoring and evaluation of national climate fund interventions:

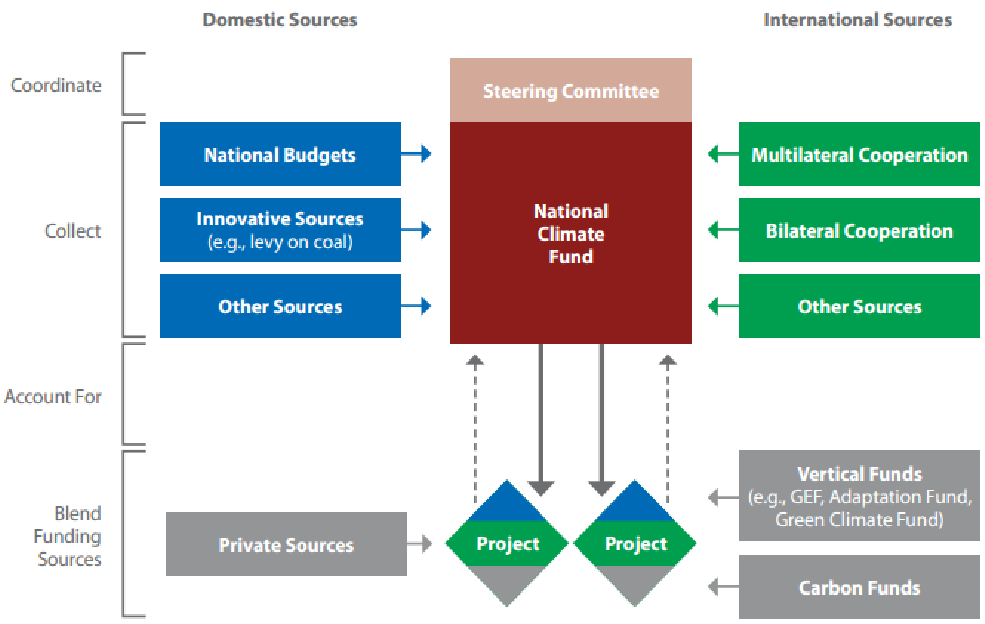
- real-time evaluation of operations to enable prompt learning and corrective actions to be undertaken within the lifetime of a particular intervention, incorporating independent verification;
- systematic post action reviews of climate activities, with lessons incorporated into the design of future actions;
- tools, methods and systems that strike a balance between the rigor of measurement systems and the related transaction and administrative costs;
- processes to estimate in advance the potential climate impact of all interventions, not just those within a "climate portfolio";
- tools to promote transparency and the coordination of donor funding.

Both baseline setting and monitoring and evaluation (M&E) require substantive data capability and expertise, which may need to be built in low and middle income countries. Accurately estimating climate impact in advance requires a foundation of current data and capability, including econometric data on key drivers and other factors. There has been relatively little national capacity building effected through the CDM, where most of the required expertise comes from a few specialised consultancies. Well-functioning performance evaluation systems and national capacity will be prerequisites for improving the effectiveness of climate finance methods (Chaum et al., 2011).

7. Capitalisation

There are a host of standard and innovative financing mechanisms available for national climate funds to access, blend and disburse. The UNDP (2011) presents the useful figure below to provide an overview of the international climate finance landscape and where national climate funds fit in:

Figure 2: National Climate Funds as Part of the International Climate Finance Landscape



Source: Flynn (2011).

According to the UNDP guidebook (2011), the considerations when deciding on capitalisation include

1. General sources to be collected/blended
2. Innovative sources
3. Allocate funds to specific activities
4. Existing sources
5. Relation of capitalisation to size, governance, implementation
6. Necessary structures (e.g., laws)
7. Cycle for fundraising.

Most funds access national budgets, bilateral and multilateral agencies, and the private sector to finance their initiatives. Vertical funds include the Climate Investment Fund (CIF), the Adaptation Fund and the Green Climate Fund. CDM operations provide a further option. Leveraging the private sector is often cited as a challenge for national climate mechanisms. The Frankfurt School (2011) provides a number of approaches that could assist in this case:

- Finance mechanisms to improve the risk return profile; i.e. guarantees, technical assistance, senior debt credit lines, soft loans/interest rate subsidies to support loans, mezzanine funds or strategic public private partnerships (so-called multi stakeholder climate finance approach (UNDP, 2011), equity capital, venture capital funds, project grants, research grants and incubators

- Insurance mechanism; i.e. insurance linked securities like catastrophe bonds, parametric insurance) and

- Other mechanisms (advanced market commitments, tax discounts).

Public finance mechanisms which can address existing barriers to private climate finance include debt-based mechanisms (i.e. loan guarantees, policy insurance and foreign exchange liquidity facilities), and equity-based fund mechanisms; i.e. subordinated equity funds. Implementing these mechanisms takes sustained attention and capacity building. Scale-up does not imply blind replication, but rather adaptation and application of good transaction structuring and programme design principles. Methodologies for doing so exist and can be learned and applied.

There are a number of alternative, innovative funding approaches, which are outlined through examples below:

The **Brazilian National Fund on Climate Change** was created to allocate a portion of the government's revenue from oil production for mitigation and adaptation project sand to support studies on climate change and its effects. It accesses oil revenue, public and private finance, national and international donors (UNDP, 2011). In contrast, the **Amazon Fund** operates on a donation basis, raising money on the basis of avoided deforestation already achieved in the previous year. This performance is assessed against a moving average reference level of deforestation, adjusted every five years (Zadek et al., 2009).

PROSOL (Tunisian Solar Programme) of **Tunisia** and **China's Utility-based Energy Efficiency Programme** are good examples using utilities or municipalities as relays in the financial intermediary chain. As utilities interface directly with most energy users (in grid-connected areas), energy utilities are effective intermediaries for the delivery of energy efficiency and renewable energy equipment, services, training and financing to end-beneficiaries. In the case of Tunisia and China, these utilities become the entities that make the investments happen and implemented successfully (Gomez-Echeverri, L., 2010).

As part of the **Yasuni Ishpingo Tambococha Tiputini** (**ITT) Trust Fund, Ecuador** is requesting public, private, individual, bilateral and multilateral contributors to compensate 50% (at 2008 oil prices) of the income it is forgoing, amounting to $3.6 billion over the 13 year period. In exchange for contributions, the government issues Yasuni Guarantee Certificates (CGYs) for the face value of each contribution. These CGYs guarantee that the ITT field oil reserves will not be extracted, and instead will be maintained as part of a national park. The CGYs will include the metric tons of carbon avoided according to the price of the European Union Allowances in the Leipzig Carbon Market. In addition, if in the future the world carbon market accepts the CGYs as equivalents of emission permits, the government will issue CGYs for sale to private and public entities (UNDP, 2011).

There are several new initiatives in the area of financing clean off-grid energy in rural areas through micro-finance; however the best and most solidly established is the **Grameen Bank in Bangladesh**. As the focus shifts towards meeting the demand of hundreds of millions of people without access to energy, these micro-finance schemes will need to become major partners in helping communities secure solar homes systems, biogas plants and other programmes to make energy services possible to a large portion of the population now without access (Gomez-Echeverri, L., 2010).

The **Guyana REDD+ Investment Fund** is making an effort to create an innovative climate finance mechanism which balances national sovereignty over investment priorities with ensuring that REDD+

funds adhere to the Partner Entities' financial, environmental and social safeguards. It accesses finance through carbon finance, grants and Payment for Ecosystem Services (PES) (Government of Guyana, 2011).

Special Purpose Financing Vehicles or Windows are very useful particularly when banks are weak, risk averse or in a middle of a transition. These are usually created under the umbrella of the government and become crucial vehicles where they do not compete with local finance, thus, potentially discouraging this much needed sector. IREDA, **the Indian Renewable Energy Development Agency** is one good example of a special financing window to provide financing for renewable energy and energy efficiency (Gomez-Echeverri, L., 2010).

The **Laos Forestry and Forest Resource Development Fund (FRDF)** aims to generate and aggregate financial resources from national and international agencies to be used for implementation of forest development activities, through royalties and fees for forest land and forest resources; fees for timber and non timber forest products (NTFPs) harvested from plantations; contributions from national and international organisations including non-profit organisations; the additional revenue from competitive log sales; interest on bank deposits. Funding is highly volatile and unpredictable.

Finally, the **Thailand Energy Efficiency Revolving Fund** provides capital to banks, which in turn use this money to provide low cost loans for energy efficiency, and has been successful in mobilising investment resources for activities relevant to climate change. In this case, the government allocated the initial pool of capital and provided a small number of staff to establish the financial model (Gomez-Echeverri, L., 2010).

8. Knowledge sharing

In order to ensure that knowledge is shared Chaum et al. (2011) suggest the following:

- Build an evidence-based, bottom-up database of best practices and failure stories related to climate finance
- Ensure the transparent publication of results of evaluations to build accountability, increase available expertise, and hence increase the effectiveness of climate finance over time.
- Establish evaluation groups within donor agencies, International Financing Institutions (IFIs) and developing country institutions, where they do not already exist, equipped with tools and capabilities to assess climate effectiveness.
- Share knowledge and best practices – building up the "community of practice" around climate effectiveness.

The Kenyan Government, in the design of their **Scaling-up Renewable Energy Programme (SREP)** includes a section on drawing lessons from new business models to be adopted in the pilot projects supported under the SREP so that similar models can be replicated in other parts of the country and other countries. The learning regarding the institutional and implementation arrangements involves the government providing general oversight, coordination and supervision as well as accountability while the implementation agencies including the private sector focus on specific implementation activities assigned and carry out the monitoring of the same. The Kenya SREP also include capacity building plans, including presentation skills, exchange programmes and technical visits that are geared to enhancing the knowledge sharing capabilities of the project team (Government of Kenya (GoK) SREP, 2011).

9. Implications for development Programming

At all stages of the design and implementation of national climate funds, there needs to be consideration of the existing processes and financing mechanisms in place in order to provide support and synergies to these, rather than duplicating efforts or creating unnecessary competition for resources.

In NORAD's evaluation of the **DRC REDD programme,** there were clear opportunities to mainstream REDD in the national development agenda, such as the current initiative of the Ministry of Planning to formulate a development vision Congo 2035 and the preparations of the second generation Growth and Poverty Reduction Strategy Paper. Inter-sectoral issues, such as the need to sedentarise and intensify agricultural production, the need to address the wood-energy issue and develop alternative energy strategies, the need to mitigate impacts of mining on forests and the environment, the need for land tenure reforms, etc., have been identified, but concrete strategies and programmes that address these issues have yet to be developed. The DRC REDD programme established an Inter-Ministerial Committee, responsible for planning the implementation of the National Committee's decisions. It also designates responsibility for the execution of these decisions to relevant state structures and experts, both national and international. The establishment of this committee reflects an acknowledgement in DRC of the interconnectedness of forestry and other sectors (NORAD, 2010).

NORAD note, however that there is a major expectation of DRC that carbon and climate compensation funds will contribute to financing DRC's Marshall Plan of the "Cinq Chantiers": employment, housing, water and electricity, health and education and infrastructure (NORAD, 2010). Each of these sectors could in their own way damage forest resources and come into conflict with the REDD programme, so there is a clear need for DRC to manage expectations, consider the impacts of further development on climate change mitigation activities, and attempt to mainstream climate change into sectoral programming.

Finally, a similar problem with respect to empowerment applies to the inclusion of other sectoral ministries in the REDD strategy development process. Questions remain around whether budgets will be made available to support relevant reforms and studies in other ministries and how inclusive REDD coordination will be when it comes to allocating resources and capacity (NORAD, 2010).

Conclusion

It is recommended that the DFID Bangladesh team refer to the UNDP (2011) Guidebook for further, detailed guidance on best practice and lessons in designing and managing national climate funds. The lessons drawn above, from examples in low and middle income countries, are intended to augment the guidebook, and in identifying the key areas of weakness, DFID Bangladesh should be equipped to improve on its relatively progressive national climate fund. Gaps in the literature surround the processes to ensure gender and social inclusion considerations are mainstreamed into national climate funds, and further research and analysis is recommended.

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ANNEX 1: Funding Mechanisms – Summary

Country	Mechanism	Capitalisation	Governance & Fiduciary Arrangements	Management, Implementation & Monitoring
Bangladesh **(LIC)**	Bangladesh Climate Change Resilience Fund. Endorsed by the government in 2009, the fund provides direct support for the implementation of Bangladesh's Climate Change Strategy and Action Plan for 2009 — 2018. It focuses on helping vulnerable communities adapt to greater climate uncertainty and changing agricultural conditions. (UNDP, 2011).	Set up to receive public national, bilateral and multilateral contributions. Current donors include Denmark, Sweden, the European Union and the United Kingdom.	Governing Council & Management Committee (both chaired by the govt and include reps from ministries, development partners, civil society and the trustee). Governing Council provides guidance on high level issues, such as setting the strategic goals and management, aligning the BCCRF with the BCCSAP, establishing grant criteria, reviewing results and providing advocacy support. Management Committee reviews and endorses BCCRF manual, establishes the work programme and budget allocation, reviews grant requests and reviews and endorses reports by the fund Secretariat established in the Ministry of Environment and Forests to support the Governing Council and Management Committee and manage the day-to-day operations. Expert Panel provides specific short-term advice and support to the Secretariat and the Management Committee (and, possibly the Governing Council) on technical aspects. The World Bank is interim trustee. The Governing Council is planning for the transfer of fiduciary management responsibility to the government.	Government line ministries provide implementation, with technical support provided by the World Bank. Project proposals are submitted by ministries to the Management Committee. Baseline, mid-term and annual evaluation of outcomes are based on agreed results indicators.

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Benin **(LIC)**	National Environment Fund (National Implementing Agency) http://www.climatefundsupdate.org/listing/adaptation-fund	UNFCCC Adaptation Fund.	Board of Directors approve all projects and is informed of their execution; holds authority and defines the governing structures. NEF meets the fiduciary standards relating financial management such as having audited financial statements. Some of the controls that are necessary to meet the fiduciary standards are executed by the Ministry of the Environment, Hygiene, and Urban Planning (MEHU) who performs the internal audit function and plays a significant role to identify projects. MEHU has an overriding role in semi-annual reporting to its Minister.	Procurement follows the national legislation and this is reviewed annually by the external auditor. Projects are identified in a number of different ways, evaluated and approved by its Board of Directors.
Brazil **(MIC)**	Brazilian National Fund on Climate Change Established in 2010, the fund was created to allocate a portion of the government's revenue from oil production for mitigation and adaptation projects and to support studies on climate change and its effects. The fund addresses energy, agriculture, desertification, education and training, REDD+ projects, technology development, public policy formulation, sustainable production chains, payment for environmental services and other activities. The fund plays an important role in promoting low-carbon development in Brazil.	Oil revenue, public and private finance, national and international donors. The initial 2011 National Environment Fund (FNMC) budget is estimated for $100 million.	A Steering Committee manages, monitors, and evaluates the allocation of financial resources for mitigation and adaptation actions, national projects, and studies. The Steering Committee consists of representatives from the Brazilian government, National Bank of Economic and Social Development (BNDES), states, municipalities, non-governmental sectors, the scientific community and rural and urban workers and entrepreneurs. The Steering Committee is chaired by the Executive Secretary of the Ministry of Environment. The trustee is the Brazil National Bank for Social and Economic Development.	The Ministry of Environment provides coordination of the administrative activities of the fund and drafts annual budget proposals and plans of implementation. Projects can be derived from the national climate change programming portfolio, BNDES, public calls for proposals or other methods. Implementation can take place through a variety of channels, including national ministries and BNDES. Recipients prepare annual implementation reports.

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	The Amazon Fund. An autonomous public-interest institution designed to mobilize international funding to support the combat of deforestation and conservation and sustainable management of forests. invests in projects in seven key areas: 1. Management of public forests and protected areas; 2. Environmental control, monitoring and enforcement; 3. Sustainable forest management; 4. Economic activities developed from the sustainable use of the forest; 5. Ecological and economic zoning, territorial planning and agrarian regulation; 6. Conservation and sustainable use of biodiversity; and 7. Recovery of deforested areas.	Operates on a donation basis, raising money on the basis of avoided deforestation already achieved in the previous year. This performance is assessed against a moving average reference level of deforestation, adjusted every five years.	Steering Committee, a multi-stakeholder committee organised in a three chambers system with representatives from local government, national ministries and civil society (including indigenous peoples, traditional communities, NGOs, industry and scientists). Decisions are taken with the positive vote of the three chambers. A Technical Committee with six renowned scientists certifies the emission reductions claimed and a specific independent audit is hired to assess the correct application of the funds according to the guidelines set by the Steering Committee. Managed by BNDES.	Provides grant funding to projects that contribute to the prevention of deforestation, as well as to the conservation and sustainable use of the Amazon biome.
Cambodia **(LIC)**	Cambodia Climate Change Alliance Trust Fund. The Cambodia Climate Change Alliance Trust Fund (CCCA TF) was launched in 2010 as the funding arm of the Cambodia Climate Change Alliance, a national programme to support capacity development and institutional strengthening to prepare for, and mitigate, climate change risks. The Alliance aims to directly help vulnerable communities by enhancing their resilience to climate change and other natural hazards. The CCCA TF objectives are to	Bilateral donors, including the European Union, Sweden and Denmark, as well as by UNDP.	The National Climate Change Committee, led by the Prime Minister as the honorary chair, is composed of 20 ministries and agencies. It coordinates national policy-making on climate change and provides strategic guidance to the Programme Support Board (PSB). The PSB makes high-level policy decisions for the fund and conducts the final review of grant applications. The PSB is supported by the CCCA TF Secretariat. The head of the	Implementation is undertaken either solely by government agencies or in partnership with NGOs, UN agencies and universities. The CCCA TF will provide up to $300,000 per grant. However, if a civil society organisation is the applicant in partnership with a government entity, the maximum grant amount is $150,000. The CCCA TF provides complete or partial funding to activities in the following ways:

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	support capacity building and priority interventions to enhance adaptation and long-term resilience to climate change among vulnerable communities and eco-systems. Priority is given to supporting the implementation of the Cambodia Climate Change Strategic Plan (CCCSP) and those initiatives identified in the National Adaptation Programme of Action as well as the National Strategic Development Plan.		Secretariat manages the day-today operations of the fund and an inter-ministerial Climate Change Technical Team (CCTT) that provides technical expertise on policy and reviews grant applications. Grant proposals are first reviewed by the Trust Fund Secretariat and then independent experts. The CCTT, based on findings of these experts makes recommendations to the PSB. The PSB conducts the final review and authorises the grants. As a UNDP local Trust Fund, UNDP holds the funds and distributes them to implementing partners for the execution of activities. It is envisioned that this role will eventually transition to the government.	Co-financing of new or existing projects; Full financing of new projects; Financing of new components within existing projects. Technical support can be provided by development partners as needed. Grantees submit implementation reports every three months to the Trust Fund Secretariat, who compiles the information into a single report. Based on this information, the head of the Trust Fund Secretariat provides quarterly progress reports. An annual report summarises the progress of implementation for the full year. A Joint Programme Annual Review occurs each year to review the report.
	Pilot Programme for Climate Resilience Promoting Climate-Resilience of Water Resources and Related Infrastructure. Enhancing Climate-Resilient Agriculture and Food Security. Improving Climate-Resilient Infrastructure. Cluster Technical Assistance for Strengthening Capacity to Mainstream Climate Resilience into Development Planning. Linkages to National Adaptation	CIF Strategic Climate Fund, assisted by Asian Development Bank (ADB), World Bank.	National focal points are Ministry of Environment and Ministry of Economy and Finance. Ministry of Economy and Finance is lead implementing agency.	Grant-supported soft interventions; Concessional supported hard interventions; Grant supported capacity building Relevant ministries perform key implementation activities in collaboration with other ministries, civil society and the private sector. Progress in various indicators will be monitored at the programme, component and project levels. The effectiveness of adaptation interventions will also be monitored at the provincial and other sub-national levels such as

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	Programmes of Actions (NAPA) – synergies, blending of activities, leveraging for additional finance.			commune level in all investment projects. Appropriate mechanisms for monitoring and evaluation at sub-national levels will be further determined during the project preparation stage.
China **(MIC)**	China CDM Fund. Established in 2007, the China CDM Fund provides grants and investments for initiatives that address climate change and promote social and economic sustainable development, supporting the support the National Climate Change Programme. It also provides preferential loans to energy-saving and renewable energy projects. The fund expects to have $1.5 billion for renewable energy by 2012 (UNDP, 2011).	CDM projects in China, earnings from CDM business operations, grants, other types of cooperation, support from multilateral development institutions.	Governed by a board and managed by the CDM Fund Management Centre. Board is comprised of National Development and Reform Commission (NDRC), Ministry of Finance, Ministry of Foreign affairs, Ministry of Science and Technology, Ministry of Environmental Protection, Ministry of Agriculture and the China Meteorological Administration. For grants, applications are submitted to NDRC through the "Project Applicant Organiser," (i.e. relevant departments of the State Council or Provincial Development and Reform Commission). NDRC is responsible for arranging reviews of the applications. Reviewed applications are sent to the board for approval. Upon approval by the board, the applications are sent to NDRC and Ministry of Finance for joint ratification. For investment projects, the CDM Fund Management Centre is responsible for the initial selection and review. Major investment projects (70 million RMB or above) are approved by the board and then sent to NDRC	CDM Fund Management Centre, affiliated with the Ministry of Finance, is responsible for the collection, management and use of funds. The Management Centre develops rules and regulations for the fund's operation, raises and manages funds, carries out investments and wealth management activities, formulates and implements the annual budget and accounting, supervises and manages projects and reports major business activities to the board. The CDM Fund uses grants to support climate-related capacity building and promotion of public awareness. Its investments mainly support industrial activities contributing to addressing climate change and can provide equity investment, entrusted loans, financing guarantees, and other government-approved approaches. For grants, applicants must be institutions with research and training capabilities that are working on climate change in China. The Project Applicant Organizer of the project is

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			and Ministry of Finance for ratification. For non-major investment projects, the CDM Fund Management Centre is responsible for approval and ratification. Ratified projects are reported to NDRC and Ministry of Finance within 15 working days. Contracts are signed by NDRC, Project Applicant Organiser, project applicant and China CDM Fund Management Centre. Investments are managed by the CDM Fund Management Centre.	responsible for implementation. The implementer for investment projects is CDM Fund Management Centre.
DRC **(LIC)**	The UN-REDD+ programme provides grants to support the country to better engage with the international system for reducing emissions from deforestation and forest degradation (REDD+). Activities include stakeholder engagement and consultation, national strategic thinking and planning, data collection and analysis, donor dialogues, programme formulation, participation in international fora and the mobilisation of climate and other environmental funds (UNDP). DRC's R-PP was developed between September 2009 and June 2010 and involved a large REDD awareness drive among stakeholders at national and provincial levels (NORAD). Objectives - Provincial power, adaptation and reconstruction (NORAD, 2010).	Forest Investment Programme (Climate Investment Fund), funded by Australia, Denmark, Japan, Norway, Spain, UK and US (CIF) Norway funds through World Bank's Forest Carbon Partnership Facility (FCPF), the UN-REDD Programme (UNDP, United Nations Environment Programme (UNEP) and Food and Agricultural Organisation (FAO) and the African Development Bank's Congo Basin Forest Fund (CBFF) (NORAD, 2010). The total funding commitment so far through the FCPF and UN-REDD Programme for DRC's Readiness Preparation Proposal (R-PP, also known as REDD Preparation Plan	Led by national structures, a national committee, an inter-ministerial committee and a national coordination, with respective attributions of decision and orientation, planning and coordination. The Department for Permanent Service for Forest Inventory and Management (SPIAF) under the Ministry of Environment, Nature Conservation and Tourism (MECNT) is responsible for forest monitoring and inventories and for FRA reporting (SADC). UN-REDD is supported by three UN agencies: UNDP, UNEP and FAO. Other international stakeholders are close partners, including the World Bank's Forest Carbon Partnership Fund (FCPF) and key international NGOs, such as Rainforest Foundation	Three equivalent structures at the level of each province. Civil society participation is crucial at all levels and partnerships have already been formed in this regard with the REDD Climate Work Group of civil society. In order to allow all stakeholders to play the key role they have been entrusted with, capacity-building measures will be conducted (SADC). A roadmap comprising several components has been designed. - Organisation and consultation: national arrangements for coordination and management of preparation, consultation and participation of stakeholders - Preparing a REDD strategy: quick assessment of land use, forest policy and governance, strategic options for REDD, REDD implementation framework, social

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		in DRC) is US$ 10M, and a further US$ 20M is likely to be committed to REDD+ pilot projects through the CBFF. CDM (World Bank Carbon Finance Unit.	and the World Wildlife Fund (UNDP).	and environmental impacts - Developing a reference scenario (Reference Emissions level) -Developing an MRV system - Designing a monitoring and evaluation framework.
Ecuador **(MIC)**	Ecuador Yasuni ITT Trust Fund was established to support Ecuador's decision to permanently forego the extraction of the Yasuni ITT oil fields. The initiative will assist Ecuador to collect and channel funds toward climate change and sustainable development challenges and enable it to gradually change the energy matrix of the country through investments in environmentally friendly and socially inclusive renewable energy projects. Specifically, the fund will finance strategic sustainable development programmes within the guidelines of the Ecuadorian National Development Plan. Programmes address forestry, watershed and river management, energy, social development, research, science, technology and innovation.	Ecuador is requesting public, private, individual, bilateral and multilateral contributors to compensate 50% (at 2008 oil prices) of the income it is forgoing, amounting to $3.6 billion over the 13 year period. In exchange for contributions, the government issues Yasuni Guarantee Certificates (CGYs) for the face value of each contribution. These CGYs guarantee that the ITT field oil reserves will not be extracted, and instead will be maintained as part of a national park. The CGYs will include the metric tons of carbon avoided according to the price of the European Union Allowances in the Leipzig Carbon Market. In addition, if in the future the world carbon market accepts the CGYs as equivalents of emission permits, the government will issue CGYs for sale to private and/or public entities. Funds from the sale of the CGYs will contribute to the	A Steering Committee, made up of three representatives from the government, two from donors and one from civil society, provides strategic direction and oversight of the fund, reviews and makes fund allocation decisions and ensures coordination with other relevant initiatives. Technical Secretariat provides administrative, technical and substantive support. It undertakes project appraisals, capacity assessment, monitoring and evaluation of project performance and other analyses, as required. UNDP Multi Partner Trust Fund (MPTF) Office - receives and administers contributions and disburses funds to implementing entities as directed by the fund's steering committee. It also performs a range of reporting functions, including consolidating reports based on those submitted by implementing entities and conducting regular financial reporting through an online	Ministry of Heritage serves as the Government Coordinating Entity (GCE), acting through the Yasuni ITT Coordination Office and in cooperation with the National Secretary of Planning and Development. The GCE is responsible for the effective development, implementation and monitoring and evaluation of the ITT Trust Fund. The GCE assumes full programmatic and financial accountability and coordinates the design of the overall portfolio, including the project selection process. It also ensures the timely issuance of CGYs and their sale to private and public entities. 1. Capital Fund Window — financed by contributions to the Yasuni Fund Account (used to finance renewable energy projects). 2. Revenue Fund Window — replenished with mandatory annual revenue payments received from

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		ITT Trust Fund.	platform. Grant proposals are developed by national recipients and implementing organisations. They are submitted to the Steering Committee for approval after review by the Technical Secretariat. Based on the approval from the Steering Committee, the Administrative Agent will transfer the approved funding to the relevant recipient and implementing Organisations.	national entities for the use of the Capital Fund Window. This is used to develop projects within the framework of the sustainable development plan. Implementation partners include NGOs/civil society organisations, private enterprises, and intergovernmental organisations. Recipients and implementing organisations provide annual narrative reports, annual financial statements, mid-year updates, and project completion reports and certified final financial reports to the Administrative Agent.
Ghana **(MIC)**	Natural Resources and Environmental Governance (NREG) Programme The Government developed a five-year programme of policy and institutional reforms and capacity building to improve natural resource and environmental governance. IDA and other development partners are supporting government to implement this programme through sector budget support, and technical assistance (World Bank, 2012).	World Bank, Netherlands, DFID, EC, French Development Assistance (AFD), FIP (CIF), private sector.	The government provides higher-level oversight of the programme through the Environmental Resources Advisory Council, which meets bi-annually under the chairmanship of the Vice President. World Bank support is provided by a Development Policy Operation, where disbursements are made annually, following achievement of agreed policy triggers and targets.	The operation is being implemented through country systems and government has put in place mitigation measures to address potential risks through promotion of dialogue and positive interaction between relevant stakeholders. Government supervises implementation of the programme and controls release of funds to the sector agencies that are responsible for implementation. All five development partners have worked closely together and with government, to ensure a common dialogue and undertake periodic reviews of progress and achievements against the common Performance Assessment

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				Framework for the three sectors – forestry, mining and environment.
Guyana **(MIC)**	Guyana REDD+ Investment Fund (UNDP, 2011). An effort to create an innovative climate finance mechanism which balances national sovereignty over investment priorities with ensuring that REDD+ funds adhere to the Partner Entities' financial, environmental and social safeguards. Funds will be used for projects and activities that support the implementation of Guyana's low carbon development strategy. Adaptation, Mitigation, Energy, Forestry, Low-Carbon, Natural Resource Management, Renewable Energy, Sustainable Land Management (GRIF, 2011).	Carbon finance, Grant, Other, Payment for Ecosystem Services (PES).	A Steering Committee (SC) serving as the oversight and decision-making body. The Government of Guyana will chair the SC and its members will be the Government and the financial contributors to the GRIF. The Trustee, each of the GRIF partner entities, civil society organisations and private sector entities will be invited by the SC to participate as observers. A Trustee: The World Bank's International Development Association (IDA) was invited by Guyana and Norway to act as Trustee and will be responsible for providing financial intermediary services to the GRIF. The Trustee will receive funds from contributors, and manage them within a trust fund on Guyana's behalf. The Trustee will make transfers of GRIF resources in the amounts approved by the SC to Partner Entities. Partner Entities will provide operational services for the approved LCDS projects. Each GRIF Partner Entity will ensure: 1. Consistency with the LCDS and the applicable decisions of the SC, including the purpose for which the funding has been provided;	Grant financing for goods, works or services for an investment, technical assistance or capacity building activity or activities as approved by the Steering Committee in accordance with the GRIF Governance Framework Document. The GRIF will not provide financing for budget support. Forest payments will be invested to support the creation of new low-carbon economic opportunities for small and micro enterprise (SME) sectors and vulnerable groups. This will take the form of grants, a mutual guarantee fund, skills development and capacity building in agencies responsible for SME development and vulnerable groups. Partner Entities will enter into agreements with Implementing Entities, which will receive funds from the Partner Entities and be responsible for the implementation of the relevant project or activity. These may include the Government of Guyana or any other entity that is eligible for funding in accordance with the relevant policies, guidelines and procedures of the Partner Entity and approved by the

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			2. That the Partner Entity's fiduciary safeguards and operational policies and procedures are followed; and, 3. That a robust results framework, as defined by the SC and the Partner Entity, is developed and agreed upon at the project level. The Inter-American Development Bank (IDB), the World Bank, and any programme or specialised agency of the United Nations that is a member of the UN Development Group are eligible to serve as a Partner Entity. A Secretariat of the GRIF has been established. As an interim solution, the Governments of Norway and Guyana will constitute the secretariat and provide necessary administrative support to the Steering Committee for the operation of the GRIF.	SC. Guyana is putting in place a MRV system for emission or removals of carbon from Guyana's forest sector. As this evolves a number of basic interim indicators will be used to assess Guyana's performance. These are set out in the JCN, and payment will be based on an independent verification of Guyana's implementation of REDD+ enabling activities.
India **(MIC)**	India Clean Energy Fund. The Fund is being established to help encourage the development of cleaner energies – particularly renewable energy - while imposing a negative incentive to coal (ECBI Policy Brief).	The revenue will be generated from a levy or tax on coal with a potential estimated mobilisation of billions of rupees that would go towards the creation for the Fund.	The institutional infrastructure and governance of the Fund is still under discussion.	
Indonesia **(MIC)**	Indonesia Climate Change Trust Fund (ICCTF). (UNDP 2011). Part of the government of Indonesia's commitment to implement the Jakarta Commitments to enhance national ownership and improve aid coordination in response to climate change. The objectives of the ICCTF are to: 1. Achieve Indonesia's goals of a low-	The "Innovation Fund," directs bilateral and multilateral grant funding from development partners and other contributors to activities that provide indirect economic and social benefits and will not provide any direct financial return to	Steering Committee provides policy and operational guidelines, management and monitoring and evaluation identifying general strategic policy. Responsible for recommendations and defining priority areas to be financed, including approving funding to	ICCTF has 3 priority funding windows: Energy and Energy Efficiency, Sustainable Forestry and Peat Land Management, and Resilience. Initially, sectoral ministries may apply for funding. Later, local governments, NGOs and universities may apply, as well

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	carbon economy and greater resilience to climate change 2. Enable the government to increase the effectiveness and impact of its leadership and management in addressing climate change issues. Further, in order to strengthen country ownership, all external assistance interventions will include capacity development activities to ensure the sustainability of future ICCTF operations without relying on international assistance.	the participants. The "Transformation Fund," which will be managed in close coordination with the Ministry of Finance, plans to utilise funding sources such as domestic funds, loans and various types of investments which generate direct financial revenue and support the mobilization of investment in low-carbon and climate resilient economic development. While initial funding will be provided by government budgets and grants, it is anticipated that most funding will come from the private sector in the future. ICCTF resources can be combined with resources from government, multilateral organisations, the private sector and civil society. The ICCTF is also applying for National Implementing Entity accreditation for direct access under the Adaptation Fund.	project proposals. Technical Committee evaluates project proposals for eligibility, feasibility, sustainability and impact on the environment, the society and the economy. Comprised mostly of line ministries. Secretariat manages the daily operations of the ICCTF and supports the Steering Committee and Technical Committee. UNDP acts as the ICCTF's Interim Fund Manager and supports developing capacity so that a national entity can take over this responsibility.	as private firms through a public-private partnership. Eventually, the private sector will be able to access the Transformation Fund directly. Once a year, the Secretariat organises missions to monitor and evaluate projects. Reports are developed on the status of projects and presented to the governing bodies. The ICCTF will undergo an annual audit that will be presented to the Steering Committee.
	Indonesian Low Emission Development Financing Facility. An initiative to develop a mechanism to support low carbon development is now under way. It is aimed to be a public-private partnership trust fund, as a form of investment fund based on existing government regulation on financial markets. The objective of the facility is to manage support for a low carbon development based on Government	Private and public support; pension funds, insurance and other investment institutions using different instrument in the financial market.	There are two recommendation for the structure of the Facility: Alternative 1: LEDFF is single entity with a single chosen investment manager and custodian bank, Alternative 2: multi LEDFF entities would exist, managed by several chosen investment managers which would be expected to increase the potential of new funds.	

Country	Mechanism	Capitalisation	Governance & Fiduciary Arrangements	Management, Implementation & Monitoring
	Regulations on Guidance for Foreign Loan and/or Grant.			
Kenya (LIC)	Scaling-up Renewable Energy Programme (SREP). Set up in 2011, The objective of the Scaling-Up Renewable Energy Programme in Low Income Countries (SREP) is to demonstrate, through pilot operations in selected countries, the economic, social and environmental viability of low-carbon development pathway to increasing energy access using renewable energy and creating new economic opportunities. Kenya is one of the six pilot countries selected to benefit from the SREP. SREP-funded activities will support scaling up of renewable energy development in Kenya by assuming more risks, addressing key barriers to renewable energy development, catalyzing additional financial resources, focusing on co-benefits that will be felt by the current generation in local communities, and providing opportunities to learn lessons from its operations. This document is Kenya's Investment Plan (IP), which is a country-level and outcome focused programmatic approach to scaling up renewable energy. This IP is prepared under the leadership of the Government of Kenya and is in line with national renewable energy development strategy. This IP brings together into a single cohesive document various power sector, renewable energy and climate change policies, programmes and initiatives	Strategic Climate Fund (SCF), AfDB, IDA, the other development partners and the private sector, MDBs, Government of Kenya,	For the preparation and implementation of SREP-funded activities, the Government has established a Task Force, consisting of key institutions in the energy sector, as well as Consultative Group from a wide range of stakeholders associated with renewable energy. The organisational arrangements for the SREP are as follows: - Overall Responsible Agency: MoE -Focal Point Persons: Acting Director, Renewable Energy, Ministry of Education (MoE); and Deputy Manager, Corporate Planning and Strategy, Geothermal Development Company (GDC) -Task Force: MoE, Ministry of Finance (MoF), GDC, Kenya Electricity Transmission Company Ltd (KETRACO), Kenya Power (KPLC), Kenya Electricity Generating Company (KenGen), Energy Regulatory Commission (ERC), Rural Electrification Authority (REA). MoE is leading on fiduciary requirements.	Implementing Agencies for the Projects: o Geothermal development: GDC with KETRACO o Hybrid mini-grid systems: REA with KPLC o Solar water heating systems: Private Bank(s) with MoE. Consultative Group: National Environment Management Authority (NEMA), Kenya Private Sector Alliance (KEPSA), National Task Force on Accelerated Development of Clean Energy, Kenya Institute for Public Policy Research and Analysis (KIPPRA), and Civil Society Organisations (CSOs).

Country	Mechanism	Capitalisation	Governance & Fiduciary Arrangements	Management, Implementation & Monitoring
	(Kenya SREP, 2011).			
Lao, PDR (MIC)	Environmental Protection Fund (EPF) Similar to PRF, the EPF is an autonomous organisation set up by the Government of Laos (2005). EPF aims to strengthen environmental protection, sustainable NRM, biodiversity conservation and community development in Lao PDR (FAO, 2011).	The main sources of funding are the ADB through the Environment and Social Programme Loan (US$ 5.7 million), and the WB, providing US$ 4 million through the Lao Environmental and Social Project (LEnS) (2006-2013).		
	Forestry and Forest Resource Development Fund (FRDF). The FRDF was set up in 2005, under the Ministry of Agriculture and Forestry (MAF). FRDF aims "to generate and aggregate financial resources from national and international agencies to be used for implementation of forest development activities, especially, management of Protected Forest Areas and National Biodiversity Conservation Forests, plantation establishment, maintenance and regeneration of degraded forests and forest lands, watersheds, environmental protection, wildlife conservation, dissemination of and training in forest development policies, forestry laws, forest management techniques and other policies related to forest and forest resources management".	Funding sources for FRDF are supposed to be: royalties and fees for forest land and forest resources; fees for timber and non timber forest products (NTFPs) harvested from plantations; contributions from national and international organisations including non-profit organisations; the additional revenue from competitive log sales; interest on bank deposit. Nevertheless, the funding has been highly volatile, and only the fees collected from timber and NTFP contribute to the fund so far.		
	Laos REDD+ Programme In the Lao PDR context, the forest resources that will be generating carbon credits will most likely be claimed or classified as State property by the Government of Lao (GoL) that are being held in trust for the entire country.	Financed from the Forest Investment Programme (FIP)		
Maldives	Maldives Climate Change Trust Fund		The trust fund will be administered	

Country	Mechanism	Capitalisation	Governance & Fiduciary Arrangements	Management, Implementation & Monitoring
(LIC)	The government has created this trust fund in order to strengthen knowledge and leadership in the government, build adaptive capacity through pilot programmes, develop renewable energy through low-carbon option and public-private partnerships and improve policy and institutional capacities in both public and private sectors to deal with adaptation and mitigation of climate change and help in its bid to become carbon-neutral by 2020. The trust fund will also be used to strengthen coastal protection, biodiversity conservation, tourism, fisheries industry, solid waste management and energy solution.		by the World Bank for a period of three and a half years. The World Bank will offer security for donors and hopes more countries, in addition to the EU, will add to the fund to help the Maldives break its dependency on fossil fuels. A Climate Change Advisory Council will be established and will include members from the government and will "provide strategic direction to the climate change activities under the trust fund." There will also be a Technical Committee composed of experts from the government, private sector and civil society. This committee will be responsible for reviewing and recommending project proposals for financing and monitoring the progress of the trust fund programme	
Nigeria (MIC)	Nigeria National Strategic Climate Change Trust Fund Plans are underway to establish this fund. The initiative, according to its proponents, will aid in addressing key challenges as well as explore opportunities for development while combating the climate menace. The overall objective of the proposed fund will be to implement long-term climate change related actions and activities and measures that will help to increase the resilience of national development sectors to the impact of climate change, but also enable low	The sources of funds for the NSCCTF, its implementation arrangements and the overall structure are under discussion with the stakeholders and it is anticipated that the arrangements for the fund will be agreed and the fund will be launched by the end of 2010.	Sponsored by the Special Climate Change Unit (SCCU) of the Federal Ministry of Environment and UNDP.	

Country	Mechanism	Capitalisation	Governance & Fiduciary Arrangements	Management, Implementation & Monitoring
	carbon economic development (ECBI policy Brief).			
Philippines (MIC)	Philippines National Survival Fund This is a legislative proposal to create a National Survival Fund aimed at managing international and national funding for adaptation. For the time being this is only a legislative proposal.	Proposal to capture and channel resources for adaptation with rules and procedures compliant with the Adaptation Board of the UNFCCC.		
Thailand (MIC)	Thailand Energy Efficiency Revolving Fund The purpose of the Fund is to stimulate the financial sector's involvement in energy efficiency projects. It provides capital to banks, which in turn use this money to provide low cost loans for energy efficiency. This is not one of the recently created funds but is included here as a good example of a type of fund that has been successful in mobilizing investment resources for activities relevant to climate change. The Fund was created in 2003 (ECBI policy Brief).	The government allocated the initial pool of capital and provided a small number of staff to establish the financial model.	The government carries no other risk than the initial injection of capital and small staff support since the main work of assessing the loan applications, administering the loans, and promoting the Fund is carried out by the banks. Once the loans are repaid, money becomes available for new loans, hence the term "revolving fund".	

ANNEX 2: DFID Bangladesh Climate Finance Literature Review

Terms of Reference

1. Introduction

DFID Bangladesh is supporting the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) through a multi-donor pooled funding mechanism called the Bangladesh Climate Change Resilience Fund (BCCRF). This fund prioritises adaptation and disaster risk reduction, and also addresses low carbon development, mitigation and technology transfer. The fund is led by the Government of Bangladesh (GoB) with the World Bank providing technical support and financial safeguards. The operational guidelines and governance structures have been agreed and the three large projects have been approved and are being appraised. The fund is situated in the Ministry of Environment and Forests and an implementation manual outlining the various governing structures is attached for further reference.

The climate change Programme Annual Review was completed in February 2012 and raised several questions around the modalities of fund management particularly the role of fund secretariat (Annual Review also attached for reference). It was agreed that there needs to be a review of lessons from other countries to pull together wider global learning on national climate financing mechanisms in order to help inform the way forward for the BCCRF.

2. Objective

The main objective is to do a literature review of climate financing mechanisms pulling out the lessons around how other funds globally are set up and managed.

3. Recipients

The output will inform dialogue between the secretariat (GoB) and donors of the BCCRF

4. Scope of the Work

The contractor will prepare a literature review of national climate financing mechanisms found elsewhere in the world focusing on low and middle income countries. The review should cover what sorts of mechanisms are in place, what their governance structures are, how they are managed. What are their implications to development planning, what are the issues and lessons coming out of these experiences and where the gaps are?

5. Methodology

The TORs will be fulfilled through a desk based review of literature and relevant documentation.

6. Team Composition

A researcher with capacity to review evidence and drawing lessons for policy and practice. The work should be conducted over no more that 3 days.

7. Inputs, Timing, Logistics

This is a desk based review requiring minimal inputs and logistical support. Outputs should be produced before 15 April 2012

8. Deliverables/Reporting/Timing

The supplier shall produce a literature review document of no more than 20 pages. The document will be delivered to the DFID Bangladesh Climate Change Advisor.

9. Background

The purpose of the DFID Bangladesh Climate Change Programme is to reduce the impacts of climate change on vulnerable people in districts most prone to floods, droughts, cyclones, tidal surges and high salinity. This will be done through supporting the implementation of the Government of Bangladesh's Climate Change Strategy and Action Plan (BCCSAP) and building preparedness to manage frequently occurring natural disasters. The programme covers activities nationwide, with special focus on extremely vulnerable locations such as flood plains, river islands (*chars*), drought prone areas, and the coastal districts exposed to cyclones, tidal surges and sea level rise.

The CCP has three components:

- **The Bangladesh Climate Change Resilience Fund (BCCRF)** (£60 million). This is a multi donor trust fund set up to support the implementation of Bangladesh Climate Change Strategy and Action Plan which prioritises adaptation and disaster risk reduction, and also addresses low carbon development, mitigation, technology transfer. The World Bank is providing technical support and financial safeguards. The operational guidelines and governance structures have been agreed and the three large projects have been approved and are being appraised. The projects will focus on repairing 40 old and building 55 new cyclone shelters in the coastal region, distributing saline and drought tolerant varieties of rice and other crops, re-forestation in the coastal embankments)
- **The Comprehensive Disaster Management Programme (CDMP II**) (£12 million). The approach of CDMP is to channel support through government, civil society and NGOs into a people-oriented disaster management and risk reduction partnership. The programme has developed uniform community risk assessment (CRA) guidelines which allow communities to assess their risks and vulnerabilities and develop risk reduction action plans. A national Disaster Management Information Centre with 24/7 capability has been set up. The Programme is also building capacity in 12 related ministries for mainstreaming climate change into sectoral planning.
- **Strategic Fund** (£3 million) which provides financing for research and capacity building -including strengthening capacity of Government of Bangladesh (GoB) to engage with climate negotiations under the United Nations Framework Convention on Climate Change

Key Documents

1) CCP Annual Review 2012
2) BCCRF Implementation Manual