Climate Finance in Central Africa; A missed opportunity for the COMFAC region

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Authors: [1]Bush, G., [2]Fobissie, K., [3]Sonwa, D., [3,4]Guizol, P. & [5]Pokem, D.

Summary

1. COMIFAC member states have highly variable records of establishing and implementing national coherent climate policies and the required enabling governance architecture with broad stakeholder engagement, to promote the effective planning and delivering of climate finance across ministries.
2. Progress on accessing climate finance will only be made when national government fully appreciates the potential costs of climate change and the benefits of early action to society and the national economy, into national development and economic growth strategies.
3. Few COMIFAC member states are actively pursuing access to climate finance under the Green Climate Fund (GCF), who also offer finance to support the development of climate finance strategy through readiness funding, a missed opportunity.
4. Monitoring and tracking climate finance remains a challenging task. COMIFAC member states can benefit from existing tools such as the Climate Public Expenditure and Institutional Review (CPEIR) to assess various aspects of climate change related public expenditures and the institutional framework of the public agencies and other actors involved in climate finance.
5. Institutional, organizational and human capacity development is the key to achieving the necessary organization to successfully access and coordinate climate finance. Funding to support such development is available from the climate financing institutions as well as from traditional ODA sources.

Introduction

In response to the climate change challenge, governments in both developed and developing countries have been increasingly planning and implementing adaptation and mitigation actions. International climate finance aimed at resolving key climate challenges in developing countries is increasingly available and is expected to significantly increase in the coming years, particularly since the Green Climate Fund (GCF) has become operational. Climate change is a cross-cutting issue affecting all sectors of the economy, therefore effective long term responses to it requires a whole-economy approach, involving public and private sectors. Central to this approach is the need for "joined-up government" requiring unprecedented high levels of engagement and coordination of the planning and finance ministries, together with other line ministries, to fully integrate climate change within an overall national development strategy as well as sectorial policies and programs.

This paper outlines key institutional, organizational and monitoring issues to effectively plan, access, delivers and track climate finance. We present a case study of Rwanda as one of the first COMIFAC member states to access GCF financing towards meeting their national development goals and NDC commitments.

Planning and Delivering

National policy and financial planning is a critical preliminary step to realizing adequate levels of climate finance. It involves a complex and multifaceted process of policy development, management, and deployment. While the scope, content, and processes for financial and policy planning will differ between countries according to their specific needs and circumstances climate finance readiness framework generally entails two critical components:

- The development of cohesive national climate change policy, strategies or plan as well as fiscal frameworks that integrate climate change considerations into national development priorities and sectors.
- Establishing an appropriate national and subnational governance architecture, integrated with development sectors and which involves sufficient means of coordination and inclusiveness.

Key challenges that often arise in policy planning include but are not limited to 1) lack of robust climate data e.g. climate change projecting, greenhouse gas emissions history and forecasts, assessment for national vulnerability and economic cost benefit analysis; 2) Weak structural frameworks to include environmental planning as a cross cutting issue in national development plans); 3) conflicts between ministries, agencies or national and sub-national entities over jurisdiction

Climate policy, investment plans and fiscal frameworks - Key strategic planning documents and processes include: national adaptation plan of action (NAPA), national adaptation plan (NAP), national appropriate mitigation actions (NAMA), climate resilient development plans and strategies, low emission development strategies (LEDS) and nationally determined contributions (NDCs). These documents lay the ground work for countries to elaborate a climate investment plan and climate change fiscal framework (CCFF) that aims to integrate climate-related actions and expenditures into the national budget system. Establishing a climate fiscal framework can take years and involves: i) identifying current expenditures and modalities for delivering climate-related finance (both domestic and international) from official development assistance (ODA) and other forms of external finance; ii) classifying additional expenditure requirements drawing from national climate policies and plans and other relevant policies; (iii) recognizing financing gaps and preferred modes for delivering other public investment and creating an enabling environment for private financial flows.

Obstacles to elaborating a climate fiscal strategy revolves around factors such as poor information on national and subnational budget expenditures, few consistent indicators and markers to identify, classify, and weight climate-related expenditures or structural and governance issues in states with weak organizational and human resource capacity or low levels of institutional integrity and transparency.

Enabling governance architecture is another fundamental component of planning for climate finance. As climate change impacts on all functional government sectors directly or indirectly, climate change responses require multisector structures that connect across ministries and levels of government beyond a ministry of environment. An adequate institutional structure must be sufficiently open to the participation of other partners and stakeholders such as development banks, the private sector, civil society and research institutions. The process of establishing "joined-up government" architecture must include clearly articulated roles and responsibilities between different institutions and actors, as well as effective means of coordination between ministries, agencies, and sub-national institutions. In practice, this logically requires the establishment of a lead agency on climate change, with possibly, the formal mandate to deal with climate change policies and plans, and of a cross-sector agency such as an inter-ministerial climate change committee, which brings together representatives of key ministries and is responsible for climate policy oversight and coordination across lead sectors.

Challenges to setting up enabling governance architecture include factors such as low political prioritization and awareness of climate change issues in key ministries in order to engage in climate change actions. often there are no or inadequately allocated resources to plan and coordinate climate finance access and capacity within relevant ministries to take up additional responsibilities related to mainstreaming climate change programs, leading to weak cross-agency institutional arrangements. In addition there may also be weak capacities and resources amongst broader stakeholders willing to promote ambitious actions on climate change (no climate action champions).

Accessing Climate Finance

Access in broad terms, refers to a recipient country's ability to engage with climate finance institutions and qualify for available funds, leverage other potential sources of finance along the way. The international climate finance scene is evolving rapidly. Newly established funds are developing increasingly complex rules and conditions, requiring an in-depth knowledge and capability to keep up with the evolving international landscape for climate finance. Of the variety of sources and funds potentially available, thorough comprehension of their technical scope, access modalities and delivery mechanisms, is a critical first step toward identifying the relevant range of finance sources. Improved access to international climate finance generally demands having in place adequate national financial institutions and/or mechanisms. Two key modes of access are direct access to and "blending" of (or combining) climate finance. Essentially, these two modes access (direct access and blending/combining) are important not only because they can enhance national ownership over allocated funds, but also because they can increase access to a wider amount and variety of climate finance resources

Presently, an increasingly popular option for the effective management and eventually access to climate finance is to establish a National Climate Fund (NCF) which, when properly designed and efficiently managed, can provide for "a country-driven system that can support climate change goalsetting and strategic programming, oversee climate change project approval, measure project implementation and performance, offer policy assurance and financial control of climate change funds, and assist with partnership management". A NCF is a key institutional and organizational tool to facilitate the access, management, disbursement, and monitoring of various sources of climate finance. The preparation and establishment up of a national climate fund can be a highly complicated task that can take several years to accomplish. In practice, a process of establishment might involve interim access through intermediaries' e.g. multilateral financial institutions and other accredited implementing agencies to the respective climate funds, as an effective financing channel rather than simply opting for a single intermediary. In the COMIFAC region, NCF are established in DRC, Rwanda and Gabon helping these countries to leverage climate finance. Rwanda for example is one of the 3 countries (with Kenya & Uganda) where a \$110 million off-grid solar power project has been approved for implementation with funds from GCF and Acumen Fund Inc. DRC and Equatorial Guinea are also involved in a \$765 million GCF project that is implemented in about 28 countries across the world focused on energy generation and access, buildings, cities, industries and appliances.

CASE Study: Rwanda

Rwanda's was recently awarded (2016) a GCF project to deliver off grid solar energy to rural households, as part of their national Green Growth and Climate Resilient Strategy (GGCRS). Their experience provides a valuable example of how to build robust capacity that, in turn, allows the country to leverage climate finance; built upon strong accountability mechanisms at all levels of government. It is important to note that the recent success in accessing international climate finance is not an isolated process. For almost 2 decades the Rwandan government has relentlessly pursued an agenda of government transparency and fiscal reform, to provide a coherent gender-sensitive development vision and policy coordination. Such endeavor has developed the enabling framework to make the most of on ODA and private sources of development finance, upon which they have been able to capitalize on the emerging climate financing opportunities.

Rwanda's GGCRS is the government's first attempt at planning a climate-resilient and low-carbon development pathway, in order to mainstream climate resilience and low-carbon development at all levels of government. This has culminated in the Rwandan Ministry of Natural Resources becoming accredited to the GCF. The GGCRS is centered on Rwanda's national developmental policy priorities (Vision 2020) and Economic Development and Poverty Reduction Strategy 2013–2018. These plans outline national development aspirations and operational principles to provide the focus for mainstreaming climate resilience into economic development planning. The GGCRS describes a policy program and project development process that allows for lessons to be incorporated into other country-level plans.

Building on the established enabling framework, the ability to manage funding and properly develop projects is perhaps the most important reason Rwanda has been able to access significant amounts of climate finance. The national Fund for Environment and Climate Change (known by its French acronym, FONERWA) is Africa's largest demand-based climate fund and is directly responsible for financing climate resilient, low-carbon development in Rwanda. With a management and technical board composed of governmental and non-governmental institutions and funders, its structure allows the pooling of diverse sources of climate finance and is the primary means through which climate and environment finance in Rwanda is channeled, disbursed and monitored.

Three aspects in particular provide lessons to take forward: 1) As a platform for strengthening co-operative governance works closely with other institutions to identify and fund projects;2) It has strong focus on project preparation to ensures projects of the right quality are proposed and selected which enables; 3) the ability to target diverse projects of different sizes as the relatively high transaction costs involved in preparing projects often precludes smaller projects.

While a number of challenges remain, FONERWA has provided both the skills necessary to enhance the development of climate-related projects and a sound, well-supported platform through which other governmental and non-governmental institutions can share lessons and collectively drive Rwanda's climate change strategy. The clarity of FONERWA's requirements and its assistance in preparing projects has enhanced the country's ability to implement projects that better respond to community needs. (www.fonerwa.org)

Monitoring Climate Finance

Climate finance readiness requires capacities to monitor, report, and verify (MRV) the flows and impacts of national climate finance. Access to global climate finance is increasingly contingent on having in place adequate monitoring and evaluation capacities. For example MRV is also crucial for achieving direct access modalities to the Adaptation Fund and the Green Climate Fund. In principle, a well-designed climate finance MRV system should be fully integrated with broader national development planning frameworks e.g. medium term expenditure framework, coordinated by the relevant national ministry of finance/economic planning. This is especially important where functional implementation of climate change adaptation and mitigation actions are to be made by transforming business as usual activities of ministry operating practices outside of the environment sector e.g. agriculture, energy, education and health.

However, building robust capacities towards monitoring and tracking climate finance more effectively is far from being an easy task. Even developed partner countries are currently experiencing many challenges in this area. Internationally this is a challenge that is affecting many countries and is broadly classified in to 3 key areas: 1) problems in identifying and classifying what streams of funding are specifically climate finance e.g. in comparison to official development assistance, private sector finance or other allocation of national budget revenues; 2) poor availability of precise information from non-governmental actors (especially private financial data) and in some cases by development partners who are struggling to effectively track and monitor their respective climate finance expenditures and contributions; and 3) for many countries in the Congo basin there are significant capacity/institutional constraints such as weak institutional arrangements, insufficient technical expertise and managerial capacities to identify and record expenditures on climate change, and lack of transparency and accountability of national financial institutions.

Developing sufficient means of coordination and harmonization in this context can easily become a challenge and much support in this regard is often needed to promote harmonized procedures and rules, as well as robust communication lines, sufficient technical expertise and managerial capacities at all levels of the monitoring and evaluation framework. A well acknowledged step countries should take is to enhance their reporting of climate finance to enable Climate Public Expenditure and Institutional Reviews (CPEIRs), a diagnostic method which allows to identify climate change expenditures within national budgets and to check whether established M&E systems and procedures are working properly and effectively.

Conclusions and Recommendations

Enhanced support for climate finance readiness - the emphasis on the importance of providing climate finance readiness funding and assistance reflects the now widespread recognition that planning for and using climate finance remains a highly complex challenge. A crucial part of effective planning for climate finance requires that the capacities of recipient countries to build key partnerships with international donors and partners for strengthening capacities and sharing experience on climate finance readiness. This support again, is particularly important for many Congo Basin countries where basic institutional, organizational and policy arrangements are weakly designed and at times even entirely lacking.

A number of international climate funds and institutions as well as development partners have established specific programs for helping decision-makers in developing countries to strengthen their capacities for accessing and delivering climate finance resources. These include, to name a few major entities, the Global Environmental Facility (GEF), the Climate Investment Funds (CIFs), the UNDP, the UN-REDD program for REDD+ Readiness, the World Bank (WB), the Adaptation Fund (AF), the Climate & Development Knowledge Network, as well as the German Readiness Program (implemented by GIZ, KfW, UNDP, United Nations Environment Program (UNEP). Most recently, the Green Climate Fund (GCF) has allowed for the Fund to provide “early readiness funding” to enhance country ownership and direct access and consequently, the effectiveness of the fund itself in channeling financial resources.

Focusing particularly on the GCF, around 50 % of the GCF’s readiness funding (which is capped at USD 1 million per calendar year per country) is directed at vulnerable countries, and may be channeled either directly via Nationally Designated Authorities (NDAs) or indirectly through a wide host of delivery partners with the required experience and expertise. GCF funding is therefore available for readiness and preparatory activities, technical assistance, such as in the preparation or strengthening of low-emission development strategies or plans, NAMAs, NAPs, NAPAs. In addition GCF readiness funding can be applied to in-country institutional strengthening, including capacities for country coordination and to meet fiduciary principles and standards, environmental and social safeguards, in order to enable countries to directly access the fund.

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Author affiliation:

[1]Woods Hole Research Center, Falmouth, MA, USA

[2]FOKABS, Ottowa, ON, Canada.

[3]Center for International Forestry, Regional Program Office, Yaounde, Cameroon

[4]Centre de coopération Internationale en Recherche Agronomique pour le Développement, Montpelier, France

[5]EU Facilittaion of the Congo Basin forest Partnership