



Project Funded by  
the European Union

## ***REGIONAL ACTIVITY CLIMATE FINANCE***

***Capacity building through training and development of financing proposals for climate-relevant projects and programs***

*March 24, 2017*

## Introduction

The ClimaSouth project facilitates access to climate change finance mechanisms supporting low carbon development and resilience to climate change. The original focus was mostly to support NAMAs. The belief of the ClimaSouth team of the need to cover the wider spectrum of funds available (beyond NAMAs) coupled with low interest showed by ENP South countries to develop NAMAs, shifted the focus towards climate finance in general, encompassing all sources of climate finance and covering both mitigation and adaptation. The proposed regional activity on climate finance covered in this Project Document is an important way of implementing this. Moreover, it foresees capacity building to access climate finance, using a combination of mostly “on the job” training and “coaching” for project proposal formulation on the basis of actual examples.

This approach combines the realization of practical and tangible results in the form of funded activities or activities that have been brought closer to funding with increased capacities to successfully apply for climate finance at least.

The activity is regional as it is envisaged as a common package for the whole ENP South Region (and potentially beyond, in fact), that can be modulated on the needs and projects/programmes of the individual countries. It builds on the actions already implemented by the project in the area of climate finance, namely: 2 regional seminars (<http://www.climasouth.eu/en/node/91> and <http://www.climasouth.eu/en/node/123>); one Handbook on Accessing Climate Finance (<http://www.climasouth.eu/en/node/220>), support to policy development for (access and contribution to) international climate finance and (use of) national climate finance (in particular to develop cleantech) in Israel (the two studies produced are soon to be published on the website, in the “policy series”).

This first pilot phase (indicatively until June/July 2017) has a high potential for replication at several institutional layer (from local to central administration) as well as throughout the ENPI South region.

## Existing Capacities

The ClimaSouth countries have not been very successful in accessing climate finance or mechanisms under the climate convention that provide climate-related revenue streams. To illustrate this point, note that according to the information available in the UNFCCC’s NAMA registry none of the ClimaSouth countries, with the exception of GEF Trust Fund funding for Tunisia,<sup>1</sup> have successfully raised funding internationally for the implementation of NAMAs; that none of the projects accepted by the Green Climate Fund up to date are from one of the ClimaSouth countries; and that ClimaSouth countries (including Morocco and Libya) only account for 87 registered CDM projects, less than 1.5% of the total number of UNFCCC-registered CDM projects (7709 as of date).

Of course this reflects both the capacities of the ClimaSouth countries *and* climate finance supply side decisions, but at least in part it suggests that the capacities in ClimaSouth countries do not enable the countries to make full use of the existing opportunities. This suggestion was further reinforced by the findings during the review of climate finance

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<sup>1</sup> The full description given for the support is: “The GEF provided a financial support to the National Implementing Entity, ANME, to design and partially implement this NAMA. The design phase was concluded in 2014 and the GEF project is now implementing a set of activities that address some, but not all, of the NAMA elements. Additional donors/financiers are welcomed/requested to address these gaps in full NAMA implementation.” The supported amount is USD 3,600,000.

proposals related to the climate finance seminar in Barcelona of March 2016 which demonstrated that the climate finance proposals experienced a number of potential shortcomings, such as:

- Lack of a credible and creditworthy program sponsor: a recipient of the grant / loan / equity who can be trusted to implement the proposed program or project as planned, and comply with requirements (such as repayment of loans in the case of loan finance)
- Lack of description of revenue sources and projections, and more in general, lack of description of the longer-term sustainability of the proposed initiatives.
- Often quite modest proposals in the face of substantial needs and wish of at least some of the donors to provide significant funding amounts.
- Lack of clarity regarding the amount of financing sought, the total financing required, the amount of financing that has been secured, and own contributions.
- Lack of clarity with regards to the current status of the proposal, especially if the proposal is produced by an IFI or a donor who might want to be involved in the investment stages
- For studies and phased approaches, lack of elaboration of the wider long-term significance after replication.
- Lack of clarity with regards to the climate relevance of the proposal – often the proposals do not elaborate how the proposed project or program will help to adapt to climate change or to mitigate greenhouse gas emission reductions.
- In the case of mitigation initiatives, lack of estimates of CO<sub>2</sub>e savings, and more generally: lack of supporting calculations.
- Lack of discussion and inclusion of replication mechanisms and other methods of scaling up the supported project or program to a more significant scale.
- Lack of a description of the domestic policy context.
- Slow pace of expenditure.
- Lack of clarity on use of funds is monitored, reported and verified.
- Lack of clarity on the achievement of results is monitored, reported and verified.

The above potential shortcomings make it more difficult to attract climate finance and, in addition, in the case climate finance is granted, potentially reduce the amount of climate finance that can be attracted.

## Identification of the scope of the regional activity

ClimaSouth proposes an approach that focuses on capacity building for access to climate finance through learning-by-doing: the development of proposals and interfacing with sources of finance for climate-relevant projects and programs is the vehicle through which capacity for climate finance is further enhanced. The effort is thus at the same time focused on enhancing capacity for future access to climate finance, and is expected to support access to climate finance resulting in tangible financed and implemented projects and programmes in the ClimaSouth region. This will be accompanied by short (three days), focused, national in-country trainings on General climate finance training & concept/proposal write-shops. A regional seminar focusing on climate finance, CO<sub>2</sub> equivalent emission reduction estimation and MRV, could represent the conclusion of the current activity (though such seminar will depend on making available further funds to the ClimaSouth project and it is therefore not included in this Project Document). To support the activities, an HandBook on Access to Climate Finance has been prepared (<http://www.climasouth.eu/en/node/220>) in cooperation with EU Regional Facility for Policy Dialogue on Climate Change (the Facility) and launched at COP22 in Marrakesh. Furthermore, information sharing and networking will be promoted between the

participating ClimaSouth countries through the project website and by targeted exchanges focused on countries that, based on (I)NDC submissions and national communications, may have an interest in experiences on a given subject.

Before, during and after the climate finance seminar in Barcelona on 9-11 March 2016 seminar, proposals from participating countries were received, commented and updated, providing clear information about the shortcomings of the proposals and the priorities of activities to be supported through climate finance. Out of a total of 20 climate finance proposals from 6 partner countries, 11 proposals from 4 countries<sup>2</sup> were selected for support, on the basis of demonstrated interest from the partner countries<sup>3</sup> and the resources still available to ClimaSouth. Selected proposals are:

- Algeria 1: Renewable energy capacity building
- Algeria 2: Buildings' energy efficiency (Algeria INDC)
- Algeria 3: Bioenergy experimental station
- Jordan 1: Solar Electricity Power Proposal: Scale up of National Fodder Project – Mohammadiya (South Badia)
- Jordan 2: To be determined
- Jordan 3: To be determined
- Lebanon 1: NAMA in the transport sector (Vehicle Fleet Market Transformation through Vehicle Scrappage and Replacement with Fuel Efficient and Hybrid Vehicles)
- Lebanon 2: NAMA in the forestry sector
- Palestine 1: Gaza Central Desalination Plant Project
- Palestine 2: National Climate Change Capacity Development Project
- Palestine 3: Palestinian Electrical & Energy Lab (PEEL)

For more details on the project proposals, see below. It has to be underlined that in the case of Jordan, two of the proposals originally put forward (and on which ClimaSouth started its analysis and support, namely “Waste sector program (Karak Star for Recycling (KaSR) Egg Trays Industry)” and Solar Water Heaters”) have been very recently withdrawn and identification of “new” proposals by the Jordan MoE and ClimaSouth team is ongoing at the time of writing of this Project Document. Therefore they cannot be here indicated precisely. This does not change the nature of the support ClimaSouth will provide nor the amount of resources allocated. Should a similar situation happen for another country or project, information with the EU Commission will be promptly exchanged.

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<sup>2</sup> Israel also requested assistance, in two areas: “Promotion of cleantech” and “Use of international climate finance”. The methodological approach to assist with these two requests was different than the one proposed in this Project Document, entailing more classical research/study approach, and was therefore approved and carried out in the last months. Indeed, the two studies have successfully already been concluded and the documents delivered to the Israeli Government (they will be very shortly published on the ClimaSouth website in the section “Policy Series”)

<sup>3</sup> Morocco and Tunisia did not participate to the regional seminar in Barcelona nor expressed an interest to bring forward project proposals for further support. Egypt did participate to the regional seminar (though without presenting any project proposal) yet did not follow up to requests from ClimaSouth to indicate project proposals for support.

## Definition of the regional activity

**Overall Objective:** To build the capacity of the participating ClimaSouth countries (in alphabetical order: Algeria, Jordan, Lebanon and Palestine) to formulate climate finance proposals and benefit from climate finance opportunities through development of climate finance proposals or concepts, matching the proposals/concepts with sources of financing and promotion of exchanges of information and experiences within the ClimaSouth region.

### Definition of Content:

#### A) At Regional level

The proposed regional activity consist of a number of activities in the various ClimaSouth countries that target the improvement of the climate finance formulation capacity as well as the achievement of concrete steps towards the realization of climate finance (including in some cases TA projects that the countries deem necessary), and regional exchange of information and experiences through the ClimaSouth website (and regional seminar/s, should extra funds for ClimaSouth be made available). It is hoped that the latter activities will contribute to the development of a mutually supportive network of climate finance practitioners.

#### Objectives of the regional activity are:

- To enhance the capacity to formulate climate finance proposals.
- To stimulate regional exchanges of information related to climate finance experiences and project/program ideas.
- Assist in developing climate finance concepts and establish contacts with financiers for their further development.
- Assist in developing of climate finance proposals and establish contacts with financiers for their financing.
- Assist in developing TA concepts and establish contacts with donors for their further development.
- Assist in developing TA proposals and establish contacts with donors for their financing.

#### B) Country-specific

Content for country-specific support has been drawn from the non-exhaustive documentation made available by the partner countries. The “objectives” indicated below are therefore necessarily indicative, as they also depend on two variables that cannot be controlled by the ClimaSouth Experts:

- The effective commitment of the different national “writing units” in terms of time and follow-up and.
- The starting level “capacities” of those nationally selected to participate to trainings and follow up on preparation of documents.

The methodological approach – as described further in this document – will ensure coherence of results and progressions of steps.

## Methodological approach

There are three strictly interrelated actions:

- Training: is expected to last on average for 3 days, with first day as “workshop” and days 2 and 3 as “write-shop”. The reference document is the HandBook on Accessing Climate Finance prepared by ClimaSouth <http://www.climasouth.eu/en/node/220><sup>4</sup>
  - o The climate finance training during the workshop (1 day) will consist of PowerPoint presentations based on the handbook (<http://www.climasouth.eu/en/node/220>), delivered by one of the experts who were involved in the preparation of the handbook - acting as technical resource person at the same time. The material (incl. agenda and potentially some handouts) will be prepared once for all countries with only minimal amendments, in particular with a view to the writing part of the workshop (i.e. the write-shop; 1½ - 2 days).
  - o The climate finance expert/trainer (in some cases the same person doing the coaching) needs to have co-facilitation/-moderation support for the climate finance workshop / concept/proposal write-shop (see below). This can either be the coaching expert and/or ClimaSouth team members and/or another local facilitator
- Coaching: it consist in supporting the “writing units” or whoever is responsible in the reference national administration in formulating/improving/completing concept note and full scale project proposal
  - o The coaching experts will not write the applications, but provide guidance and reviews of the drafts that will be prepared by the national writing teams, applying the climate finance handbook
- Matchmaking with financiers/donors: support will be devoted to identify potential donors and assistance in approaching them. However, ultimate responsibility for follow up rests with the partner countries. Identification of potential donors will take place at the earliest possible stage of the activity (as soon as the project documents are sufficiently developed to be shared) in order to use their templates and follow indications

The implementation of these activities will be a combination of home based and in-country missions.

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<sup>4</sup> The concept and proposal formats applied (see [http://www.climasouth.eu/sites/default/files/handbooks/E\\_Handbook\\_N8\\_EN.pdf](http://www.climasouth.eu/sites/default/files/handbooks/E_Handbook_N8_EN.pdf)) are documents applying internationally used formats and the related contents to provide 360° descriptions of climate action (mitigation and/or adaptation) projects/programmes with a view to prepare funding applications containing all required key information. Framework concept notes or proposals contain first key elements – depending on the efforts of the beneficiary - and guidelines by the expert for adding missing information and completing the documents later on.

## Detailed methodology

0. *Inception meeting/call*
1. *Analyse/review available documentation (2-3 projects/programmes per country)*
2. *Apply screening form to available information and formulate questions (1st assessment, home-based)*
  - Clear deadline to be set and agreed on until national writing team will/can respond
3. *Prepare framework concept notes (2nd stage development, home-based) based on submitted data and further guidance on missing data, using concept review checklist*
  - Clear deadline to be set and agreed on until writing team will/can respond
4. *Workshop (General Climate Finance Training & Coaching /Concept Note Write-shop)*
  - Note: If all data for full-fledged concept note has been made available or full-fledged concept note has already been prepared before the workshop, we go into full proposal development.
  - Length: 3 days (better) – 2 days (min.): Climate finance training (1 - 1½-day) & 2 (or 1½) days for writing concepts/proposals
  - Implementation: Everybody (dealing with the projects of the reference countries) involved at the workshop starting with the attendance of the climate finance part, followed by the write-shop. The writing teams (of the different projects considered) write/work in parallel; guided breakout groups with technical resource persons(s)/facilitators.
  - Follow on activity: The writing teams have time to complete the concept note after the workshop, whereas first discussions on concrete funding sources will have started prior to the workshop and will have continued during the workshop – applying the selection tool and guiding questions. First concrete approaches for donor funding to take place based on (almost) completed concept notes. This donor contact(s) will be established and concept notes submitted then, assuming presentable and (almost) complete concept notes will have been prepared by then
    - Clear deadline to be set and agreed on until writing team will/can respond
5. *Elaborate framework proposal (3rd stage development)*
  - Based on submitted data and further guidance on missing data (home-based), using full proposal review checklist
6. *Final check-up on status of proposal and final recommendations*
  - Clear deadline to be set and agreed on until writing team will/can respond
  - Further timeline (ideally and if successful) should be determined by donor fund/programme

The implementation of these phases will be a combination of home based and in-country missions/assistance.

## Timeline

See Annex 1

## Deliverables

- Short Training Reports
- Short Reports on assistance to establish links (and status of advancement) with financiers/donors
- Improvements of Climate Finance Concepts
- Improvements of Climate Finance Proposals
- Improvements of TA Concepts
- Improvements of TA Proposals
- Information exchange pages on the ClimaSouth website
- One final report on the activity

It has to be underlined once more that the success of this activity largely rests on the inputs provided by the recipient countries (availability of documents, commitment to of “writing units”, respect of deadlines, ...). It is therefore difficult for ClimaSouth to commit to more specific deliverables than “improvements” of project documents. It remains clear that ClimaSouth is fully engaged and committed to reach maximum results (ultimately, the financing of the concerned project proposals through capacity building for accessing climate finance)

## Performance indicators

- Number of climate finance proposals for which discussions with financiers on financing are successfully initiated.
- Number of TA proposals for which discussions with donors on financing are successfully initiated.
- Number of climate finance concepts for which discussions with financiers on preparing full proposals are successfully initiated.
- Number of TA concepts for which discussions with donors on preparing full proposals are successfully initiated.
- Training satisfaction (exit survey)