

OKACOM Green Climate Fund Application

The purpose of this document is to provide guidance on the application that OKACOM plans to submit to the Green Climate Fund (GCF) in order to fund a programme of activities to improve livelihoods, water security and climate resilience for communities in the Cubano-Okavango River Basin (CORB).

A. Background

Background to the CORB and OKACOM

The CORB is a pristine and biodiverse environment and is home to 600,000 people from many different ethnic groups. It is also a key river basin in the economic development of Southern Africa and important for a number of economic sectors such as tourism, agriculture, fisheries and forestry.

The Permanent Okavango River Basin Water Commission (OKACOM) works across the basin to support the collective management of resources. OKACOM supports the implementation of strategies at national, regional, and local levels and implements decision-support system to improve resource management, close knowledge gaps, and provide an integrated platform for overall decision making.

Potential impacts of climate change

Climate change is recognised as one of the major threats to ecological and social wellbeing in the Cubano-Okavango River Basin (CORB)¹. The impacts of climate change are expected to lead to increased variability in rainfall and increased temperatures in the region with more frequent and more intense floods and droughts.

This places immense pressure on the mainly rural population that relies on the riverine ecosystem for the majority of their livelihood activities. In particular, these changes are expected to affect important economic sectors such as agriculture and livestock, water, forestry, fisheries and tourism, which contribute to the local economies.²

Building resilience across transboundary river basins is complicated; at the moment, no comprehensive basin-level strategy currently exists to guide climate adaptation activities or programmes and the countries' ability to adapt is hindered by a number of factors such as inadequate financing, lack of infrastructure, poor capacity in relevant institutions, limited information sharing and weak enforcement of laws and regulations.³

Current progress in developing climate resilience

Member countries in the region are at varying levels of preparedness for climate change. Namibia has a National Policy on Climate Change; Botswana is in the process of developing national policies and strategies; whilst Angola has not yet started a comprehensive strategic process, but has been mainstreaming climate change into its broader national planning. The three OKACOM countries have

¹ Cubano-Okavango River Basin Climate Change Vulnerability Assessment, 2014, USAID

² Ibid

³ Ibid

all developed Intended Nationally Determined contributions (INDCs), all of which place a priority on managing water in their respective countries.

The level of climate finance currently being channelled to the three countries is relatively limited. Only Namibia has established a national financing mechanism for climate and sustainable development initiatives, the Environment Investment Fund (EIF). As a result, more support is needed to develop projects to support the region's ability to develop climate adaptation projects and access climate finance.

The Green Climate Fund opportunity

As the secretariat for the Okavango river basin, OKACOM has an opportunity to support efforts to improve the climate resilience of the basin and surrounding populations. However, in order to do so OKACOM will require additional investments to improve the institutional capacity, improve infrastructure and proactively support adaptation activities in local communities.

It is the intention of OKACOM to develop a funding proposal to submit to various climate financing mechanisms available globally. OKACOM has identified the Green Climate Fund (GCF) as a potential source of financing. As a result, it is proposed that OKACOM follows a two-stage process, first applying for a project preparation grant, followed by developing a full project proposal in order to request funding from the GCF to support adaptation activities. Further information on the GCF is provided in the annex to this document.

B. OKACOM climate adaptation objectives

The goal of the climate change adaptation in the CORB is to ensure that appropriate investments are made in the management and development of the shared water resources of the Basin. This will enhance water security and improve climate resilience, through strengthening cross-sectoral national engagement to integrate water issues into socio-economic development and climate change adaptation processes.

To achieve this OKACOM has the following specific objectives:

- To ensure stakeholders are organized, capacitated and empowered to be effectively involved in decision-making processes in the development and management of shared water resources in order to improve climate resilience, tackle poverty and ensure water resources are secure;
- To enhance the understanding of the need to invest in appropriate water resources development and management and advocate for the increase of such investments to ensure water security while improving climate resilience;
- To promote harmonisation of national and local strategies and plans with regional basin strategies - as an approach to better water resources management in shared watercourses and building adaptive capacity of relevant institutions.

This programme will build on work carried out previously for OKACOM by GIZ and by the USAID SAREP programme, and complement the ongoing Multisector Investment Opportunity Analysis programme being conducted by the World Bank and the Climate Resilient Infrastructure Development Facility (CRIDF).

C. Proposed programme

OKACOM plans to develop a programme of activities to support the achievement of these goals and submit a concept note to the GCF in order to attract investment in the programme.

The objective of this programme of work will ultimately be to improve the climate resilience of the CORB. In order to achieve this objective, the programme will seek to build capacity of the relevant

CORB institutions as well as identify appropriate projects and secure financing for project implementation.

It is therefore proposed that this programme of work focus on the following work packages:

Work package 1: Basin wide institutional capacity building

- › This work package will focus on improving the capacity of the regional, national and local institutions in the basin to improve decision-making, planning and policy delivery.
- › Previous research has identified a number of capacity needs⁴ in the region which include the need for improved regional planning; better information and decision making processes; improvements in policy, fiscal and regulatory frameworks; and innovation to reduce disaster risk.
- › As a result activities in this work package could focus on:
 - » Knowledge and information to support data gathering (e.g. hydroclimatic data), monitoring, analysis and decision making;
 - » Local fiscal, regulatory and investment frameworks in order to create economic incentives for better resource management and improved sharing of resources;
 - » Coordination of planning processes between sectors and countries (e.g. agriculture and water sectors);
 - » Mainstreaming of climate change and sustainable development into relevant policy and legal frameworks (e.g. agriculture and land use)
 - » Monitoring and early warning processes for droughts and flooding
- › Further work will needed to identify needs and develop capacity development interventions.

Work package 2: Development and financing of climate resilient infrastructure

- › This will involve the design, delivery and financing of priority infrastructure projects to prepare key economic sectors (e.g. agriculture, water, energy) for climate change.
- › This work package will build on the work of the World Bank MISOA project. The MISOA project, which is expected to conclude later this year, is expected to evaluate various development scenarios and identify priority infrastructure projects in the CORB region.
- › It will be important to ensure that these projects promote and support climate resilience in the basin
- › Activities in this work package could focus on:
 - » Identification of climate resilient development pathways using the MISOA recommendations;
 - » Scoping; prioritising and designing infrastructure in key sectors (e.g. irrigation, water supply and water resource management) which promotes climate resilience;
 - » Procuring and implementing infrastructure;

⁴ As identified in the Cubano-Okavango River Basin Climate Change Vulnerability Assessment, 2014, USAID

- » Providing financing for infrastructure;
 - » Support training and capacity building to support future development of climate resilient infrastructure.
- › Further work will need to be done to identify infrastructure and capacity needs.

Work package 3: Community level intervention, value chains and markets

- › This work package will support the development of livelihood activities and community level enterprises amongst the populations surrounding the CORB to assist in building resilience to climatic variability;
- › This will focus on promoting the development of climate resilient markets in key economic sectors in the region (e.g. tourism, agriculture, fisheries and livestock).
- › This will build on initiatives already taking place in the region including livelihood initiatives in the Kavango Zambezi Transfrontier Conservation Areas (KAZA TFCA); CRIDF; and the work of USAID SAREP programme.
- › It will be critical that this work package is aligned with work package 2 and that infrastructure development is pro-poor and climate resilient, supporting livelihoods and not just commercial economic development.
- › As a result activities in this work package could focus on:
 - » Identification and prioritisation of key climate resilient and low carbon markets and value chains;
 - » Design of key interventions in each of the key markets;
 - » Delivery of interventions to improve markets for communities and SMEs;
 - » Financing to support the set up and running of community businesses and SMEs.

This support could be delivered using a market systems approach, with technical assistance and grants or loans provided to support the development of livelihoods and business opportunities.

Potential impact of the programme

If implemented successfully, this programme has the potential to have significant impacts on the climate resilience and sustainable development in the CORB region:

- › **Climate impact potential:** Improved climate resilience for vulnerable SADC citizens is an urgent priority SADC, River Basin Organisation (RBO) and SADC Member States. The project will directly contribute to the aims of each countries INDCs through the improvements in the management of land and water. In addition, by strengthening of institutional, fiscal and regulatory systems, the project will promote sustained investment in low carbon, climate resilient development.
- › **Paradigm shift potential:** there has been relatively little work carried out to support climate resilience in the region. This project will support systemic issues in policy and markets to improve climate resilience. In addition, an emphasis on piloting market system approach and models of climate resilient infrastructure will result in significant potential for scaling up interventions.
- › **Sustainable development potential:** the CORB region is relatively underdeveloped, as such there is a huge potential to support early actions that will place the region on a green growth in the region. Mainstreaming environment and climate change into policy, planning and markets will support local and regional sustainable development in the long term.
- › **Needs of the recipient:** All of the CORB countries are classified as Upper Middle Income, but they also all have very high levels of income inequality (as reflected in exceptionally high Gini

coefficients). This programme will directly target those in the region with the greatest need for development which supports pro-poor initiatives, and with the potential for transformational change.

Developing the programme

Given the early stage in the programme development process, it is proposed that the work is carried out in three phases (1) a scoping phase and preparation of a Project Preparation application (2) the development of a full proposal to the GCF and (3) a project delivery phase.

Phase 1: Project scoping (PPF application)

It is proposed that OKACOM firstly develops a project preparation facility or readiness grant application to the GCF which, if successful, will then be developed into a full proposal for submission to the GCF.

It should be noted that the PPF is currently under review and the GCF are determining the eligibility and review process of PPF proposals. Further guidance will be available after the GCF Board Meeting at the end of June. These decisions made at the meeting may affect the feasibility of developing a GCF preparation proposal.

The initial GCF PPF application will be a short project concept that contains the following:

- › **Description of activities:** describe the specific activities that will be undertaken as part of the programme;
- › **Rationale:** provide background information on the need for the programme including details on the environmental, economic and social conditions and the justification for the programme;
- › **Implementation plan and schedule:** provide details of the management structures and proposed timelines for the programme;
- › **Financing plan:** detail the estimated costs of the specific activities;
- › **Risk and mitigation measures:** identify the risks and mechanisms for restricting those risks.

A number of steps will be undertaken to better define the concept, work packages and the programme of activities, assisted by CRIDF (see Section E below):

1. In country consultations

- › This will include **in country consultations with GCF and GCF-related institutions** e.g. with National Designated Agencies (NDAs) of each member country and potential Implementing entities (international, regional and national) e.g. the Environment Investment Facility; DBSA KfW and UNDP;
- › **Engagement with all relevant member country and regional stakeholders** and ensuring that the regional and national priorities and stakeholder consultations match. Includes workshops with OKACOM representatives to understand priorities; identify current capacity; Shortlist of partner organisations and accredited entities to deliver the programme; Agree the outline of the rationale, key activities, financing needs and implementation structures
- › **Identification of potential partner organisations** and accredited entities to deliver the programme

2. Concept Note Development

- › **Baseline studies and needs assessment** to understand the current situation and challenges in the region including primary research, where no data is available e.g. micro and macroeconomic assessments; social studies (e.g. gender, livelihoods); environmental impact assessments;

- › **Options development** to identify the potential different options for support including the impacts, beneficiaries, partners and delivery mechanisms. This will also include defining the scale of the programme;
- › **Rapid feasibility assessment** to assess the feasibility of each of the options and define the priority activities;
- › **Concept Note development** drafting of the concept including defining the rationale, key activities, financing needs and implementation structures

Phase 2: Full Proposal development

The next stage will be to develop a full proposal to be submitted as a micro project to the GCF. This will depend on the successful application for financing from the GCF Project Preparation Facility (PPF). The following activities could be carried out during this phase:

1. Further stakeholder engagement to improve country ownership and
2. Further assessments to refine activities including climate vulnerability and needs assessment for the region; policy and institutional needs assessments; market analysis and market needs assessment
3. Infrastructure identification and prioritisation (building on the work of MISOA)
4. Financial and economic analysis to support programme design
5. Assessing the impact potential of the programme
6. Defining the institutional set up the programme, as well as governance and oversight
7. Programme design and submission

Further work will be needed to refine these tasks during the project preparation phase.

This phase should result in a full concept note and proposal to be submitted to the GCF board for approval. The project will move to Phase 2 should this be approved.

Phase 3: Project delivery

During this phase additional funding will be sought from other climate funding sources to scale up activities.

All of the above work packages build on previous work carried out by OKACOM. However further work is required to engage with relevant stakeholders (including the GCF) to refine the work packages and identify the specific activities. During this process, the work packages may change.

F. OKACOM-CRIDF cooperation

The DFID-funded Climate Resilient Infrastructure Development Programme (CRIDF), an existing OKACOM partner, was approached by OKACOM to provide support to develop a GCF application. CRIDF will provide technical expertise and lead on the delivery of the project including the analysis, stakeholder engagement and development of the concept note.

It is expected that OKACOM will work with CRIDF and provide the overall strategic direction for the project and will facilitate stakeholder engagement in the region, particularly with governments from each of the OKACOM countries.

G. Assumptions

There are a number of assumptions associated with the successful delivery of the proposal:

- › Identification of a suitable accredited implementing entity
- › Endorsement of the programme by the NDAs in each country
- › Identification of suitable executing agency/agencies
- › PPF guidelines do not restrict submission or a readiness grant is accessible from the GCF
- › Relevant data is available
- › Stakeholders and beneficiaries endorse the project
- › Financing from the GCF is available
- › The MISOA work is finalised in the next 6 months
- › CRIDF has the resources available to support development

END

Annex - The Green Climate Fund: An Introduction

This annex presents a short introduction to the Green Climate Fund including providing a brief overview to the background of the fund, the strategy and the application process.

What is the GCF?

- › The GCF is an international climate fund designed to help developing countries respond to climate change by investing in low-carbon resilient development.
- › At COP 16, Parties to the United Nation Framework Convention on Climate Change established the Green Climate Fund as an operating entity of the Financial Mechanism of the Convention. The GCF will support projects, programmes, policies and other activities in developing countries.
- › It was given the mandate to make ‘an ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change’
- › The fund was established with the aim of raising climate finance of USD 100 billion a year by 2020. This is not intended to be the official figure for the size of the fund itself. The intention is that the fund catalyses this amount of financing from both public and private sources of finance.
- › GCF’s initial resource mobilization period lasts from 2015 to 2018, and the Fund accepts new pledges on an ongoing basis. As of February 2016, the Green Climate Fund has raised USD 10.2 billion equivalent in pledges from 42 state governments.

How does it work?

- › Each country that is party to the UNFCCC establishes a focal point for GCF activities, called a National Designated Authority (NDA). The NDAs identify the strategy by which a country will address climate change, and provide broad strategic oversight of the Fund’s activities in the country
- › Fund can be accessed by public and private sector accredited entities. Accredited entities may be international, regional, national, or subnational, public or private institutions that meet the standards of the fund and are therefore accredited to deliver projects/programmes using for the fund.
- › The relevant regional and national accredited entities in the CORB region are the Development Bank of South Africa (Regional) and the Environment Investment Fund (Namibia).
- › Countries can access GCF finance through three funding windows: adaptation, mitigation and private sector facility
- › GCF aims to balance its allocation between adaptation and mitigation while significantly allocating resources to engage the private sector.
- › GCF will aim for a floor of 50% of the adaptation allocation for particularly vulnerable countries, including Least Developed Countries, Small Island Developing States and African States.
- › The fund has the ability to mobilise different types of finance including grants, loans, equity and guarantees.
- › The Fund has six high level investment criteria:
 - › Impact potential: Potential of the programme/project to contribute to the achievement of the Fund's objectives and result areas
 - › Paradigm shift potential: Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment
 - › Sustainable development potential: Wider benefits and priorities, including environmental, social, and economic co-benefits as well as gender-sensitive development impact

- › Responsiveness to recipients needs: Vulnerability and financing needs of the beneficiary country and population in the targeted group
- › Promote country ownership: Beneficiary country ownership of and capacity to implement a funded project or programme (policies, climate strategies and institutions)
- › Efficiency and effectiveness: Economic and, if appropriate, financial soundness of the programme/project, and for mitigation-specific programmes/projects, cost-effectiveness and co-financing
- › The GCF will fund public or private programmes that have impacts the following areas:
- › Mitigation strategic impacts
 - » Energy Generation and Access
 - » Transport
 - » Forests and land use
 - » Buildings, cities, industries and appliances
- › Adaptation strategic impacts
 - » Health, food and water security
 - » Livelihoods of people and communities
 - » Ecosystems and ecosystem services
 - » Infrastructure and built environment

How do you apply to the GCF?

- › The GCF will finance projects and programmes in the public and the private sectors that contribute towards achieving at least one of the eight strategic impacts of the Funds.
- › Access to GCF resources to undertake climate change projects and programmes is possible for accredited national, regional, and international entities.
- › An accredited entity (i.e. project or programme sponsor) may submit a concept note for feedback and recommendations from the Fund, in consultation with NDA. Concept notes set out briefly the initial 'idea' for the project including the activities, rationale and the scale of financing.
- › Funding proposals are full proposals that will provide the details of the programme and are submitted with the intention of being approved for funding. Accredited Entities (AEs) can submit funding proposals to the Fund at any time.
- › To ensure country ownership, the Board will consider only those proposals which are submitted with a formal letter of no objection in accordance with the Fund's initial no-objection procedure.
- › Funding proposals will be reviewed by the Technical Advisory Panel of the GCF who will then make a recommendation to the GCF Board as to whether or not to approve funding for the proposed project.
- › The GCF has recently established a project preparation facility to provide funding up to 10% of requested GCF funding with a maximum of USD 1.5 million to develop concepts or full proposals.
- › The GCF recently approved the eight projects of USD 168 million of GCF funding for projects and programmes worth USD 624 million.

Name	Regional/national	Scale of GCF projects	GCF experience	Experience in KAZA countries	Previous relevant experience	Suitability for
Acumen	Regional	Micro	Green	Red	Yellow	Yellow
AfDB	International	Large	Red	Green	Yellow	Yellow
DBSA	Regional	Large	Red	Green	Green	Green
EIF	National	Micro	Red	Yellow	Yellow	Yellow
KfW	International	Large	Green	Green	Green	Green
UNDP	International	Medium	Green	Green	Green	Green
UNEP	International	Small	Red	Yellow	Yellow	Yellow
IUCN	International	Medium	Red	Green	Yellow	Yellow
Conservation International	International	Medium	Red	Yellow	Green	Yellow
World Food programme	International	Micro	Red	Green	Red	Red