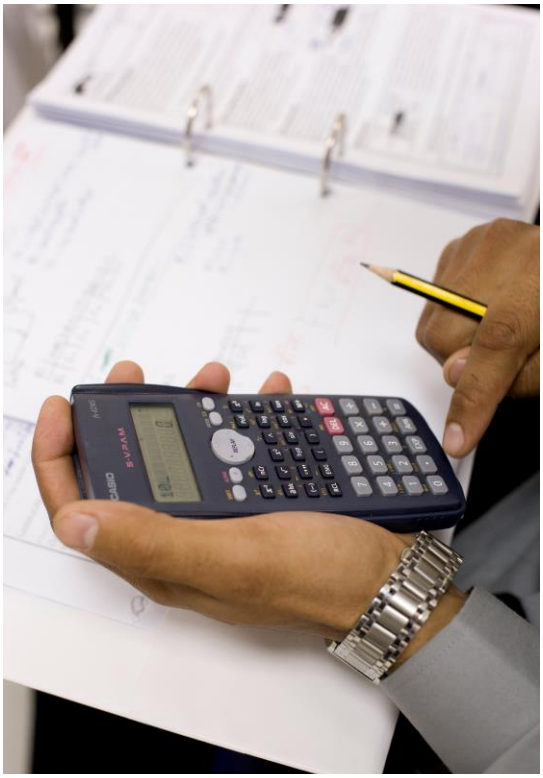

# «Financing Options Decision-Guide for Climate Activities in the Caribbean»

[«Identifying financing needs and financing options»]

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Climate Finance Readiness Programme
Godesberger Allee 119
53175 Bonn
Tel. +49 (0) 228 24 934 -111
Fax +49 (0) 228 24 934 -215

cf-ready@giz.de
www.giz.de

**Author**
Ute Zimmermann

**Photo credits**
Markus Kirchgessner/ GIZ

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**On behalf of**
Federal Ministry for Economic Cooperation and Development (BMZ),
Special unit 'Climate'

**Adresses of the BMZ offices**
BMZ Bonn
Dahlmannstraße 4
53113 Bonn
Germany
Tel. +49 (0) 228 99 535 - 0
Fax +49 (0) 228 99 535 - 3500

BMZ Berlin
Stresemannstraße 94
10963 Berlin
Germany
Tel. +49 (0) 30 18 535 - 0
Fax +49 (0) 30 18 535 - 2501

poststelle@bmz.bund.de
www.bmz.de

**Background Information on the CF Ready Programme**

The GIZ Climate Finance Readiness Programme supports partner countries to strengthen their capacity to access climate finance and use the fund effectively and efficiently. An important pillar is supporting national climate finance institutions in their coordination work and in gaining accreditation under GCF's direct access modality. Furthermore, the programme provides strategic and conceptual support in developing national climate strategies and policy packages for ambitious, climate-resilient low-carbon development paths and the global exchange of experiences. Global sharing of experience in climate finance demonstrates a third important pillar of CF Ready's work. National and international workshops, South-South Exchange and continuous evaluation of experiences are intended to enable a continuous debate on best practices.

Work in each country is based on an initial assessment of challenges and barriers in preparing for climate finance. The exact services of the programme are customised in cooperation with the partner countries to best respond to their needs and optimally supplement existing programmes in this field.

For more information see: http://www.giz.de/expertise/html/11492.html

CF Ready

# [«Financing Options Decision-Guide for Climate Activities in the Caribbean»]

## [«Identifying financing needs and financing options»]

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(Web-links are based on the period 7. Jan 2015 - 28. Feb 2015)

# 1 Introduction

The vulnerability of Caribbean countries to climate change is beyond doubt. Recent economic studies estimate that the economic losses due to climate change have a severe impact on the economy. The Fifth Assessment Report from the Inter-Governmental Panel on Climate Change (IPCC) indicates an increase in surface temperatures of 1.4 C, a decrease in rainfall by 5-6% and a rise of the sea level of between 0.5 and 0.6 meters by the end of the century.[1] Acknowledging the blurry base line data available and the limitations of climate projections it is estimated that under a business-as-usual scenario economic cost for the region could sum up to USD 10.7 billion as soon as 2025, USD 22 billion by 2050 and USD 46 billion by 2100 annually. This represents 5%, 10% and 22% respectively of Caribbean Community (CARICOM) countries' GDP as per 2004.[2] Without financial assistance, countries would be propelled into a constant recession.

The pursuit to a climate resilient, low carbon society has therefore highest priority. Political decision makers consent that the way forward will require a transformational effort by all members of society, the national governments, regional organizations, the civil society and the private sector. This process needs sustainable support in form of technical assistance and finance. In light of the high indebtedness of the region and the subsequent limited fiscal room to maneuver, the role of external finance becomes increasingly important. Costs arising from the impacts of climate change and the budgetary implication call for grant and concessional lending as well as the support of the private sector.

To illustrate the importance of the private sector, the world wide experience is taken as an example:

According to the Climate Policy Initiative[3], global climate finance reached USD 331 billion in 2013. The private sector was the largest contributor to global climate finance with 58% equaling USD 193 billion, leaving the public sector (excluding domestic allocations) with USD 137 billion and 42% behind. Almost 3/4 of the total flows were invested in the country of origin. Especially private sector investments stayed in the home countries where national climate change frameworks are well established and understood. To finance climate change in the Caribbean sustainably, domestic private sectors' contributions need to be accelerated.

The need to act has also been acknowledged by the international community in the Copenhagen Accord (2009) where it was stated that developing countries are most vulnerable to climate change and that they should not bear the burden of the cost alone. Least developed countries (LDCs) and Small Islands Developing States (SIDS)[4] were mentioned as being particularly vulnerable and thus predestined recipients of special funds. A positive outcome of this new awareness was that among the largest recipients of disaster

[1] Source: http://cdkn.org/wp-content/uploads/2014/11/IPCC-AR5-Whats-in-it-for-Latin-America.pdf.

[2] Source: CCCCC: *Implementation Plan*.

[3] CPI: *Landscape of Global Climate Finance 2014*, Nov. 2014; these numbers do not include domestic funding.

[4] Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Cuba, Montserrat, Netherland Antilles, Puerto Rico, St. Kitts and Nevis, St. Lucia, St. Vincent and Grenadines, Trinidad and Tobago.

risk reduction such as early warning systems included the Caribbean states of Dominica, Grenada and St Vincent and the Grenadines. Also the Green Climate Fund (GCF), which was established in 2010 and is expected to become fully operational in 2015, will lead to more funds for the Caribbean countries. These newly pledged funds have to be understood to become accessible for CARICOM countries.

The decision-guide at hand attempts to bring together the demand for finance and the supply of external and domestic financial resources. It addresses political decision makers who are confronted with the questions of how to finance the many different project proposals lined up. As will be seen, a systematic approach to prioritize projects is possible, which leads to the identification of the best available financial resource. The next chapter extracts in a step by step approach the most important information from the various project proposals to come up with a brief financial project profile. This will be the basis to select the appropriate financial sources. Chapter 3 describes the financial sources in detail, including innovative financial sources for domestic finance as well as the available international financial resources. The latter includes financing from ODA (Official Development Assistance) and the relevant climate funds. These sources avail oneself of different instruments to bring the funds to the beneficiaries. Grants and concessional lending are the most popular ones, because they are least expensive. However, not all projects are suitable for grant finance. Chapter 4 explains the different instruments and provides a scheme of the best modality to use a certain instrument.

# 2 Selection of Climate Finance Sources

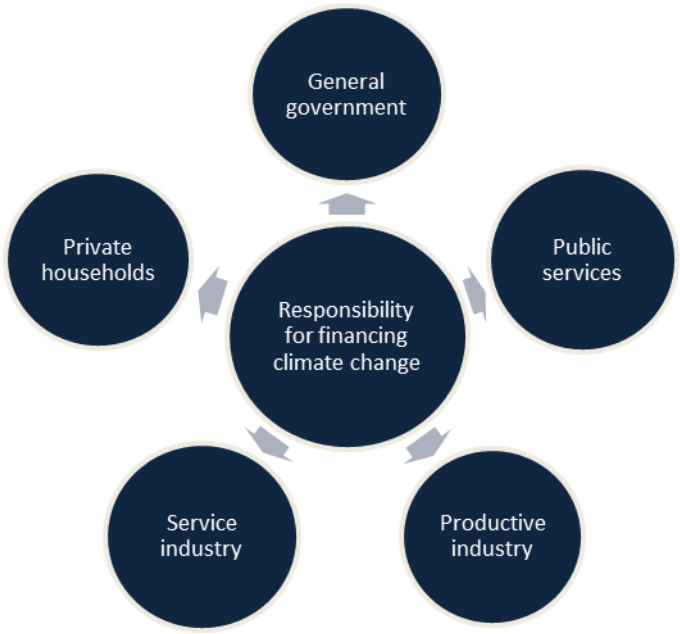
This chapter provides a step by step approach how to identify the most suitable climate finance source for a specific project or program. It is based on the assumption that a national climate policy is in place and responsibilities for climate finance and the allocation of funding among the ministries are organized. It further assumes that the institutional set-up to handle financial processes is up and running and that human capacity to respond to the new challenges of climate change finance and climate technologies is available.

The guiding principle throughout the identification process is that climate change finance concerns all parts of society. The role of the government is to set the political frame and enable its implementation. At the same time the government is not responsible to fund all climate related actions, but lead the way to an appropriate financing scheme. The burden of finance has to be shared by all. Both the polluters and the beneficiaries, which means the government, private households and the industries, should bear a portion of the costs of the reduction of emissions and the switch to renewable energies.

This sort of cost and benefit allocation broadens the range of projects that can be undertaken and at the same time creates ownership and awareness for climate change within the society.

As a consequence, the government has to have a clear vision about the objective of each individual action and what challenge it addresses, the different interest groups and the major beneficiaries. The parties mainly involved are shown in fig 1. and highlight that the burden is shared between the public and the private sector.

Figure 1: Shared Responsibilities for Climate Finance



Looking at the great variety of different project proposals from coral reef protection to new roads, from capacity building to energy efficiency in buildings a system needs to be in place to select appropriate and mobilize financial resources. The following systematic approach organizes the project proposal by those criteria that are important to find domestic and international matching resources. It looks at each project and program separately. At the end, decision makers have an individual assessment of each project at hand stating the most likely funding source and the potential demand for finance. With this simple analysis the next step can be done which is finding the matching financial resource (chapter III). The exercise is segregated into 8 steps.


## Step 1: National Climate Change Policy

| ***Step 1: Check, if the proposed project is within the scope of the national climate policy*** | |
|---|---|
| • Implementing a/the national climate policy<br>• Setting politically accepted priorities<br>• Avoid diluting of scarce public funding | |
| **YES**<br>• The proposed project belongs to the scope of national climate policies<br>• The project is supported by the relevant line ministry<br>→ **continue** | **NO**<br>• Check if the project can be redesigned to fall under the national climate policy<br>• Check if parts of the projects fall under the national climate policy and can be used to form a new proposal<br>• Check if parts of the project can be linked to other climate change projects that fall under the national climate policy |
| **Result of Step 1** Table of projects linked to national climate policies | |

## Step 2: Economic Feasibility

<table>
<tr><td colspan="2">Step 2:<br>- Check, if the proposed project is economically feasible<br>- Rank proposed projects in their economic benefit</td></tr>
<tr><td colspan="2">• Projects should be cost efficient at the project level and at the state economy level<br>• Given budgetary constraints economically feasible projects should be given priority<br>• Two project appraisal methodologies are applied (please see definitions in the box below):<br>○ Cost-effectiveness analysis – identifies the lowest cost-best result proposal<br>○ Cost-benefit analysis – allows comparison between entirely different proposal</td></tr>
<tr><td>YES<br>• Best possible result with minimum costs has been identified<br>• Economic benefits for the county outweigh costs continue</td><td>NO<br>• Project has little overall economic benefits/benefits of the project are difficult to measure/quantify<br>• Very little options to vary project inputs resulting in high upfront cost. Check if parts of the projects can be split and linked to other projects<br>• Proposal will rank at the end of the list<br>Due to their particular nature and long-term orientation, many adaptation projects are not economically feasible. This does not automatically lead to an exclusion/disqualification even though they are at the end of the ranking – see next step</td></tr>
<tr><td colspan="2">Result of Step 2 Table of projects ranked by their economic benefit</td></tr>
</table>

<u>Further comments</u>

For adaptation projects the calculation is not that easy: the impact of the measure is difficult to quantify and significant data and information may cover only a short period or may not be available at all. Additionally, the benefits of adaptation projects will only show over time. Often the next generation will profit from it but the costs occur today. This is different to mitigation[5] projects, where cost-efficiency and cost-benefits are easier to calculate: renewable energy projects sell additional energy or substitute inefficient or CO2 intense energy at a certain price (tariff) and costs. The technical input is defined and can be measured as can the output in form of xx MW per day. Also, energy efficient measures are quantifiable and have a benefit. They are cost-efficient when the amount saved is over time higher than the investment costs.

Benefits of adaptation projects are usually expressed in qualitative terms (e.g. avoided climate impacts) and have to be monetized to make them comparable. The process requires a lot of assumptions and estimates making the result open to criticism. This problem has not yet been sufficiently solved.[6]

[5] For definition of mitigation and adaptation see fig. 3 below.

[6] For more information cf. GIZ, 2007.

**Box 1: Project appraisal methodologies: Cost-effectiveness versus cost-benefit analysis**

To understand the economics of a proposed project two different appraisal methodologies are usually applied:

**Cost-effectiveness** measures the cost of the project against its effectiveness and seeks the most inexpensive measure to achieve the best result. Precondition is that the result is clearly defined, i.e. saving of x% energy in the production process or the protection of farmers against seasonal flooding and subsequent loss of x% income. It is useful to calculate the unit costs to find the least cost alternatives e.g. for different technical alternatives.

**Cost-benefit analysis** aims to list all costs of a project against all benefits to determine, if the benefits are higher than the costs. This can be done at the project level as well as at the state economy level. It allows the comparison of alternative projects competing for scarce government resources even between sectors. The monetization of the amount of benefits helps governments to make decisions.

For information on cost-benefit analysis please refer to

http://unfccc.int/resource/docs/publications/pub_nwp_costs_benefits_adaptation.pdf,

https://gc21.giz.de/ibt/var/app/wp342deP/1443/index.php/knowledge/mainstreaming/examples-from-application/mexico-cost-benefit-analysis-for-prioritising-climate-change-adaptation-measures/,

http://www.careclimatechange.org/files/CBA_Simple_Guidance_ENG_FORMATTED.pdf,

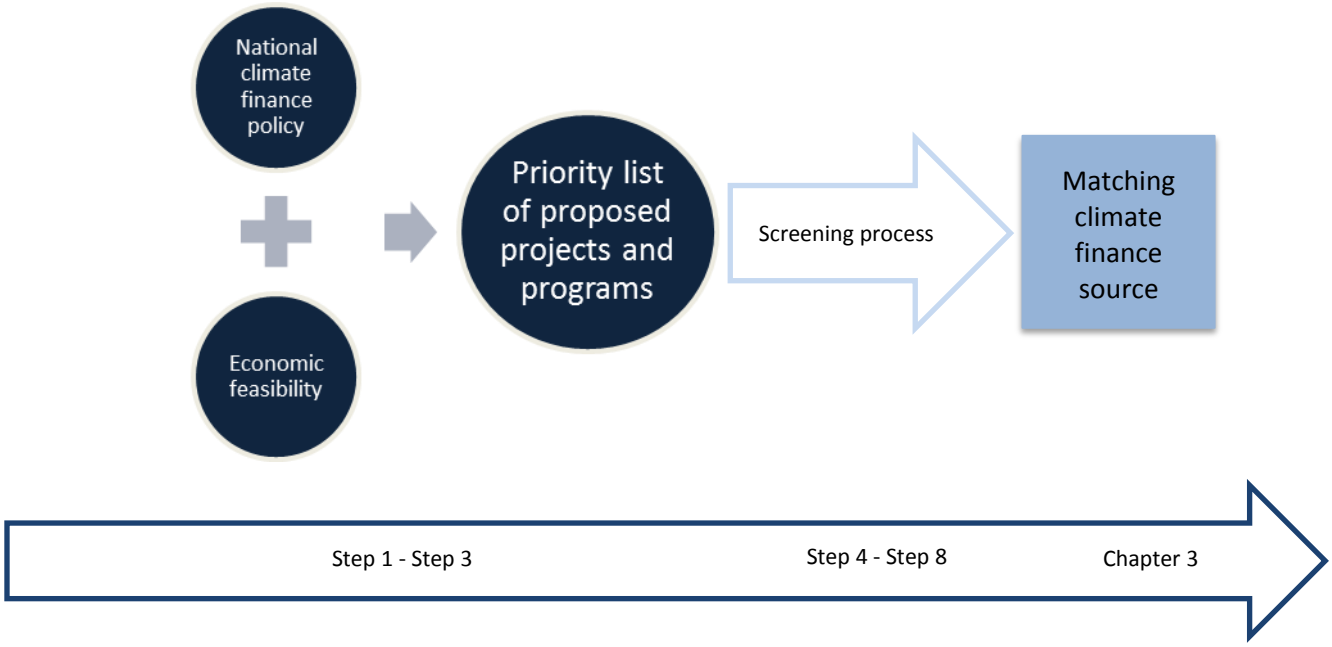
http://www.sprep.org/pacc/experiences/cba.

## Step 3: Priority List of Proposed Projects

| *Step 3:*<br>- *Set-up of priority list of project proposals*<br>- *Include other politically important factors in decision making process*<br>- *Check, if the proposal is still in the priority list* | |
|---|---|
| **Rational** | • The government will actively seek funding for projects on its priority list<br>• Economic feasibility is one criteria (see ranking of Step 2), governments may add other criteria e.g.<br>  ○ social urgency<br>  ○ equal distribution of projects among sectors<br>  ○ regional integration<br>  ○ extent of barriers and challenges to succeed (e.g. legal)/risk of failing to achieve project objectives<br>• A priority list is an official document that if made public<br>  ○ underpins the efforts of the government to combat climate change to the outside world<br>  ○ may attract the interest of private investors and the international climate finance community |

| | |
|---|---|
| | ○ helps to promote local support for climate change |
| **YES** | • Proposal is economically feasible and politically wanted and technically desired, since it also fulfills a number of non-economic criteria<br>• Project proposals on the priority list will be further analyzed in order to find matching financing sources<br>➢ Continue |
| **NO** | • Project proposals not on the priority list may still be needed to combat climate change, but will need further assistance to become priority projects<br>• Put proposal on stand-by, if decision has been narrow<br>• Propose re-design of project to capture climate change importance |
| **Result of Step 3** | • Priority list of projects |

Figure 2: Steps to Identify Climate Finance Resources



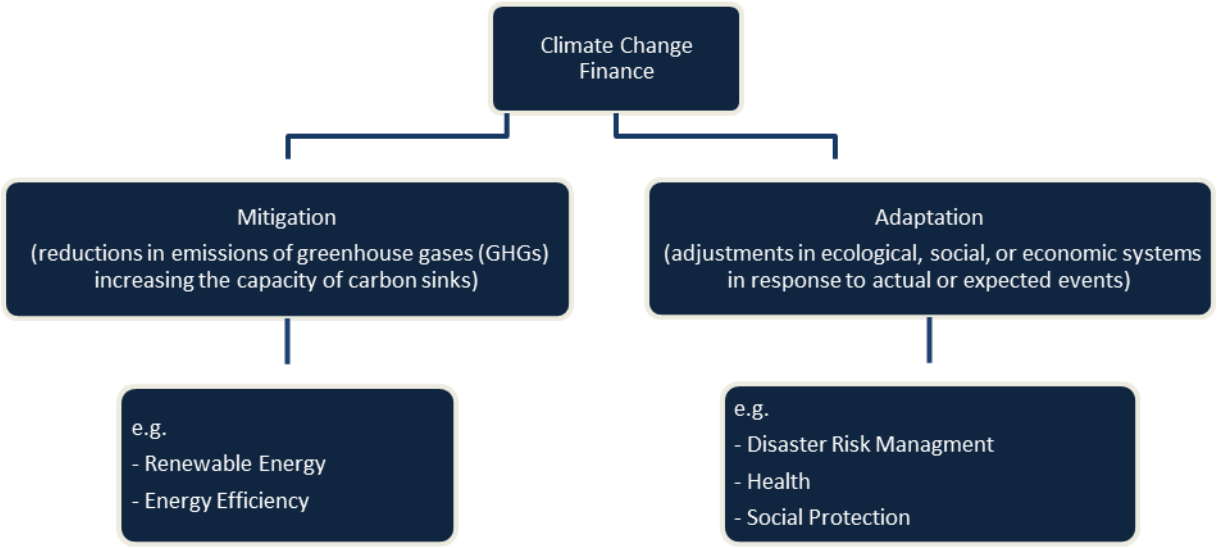
## Step 4: Mitigation and Adaptation

| *Step 4:*<br>- *Screening process: distinguish between mitigation and adaptation nature of proposal*<br>- *Divide priority list in a section for mitigation and a section for adaptation projects using the definition as provided in figure 3: Mitigation and Adaptation* | |
|---|---|
| **Rational** | • Donor funds distinguish in their scope of support between mitigation and adaptation<br>• Financial sources biased towards mitigation (see figure 4 below: split of resources between adaptation and mitigation in 2013)<br>• Worldwide experience which projects/sectors receive most funding<br>• Not only the sources of funds differ from mitigation and adaptation, but also the used instruments:<br>➢ mitigation is often debt based<br>➢ adaptation is often grant based |
| **Mitigation** | • More likely to be financed by the private sector<br>• Usually projects are income earning/provide a return on investment<br>• Usually financing costs are more market based<br>• Comprise of large infrastructure projects including renewable energy<br>• Includes the large market of energy efficiency |
| **Adaptation** | • More likely to be financed by the public sector[7], because the nature of adapting to climate change is often seen as part of "normal" or good development<br>• Adaptation issues are often included when modifying infrastructure, difficult to pinpoint adaptation individually<br>• Stand-alone adaptation projects tend to have little upscaling potential<br>• Adaptation measures such as changing behavior, shifting farming practices and making regulatory reforms not easy to package into a financial proposal<br>• Adaptation projects require low cost debt and concessional lending and grants |
| **Result of Step 4** | • Priority List A: mitigation and Priority List B: adaptation |

[7] Private sector funds for adaptation e.g. for the provision of insurances, financing technology for adaptation purposes, climate proof investments and microfinance are increasing once the private sector sees climate change as a risk.

Further comments

Figure 3: Definition of Mitigation and Adaptation

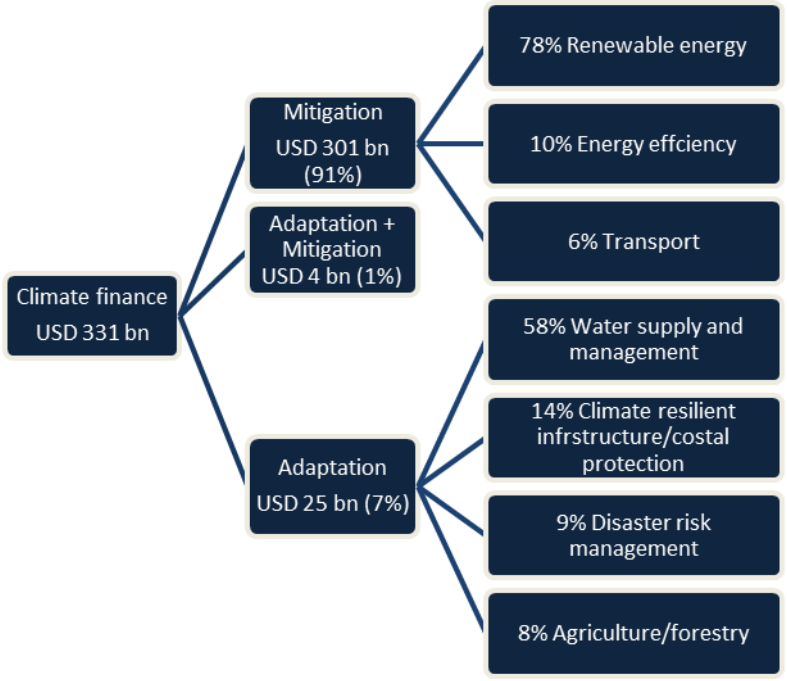



In practice, the differentiation between mitigation and adaptation is not always clear-cut. Taking energy efficiency as an example, the initial objective of a building measure may be the reduction in energy, but the insulation of houses may also be required to adapt to changing weather conditions. In this case it is at the discretion of the decision makers to classify.

International experience shows that more climate finance resources went into mitigation than adaptation[8]. Figure 4 below highlights also which sectors received the most funds.

[8] Source: CPI, 2014.

Figure 4: Split of Resources between Adaptation and Mitigation[9] in 2013




## Step 5: Segmentation of Mitigation Projects

| *Step 5: Screening process: Identifying mitigation projects in specific sectors and linking it to main beneficiaries* | | | |
|---|---|---|---|
| **Rational** | • Mitigation projects comprise two large groups: infrastructure and energy efficiency. They differ in terms of<br>○ Financial structure<br>○ Income earning capacity<br>○ Beneficiaries<br>○ Project size and financing volume | | |
| **Mitigation Infrastructure[10]:** | **Sector** | **Example** | **Potential financial responsibility/main beneficiaries** |
| | **Renewable Energy** | | |
| | **Solar** | Larger PV plants | Government; possibility for public private partnership; |

[9] Please note that figures do not exactly tally. The figure for adaptation is for strictly public funds only as reliable private data are difficult to get.

[10] Infrastructure shall include also energy projects.

| | | | |
|---|---|---|---|
| | | Individual use in households/industry | Private sector; possibly financial incentives by government |
| | **Wind** | Wind farms | Government; possibility for public private partnership |
| | | Stand-alone wind turbines (captive) | Industry; utilities like water treatment plants |
| | **Bioenergy** | Solid and sewage biomass | Agricultural sector; utilities; |
| | **Water** | Larger hydropower plants | Government; possibility for public private partnership; |
| | | Pumped storage plant | Utilities; industry; |
| | | Small or micro-hydroelectric power system, decentralized systems | Private sector; communities; |
| | **Geothermal** | Geothermal power plants (steam or hot water) | Government; possibility for public private partnership; |
| | **Transport** | | |
| | **Public and private transportation** | E-mobility; efficiency improvements for vehicles and transportation equipment | Private sector; possibly financial incentives by government |
| | **Sea** | Ferry; fishing, cruising | Private sector; possibly financial incentives by government |
| | **Air** | Small inter-island connector | Government and private depending on ownership |
| | **Other** | | |
| | **Agriculture** | Land management to increase soil carbon storage, dedicated energy crops to replace fossil fuels | Government and private sector |

| | | | |
|---|---|---|---|
| | **Forestry** | Afforestation, reforestation, forest management, harvested wood production management | Government and private depending on ownership |
| **Energy Efficiency** | **Industry** | Fuel switch change from diesel generator to RE | Private sector; possibly financial incentives by government |
| | | Change to more energy efficient technology (lighting, HVAC[11]); energy management systems | Private sector; possibly financial incentives by government |
| | **Households** | Replacement of inefficient household items | Private sector; possibly financial incentives by government |
| | | Building insulation | Private sector; possibly financial incentives by government |
| | **Commercial buildings and Public buildings/facilities** | Building insulation; HVAC;<br>Fuel switch | Private sector; possibly financial incentives by government |
| **Result of Step 5** | Priority List A segmented by potential funding sources/instruments and beneficiaries | | |

Further comments

It needs to be clarified if the infrastructure measure is a "true" mitigation project meaning that the purpose is to mitigate climate change (e.g. renewable energy projects) or if it is an infrastructure measure which contains mitigating factors. The differentiation is important, because it leads to different financial sources. A straight forward infrastructure project is more likely to receive funds from ODA and the private sector. Climate funds may be tapped for mitigating or adaptation sub-components in addition, thus mixing ODA and climate finance. "True" mitigation projects should source funding from one of the climate change funds (see chapter III Sources of Finance).

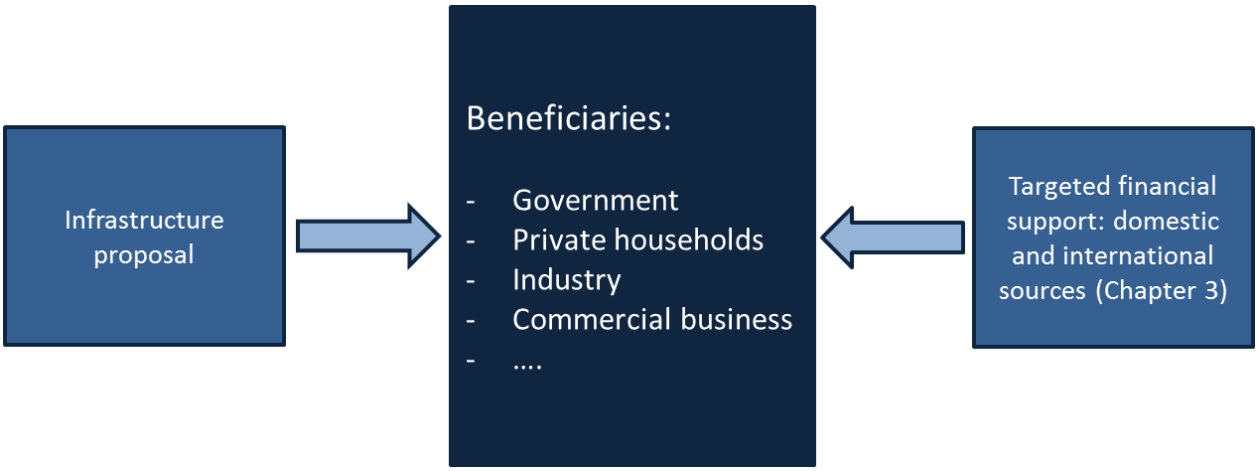
Some of the above and below mentioned sectors may appear in both categories (mitigation and adaptation), because the nature of the project design may differ. Best examples are

[11] HVAC: Heating, Ventilation and Air Conditioning.

water- and waste water projects: effluents of wastewater can be used to produce bio-energy (mitigation), but the design of a water treatment plant may need to be changed because of increasing droughts induced by a changing weather pattern (adaptation).

For the sourcing of external financial resources the identification of the beneficiaries is an important lead, because climate change funds and ODA finance have specific eligibility criteria. In addition to the classification in mitigation and adaptation, the grouping into private and public sector beneficiaries is another one. This has to do with the assumed risk of either group: public sector lending often assumes a sovereign guarantee from the government, whereas private sector lending is done on behalf of the financial viability of the private sector entity without any sovereign guarantee.

Figure 5: Linking Beneficiaries and Financial Support




The financial structure of projects can be very different, because the need for funding is required at different times. Renewable energy projects for example have high up-front costs, but low operation and maintenance costs because fuel costs are almost down to zero. Reforestation projects on the other hand need little upfront capital but require more funds for operation as they are time and staff intensive. Both projects may be highly needed, but the structure and the timing when and how much funding is needed and the sources are different. This needs to be understood and budgeted for to create long-term sustainability.

## Step 6: Segmentation of Adaptation Projects

<table>
<tr><th colspan="4">Step 6: Screening process: Identifying adaptation projects in specific sectors and linking it to main beneficiaries</th></tr>
<tr><td>Rational</td><td colspan="3"><ul><li>Adaptation projects comprise a large group of projects that may not necessarily fit into a certain sector grouping</li><li>Adaptation projects require long preparation periods to identify the impact of climate change. Much funding goes into the collection of climatic and non-climatic, socio-economic and environmental data</li><li>Assessment of climate change impacts and vulnerability depend on a large variety of very different factors such as<ul><li>the time-frame of the investment (long-term road project versus pre-harvest crop finance)</li><li>the regional impact (transboundary watershed management versus community sites)</li><li>the nature of the proposal (agricultural production versus bridge construction)</li></ul></li></ul></td></tr>
<tr><td rowspan="8">Adaptation</td><td>Sector</td><td>Example</td><td>Potential financial responsibility/main beneficiaries</td></tr>
<tr><td>Water</td><td>Rainwater harvesting, water storage and conservation, water re-use</td><td>Government, private sector with government inputs</td></tr>
<tr><td>Agriculture</td><td>Adjustment of planting dates and crop variety; crop relocation; improved land management</td><td>Government, private sector with government inputs</td></tr>
<tr><td>Infrastructure (general)</td><td>Relocation; seawalls and storm surge barriers, dune reinforcement, creation of natural buffers against sea level rise</td><td>Government, private sector with government inputs (if very precise benefits for private sector can be identified)</td></tr>
<tr><td>Human health</td><td>Emergency medical services, safe water and sanitation</td><td>Government</td></tr>
<tr><td>Tourism</td><td>Diversification of tourist attractions and revenues</td><td>Private sector and Government</td></tr>
<tr><td>Energy</td><td>Strengthening of transmission lines and distribution infrastructure;</td><td>Government</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>Result of Step 6</td><td colspan="3">Priority List B segmented by potential borrowers/beneficiaries</td></tr>
</table>

Further comment

The financial inclusion in adaptation projects of the private sector depends on the risk awareness of stakeholders and on the ability of the private sector (industry and households) to act. If the livelihood/business environment is directly impacted by climate change e.g. weather related disasters and the measure proposed to combat it makes economic sense, the private sector will get involved. This is however no excuse for the government to not getting engaged. Some aspects such as the provision of basic weather and climate information design and implementation of risk management policies (e.g. land use restrictions, insurance regulations) remain in the domain of the public sector.

## Step 7: Clarification of Financial Structure and Demand

<table>
<tr><th colspan="3">Step 7: Screening process: Clarification of financial demand</th></tr>
<tr><td rowspan="2">Rational</td><td colspan="2">• Assigning potential financial structures to each individual proposal in regard to<br>○ Financial mechanism<br>○ Financial volume<br>○ Financial instrument<br>○ Maturity<br>○ Timing</td></tr>
<tr><td>Structural part</td><td>Example</td></tr>
<tr><td rowspan="5">Financial demand</td><td>Financial mechanism</td><td>• Possible cooperation with private sector (e.g. public private partnership)<br>• Funds are needed for a local bank for on-lending to a group of clearly specified clients<br>• Funds are required by line ministry for policy support</td></tr>
<tr><td>Financial volume</td><td>• Expected capital costs/project volume<br>• Expected operation and maintenance cost<br>• Expected other costs such as capacity building</td></tr>
<tr><td>Financial instrument<br>(see Chapter 4)</td><td>Selection of the most likely instrument<br>• Grant<br>• Loan<br>• Guarantee<br>• Insurance<br>• Leasing</td></tr>
<tr><td>Maturity</td><td>• Short: up to 3 years<br>• Medium: up to 7 years<br>• Long: above 7 years</td></tr>
<tr><td>Timing</td><td>• Full amount of finance needed right at the start<br>• Proposal needs funding throughout its lifetime<br>• Funding will be needed in steps according to project progress</td></tr>
<tr><td>Result of Step 7</td><td colspan="2">First financial needs assessment and financial structure</td></tr>
</table>

Further comment

At this stage, the financial need assessment for each individual proposal takes place before funds can be identified and appropriated. It is an approximation of information available at this stage leading to a good understanding of the potential financial configuration. The bullet points above give an overview of questions to be asked and can be extended to highlight specific project characteristics.

## Step 8: Project Profile

| *Step 8: Develop a project profile (voluntarily)* | | |
|---|---|---|
| **Rational** | • Combining the information to achieve a brief and comprehensive individual project description (= demand)<br>• Hand-out for potential investors | |
| **Project profile** | **Project title and region** | |
| | **Project Stakeholders** | Responsible entity should be the party who is driving the process and has political responsibility for its implementation; role of participants should be mentioned. |
| | **Project theme** | General outline: e.g. mitigation, solar power |
| | **Project priority** | Description of national priority and time horizon |
| | **Project content** | Description of the current state, why it needs to be changed, objectives and what should be done, including results of the cost effectiveness and cost benefit analysis, potential legal and regulatory amendments to the current status. |
| | **Project beneficiaries/ potential borrower** | Assessment if this is likely to be the private or the public sector or a combination. |
| | **Project financial structure** | Summary of step 7 |
| | **Current status of the project** | e.g. what sort of information are missing, planned next steps; possible challenges to be addressed. |

# 3 Sources of Climate Change Finance

In the following a systematic overview of potential resources (= supply) to finance climate change is introduced. Because of the many different possibilities, this approach does not intend to be complete, but to serve as an entry point. The selection process links directly to the need assessment for climate change finance above, in which the projects have been analyzed and a financial profile has been compiled. With these information which describe the demand for finance, the potential sources for finance can be identified. Table 1 illustrates a formalized decision making process.

**Table 1: Decision Making Process to Select Financial Resources in 3 Steps**

Step 1: Clarification of potential financing demand (previous chapter, see above)

Step 2: Identification of matching resources

| **2a) Public sector incl. international climate change funding**<br>**Government takes financial responsibility** | **2b) Private sector**<br>**Individual companies and private households take financial responsibility** |
|---|---|
| - Project with nation-wide impact<br>- Project with no income generating potential<br>- Projects that need initial public support, before private sector can take over | - Revenue or profit generating project<br>- Private sectors' own property and wealth<br>- Polluter-pays principle<br>- Beneficiary clearly the private industry and private households |

Step 3: Available resources

| **3a) Public sector** | **3b) Private sector** |
|---|---|
| - National budget<br>- Innovative sources<br>- Official development Assistance (ODA)<br>- Bi- and multilateral climate finance funds<br>- Vertical funds (under UNFCCC) | - Innovative resources<br>- Financial sector program of domestic banks<br>- Private sector arm of bi- and multilaterals<br>- Vertical funds (under UNFCCC)<br>- Private equity funds[12] |

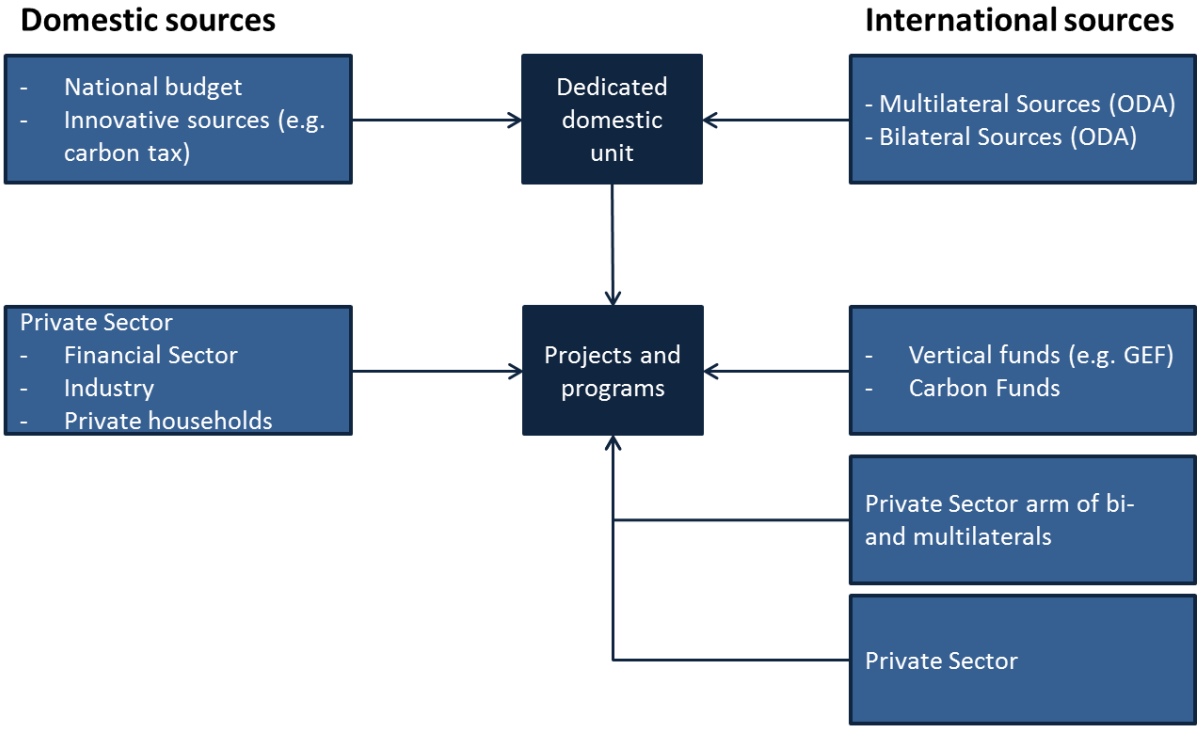
The landscape of climate finance is complex and sometimes confusing. For simplification, it can be further classified into domestic and international sources, the latter comprising the support from multi- and bilateral donors (so-called Development Finance Institutes - DFIs) under the Official Development Assistance (ODA) and the specialized climate funds and

[12] Not further discussed in this report.

funds under the UNFCCC. On the domestic side two sources are available: the national budget and the local private sector.

The different sources allocate their funds formally either to the national dedicated unit (e.g. MOF or national climate fund) or to the projects directly. These projects can be private and public sector ones. In the following, each of the different sources mentioned in Figure 6 below will be discussed.

Figure 6: Climate Finance Sources




Source: Adapted from UNDP, National climate funds

Governments and decision makers are advised to keep the following guiding principles in their mind, when selecting sources for individual project proposals and programs:

- use the limited public resources to catalyze climate finance
- include low carbon growth and climate resilience as an integral part of all national investments ("lead by example" is a maxim for governments and regulators to walk the talk and follow the gist of their policies themselves)
- be open and willing to use new and innovative finance sources and include the private sector and the banking industry to create new markets
- link and mix development finance and finance from climate funds to address problems of additionality
- be consistent in the implementation of the their policies to create trust and confidence among all stakeholders.

CARICOM member states represent a diverse group of countries with very different economic profiles ranging from high income countries (St. Kitts and Nevis) to LDCs such as Haiti. In general, the high indebtedness, the limited fiscal space, the dependence on imports, little natural resources and limited institutional and technical capacity impact the eligibility to

and absorption capacity of climate change finance. It also influences the lending volume, the speed with which funds are disbursed, the cost of funds and other specific terms and conditions. There is a wide range of different climate change financial sources, some of which require a certain economic soundness. As a result, not all countries are eligible to funding from all sources. Therefore the identification process is influenced by the high indebtedness of Caribbean states, leading to the possible prevention of debt-related instruments influencing the support of adaptation programs.

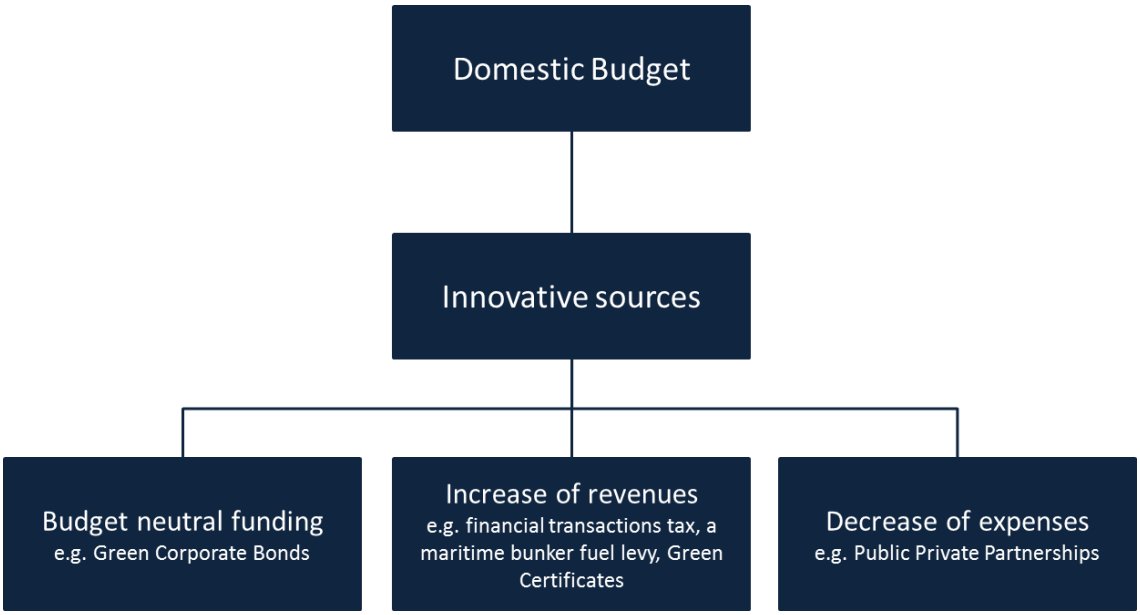
## 3.1 Domestic Sources

### 3.1.1 National Budget

National budgets in the Caribbean countries are chronically short of funds. While the governments support the transformation process to a green economy, these objectives compete for funds with other national targets. To lower the fiscal pressure, the entry point for governments is to increase revenues and reduce expenditures. The revenue side is determined by income through taxes, duties and other fees. A general tax increase on incomes often creates adverse social impacts and is counter-productive, because much of the industry comes to the Caribbean for their low taxes. Thus a reduction in expenses e.g. in subsidies for fuel sources such as diesel would relieve the budget, at the same time alternatives for cheap energy supply must be offered.

All in all it has to be concluded that the national budget in most Caribbean states are currently unable to answer the demands of climate change finance. Thus innovate sources are needed. In the following these innovative sources are discussed and examples provided. The objective to consider implementation lies in increased flexibility and independence of decision makers.

Figure 7: Innovative Sources for Domestic Finance



### 3.1.2 Innovative Sources

Tight fiscal constrains is a worldwide phenomenon, which has brought up a number of innovative sourcing mechanisms. The entry points for governments are always to increase public revenues, lower the expenses or initiate transactions that are budget neutral in exchange for domestic political measures that support climate change activities. The thinking behind these innovative measures is to divert the financial burden, leverage it with other funds and link the financial responsibility closer to the beneficiaries (polluter-pays principle). Therefore different sectors such as energy, transportation, buildings, waste, water, general industries, forestry and agriculture are targeted as well as private households, which are particularly suitable to be the target of such innovative sources. In the following some examples are given to highlight the scope of possibilities. Appendix 1 provides a list of innovative instruments relating to the different sectors.

**Budget neutral funding**

Budget neutral funding means that the government provides input in form of the legal and regulatory framework to operate in and another side takes up the funding. “The other side” is usually the private sector sometimes with support of international donors. The private sector invests equity and takes up debt on the basis of their balance sheet, thus leaving the national budget untouched. Examples are public-private partnerships, which are explained below. Given the importance the private sector plays worldwide in climate change finance, it is mandatory for governments to provide an enabling environment as for example a private sector development policy, which is often linked to a review of financial sector policies.

Access to finance for the private sector can be provided by private equity funds[13] and bonds. Both support the private sector in raising larger amounts of funds. The example of raising money through climate bonds is discussed below. Bonds, or when issued for the private sector corporate bonds, are another type of debt instruments, that financial institutions issue on behalf of their clients (the private sector company) to provide them with liquidity. Private equity funds on the other side collect money from e.g. institutional investors and make these funds available to the private sector. Examples are in Footnote13 and 14 ff.

The issuance of climate bonds[14] has become more popular: in 2013, USD 11 billion were raised, the proceeds of which were used to directly or indirectly finance climate change projects. Bonds are known as instruments of governments to raise funds. Despite the high indebtedness of Caribbean countries, a business case can be constructed e.g. for renewable energy projects. The trick is that not the country acts as the issuer of the bond but the project itself, making it a corporate bond instead of a sovereign bond. The proposed project, which is incorporated as a private sector entity, raises funds on the strength of its balance sheet and future income.

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[13] Please refer to the following website for an example for private equity in the Caribbean: http://portlandpe.com/our-funds/aic-caribbean-fund.

[14] An excellent website on climate bonds (green bonds) is maintained by the “not for profit” Climate Bond Initiative: http://www.climatebonds.net/.

The pros and cons of green bonds are discussed in http://www.rbc.com/community-sustainability/_assets-custom/pdf/Green-Bonds-Fifty-Shades-of-Green.pdf.

Projects from all sectors could potentially issue corporate green bonds as long as they find the equity and have a stable revenue stream. Thus they need to be commercially viable to become bankable. Projects from the following sectors are most popular:

- Renewable energy projects
- Energy efficiency (also in buildings)
- Sustainable waste management
- Sustainable land use
- Biodiversity conservation
- Clean transport
- Clean water/drinking water[15]

Critical for the success of corporate bonds is the risk rating as this determines the price and its ability to be sold in the market to pension funds and other institutional investors. The risk rating is based on the strength of the private company and not on the country. Some multilateral agencies (e.g. MIGA[16]) provide risk guarantees improving the rating by lowering the political risk.

Checklist 1: Climate Bonds[17]

| **Steps to be undertaken** | **Explanation** |
|---|---|
| **Create deal flow** | Bond investors need scale; renewable energy and energy efficiency projects (markets) need to be aggregated into larger offerings suitable for the appetite of the big investors. |
| **Engineer investment grade offerings** | To create demand for investors to buy the bonds, it is important to keep the risk as low as possible. Renewable energy investments are seen as a "novelty" and thus as "risky", a perception which needs to be changed. In order to do that, a pact between governments and institutional investors is needed. Governments engineer a stream of large scale investment opportunities and do everything they can do to make sure they are investment grade; in return institutional investors provide funding. |
| **Include the public sector in sharing the risk** | Financial leverage (e.g. policy risk insurance and currency risk insurance) and regulatory leverage. |
| **Build green enabling institutions** | Green Investment Units and Banks are needed. |

[15] Source: http://www.ceres.org/resources/reports/green-bond-principles-2014-voluntary-process-guidelines-for-issuing-green-bonds/view.

[16] http://www.miga.org/

[17] Source: https://www.climatebonds.net/files/uploads/2013/02/ClimateBonds_Davos_25Jan12.pdf.

| | |
|---|---|
| **Give tax incentives for climate bonds** | Very little treasury loss can be a big boost to investment. |
| **Build an economic recovery narrative –** | The transition to a green economy revamps our economy across every sector and addresses the climate change threat. |
| **Use Climate Bond Standards as a screening tool** | A tool that helps investors monitor and verify the climate effectiveness of their investments. |
| **Make it easy for politicians** | Bond investors and business issuers have to get better at packaging politically sellable solutions, help politicians see how they can successfully sell those plans to voters. |

Green bonds require an active government involvement at the start, putting up the legal and regulatory capital market framework, legal guidance for the issuer of the bonds etc. Given the small size of many Caribbean countries, instead of issuing a green bond for one particular project, a portfolio of potential projects can be assembled, which would render the initial upfront cost and administrative complexity. Since most Caribbean countries are currently relying on imported diesel for power, which is expensive, price-volatile, and produces CO2 emissions that contribute to climate change, possibly carbon certificates can be obtained when diesel is substituted by e.g. geothermal power. Trading of these certificates would increase the financial viability of the green bond in addition to the regular stream of income through tariffs. However, the price of certificates is recently at an all-time low.

**Access to finance: capital markets**

Possible funding to develop a capital market and establish a green bond market would typically come from ODA funding through the World Bank and the Inter-American Development Bank (IADB), as well as through their private sector arms such as the International Finance Corporation (IFC). IFC has already started: http://www.imf.org/external/np/seminars/eng/2013/caribbean/pdf/Andrew-Cross.pdf.

These sources would not necessarily be counted under specific climate change finance resources, as they often refer to the improvement of financial infrastructure in general.

International Climate fund support the Capital Markets Climate Initiative (CMCI), especially for private sector actors: https://www.gov.uk/capital-markets-climate-initiative.

Evaluation of instrument: Green bonds require a stable political, legal environment and a strong private sector promoter. They are good for large scale or a group of similar small scale projects, can be used regionally and provide long-term finance with repayment dates at a later stage.

**Increasing the public budget**

The example of Thailand shows how a levy can be used to increase the national budget. Thailand introduced its energy efficiency fund (EE fund) in 2003[18] which was funded from a tax (USD 0,001 per liter) levied on all petroleum products sold in Thailand. The constant financial flow over the last years in addition to the successful revolving structure has made it possible that the volume of the EE fund has been sufficient and funds can be provided on a grant basis.

For the Caribbean countries a tax or levy on petroleum may not raise enough funds, however, a tax (increase on tax) on financial transactions, a maritime bunker fuel levy and the issuance of Green Certificates for industries and products could all generate income that increases the national budget. This is different to a general tax increase in that revenues from such a levy can be channeled to climate change activities.

The issuance of a Green Certificate has become a popular instrument to raise more funds. It often serves two purposes: firstly, by setting up e.g. certain industry standards, such as the amount of renewable energy used in production processes, the government is able to reduce GHD emissions and continue the transfer to a low carbon society. Companies that adhere to these standards are allowed to put a "green label" on their product/service stating that they follow the standards and that the government has certified it. Those sectors/companies/products that want to operate under a government observed green label would have to pay a fee, thus creating income for the government which is the second benefit.[19]

The added income is used to provide the legal and regulatory framework needed, train people for the certification and monitoring process, creating awareness of consumers etc. In a society which is increasingly aware of the adverse effects of climate change, a responsible behavior by the local economy is appreciated and products will seek this label to stay in competition. Green Certificates can be issued for all sectors, if a reliable verification and measurement system is installed.[20] Part of the tourism industry in the Caribbean already works under the Green Globe certification system.[21]

Evaluation of instrument: Green certificates provide long-term, but not large amounts of funding. Their purpose is therefore also educational as the labeling creates public awareness which in itself may lead to further climate change related activities. A general tax increase is a too imprecise instrument and the danger that funding will be used for something else is large. A levy that clearly spells out the purpose of what it will be used for receives a high attention rate and is also useful to earmark those projects that it eventually will finance.

[18] For more details refer to https://www.climate-eval.org/sites/default/files/evaluations/531%20Thailands%20Energy%20Efficiency%20Revolving%20Fund.pdf, Page 2.

[19] A good overview of different eco-labels is provided http://www.ecolabelindex.com/ecolabels/?st=taud,retailers.

[20] UNEP has set up an eco-labeling project: http://www.unep.org/resourceefficiency/Consumption/StandardsandLabels/Eco-labelling/tabid/101342/Default.aspx.

[21] http://www.caribbeanhotelandtourism.com/CASTenvironment.php.

**Reduction of public expenses**

A decrease of public expenses is usually initiated by a reduction in subsidies and benefits, lowering of overall project cost and leveraging of public funds. The reduction of subsidies for public goods such as water and fossil fuels is widely recommended as it contributes to a rational market behavior. These measures often are not very popular with the society and difficult to follow through without offering something in exchange. It seems absurd to exchange subsidies against other financial incentives, but in the long run it is useful to calculate e.g. the savings in diesel subsidies, when diesel pumps are exchanged for solar powered pumps, even if the government needs to provide **initial** subsidies as an incentive. A twofold benefit would be achieved: immediate increase in the public budget and less expenses in the future to curb diesel emissions.

Popular instruments to reduce government expenditure are public-private-partnerships (PPPs). They are used in infrastructure finance to reduce the cost burden of governments, but also to offer public services in a more efficient manner. PPPs build the bridge between fully privately and fully publicly funded projects. They are based on so called concession models including what is commonly referred to as build-operate-transfer (BOTs), build-own-operate (BOOs) and other such structures. They require a stable legal framework and a set of regulations for the implementation of PPPs. In climate change finance, green PPPs are popular for all income earning climate change activities like many of the low emission projects.

Jamaica and Trinidad and Tobago have developed such a regulatory framework and a pipeline of projects During the IMF Joint Caribbean Growth conference in 2013 in Nassau, the IFC introduced case studies of successful PPPs in Jamaica and Haiti. Though these were not “green” PPPs, the potential pipeline highlights water and sanitation, energy and social infrastructure, such as hospitals and schools, as possible candidates. The International Finance Corporation (IFC), part of the World Bank Group, and CDB have joined forces and signed an MOU for further cooperation in 2014.

**Access to Finance: PPPs**

Funding to develop PPPs is provided for example by PPIAF and CDB outside the climate finance initiative:

PPIAF is a multi-donor technical assistance facility, financed by 17 DFIs: http://www.ppiaf.org/node/23.

The following page refers to the Caribbean: http://www.ppiaf.org/sites/ppiaf.org/files/publication/PPIAF_CaribbeanPPP_Report.pdf.

Also CDB takes the matter up: http://www.caribank.org/uploads/2014/05/Booklet-Public-Private-Partnerships-in-the-Caribbean-Building-on-Early-Lessons.pdf.

World Bank dedicates a website to PPPs and climate finance: http://www.worldbank.org/en/news/feature/2013/03/13/a-public-private-partnership-approach-to-climate-finance.

The International Climate Fund (ICF) supports climate PPPs:

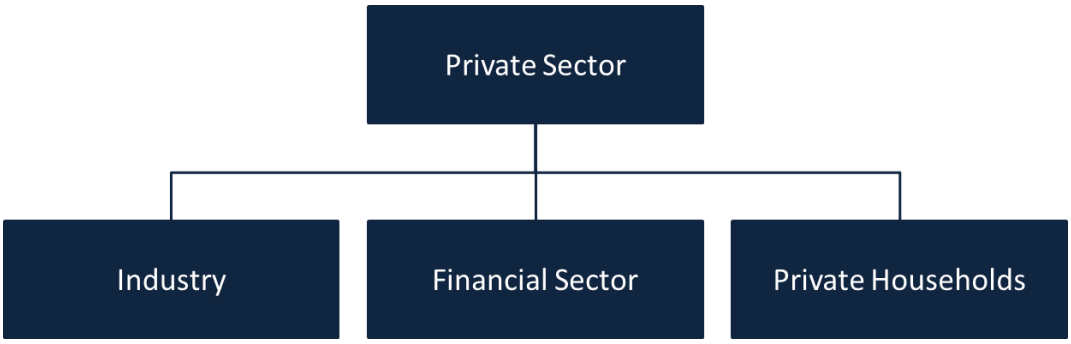
https://www.gov.uk/government/case-studies/climate-public-private-partnership-cp3.

Evaluation of instrument: PPPs are a very common instrument, which require a stable political and legal environment as well as a strong private sector promoter. They relieve the public budget of long-term commitments to provide public services. The difficulty is in setting the right tariffs for the public service in a manner that is palatable to the public and leaves enough incentives for the private sector to get engaged.

### 3.1.3 Domestic Private Sector

The key role of the private sector in climate change finance has been stressed throughout the decision-guide. The importance is determined by the fact that climate change investment made by the private sector is an immediate relief for public budgets. A relevant private sector development strategy must be in place to leverage these resources. To reinforce their position in Caribbean countries and enable them to undertake the necessary investments, it needs to be understood, who the main actors are and what their role is.

Figure 8: Private Sector Actors




**Industry**

In regard to climate change finance, the industry is involved from different angles leading to different financial actions:

1. Provision of technologies and products along the supply chain for renewable energy and energy efficiency, making climate change products easily available, reducing the dependence on imports and providing jobs in a new industry
2. Application of energy efficient processes to save energy in the production processes and building sector, reducing e.g. the usage of standby diesel engines in times of outages, reducing the overall need for new power plants if less energy is consumed
3. Investments into renewable energy projects as equity provider or equipment producer e.g. PPPs.
4. Identification climate change as a risk and develop measures to mitigate risk; this can include co-financing of infrastructure, etc.

Given this broad spectrum of engagement, governments' role is to provide a conducive environment for industry to be able to operate, which includes

- Creating demand for climate change activities, e.g. setting pollution standards for the industry, making water re-use mandatory in the tourism industry, introducing new standards in the building sector, improving local production capacity; and
- Enabling commercialization and upscaling by e.g. improving the business climate, access to finance, knowledge base and related trainings and education.

Checklist 2: Financing the Industry

- Which industry is targeted? Which climate challenge is addressed?
- Which activity is targeted?
    - Provision of technology and products
        - What is the demand for the specific product? Does it render own production capacity? Are best practice example already available for the Caribbean region? Can a joint regional production line be established? (→ feasibility check)
        - What are the financing demands for such a production line? Are there interested/able private partners with stable financial background to invest? Is external financial support needed? Can this be supported by the local government? Is international support needed? ( → financial check)
        - Is the local capital market in the position to offer suitable financial products such as equity, debt, guarantees?
        - Is the regulative environment conducive to the objective?

    - Energy efficiency in the production/services and building sector[22]
        - Is a baseline scenario available? Is it clear how much energy is currently used for which activity? Are energy auditors available to give individual advice? What is the spectrum of energy savings with investments?
        - Can energy efficient equipment be identified in the region (including maintenance)? What is the cost of changing and what is the amortization period? Does the entrepreneur see the advantage of changing? Is finance needed? (→ feasibility check)
        - Is the local entrepreneur creditworthy? Can he take up a loan with his local bank? Does the bank have the knowledge to understand energy efficient finance? Can the government provide economic incentives to make the investment more feasible? Is external support needed to finance e.g. local banks to provide energy efficient credit lines? (→ financial check)
        - Is the local capital market in a position to offer suitable financial products such as equity, debt, guarantees?

**Access to finance: private sector industry**

Private sector industry can use international support. Please refer to chapter III.3 for more details on the following sources:

[22] Please note that energy efficiency can be mitigating climate change (e.g. solar panels) and adapting to climate change ( if better insulation for housing is needed because of rising temperatures).

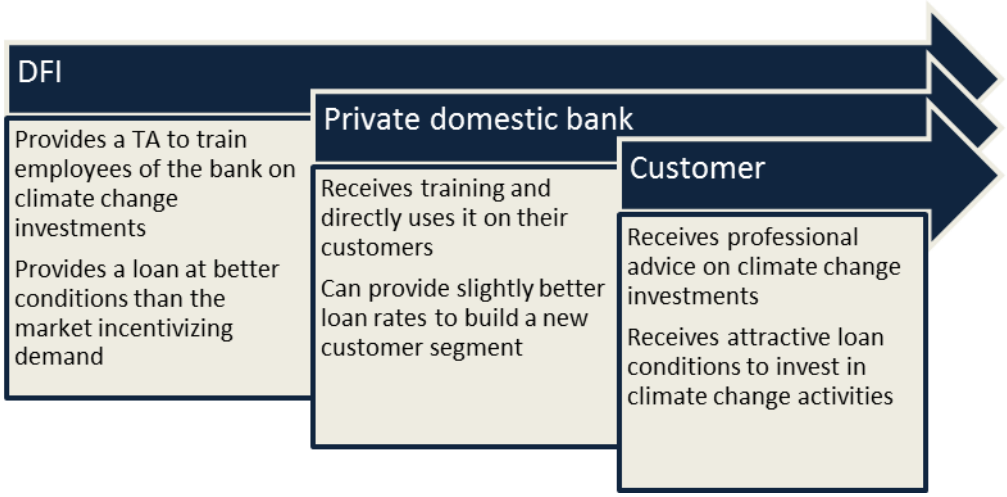
- For larger private sector mitigation projects, IADB offers finance with support of Canada (C2F).
- World Bank supports the scale-up of low carbon technology with the Clean Technology Fund (CTF).
- The GEF Special Climate Fund (SCF) supports the transfer of technology. IADB approved an energy efficiency facility to financial barriers with small-scale loans to reduce costs and curb emissions.

**Financial sector**

Access to finance is one of the most frequently cited impediments to private sector developments Banks are often not willing to finance private sector investments due to the expected inherent investment risk. While state-owned banks are less flexible given the legislative frame they operate under, private banks can adapt to the changing environment of climate change finance faster. Since climate change investments are fairly new, worldwide banks receive trainings to get familiar with the new risk profile. Especially in energy efficiency, where many different sectors are required to change to less resource intensive production forms, the technical inputs have to be understood in order to be able to undertake a proper financial evaluation. If private commercial banks understand the risks, they are more likely to consider finance on the basis that the business is profitable for them as a bank.

Many DFIs suggest technical assistance to improve the knowledge base of banks sometimes in combination with a loan. It enables banks to offer loans at lower rates enticing the private sector to make climate change investments. The process is commonly used and called “on-lending”. It strengthens the local financial markets (get to know about climate finance) and offers financial incentives (reducing costs for climate change activities). Thus in the overall discussion about domestic climate change finance it is important to include the role of the local private banking sector as the facilitator of changes.

Figure 9: On-Lending Procedure




The role of the financial sector could further be enhanced, if guidelines on “green banking” are issued, making due diligence on environmental impacts of any loan granted mandatory. Detrimental investments could thus be priced at a level that renders them financially unattractive.

Also non-banking financial institutions can play a large role in financing climate change activities. Companies such as leasing firms are often privately run and serve a niche market. They are able and willing to be more innovative and take more risks. For leasing please refer to chapter IV.5.

**Access to finance: Financial sector**

The World Bank has highlighted in its Regional Partnership Strategy for the Eastern Caribbean that it is essential to improve the financial sector. They cooperate with the IMF.

http://www.worldbank.org/en/news/press-release/2014/11/13/world-bank-group-launches-new-regional-partnership-strategy

In addition, the IADB finances the improvements of domestic financial markets.

**Private households**

Private households have often little awareness of how their contribution to climate change can count in a global environment. They need information and economic incentives to change their behavior. If a measure is profitable, private households will invest in climate change activities, such as low energy refrigerators and solar water heaters. This again helps the government to achieve their GHG emission targets.

**Box 2: Economic Incentives**

Economic incentives are an instrument of the government to involve and motivate relevant stakeholders the target to do or not do something and thereby change their behavior. In climate change finance the most common measures are related to remuneration and have a positive or negative impact on the national budget:

- Provide (initial) subsidies for activities that reduce climate change. Most common example are feed-in tariffs for renewable energy.
- Provide (initial) tax incentives for activities that reduce climate change. A lot of energy-efficient measures in the building sector reduce the tax burden of house owners for the initial years of the investment to support a quick break-even.
- Set quantitative targets above which the actor is penalized. This is the basis for the CDM-mechanism: if the industry in developed countries exceeds the allowed GHG emission, it needs to buy certificates from developing countries.
- Link a certain behavior to a reduction in costs/fees. One common example is to reduce the insurance premium in agriculture if farmers follow a certain date and plant rotation.

The word *initial* in the above is put in brackets because economic incentives are best designed with an expiry date or phasing-out mechanism in mind.

Economic incentives can also be used in a coercive manner to make people understand what consequences their behavior on climate change has, for example on their families and their belongings. When communicating disaster management to affected people, this method is sometimes used.

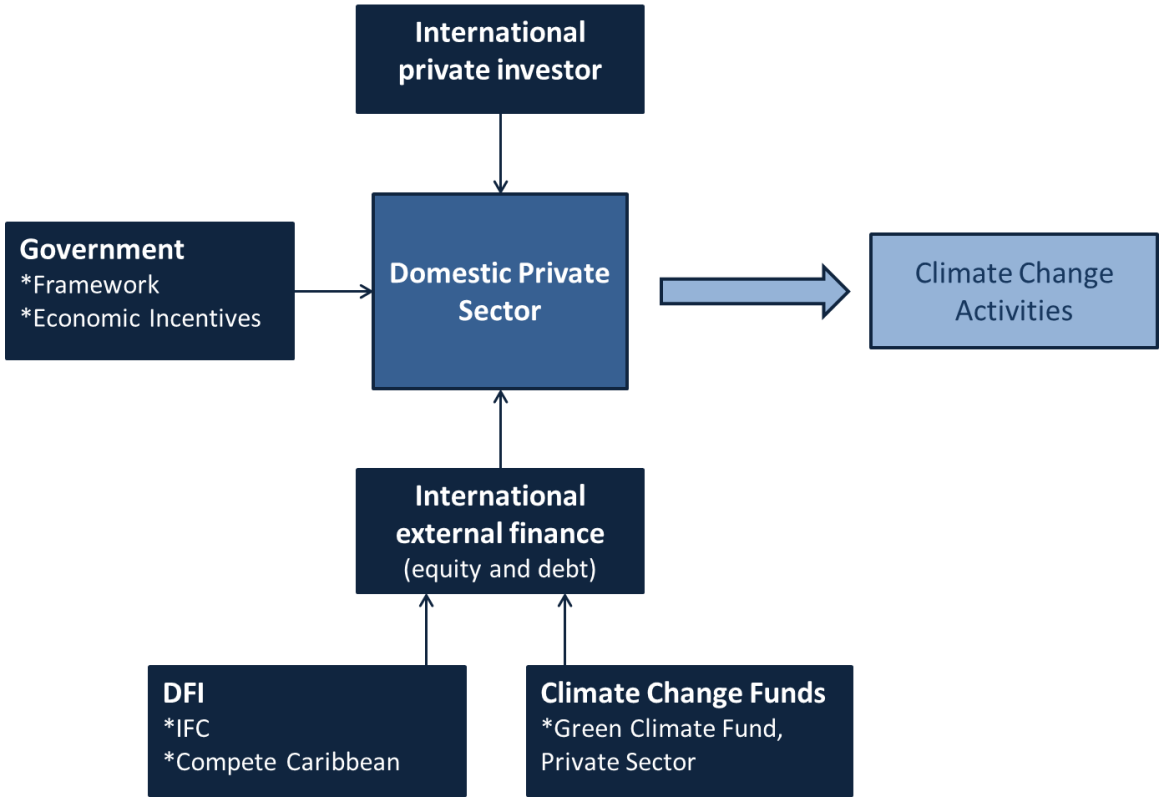
The role the private sector plays in the national economy is well respected also outside the area of climate finance. This has also been recognized by the Caribbean states resulting in

the initiative “Compete Caribbean”,[23] which is a private sector development program. Funded by the IADB, the United Kingdom Department for International Development (DFID) and the Department of Foreign Affairs, Trade and Development of Canada (DFATD) and supported by 15 Caribbean countries it includes

- Productive development policies
- Business climate reforms
- Clustering initiatives and
- Small and Medium Size Enterprises (SME) development activities.

The figure below summarizes the potential financial sources, which can be used by the private sector

Figure 10: Funding of the Domestic Private Sector




Evaluation of instruments: Without the inclusion of the industry, the banking sector and the private households climate change finance will not work. The precise modality is secondary as long as it is based on a stable private sector policy. All activities can be done in parallel and/or in combination e.g. enabling banks to finance the industry to produce climate friendly equipment. The key is to keep the programs as simple and transparent as possible, in order to be able to mainstream activities and to communicate the results to the general public.

[23] http://competecaribbean.org/

## 3.2 Carbon Funds

### 3.2.1 Carbon Markets

Carbon markets are closely related to the Kyoto Protocol under the buzzword of Clean Development Mechanism (CDM). It was the first attempt to put a price on emissions and trade it under market conditions. Once carbon markets have been created, the government has little influence on the usage of funds, because the income from the trade goes to private sector projects, maximizing their economic efficiency. Subsequently a strong private sector is essential to develop projects that can generate Certified Emission Reductions (CERs). From 2009 to 2012 about 1.67 billion CER were generated from approximately 1900 projects. Though the current price of CERs is low and only a handful of CDM projects materialized in the Caribbean, any extra income for climate finance should be considered.

The following reasons are commonly cited about the question why there are only a few carbon offsetting projects in the Caribbean countries und thus very few CERs (or for that purpose also Voluntary Emission Reductions, VERs) have been generated:

- Country size: even if Caribbean countries bundled their projects the total amount of metric tons of $CO_2$ emissions will be comparable low (Caribbean countries emit 0.3% of $CO_2$ worldwide) and thus not be very attractive.
- Up-front development costs: despite the fact that exceptions have been made for SIDS, upfront costs are high also considering the uncertain ending of the application process.
- Complex administration: the application process is tedious and requires good experience in addition to a stringent project development process and maybe the bundling of projects.

The matter of carbon markets for the Caribbean is intensely discussed at the Latin American and Caribbean Forum.[24] Some of the most recent topics include carbon pricing options for Latin America and the Caribbean; the catalytic role of national development banks in scaling up private-sector investments; results-based finance; carbon taxing; cities and climate change; transport sector mitigation; and harnessing the potential of the Clean Development Mechanism (CDM) for closing the pre-2020 gap.[25]

**Access to finance:** Carbon related proposals

Finance for carbon projects are offered by the following three facilities:

**World Bank Carbon Funds and Facilities**,[26] which finance

- Upfront payments
- Covering of transaction costs

[24] http://www.latincarbon.com/2014/english/objective.htm

[25] Source: http://climate-l.iisd.org/news/latin-american-and-caribbean-forum-discusses-future-of-carbon-markets/.

[26] More information: http://www.worldbank.org/en/topic/climatechange/brief/world-bank-carbon-funds-facilities.

- Purchases of certified emission reductions

Accessible by domestic governments

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**EIB-KfW Carbon Programme II**

- Purchases of certified emission reductions from least developed countries
- Trade credits
- Emission Reductions Purchase Agreements (ERPAs)

Accessible by project developers

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**UNDP-MDG Carbon Facility**

- Purchases of certified emission reductions contributing to MDGs (millennium development goals)
- Partnerships with private sector and Governments

Accessible by domestic governments

## 3.3 International Sources

### 3.3.1 Multi- and Bilateral Resources

In the following international resources are introduced as an example of the most common finance vehicles. There is a large variety of options available, so the list does not intend to be complete. All of the introduced international sources are eligible to Caribbean countries in general. However, the national economic situation has to be examined individually to check availability and conditions.

**Official Development Assistance**

Bi- and multilateral resources (ODA) constitute the traditional development aid, focused on the objective to reach the Millennium Development Goals (MDGs), in which poverty reduction is the main element. Since climate change has begun to be a topic influencing the social and economic development of countries, DFIs also include climate change finance as a cross-cutting measure in their strategies. ODA support goes by sectors, like water, forestry, fishery, health, tourism, energy and – as discussed earlier – the financial and the private sector. Within these sectors, topics such as e.g. terrestrial ecosystems, disaster risk reduction, oceans and coastal areas will be included. In the Caribbean, the World Bank Group[27] and the Inter-American Development Bank are the most popular multilateral agencies.

**Box 3: World Bank Strategy for Organization of Eastern Caribbean States**

[27] The World Bank Group comprises the International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID).

The World Bank Regional Partnership Strategy (RPS) for the Organization of Eastern Caribbean States (OECS) has just been concluded. It covers the period from 2015 to 2019 and focusses on creating the conditions for sustainable and inclusive growth in Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. The lending volume is approximately USD 120 million. In addition, USD 92 million has been allocated to Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines from IDA, which comprises interest-free credits and grants.

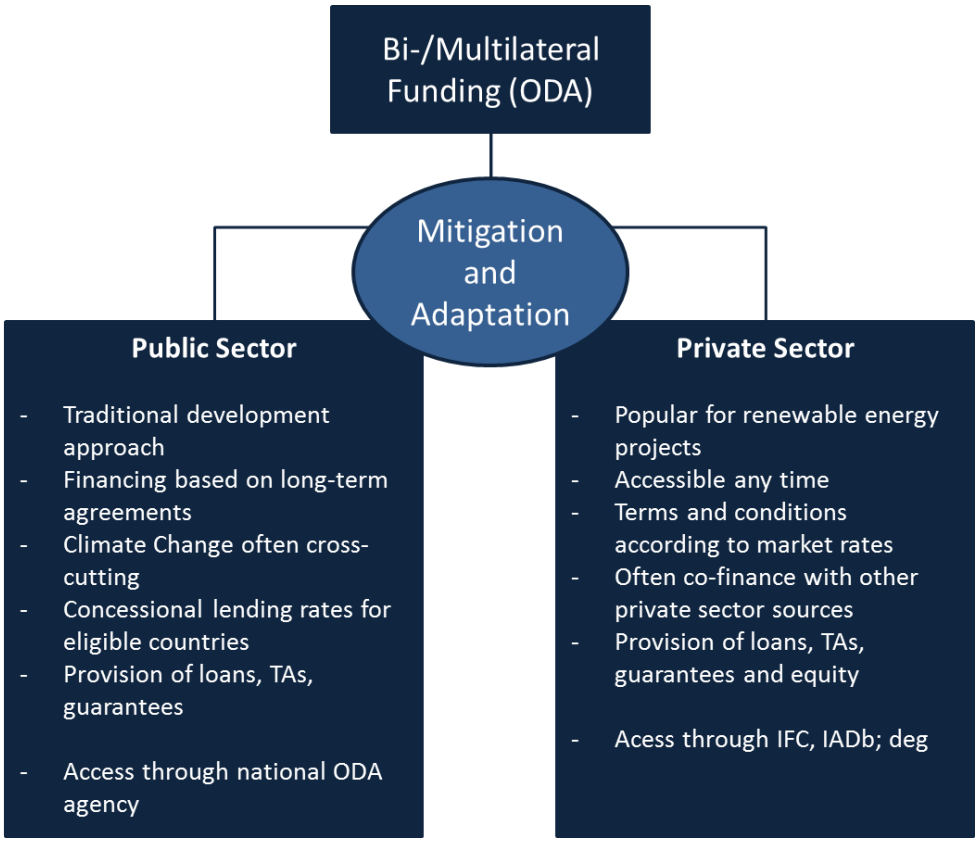
Source: http://www.worldbank.org/en/news/press-release/2014/11/13/world-bank-group-launches-new-regional-partnership-strategy.

Access to finance is based on bi- and multilateral country strategies that detail the sector, projects, time frame, national executing agent and the developmental input of the projects and programs to be financed. The negotiations are standard procedure and activities outside the agreed frame are difficult to include at a later stage. Receiver at the end of the country is one dedicated unit, often in the Ministry of Finance that allocates the funds to the pre-agreed ministries and projects. Since this is primarily public sector lending (sovereign lending) ultimately the national government is responsible for the repayment of loans. Internally there is often a repayment mechanism from the benefitting units. The modes of payment are grants, concessional loans, stand-alone and accompanying technical assistance (TA) and guarantees (see chapter IV instruments). The cost of funding depends on the country classification which benchmarks economic and social indicators.

**Funding for private sector projects**

Many bi-and multilaterals also have a private sector funding arm. These resources can be tapped by the eligible private sector any time, because projects are not included in the country strategy. Loans to private sector projects have to be repaid from the private sector without recourse to the government. Private sector projects funded through ODA require a non-objection letter by the government. The cost of lending is market-based. For example the Structured and Corporate Finance Department (SCF) of the IADB offer the following terms, which are similar to those of other providers: SCF finances between 25 percent and 40 percent of the total cost of a project, providing up to USD 200 million in financing. On an exceptional basis, it can increase its financing to up to USD 400 million. Technical assistance usually ranges between USD 100.000 and USD 1.5 million. In addition to loans, guarantees and TAs, private sector resources can provide equity.

Figure 11: ODA Public and Private Sector Funding[28]




**Climate funds of bi- and multilaterals[29]**

In addition to ODA bi- and multilaterals maintain specific climate change funds. These can be accessed outside the formal development aid, but are often linked to country agreements.

Bilateral climate funds are described below and an overview is presented in the attached table. Many of them are part of the so-called fast-track finance (FSF). All of the bilateral climate change funds require that the proposed project is part of the national climate plan. Most of the bilateral funds offer grants, concessional loans, TAs and sometimes guarantees and equity. Terms and conditions of bilateral funds vary and depend on the mode of finance, country consideration and directly project-related risks. Also the entry points are different, some require the national government to apply for funding and some allow the projects direct access.

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[28]* For further information on private sector funding by multilaterals please refer to http://www.ifc.org/wps/wcm/connect/region__ext_content/regions/latin+america+and+the+caribbean/contacts/lac+contacts,
https://www.deginvest.de/International-financing/DEG/Kontakt/,
http://www.iadb.org/en/resources-for-businesses/structured-and-corporate-finance-department,5761.html,
http://www.iadb.org/en/resources-for-businesses/multilateral-investment-fund,5763.html (for small businesses).

[29] Sources: All of the following information on funds are taken from the fund specific web sides and http://www.climatefundsupdate.org/the-funds as of 1.-3. May 2015.

**International Climate Fund (ICF)/UK**

| | |
|---|---|
| **Evaluation** | Global focus; larger project size; grants are mainly used under bilateral country program; NAMA finance possible, active in the Caribbean; suitability for Caribbean countries depends on bilateral agreements with UK and indebtedness of country. |

**International Climate Initiative (IKI) /Germany**

| | |
|---|---|
| **Evaluation** | Appropriate for pilot projects with up-scaling potential; used for more sophisticated projects in transition economies; project size suitable for small to medium sized economies; proposals for financing accepted annually through calls for proposal and therefor a good source for medium term planning. |

**International Forest Carbon Initiative (IFCI)/Australia**

| | |
|---|---|
| **Evaluation** | No activities in Latin-America and the Caribbean, strong linkage to feed into multilateral funds; access most likely not easy; currently little matching areas for the Caribbean countries. |

**Fast Start Finance - private and public sources/Japan**

| | |
|---|---|
| **Evaluation** | Focus on public sector finance if bilateral agreement is in place, intended project size medium to large , current suitability for the Caribbean countries medium to low. |

**International Climate and Forest Initiative (ICFI)/Norway**

| | |
|---|---|
| **Evaluation** | Mainly feeds into multilateral funds; possible chance via Guyana's REDD+ Investment Fund (GRIF) for similar projects; current other matching activities with Caribbean countries little. |

**Overview: Relevant Bilateral Climate Change Funds**

Table 2: Relevant Bilateral Climate Change Funds[30]

| Name | Focus area | Relevance | Access | Further information |
|---|---|---|---|---|
| **International Climate Fund (ICF)/ UK** | Adaptation, Mitigation – general, Mitigation – REDD<br><br>Noteworthy:<br>NAMA-support | *Public and private sector support ;<br>*Concessional loans and grants;<br>***Already active in the Caribbean**; | https://www.gov.uk/government/policies/taking-international-action-to-mitigate-climate-change/supporting-pages/international-climate-fund-icf<br><br>Access by national governments and private sector projects | Read: Implementation Plan 2011/12 – 2014/15<br>Technical Paper<br>https://www.gov.uk/government/publications/international-climate-fund-implementation-plan-2011-12-2014-15 |
| **International Climate Initiative (IKI)[31]/ Germany** | Adaptation, Mitigation – general, Mitigation – REDD | *Public and private sector;<br>*Concessional loans and grants;<br>***Various activities in the Caribbean** e.g.: Climate adaptation strategies and climate energy policy support in Grenada, climate | http://www.international-climate-initiative.com/en/<br>Administration of the ICI is carried out by a program office located at GIZ, and supported by KfW | http://www.international-climate-initiative.com/en/project-promotion/selection-procedure/ |

[30] Source: http://www.climatefundsupdate.org/listing: this website leads to available climate change funds.

[31] Example in the Dominican Republic: http://www.international-climate-initiative.com/en/projects/projects/details/developing-a-transformative-climatecompatible-development-plan-167/?b=4,4,61,0,1,1&kw=AOSIS.

| | | | | |
|---|---|---|---|---|
| | Noteworthy:<br>NAMA-support | risk adaptation and insurance (reg), climate resilient Eastern Caribbean marine | Access by non-governmental or governmental organizations, universities and research institutes, private-sector companies strategies | |
| **International Forest Carbon Initiative (IFCI)/ Australia**[32] | Mitigation – REDD | *Grants;<br>*Public sector;<br>***No projects in the region** | http://www.climatechange.gov.au/government/initiatives/international-forest-carbon-initiative.aspx<br>Australian Department of Climate Change and Energy Efficiency, and AusAID<br>Access by national governments | http://www.dfat.gov.au/geo/latin-america-caribbean/Pages/the-caribbean-region-brief.aspx |
| **Fast Start Finance - private and public sources/ Japan** | Adaptation, Mitigation - general, Mitigation - REDD | *Public and private sector;<br>*Grants, technical cooperation, concessional loans;<br>***No projects in the region** | http://www.faststartfinance.org/contributing_country/japan<br>Access by bilateral agreements through national government | also called FSF/Hatoyama Initiative; |
| **International** | Mitigation - | *primarily grant-based; | http://www.regjeringen.no/en/de | Example: |

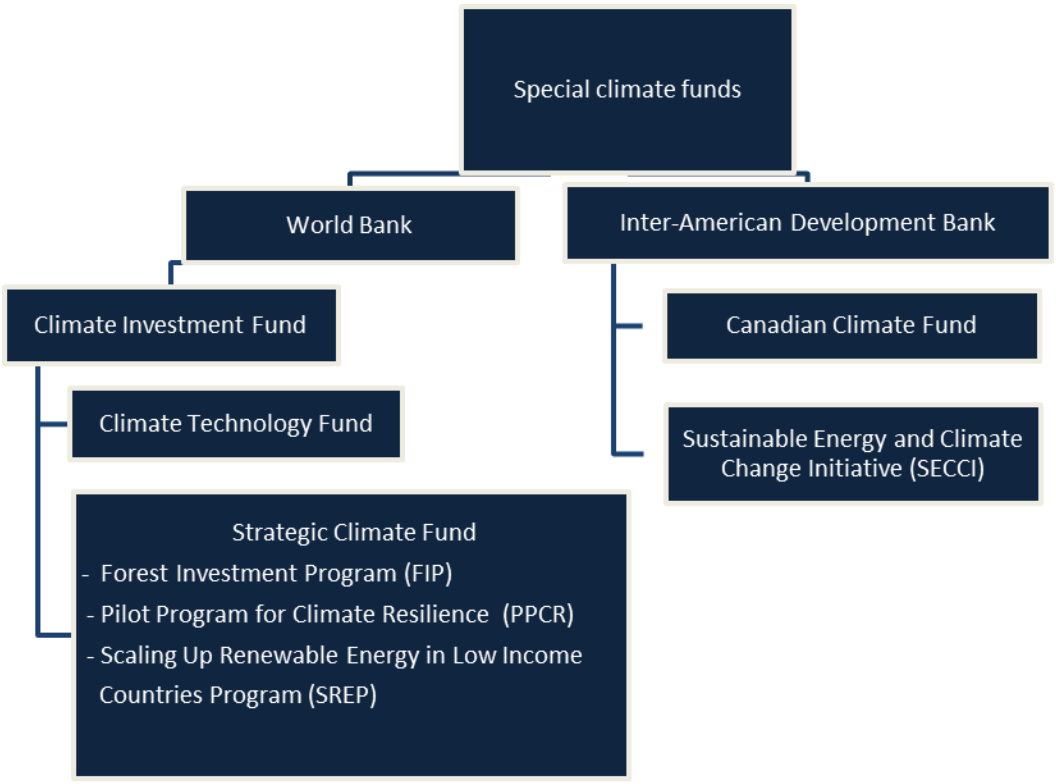
[32] In addition and outside climate change AUS Aid is supporting through the Small Activities Scheme (SAS) SIDS whose main focus is on poverty reduction. CC activities are included in many of the programs: http://unfccc.int/adaptation/workstreams/implementing_adaptation/items/4637.php.

| | | | | |
|---|---|---|---|---|
| **Climate and Forest Initiative (ICFI)/Norway** | REDD | *Public sector;<br>***No projects in the region** | p/md/Selected-topics/climate/the-government-of-norways-international-.html?id=548491<br><br>Access by bilateral agreement of national government | Guyana's REDD + Investment Fund (GRIF) http://www.guyanareddfund.org/ |

**Multilateral Climate Funds**

In the following the funds of multilaterals are briefly explained and compared in a table at the end.

Figure 12: Climate Change Funds of Multilaterals




World Bank administers the Climate Investment Fund (CIF), which comprises of two head funds – the Clean Technology Fund and the Strategic Climate Fund. CIF is also channeled through other DFIs such as IADB. The CIF and its sub-funds may cease to exist, once a new financial architecture under the UNFCCC is created (sunset-rule). Currently it is unclear if the new Green Climate Fund (GCF) established in 2012 at the UN Climate summit in Mexico will integrate the fund and its activities or will ask the fund to continue operation.

**The Clean Technology Fund (CTF)**

| | |
|---|---|
| **Evaluation** | Suitable for Caribbean countries in a regional context for projects which target e.g. a Caribbean specific technical issue (e.g. soil conditions). A pilot can be created in one country and replicated in others. Financing cost can already be included in the cost benefit analysis as most of the Caribbean countries would fall under the harder concessional terms. |

The Strategic Climate Fund (SCF) serves as an overarching framework for three specific programs:

- Forest Investment Program (FIP)
- Pilot Program for Climate Resilience (PPCR)
- Scaling Up Renewable Energy in Low Income Countries Program (SREP)

**Forest Investment Program (FIP)**

| | |
|---|---|
| **Evaluation** | Suitable for Caribbean countries that are ODA eligible, entry point for other REDD – UN activities. |

**Pilot Program for Climate Resilience (PPCR)**

| | |
|---|---|
| **Evaluation** | Priority will be given to highly vulnerable Least Developed Countries including the Small Island Developing States. |

**Scaling Up Renewable Energy in Low Income Countries Program (SREP)**

| | |
|---|---|
| **Evaluation** | High correlation with Caribbean countries for small scale projects on e.g. community levels, existing country portfolio. |

**Inter-American Development Bank**

**Sustainable Energy and Climate Change Initiative (SECCI)**

| | |
|---|---|
| **Evaluation** | Suitable for countries eligible for IADB funds, suitable for projects that consider the specific technical necessities of the Caribbean countries and have up-scaling potential. |

The Inter-American Development Bank (IADB) also announced the approval of USD 50 million for the Energy Efficiency Finance Facility[33] to finance companies making investments in energy efficiency and self-supply renewable energy projects in Latin America and the Caribbean. Focus is on small-scale projects, where borrowers often encounter high risk premiums, high collateral requirements and inadequate tenors. The facility is supported by finance from the Nordic Development Fund (NDF) for a counter guarantee and technical assistance facility.

The Canadian Climate Fund (C2F), administered by the IADB,[34] is a USD 250 million fund that co-finances climate-friendly private sector projects in Latin America and the Caribbean. It will co-finance, together with the IADB Group resources, private sector projects that require concessional loans or guarantees to be viable. Projects supported must mitigate greenhouse gas emissions or assist countries in adapting to climate change.

[33] http://www.iadb.org/en/news/news-releases/2013-04-12/energy-efficiency-facility,10412.html?WT.mc_id=NewsEmail_Long_10412&wtSrc=Email&wtType=Long&wtArticleID=10412

[34] www.iadb.org/C2F

**Relevant Multilateral Climate Funds**

Table 3: Relevant Multilateral Climate Funds

| Name | Focus area | Relevance | Access | Further information: |
|---|---|---|---|---|
| **World Bank Climate Investment Fund (CIF)**: CTF and SCF (Strategic Climate Fund) | | | | |
| **Clean Technology Fund (CTF)** | Mitigation: demonstration, deployment and transfer of low-carbon technologies | *Grants and concessional loans;<br>*Public and private sector;<br>*For private sector grouping of projects possible;<br>*No activities in the Caribbean yet;<br>*ODA-eligibility and active multilateral development bank country programs needed; | Inter-American Development Bank, World Bank Group,<br>Access by national governments; private sector projects | https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_Financing_Products_Terms_Public_Sector_Nov2013_0.pdf |
| **SCF – sub-funds** | | | | |
| **Forest Investment Program (FIP)** | Deforestation, and forest degradation (REDD), sustainable forest management protection of carbon reservoirs | *Requires national REDD readiness or equivalent strategies;<br>*Public and private sector;<br>*Concessional loans, grants and guarantees;<br>*Eight pilot countries were identified, but none in the Caribbean;<br>*ODA-eligibility and active multilateral development bank country programs | Inter-American Development Bank, World Bank Group<br>Access by national governments | www.climateinvestmentfunds.org/cif/node/5 |

| | | | | |
|---|---|---|---|---|
| | | needed; | | |
| **Pilot Program for Climate Resilience (PPCR)** | Programmatic finance for climate resilient national development<br><br>Noteworthy:<br>TA to integrate climate resilience into national and sectorial development plans | *Grant and concessional lending, may include guarantees and equity;<br>*Public and private sector;<br>***Disaster vulnerability projects in Dominica and Grenada, strategic planning in Haiti, in Jamaica adaptation;**<br>*Priority to SIDS; | Inter-American Development Bank, World Bank Group<br><br>By national governments | https://www.climateinvestmentfunds.org/cif/node/4 |
| **Scaling Up Renewable Energy in Low Income Countries Program (SREP)** | Renewable energy use and generation, specifically for proven "new" renewable energy technologies, technologies include solar, wind, bioenergy, and geothermal, as well as hydropower with capacities normally not exceeding 10MW per facility | *Grant and concessional lending, may include guarantees and equity;<br>*Eight pilot countries were identified, but none in the Caribbean;<br>*Microfinance available;<br>*Grid and off-grid electricity applications;<br>*Cooking and heating applications | Inter-American Development Bank, World Bank Group<br><br>Access by national governments and private sector projects | https://www.climateinvestmentfunds.org/cif/content/srep-semi-annual-operational-report-3;<br><br>criteria for country selection:<br>http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/March_criteria_for_selecting_pilots_SREP_031410.pdf |
| | | | | |

| **Funds of the Inter-American Development Bank** | | | | |
|---|---|---|---|---|
| **Canadian Climate Fund (2CF)** | Renewable energy, energy efficiency, biofuels, sustainable agriculture, forestry and land use, and adaptation<br><br>Noteworthy<br>Private sector only | *Overcome the cost risk expectations of private sector investors versus the costs and returns of clean energy, low carbon, and climate resilient projects;<br>*Projects must show climate benefits and financial additionality;<br>*Pricing on case to case basis;<br>*Unclear, if projects in the Caribbean have been co-financed; | How to apply:<br>http://www.iadb.org/en/structured-and-corporate-finance/c2f/how-to-apply,7682.html<br><br>By private sector projects | http://www.iadb.org/en/structured-and-corporate-finance/c2f/canadian-climate-fund-c2f-homepage,7657.html |
| **Sustainable Energy and Climate Change Initiative (SECCI)** | Energy, transportation, water and environmental sectors as well as building climate resilience | *Maximum amount per project USD 1.0 million;<br>*Beneficiary entity will share the financial costs up to 20% of total project cost;<br>*Public and private sector;<br>*grants;<br>*USD 750,000 for feasibility studies of biofuels production in Haiti, El Salvador, and the Dominican Republic; | Inter-American Development Bank<br><br>eligible institutions include<br>government ministries, climate change designated national authorities, planning agencies, public and private corporations, sub-national governments (regional, provincial, state and municipal), private project developers, NGOs, and academic and research institutions. | http://www.iadb.org/en/topics/climate-change/secci,1449.html |

### 3.3.2 Vertical Funds

#### Funds under the UNFCCC

Under the guidance of the UNFCCC [35],[36], the Financial Mechanism was founded to facilitate the agreement that developed countries shall provide financial resources to assist developing countries. The operation of the Financial Mechanism is partly entrusted to the Global Environment Facility (GEF). In addition four special funds were established: the Special Climate Change Fund (SCCF), the Least Developed Countries Fund (LDCF), the Green Climate Fund (GCF) and the Adaptation Fund (AF). The GCF is not yet fully operational. All UNFCCC funds require that proposals are new and additional. To allow up-scaling UNFCCC funds give "direct access", meaning that recipient countries can access these resources directly from the fund without going through a third party implementation agency.

#### GEF Trust Fund (5)

| | |
|---|---|
| **Evaluation** | Highly relevant for the Caribbean states as the current country portfolio shows; good for regional approaches, if the national level receives enough attention, strong on biodiversity in the Caribbean. |

#### GEF / Special Climate Change Fund (SCCF)

| | |
|---|---|
| **Evaluation** | Suitable for Caribbean states seeking disaster risk management support which is induced by adverse weather conditions as well as diseases effected by climate changes. |

Table 4: Distinction between GEF Trust Fund and SCCF

| **Criteria** | **GEF** | **SCCF** |
|---|---|---|
| Project must generate global benefits | yes | no* |
| Projects must generate adaptation benefits | no | yes* |
| Funding allocated according to Resource Allocation Framework | yes | no |
| Projects financed according to the "incremental cost" principle | yes | no* |
| * Technology Transfer for Mitigation projects are excepted. | | |

Incremental cost principle according to UNFCCC means the additional costs associated with transforming a project with national benefits into one with global environmental benefits.

[35] Source: http://unfccc.int/cooperation_and_support/financial_mechanism/items/2807.php.

[36] Source: http://www.climatefundsupdate.org/listing/gef-trust-fund.

**GEF / Least Developed Countries Fund (LDCF)**

| | |
|---|---|
| **Evaluation** | Useful for activities in Haiti |

**Adaptation Fund (AF)**

| | |
|---|---|
| **Evaluation** | Suitable and relevant to Caribbean states because direct access and access through multilateral channels possible, suitable mainly for ecosystem based approaches also referred to as Ridge to Reef; the Caribbean Development Bank (CDB) has an existing US$23.5 million Community Disaster Risk Reduction Trust Fund (CDRRF) that will provide grants to support community-based disaster risk reduction (DRR) and climate change adaptation demonstration projects.<br>See: http://climate-l.iisd.org/news/caribbean-development-bank-launches-drr-and-adaptation-fund/. |

**GEF / Small Grants Program (SPG)**

| | |
|---|---|
| **Evaluation** | Suitable for small scale project in the Caribbean, because the maximum grant amount per project is USD 50,000, but averages around USD 25,000. |

**Green Climate Fund (GCF)**

| | |
|---|---|
| **Evaluation** | Very important source for the years to come, national preparation to access finance should start soonest; Focus on SDIs; experience in working with Caribbean countries already.<br>"National/Regional/International Implementing Entity" has changed to "Accredited Entity". |

**Other climate funds**

**Global Climate Change Alliance (GCCA)**

| | |
|---|---|
| **Evaluation** | Focus on SIDS and LLDC; regional approaches can be supported; |

**Global Energy Efficiency and Renewable Energy Fund (GEEREF)**

| | |
|---|---|
| **Evaluation** | Suitable for Caribbean states with a strong private sector seeking funding for medium to large scale projects; existing €10 MGM Sustainable Energy Fund, a private equity fund providing equity and mezzanine financing to projects in the demand-side energy efficiency and renewable energy sectors in Colombia, Mexico, Central America and the Caribbean region. |

**Relevant UNFCCC and other Funds**

Table 5: Relevant UNFCCC and other Funds

| Name | Focus area | Relevance | Access through | Other: |
|---|---|---|---|---|
| **GEF Trust Fund** | Mitigation and sustainable economic development | *Grants and TAs;<br>*Project cycle, approval process and implementation clearly defined:<br>https://www.thegef.org/gef/project_cycle;<br>***Large Caribbean country portfolio** | GEF focal point for the Caribbean<br>http://www.gefcso.org/index.cfm?&menuid=27<br>Direct access possible through national accredited agencies (GEF Project Agencies); project must be endorsed by the country | www.thegef.org/gef/ |
| **Special Climate Change Fund/GEF** | Adaptation, Technology transfer, Mitigation in selected sectors: energy, transport, industry, agriculture, forestry and waste management; economic diversification. | *Grants and TAs;<br>*Private and public sector;<br>*Consistent with national priorities and programs and endorsed by the government a requirement;<br>*Small Island Developing States (SIDS) are prioritized;<br>*project size can be small, medium or large, but must focus on the 'additional costs' imposed by climate change on the development baseline<br>***Experience in Antigua**; | GEF focal point for the Caribbean<br>http://www.gefcso.org/index.cfm?&menuid=27<br>Access by national governments<br>Project preparation form (PIF) has to be prepared; Public sector eligible if World Bank borrower or if eligible recipient of UNDP technical assistance; | http://www.thegef.org/gef/SCCF<br>step by step approach:<br>http://www.thegef.org/gef/sites/thegef.org/files/publication/23470_SCCF.pdf |

| | | | | |
|---|---|---|---|---|
| **Least Developed Countries Fund/GEF** | Forestry<br>Agriculture<br>Adaptation<br>Disaster risk reduction<br><br>Noteworthy:<br>NAPA | *Grant, TAs,<br>*Focus on short-term urgent needs;<br>***Haiti has access the LDCF** | GEF focal point for the Caribbean<br>http://www.gefcso.org/index.cfm?&menuid=27<br><br>Access by national governments based on NAPAs | http://www.thegef.org/gef/ldcf |
| **Adaptation Fund (AF)** | Sectors ranging from agriculture and food security to coastal zones and urban areas. | *Eligible countries must be parties to the Kyoto Protocol;<br>*Focus on low-lying coastal and other small island countries;<br>*Grants<br>***Experience in the region: Jamaica** | Getting started<br>https://www.adaptation-fund.org/page/apply-for-funding<br><br>Access by a National Implementing Entity, a Regional Implementing Entity (both direct access), or a Multilateral Implementing Entity. | www.adaptation-fund.org<br><br>detailed explanation of how to access the AF:<br>http://unfccc.int/files/adaptation/application/pdf/project_cycle_and_approval_process.pdf |
| **Green Climate Fund (GCF)** | Mitigation, adaptation, private sector facilitation related to climate change<br><br>Noteworthy: | *Grant; loans<br>*Public and private sector;<br>*A no objection letter from the NDA / Focal Point is necessary;<br>*Focus on SIDS;<br>*Adaptation to play a major role;<br>***Already active in the Caribbean** | Not yet fully operational except<br>Readiness program: http://www.gcfund.org/fileadmin/00_customer/documents/Readiness/2014-11-28_GCF_Readiness_Overview.pdf | http://news.gcfund.org/ |

| | | | | |
|---|---|---|---|---|
| | NAPs | | National governments and NDAs/focal points (direct access)<br>Online registration:<br>http://www.gcfund.org/accreditation | |
| **GEF Small Grants Program (SGP)** | Energy (efficiency, renewable);<br>Transport;<br>Buildings | *Grant, maximum USD 50 000;<br>*Community-level strategies; *Community-level learning processes; *Partnerships and networks of stakeholders;<br>*** Experience in the Caribbean** | Access: Small Grants Program National Coordinator (in UNDP Country Office)<br>Sgp.info@undp.org<br>Access (direct) by Community-based organizations | |
| **Global Climate Change Alliance(GCCA)** | Mitigation, Adaptation, Disaster Risk Management, Carbon Market and Clean Development Mechanism | *Public and private sector;<br>*Grants;<br>*Focus on Least Developed Countries (LDCs) and Small Island Developing States (SIDS);<br>*Regional approaches possible;<br>***Experience in Jamaica (USD 5,3 million for DRM) and Eastern Caribbean region with an adaptation and land use** | EU-Delegation in the country<br>http://www.gcca.eu/about-the-gcca/how-to-participate/#gvtparticipate<br>Access by national governments NIEs preferred, | http://www.gcca.eu/ |

| | | | | |
|---|---|---|---|---|
| | | **program (USD 13 million**) | | |
| **Global Energy Efficiency and Renewable Energy Fund (GEEREF)** | Energy Efficiency and Renewable Energy<br><br>Noteworthy:<br>Private sector only | *Equity and mezzanine finance;<br>*Private sector only;<br>*Works as a feeder fund for private equity funds; | http://geeref.com/contact.html<br><br>Access by private equity funds and private sector projects | http://geeref.com/ |

# 4 Financial Instruments

Financial instruments are clearly targeted devices to intermediate between demand and supply of finance. They are standard instruments, which work for any kind of finance. What makes them "green" is the purpose they will be used for and the basis they are granted on. A loan will stay a lending instrument that requires repayment, but it will be granted for specific climate activities and is based on due diligence incorporating climate specific issues. Banks and other lending authorities have to include climate relevant due diligence in each and every investment decision. The ability to deliver financial instruments depends largely on the stability and progress of the financial sector and the banking sector specifically.

## 4.1 The Financial Sector

The financial sector in the Caribbean is characterized by its large off-shore banking sector which is only available to non-residents and thus plays merely an indirect role in climate finance. The domestic financial system is made up of mainly foreign and a few domestic banks, credit unions and insurance companies. The financial crisis of 2008-09 had a mixed but overall negative impact on Caribbean countries, despite high capitalization and profitability of some banks. Subsequently the quality of the loan portfolios deteriorated, but banks maintained sufficient liquidity. The same goes for the credit unions, only small ones were facing some critical challenges.

Insurance companies have recorded lower premiums and experienced a reduction in investment income in recent years, reflecting weaker demand for insurance and the difficulties experienced by policy holders in making payments under low economic growth. Also the collapse of the CL Financial Group had a negative impact.

Table 6: Overview Financial Sector in the Caribbean

**(1) Structure of Financial System: Total Assets (US$ millions)**

| | ECCU | Jamaica | Barbados | T&T | Bahamas | Belize | Guyana | Caribbean total |
|---|---|---|---|---|---|---|---|---|
| **Banks** | 9,509 | 7,268 | 5,768 | 17,891 | 12,100 | 1,319 | 1,590 | 55,445 |
| Local | 4,232 | 3,468 | 0 | N.A. | 2,800 | 449 | N.A. | 10,949 |
| Foreign | 5,277 | 3,800 | 5,768 | N.A. | 9,300 | 870 | N.A. | 25,015 |
| **Credit unions** | 682 | 803 | 730 | 1,524 | 300 | 306 | 21 | 4,366 |
| **Insurance companies** | 637 | 2,907 | 699 | 4,768 | 2,500 | 97 | 157 | 11,765 |
| **Securities firms** | N.A. | 5097 | N.A. | N.A. | N.A. | N.A. | N.A. | 5,097 |
| **Offshore banks** | 2,402 | N.A. | 47,390 | N.A. | 582,900 | 301 | N.A. | 632,993 |
| **Total** | 13,230 | 16,075 | 54,587 | 38,855 | 597,800 | 2,022 | 1,768 | 724,337 |

**(3) Structure of Financial System (Number of institutions)**

| | ECCU | Jamaica | Barbados | T&T | Bahamas | Belize | Guyana | Caribbean total |
|---|---|---|---|---|---|---|---|---|
| **Banks** | 40 | 7 | 7 | 8 | 8 | 5 | 6 | 81 |
| Local | 14 | 2 | 0 | 2 | 3 | 1 | 3 | 25 |
| Foreign | 26 | 5 | 7 | 6 | 5 | 4 | 3 | 56 |
| **Credit unions** | 57 | 44 | 35 | 129 | 10 | 13 | 25 | 313 |
| **Insurance companies** | 61 | 14 | 30 | 45 | 100 | 13 | 15 | 278 |
| **Offshore banks** | N.A. | N.A. | 54 | N.A. | 83 | 6 | N.A. | 143 |
| **Total** | >200 | 65 | 126 | 182 | 201 | 37 | 46 | 815 |

Source: http://www.imf.org/external/pubs/ft/wp/2013/wp13175.pdf#page=8.

All in all the financial sector is in the position to provide the usual standard financial instruments, also for climate change finance. However, state-owned banks are not very market-oriented and private banks cater for a limited number of well-established customers thus leaving room for the informal sector to grow, if credit unions are not able to fill the gap. Access to finance is still one of the main impediments for private sector development. In order for the banking sector to act as a financial intermediate and facilitate climate change finance a thorough analysis has to be undertaken as to the specific reasons why financing of the private sector is not sufficient. No detailed analysis has been undertaken, but the main reasons for banks not to lend are assumed to be

- Risk considerations
- Lack of collaterals[37]
- High cost of funds
- Lack of knowledge/unfamiliarity with climate change
- Lack of incentives

Given that access to finance without the climate component is already difficult, extra efforts have to be made to overcome this "add-on" difficulty.

## 4.2 Concessional and Non-Concessional Loans

Concessional loans are provided by DFIs and can be integrated into the national budget or utilized for projects and programs directly. The earlier allows a coherent targeted approached driven by national climate change plans. The latter is beneficial for large and long-term projects and programs. "Concessional" means that the terms and conditions are not market-based but have, for example, a longer maturity, lower interest and a longer grace period than what the commercial banking market would offer.

Loans can also be on grant basis meaning that funds are non-repayable. Grants would normally be provided for non-revenue earning activities, such as many of the adaptation programs e.g. disaster risk management and environmental preservation. Grants are also used for technical assistance which are short-term measures to prepare for larger loans, accompany implementation, capacity building and knowledge transfer.

Non-concessional loans are provided to the private sector. In times of excess liquidity in the financial market the question may arise why non-concessional loans are at all necessary. The reason is that the banking sector is conservative and risk-averse. When DFIs start funding a certain project, which is perceived to be risky, it has a pilot function and the expectation is that domestic banks will follow suit next time, when a similar project comes up. In reality it takes a longer period for domestic banks to understand and take up the full risk of larger projects. That is why co-financing has been introduced, where part of the funds are provided through the DFIs and part through the domestic/international banking sector.

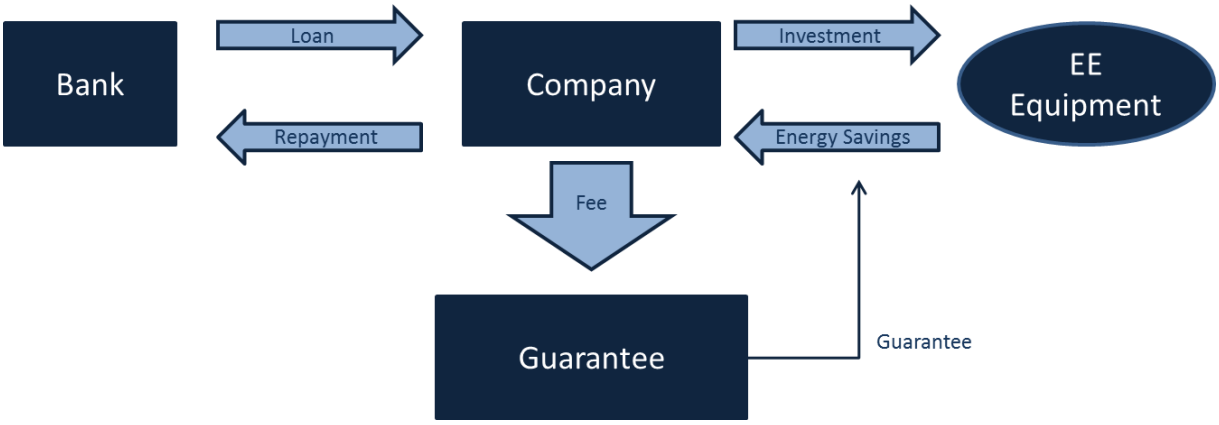
[37] Banks generally prefer using land and buildings as guarantees for loans, however in developing countries 3/4 of the business capital is in moveable assets, such as machines, equipment, crops, etc., thus often making it impossible to take up a loan.

## 4.3 Guarantees

Instead of co-financing, as described above, another option could be chosen in which a guarantee is issued to safeguard the specific risk that investors perceive. A guarantee can – for example – mitigate the risk that a renewable energy plant might not be able to repay the loan. An external party (the guarantor) will fulfill the obligation of the borrower (the renewable energy plant) to repay the loan to banks, if the company is unable to do so (default on its obligation). For this service the guarantor receives a fee. The guarantee is issued for a specific risk and is temporary.

Since climate related risks are an impediment to access finance for many private sector companies, guarantees can be developed that address exactly this risk. If e.g. a loan is provided to a private company that buys new energy efficient equipment in the hope to save energy costs, the insecurity of the bank if these savings (which will help the entrepreneur to repay the loan) will occur can be guaranteed. It will help the bank to gain confidence for similar loans, reduce the cost of finance and ease access to finance. Please note that the guarantee will not take the full repayment risk, but only that part which the bank perceives will come from energy savings. The bank continues to do their financial assessment on the overall credit-worthiness of the client.

Figure 13: Guarantee Instrument




Depending on the need for guarantees it can be considered to establish a guarantee fund, which would issue climate related guarantees for various kinds of climate related risks. To create and finance such a guarantee fund DFIs would be the best bet.

## 4.4 Insurance Instruments

Weather related disasters such as droughts, flooding and hurricanes have devastated the livelihoods of many people. Governments, companies and individuals alike suffer from the moral and financial effects of it. To transfer part the economic risk to specialists, insurance companies have come up with weather insurances. Insurance broker are highly specialized

risk managers. They calculate the probability of certain events and prepare projections and strategies. The Caribbean has been a central point of weather related insurance research.

In 2007 the Caribbean Catastrophe Risk Insurance Facility[38] was formed as the first multi-country risk pool in the world, and was the first insurance instrument to successfully develop parametric policies backed by both traditional and capital markets. CCRIF operates as a non-profit organization and countries have to become members.[39] It was designed as a regional catastrophe fund for Caribbean governments to limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity when a policy is triggered. CCRIF currently offers earthquake, tropical cyclone and excess rainfall policies to Caribbean governments (not to private companies) and will soon offer loan portfolio coverage to financial institutions in Caribbean countries. Countries buy coverage for a given year up to USD 100 million. There is no limit in terms of how many events a policy can cover. The real issue is the specific amount of coverage purchased relative to the impact of an event on a given country in a given year. The following payouts have been made:

Table 7: Insurance Payouts by CCRIF

| **Event** | **Country Affected** | **Payouts (USD)** |
|---|---|---|
| Earthquake, 29 November 2007 | Dominica | 528,021 |
| Earthquake, 29 November 2007 | Saint Lucia | 418,976 |
| Tropical Cyclone Ike, September 2008 | Turks and Caicos Islands | 6,303,913 |
| Earthquake, 12 January 2010 | Haiti | 7,753,579 |
| Tropical Cyclone Earl, August 2010 | Anguilla | 4,282,733 |
| Tropical Cyclone Tomas, October 2010 | Barbados | 8,560,247 |
| Tropical Cyclone Tomas, October 2010 | Saint Lucia | 3,241,613 |
| Tropical Cyclone Tomas, October 2010 | St Vincent & the Grenadines | 1,090,388 |
| Tropical Cyclone Gonzalo, October 2014 | Anguilla - Excess Rainfall Policy | 493,465 |

[38] Source and more information: http://www.ccrif.org/content/about-us.

[39] Member countries are: Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago, Turks & Caicos Islands.

| Event | Country Affected | Payouts (USD) |
|---|---|---|
| Trough System, 7-8 November 2014 | Anguilla | 559,249 |
| Trough System, 7-8 November 2014 | St. Kitts & Nevis | 1,055,408 |
| Trough System, 21 November 2014 | Barbados | 1,284,882 |
| **Total for the Period 2007 – 2014** | | **34,287,592** |

Source: CCRIF

For financial institutions and individuals the Munich Climate Insurance Initiative (MCII) developed two weather-index based risk insurance products. MCII is hosted at the United Nations University Institute for Environment and Human Security (UNU-EHS)[40] and linked to CCRIF. The Livelihood Protection Policy[41] protects against damage caused by strong winds and/or heavy rainfall during hurricanes and tropical storms.

The Loan Portfolio Cover (LPC)[42] provides a hedge for credit portfolios exposed to natural disaster risk. This way financial institutions, e.g. credit unions, cooperatives, etc., can consider loans to individuals and companies without calculating the cost of natural disasters as a risk premium into the cost of the loan. The LPC protects loan portfolios from climate shocks and eventual loan defaults and helps financial institutions to better manage their credit risk. At the same time it eases the access to finance for the private sector.

## 4.5 Leasing

Private sector finance has made good experience with leasing, especially of energy efficient equipment. The leasing firm can be a dedicated company or the manufacturing company itself. In the first case the leasing company buys the equipment, leases it to the end-user at a special rate and undertakes maintenance if necessary. This saves the end-user high upfront costs, and the leasing rate is designed to match the savings on the user's energy bill. Depending on the nature of the contract, at the end of the leasing period the appliance is either taken back by the leasing company or it stays in the ownership of the end-user. Leasing companies operate outside the banking sector in niche markets.

In the Caribbean, the Caribbean Leasing Company Ltd (CLCL),[43] a subsidiary of the Business Development Company (since 2001), is active in financial leases. The leasing

[40] Handbook on weather related insurance: http://www.ehs.unu.edu/file/get/11549.pdf.

[41] Factsheet: http://www.climate-insurance.org/upload/pdf/201304_MCII_Carib_LPP_factsheet.pdf.

[42] Factsheet: http://www.climate-insurance.org/front_content.php?idart=3640.

[43] More information: http://www.trinidadexpress.com/business-magazine/Leasing__the__affordable_alternative-162021205.html.

concept is therefore part of the financial instruments already. To enlarge the basic instruments in order to include climate finance, the special issues and risks have to be taken under consideration. Taking energy efficiency as an example, the purchase of an energy efficient air conditioning or refrigerator may be too large a sum for private sector clients to pay in one go. However, if the equipment were to be leased, the private household could afford it. In the best of all cases the leasing rate would match the savings in electricity the private households achieve and the possible financial incentive the government provides.

The following table tries to summarize the most common usage of the above described instruments. As with every categorization it has to be taken with a grain of salt as there are always exceptions from the rule.

Table 8: Assessment of Financial Instruments

| | **Grants** | **Concessional loans** | **Loans** | **Guarantees** | **Insurance** | **Leasing** |
|---|---|---|---|---|---|---|
| **Eligible parties** | | | | | | |
| ***private sector** | Ø | Ø | √ | √ | √ | √ |
| ***public sector** | √ | √ | √ | ∞, only political risk | Ø | ∞ |
| **Sources of Funds** | | | | | | |
| ***Domestic banks** | Ø | Ø | √ | √ | Ø | ∞ |
| ***ODA support directly or in support of** | √ | √ | √ | √ | √ | √ |
| ***Climate funds directly or in support of** | √ | √ | √ | √ | | ∞ |

| **Typical project examples (likely instruments)** | | | | | | |
|---|---|---|---|---|---|---|
| ***Energy efficiency in buildings** | √, for capacity building only | ∞ | √ | √, for banks to provide loans | Ø | √ |
| ***Data and information collecting** | √ | Ø | Ø | Ø | Ø | Ø |
| ***DRR[44]: early warning system** | √ | √ | ∞ | Ø | Ø | Ø |
| ***costal zone/coral reef management** | √ | √ | ∞ | Ø | Ø | Ø |
| ***agri: crop change, selection;** | √ | √ | ∞ | ∞, for banks to provide loans | √ | ∞, |
| ***fuel switch priv. industry** | Ø | Ø | √ | √, for banks to provide loans | Ø | √ |
| ***desalination plant/public** | √ | √ | √ | Ø | Ø | Ø |
| ***desalination plant private** | Ø | ∞ | √ | √ | Ø | Ø |

Ø : no, not possible

√: yes; possible

∞: unlikely; maybe

[44] DRR: disaster risk reduction.

# Acronyms

| | |
|---|---|
| AF | Adaptation Fund |
| AOSIS | Alliance of Small Island States |
| CARICOM | Caribbean Community |
| CDB | Caribbean Development Bank |
| CCCCC | Caribbean Community Climate Change Center (5C) |
| CCRIF | Caribbean Catastrophe Risk Insurance Facility |
| CDM | Clean Development Mechanism |
| CERs | Certified Emission Reduction |
| CIF | Climate Investment Fund |
| $CO_2$ | Carbon Dioxide |
| COP | Conference of Parties |
| CTF | Clean Technology Fund |
| DFIs | Development Finance Institutes |
| DRM | Disaster Risk Management |
| EIB | European Investment Bank |
| EU | European Union |
| FSF | Fast Start-Finance |
| FIP | Forest Investment Program |
| GCCA | Global Climate Change Alliance |
| GCF | Green Climate Fund |
| GEF | Global Environment Facility |
| GEEREF | Global Energy Efficiency and Renewable Energy Fund |
| GHG | Greenhouse Gas Emissions |
| GNI | Gross National Income |
| IADB | Inter-American Development Bank |
| ICF | International Climate Fund |
| ICFI | International Climate and Forest Initiative |
| ICI | International Climate Initiative |
| IEA | International Energy Authority |
| IFC | International Finance Institution |
| IFCI | International Forest Carbon Initiative |
| IP | Implementation Plan |
| LAC | Latin America and the Caribbean Countries |
| LDCs | Least Developed Countries |

| | |
|---|---|
| MDG | Millennium Development Goals |
| MOF | Ministry of Finance |
| MRV | Monitoring, Reporting and Verification |
| NAMA | National Appropriate Mitigation Action |
| NAPA | National Adaptation Programs of Action |
| NAP | National Adaptation Plans |
| NIE | National Implementation Agencies |
| NDA | National Designated Authorities |
| ODA | Official Development Assistance |
| OECD | Organization for Economic Cooperation and Development |
| PPCR | Pilot Program for Climate Resilience |
| PPP | Public-Private Partnership |
| REDD | Reducing Emission from Deforestation and Forest Degradation |
| SCF | Strategic Climate Fund |
| SCCF | Special Climate Change Fund |
| SECCI | Sustainable Energy and Climate Change Initiative |
| SGP | Small Grants Program |
| SIDS | Small Island Development States |
| SREP | Scaling up Renewable Energy Program |
| UN | United Nations |
| UNFCCC | United Nations Framework Convention and Climate Change |
| UNDP | United Nations Development Program |
| UNEP | United Nations Environmental Program |

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# Appendix

Appendix 1

| Domestic policy instruments and economic incentives | Energy | Transport | Buildings | Waste | Industry | Forestry | Agriculture |
|---|---|---|---|---|---|---|---|
| • Carbon tax | ✓ | ✓ | ✓ | ✓ | ✓ | (✓) | (✓) |
| • Energy emissions tax | ✓ | (✓) | (✓) | (✓) | (✓) | | |
| • Tax-free low-carbon development zones | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| • Investment tax credits | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Production tax credits | ✓ | | | | ✓ | (✓) | ✓ |
| • Environmental levies | | ✓ | ✓ | ✓ | ✓ | ✓ | |
| • Phase-out of fossil fuel subsidies | ✓ | ✓ | ✓ | | ✓ | | |
| • Production subsidies | ✓ | | | | ✓ | (✓) | ✓ |
| • Feed-in tariffs | ✓ | | | (✓) | | (✓) | (✓) |
| • Renewable energy access law | ✓ | | | | | | |
| • Project development grants | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Micro finance facility for climate-resilient practices | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| • Restructuring aid for industries | | | | | ✓ | | |
| • Smart metres/demand-side management | ✓ | | | | | | |
| • Public procurement | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Green power purchasing | ✓ | | | | | | |
| • Publicly funded venture capital | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Venture loan guarantees | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Mezzanine/subordinated debt funds | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • ‘First loss’ public equity position in funds | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Public-private technology funds | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| • Green bonds | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Loan softening | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Senior debt funds | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| • Public infrastructure funds | ✓ | ✓ | (✓) | (✓) | (✓) | | |
| • Technology insurance packages | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| • Green accounting | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • (Mandatory) labelling and standards | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Renewable fuel standards | ✓ | ✓ | ✓ | | | | |
| • Ecological footprint assessment | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Insurance programmes | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Interconnection policy | ✓ | | | | | | |
| • Line extension policy | ✓ | | | | | | |
| • Protection of innovation (patents) | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| • Best available technology requirements | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| • Building codes | | | ✓ | | | | |
| • Tolls for transport infrastructure | | ✓ | | | | | |
| • Parking fees | | ✓ | | | | | |
| • Public transport fares | | ✓ | | | | | |
| • Waste disposal fees | | | | ✓ | | | |
| • Renewable transport fuel obligations | | ✓ | | | | | |
| • Public benefit charges | ✓ | ✓ | | | | ✓ | ✓ |
| • Land zoning to protect sinks and public goods | | | | | | ✓ | ✓ |
| • Green certificates | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • Emission caps and trading schemes | ✓ | ✓ | ✓ | ✓ | ✓ | (✓) | (✓) |
| • Removal of trade barriers to climate technologies | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| • Technology transfer funds | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| • Export trade credits | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Source: Adapted from UNDP, *Catalysing Climate Finance*, 2011 and GIZ

Appendix 2: Detailed Information on Climate Funds

**International Climate Fund (ICF)/UK**

| | |
|---|---|
| **Content** | The International Climate Fund (ICF) is the primary channel of UK climate change finance. It became operational in 2011, and is designed to help developing countries adapt to climate change, embark on low carbon growth and tackle deforestation. |
| **Objectives** | The ICF aims to drive urgent action to tackle climate change by supporting low carbon growth and adaptation in developing countries. Specifically, the ICF has three objectives:<br>1. Demonstrate that low-carbon, climate resilient growth is not only feasible, but desirable<br>2. Support international climate change negotiations; and<br>3. Recognize that climate change offers new opportunities for private sector partnerships, innovation, and sustainable development.<br><br>These priorities have thematic foci on adaptation, low-carbon development, and forestry projects. |
| **Activities supported** | • Building global knowledge and evidence;<br>• Developing and scaling-up low-carbon and climate resilient programs;<br>• Building capacity in the public and private sectors and supporting country level action; and<br>• Mainstreaming climate change into UK development aid.<br>The ICF also supports strategic initiatives such as the Climate Public Private Partnership (CP3) and the Capital Markets Climate Initiative (CMCI). Both aim to catalyze private investment and climate finance flows to developing countries. |
| **Evaluation** | Global focus; larger project size; grants are mainly used under bilateral country program; NAMA finance possible, active in the Caribbean; suitability for Caribbean countries depends on bilateral agreements with UK and indebtedness of country. |

**International Climate Initiative (IKI) /Germany**

| | |
|---|---|
| **Content** | The International Climate Initiative (IKI) finances climate projects in developing and newly industrialized countries, as well as countries in transition economies. The IKI focuses on promoting a climate-friendly economy, measures for climate change adaptation and for the preservation or sustainable use of carbon reservoirs/Reducing Emissions from Deforestation and Forest Degradation (REDD). |
| **Objective** | The IKI finances and supports climate change mitigation, adaptation and biodiversity projects with climate relevance to help trigger private investments of a greater magnitude.<br>1. Promote a climate-friendly economy by supporting partner countries in establishing a climate-friendly economic structure that prevents climate-damaging greenhouse gas emissions; |

| | |
|---|---|
| | 2. Promote measures for climate change adaptation by supporting appropriate national programs in selected partner countries that are especially vulnerable to climate change; and<br>3. Promote and finance measures for preservation and sustainable use of carbon reservoirs/Reducing Emissions from Deforestation and Degradation (REDD). |
| **Activities supported** | • Building a climate-friendly economy<br>• This includes measures to reduce emissions, including energy efficiency and renewable energies projects.<br>• Adaptation to climate change<br>• This includes developing and implementing national adaptation strategies in partner countries.<br>• Conservation and sustainable use of natural carbon reservoirs/REDD+ (Reducing Emissions from Deforestation and Forest Degradation). |
| **Evaluation** | Appropriate for pilot projects with up-scaling potential; used for more sophisticated projects in transition economies; project size suitable for small to medium sized economies; proposals for financing accepted annually through calls for proposal and therefor a good source for medium term planning. |

**International Forest Carbon Initiative (IFCI)/Australia**

| | |
|---|---|
| **Content** | Australia's International Forest Carbon Initiative supports global efforts to establish a REDD+ mechanism under the UNFCCC. The Initiative enables Australia to find practical ways to reduce forest emissions. The Australian Government does not intend to set up a new fund or governance structure through IFCI, but will work through established channels of bilateral dialogue and cooperation at the international level. |
| **Objective** | 1. Building the capacity and "REDD+ readiness" of developing countries to enable participation in a future REDD+ mechanism;<br>2. Shaping a robust global REDD+ architecture, including credible systems for measurement, reporting and verification (MRV); and<br>3. Demonstrating REDD+ payment mechanisms, and promoting sustainable market-based approaches to REDD+ that can provide fair and effective benefits for communities. |
| **Activities supported** | The IFCI supports projects in selected developing countries (particularly, but not exclusively, in Indonesia and Papua New Guinea). Indonesia is a key partner country for the IFCI and is the site of several major initiatives including the Kalimantan Forests and Climate Partnership. |
| **Evaluation** | No activities in Latin-America and the Caribbean, strong linkage to feed into multilateral funds; access most likely not easy; currently little matching areas for the Caribbean countries. |

**Fast Start Finance - private and public sources/Japan**

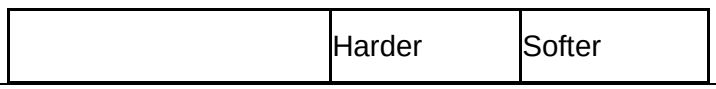
| | |
|---|---|
| **Content** | In December 2009, Japan announced the Hatoyama Initiative (now commonly referred to as the Fast-Start Financing), which pledged USD$15 billion in public and private financial assistance to help developing countries address climate change. |
| **Objective** | Japan's FSF aims to provide assistance to developing countries with existing efforts to reduce greenhouse gas emissions or who are particularly vulnerable to climate change, to enable them to achieve economic growth in ways that will contribute to climate stability. |
| **Activities supported** | Japan's FSF supports both mitigation and adaptation activities. Mitigation assistance may take the form of energy savings, increased energy efficiency technologies, and new, clean energy initiatives. Assistance for adaptation projects may include adaptation planning, forestry, rural electrification research, drought management, and co-benefit approaches. Approximately 50% of Japan's grant aid is focused on adaptation activities in Africa and Least Developed Countries (LDC). |
| **Evaluation** | Focus on public sector finance if bilateral agreement is in place, intended project size medium to large , current suitability for the Caribbean countries medium to low. |

**International Climate and Forest Initiative (ICFI)/Norway**

| | |
|---|---|
| **Content** | Norway's International Climate and Forest Initiative (NICFI) supports the development of the REDD+ international agenda and architecture. The ICFI's primary goal is to help establish a global, binding, long-term post-2012 regime that will ensure the necessary and sufficient cuts in global greenhouse gas emissions to limit global temperature rises to no more than 2°C. |
| **Objective** | 1. Work towards the inclusion of emissions from deforestation and forest degradation in a new international climate regime.<br>2. A key focus is to contribute to the development of a credible system for monitoring, assessment, reporting and verification.<br>3. Take early action to achieve cost-effective and verifiable reductions in greenhouse gas emissions.<br>4. In the preliminary phase, it is likely to focus on capacity building, where progress is measured against milestones for the capacity building process and not against emission reductions results which cannot reasonably be expected in the immediate term.<br>5. Promote the conservation of natural forests to maintain carbon storage capacity. |
| **Activities supported** | The NICFI supports activities that strengthen international cooperation on REDD. It focuses on the development of international finance and support systems through close cooperation with multilateral organizations. Specifically, the NICFI works to establish:<br>• Credible systems for monitoring, reporting and verification (MRV) of emissions reductions from deforestation and forest degradation, at national levels in partner countries, and at the international level. |

| | |
|---|---|
| | • Robust, effective and flexible international architecture to advance efforts in reducing deforestation and forest degradation. |
| **Evaluation** | Mainly feeds into multilateral funds; possible chance via Guyana's REDD+ Investment Fund (GRIF) for similar projects; current other matching activities with Caribbean countries little. |

**The Clean Technology Fund (CTF)**

| | |
|---|---|
| **Content** | Promotes scaled-up financing for demonstration, deployment and transfer of low-carbon technologies with significant potential for long-term greenhouse gas emissions savings. |
| **Objective** | The Clean Technology Fund (CTF) seeks to promote scaled-up financing for demonstration, deployment and transfer of low-carbon technologies with significant potential for long-term greenhouse gas emissions savings. It aims to:<br>1. Provide positive incentives, through public and private sector investments, for the demonstration of low carbon development and mitigation of greenhouse gas emissions;<br>2. Fund low carbon programs and projects that are embedded in national plans and strategies, scaling up development and accelerating the diffusion and transfer of clean technologies;<br>3. Realize environmental and social co-benefits, illustrating the potential for low-carbon technologies in contributing to sustainable development and the Millennium Development Goals;<br>4. Support international cooperation on climate change;<br>5. Utilize skills and capabilities of the MDBs to raise and deliver new and additional resources, including official and concessional funding, at significant scale; and<br>6. Share experiences and lessons learned in responding to climate change challenges. |
| **Activities supported** | Activities supported by the CTF include programs within the:<br>• Power Sector: renewable energy and highly efficient technologies to reduce carbon intensity;<br>• Transport Sector: efficiency and modal shifts; and<br>• Energy Efficiency: buildings, industry, and agriculture<br>Options include programs and large-scale projects at:<br>• Sectorial or sub-sectorial levels in a given country;<br>• Sub-national levels, focusing activity on particular provinces/states/municipalities; and<br>• Regional levels, particularly where regional cooperation is required.<br>• Additionally, there are options for private sector engagement or public-private partnerships. |
| **Terms and Conditions** | Terms and conditions are publicly available:<br>  |

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|---|---|---|---|
| | | concessional | concessional |
| | Maturity (years) | 20 | 40 |
| | Grace period (years) | 10 | 10 |
| | Principal repayments (Yr 11-20) | 10% | 2% |
| | Principal repayments (Yr 20-40) | N/A | 4% |
| | MDB Fee | 0.18% | 0.18% |
| | Service Charge Fiscal Year 09-10 | 0.75% | 0.25% |
| | Grant Element | 45% | 75% |
| | Source: https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_Financing_Products_Terms_Public_Sector_Nov2013_0.pdf. | | |
| **Evaluation** | Suitable for Caribbean countries in a regional context for projects which target e.g. a Caribbean specific technical issue (e.g. soil conditions). A pilot can be created in one country and replicated in others. Financing cost can already be included in the cost benefit analysis as most of the Caribbean countries would fall under the harder concessional terms. | | |

The Strategic Climate Fund (SCF) serves as an overarching framework for three specific programs:

- Forest Investment Program (FIP)
- Pilot Program for Climate Resilience (PPCR)
- Scaling Up Renewable Energy in Low Income Countries Program (SREP)

**Forest Investment Program (FIP)**

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| **Content** | The FIP aims at reducing deforestation and forest degradation (REDD) and promotes sustainable forest management that leads to emission reductions and the protection of carbon reservoirs. |
| **Objective** | The FIP is designed to support developing countries' REDD efforts and promote sustainable forest management through four main objectives:<br>• Initiate and facilitate transformational change in developing countries' forest related policies and practices, by:<br>○ Facilitating the leveraging of additional and sustained |

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| | financial resources for REDD, including through a possible UNFCCC forest mechanism, leading to an effective and sustained reduction of deforestation and forest degradation, and enhancing the sustainable management of forests;<br>○ Piloting replicable models to generate understanding and learning of the links between the implementation of forest-related investments, policies and measures and long-term emission reductions and conservation, sustainable management of forests and the enhancement of forest carbon stocks in developing countries.; and<br>○ Providing valuable experience and feedback in the context of the UNFCCC deliberations on REDD. |
| **Activities supported** | Activities supported by the FIP include:<br>• Investments that build institutional capacity, forest governance and information;<br>• Investments in forest mitigation efforts, including forest ecosystem services; and<br>• Investments outside the forest sector necessary to reduce the pressure on forests such as alternative livelihood and poverty reduction opportunities.<br>• FIP investments also mainstream climate resilience considerations and contribute to multiple co-benefits such as biodiversity conservation, protection of the rights of indigenous peoples and local communities, and poverty reduction through rural livelihoods enhancement. |
| **Evaluation** | Suitable for Caribbean countries that are ODA eligible, entry point for other REDD – UN activities. |

**Pilot Program for Climate Resilience (PPCR)**

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| **Content** | The PPCR aims to pilot and demonstrate ways in which climate risk and resilience may be integrated into core development planning and implementation by providing incentives for scaled-up action and initiating transformational change. |
| **Objective** | The PPCR is designed to provide programmatic finance for climate resilient national development plans with four main objectives:<br>1. Pilot and demonstrate approaches for integration of climate risk and resilience into development policies and planning;<br>2. Strengthen capacities at the national levels to integrate climate resilience into development planning;<br>3. Scale-up and leverage climate resilient investment, building on other on-going initiatives; and<br>4. Enable learning-by-doing and sharing of lessons at country, regional and global levels. |
| **Activities supported** | • Funding for technical assistance to enable developing countries to build upon existing national work to integrate climate resilience into national and sectorial development plans.<br>• Funding public and private sector investments identified in national or sectorial development plans or strategies and addressing climate. |

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| | resilience. |
| **Evaluation** | Priority will be given to highly vulnerable Least Developed Countries including the Small Island Developing States. |

**Scaling Up Renewable Energy in Low Income Countries Program (SREP)**

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| **Content** | The SREP is designed to demonstrate the economic, social and environmental viability of low carbon development pathways in the energy sector in low-income countries. It aims to help low-income countries use new economic opportunities to increase energy access through renewable energy use. |
| **Objective** | The SREP is designed to demonstrate the economic, social and environmental viability of low carbon development pathways in the energy sector in low-income countries. It aims to achieve five main objectives:<br>• Assist low income countries foster transformational change to low carbon pathways by exploiting renewable energy potential;<br>• Highlight economic, social and environmental co-benefits of renewable energy programs;<br>• Help scale up private sector investments to achieve SREP objectives;<br>• Enable blended financing from multiple sources to enable scaling up of renewable energy programs; and<br>• Facilitate knowledge sharing and exchange of international experience and lessons. |
| **Activities supported** | SREP provides financing for renewable energy use and generation, specifically for proven "new" renewable energy technologies. For the purposes of SREP, new renewable energy technologies include solar, wind, bioenergy, and geothermal, as well as hydropower with capacities normally not exceeding 10MW per facility.<br><br>SREP also supports complementary technical assistance as this is considered essential for transformative and enduring change and country engagement and ownership. Technical assistance includes support for planning and pre-investment studies, policy development, legal and regulatory reform, business development and capacity building (including for knowledge management and monitoring and evaluation). |
| **Evaluation** | High correlation with Caribbean countries for small scale projects on e.g. community levels, existing country portfolio. |

**Inter-American Development Bank**

**Sustainable Energy and Climate Change Initiative (SECCI)**

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| **Content** | Centered on the provision of comprehensive sustainability options in areas related to the energy, transportation, water and environmental sectors as well as building climate resilience in key priority areas vulnerable to the |

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| | impacts of climate change. |
| **Objective** | Support of four basic pillars:<br>• Renewable Energy and Energy Efficiency<br>• Sustainable Biofuel Development<br>• Access to Carbon Markets<br>• Adaptation to Climate Change |
| **Activities supported** | Increase technical and scientific capacity and knowledge in areas related to the four SECCI pillars, including market and demand issues, land use and environmental impact, regulations and pricing, logistics and distribution, and potential impacts on jobs and food prices.<br>(long list of information under: http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35347205) |
| **Evaluation** | Suitable for countries eligible for IADB funds, suitable for projects that consider the specific technical necessities of the Caribbean countries and have up-scaling potential. |

**GEF Trust Fund (5)**

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| **Content** | The Global Environment Facility Trust Fund supports the implementation of multilateral environmental agreements, and serves as a financial mechanism of the UN Framework Convention on Climate Change. It is the longest standing dedicated public climate change fund. |
| **Objective** | The GEF aims to help developing countries and economies in transition to contribute to the overall objective of the United Nations Framework Convention on Climate Change (UNFCCC) to both mitigate and adapt to climate change, while enabling sustainable economic development. The GEF is intended to cover the incremental costs of a measure to address climate change relative to a business as usual base line. |
| **Activities supported** | Climate Change Mitigation: Reducing or avoiding greenhouse gas emissions in the areas of renewable energy; energy efficiency; sustainable transport; and management of land use, land-use change and forestry (LULUCF).<br><br>Climate Change Adaptation: Supporting developing countries to become climate-resilient by promoting both immediate and longer-term adaptation measures in development policies, plans, programs, projects, and actions.<br><br>All adaptation related work for the GEF-5 2010–14 cycle is to be financed through the LDCF and SCCF. The activities supported by GEF 5 are in accordance to its 6 strategic objectives to promote and support: demonstration, deployment, and transfer of innovative, low-carbon technologies. |
| **More information** | Projects are expected to achieve the following objectives:<br>• Market transformation for energy efficiency in the industrial and buildings sectors |

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| | • Investment in renewable energy technologies<br>• Energy-efficient, low-carbon transport and urban systems<br>• Conservation and enhancement of carbon stock through sustainable management of land use, land-use change, and forestry<br>• Enabling activities and capacity building |
| **Evaluation** | Highly relevant for the Caribbean states as the current country portfolio shows; good for regional approaches, if the national level receives enough attention, strong on biodiversity in the Caribbean. |

**GEF / Special Climate Change Fund (SCCF)**

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| **Content** | The Special Climate Change Fund (SCCF) covers the incremental costs of interventions to address climate change relative to a development baseline.<br>Adaptation to climate change is the top priority of the SCCF, although it can also support technology transfer and its associated capacity building activities. The SCCF is administered by the Global Environment Facility. |
| **Objective** | To support adaptation and technology transfer projects. Programs are to be country-driven, cost-effective and integrated into national sustainable development and poverty-reduction strategies; and also take into account national communications and other relevant studies. |
| **Activities supported** | The SCCF has two active windows (1) Adaptation and (2) Transfer of technologies.<br>Its governing instrument also allows it to support (3) projects on energy, transport, industry, agriculture, forestry, and waste management; and (4) activities to assist developing countries whose economies are highly dependent on income generated from the production, processing, and export or on consumption of fossil fuels and associated energy-intensive products in diversifying their economies. |
| **Evaluation** | Suitable for Caribbean states seeking disaster risk management support which is induced by adverse weather conditions as well as diseases effected by climate changes. |

Table 4: Distinction between GEF trust fund and SCCF

| **Criteria** | **GEF** | **SCCF** |
|---|---|---|
| Project must generate global benefits | yes | no* |
| Projects must generate adaptation benefits | no | yes* |
| Funding allocated according to Resource Allocation Framework | yes | no |
| Projects financed according to the | yes | no* |

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| "incremental cost" principle | | |
| * Technology Transfer for Mitigation projects are excepted. | | |

Incremental cost principle according to UNFCCC means the additional costs associated with transforming a project with national benefits into one with global environmental benefits.

**GEF / Least Developed Countries Fund (LDCF)**

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| **Content** | The Least Developed Countries Fund (LDCF) was established to meet the adaptation needs of least developed countries (LDCs). Specifically the LDCF has financed the preparation and implementation of National Adaptation Programs of Action (NAPAs) to identify priority adaptation actions for a country based on existing information. |
| **Objective** | The LDCF aims to address the needs of the 48 LDCs which are particularly vulnerable to the adverse impacts of climate change. As a priority, the LDCF supports the preparation and the implementation of the National Adaptation Programs of Action (NAPAs), which are country-driven strategies that identify the immediate needs of LDCs in order to adapt to climate change. |
| **Activities supported** | The LDCF supports the preparation of NAPAs wherein supports LDCs to identify priority activities that respond to their urgent and immediate needs to adapt to climate change. It can also fund NAPA implementation, including the design, development, and implementation of projects on the ground. |
| **Evaluation** | Useful for activities in Haiti |

**Adaptation Fund (AF)**

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| **Content** | The Adaptation Fund[45] has been established to finance concrete adaptation projects and programs in developing country, which are parties to the KP. The Fund is financed by a share of proceeds from the Clean Development Mechanism (CDM) project activities as well as by voluntary pledges of donor governments. |
| **Objective** | The AF aims to support concrete adaptation activities that reduce the adverse effects of climate change facing communities, countries, and sectors. |
| **Activities supported** | • Water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems;<br>• Improving the monitoring of diseases and vectors affected by climate change, and related forecasting and early-warning systems, and in |

[45] Links for practitioners how to access adaptation funds/web-based tools, http://unfccc.int/adaptation/workstreams/implementing_adaptation/items/6082.php.

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| | this context improving disease control and prevention;<br>• Supporting capacity building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters relating to climate change;<br>• Strengthening existing and, where needed, establishing national and regional centers and information networks for rapid response to extreme weather events, utilizing information technology as much as possible. |
| **More information** | Jamaica has run through the process of registering as an accredited National Implementing Entity and is now one of<br>• 15 National Implementing Entities (NIE)<br>• 2 Regional Implementing Entities (RIE)<br>• 10 Multilateral Implementing Entities (MIE)<br><br>The process took about one year from 2009 to 2010. Crucial was Jamaica's National Development Plan (Vision 2030) in which climate change adaptation and disaster risk management are major goals. To achieve and implement it new avenues had to be explored despite the fact that in the past the country had been recipient of mitigation as well as for adaptation funding from various sources, including IADB/SECCI (USD 35 million) and PPCR (USD 25 million). The AF approved another USD 10 million. |
| **Evaluation** | Suitable and relevant to Caribbean states because direct access and access through multilateral channels possible, suitable mainly for ecosystem based approaches also referred to as Ridge to Reef; the Caribbean Development Bank (CDB) has an existing US$23.5 million Community Disaster Risk Reduction Trust Fund (CDRRF) that will provide grants to support community-based disaster risk reduction (DRR) and climate change adaptation demonstration projects.<br>See: http://climate-l.iisd.org/news/caribbean-development-bank-launches-drr-and-adaptation-fund/. |

**GEF / Small Grants Program (SPG)**

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| **Content** | Providing financial and technical support to projects that conserve and restore the environment while enhancing people's well-being and livelihoods, SGP demonstrates that community action can maintain the fine balance between human needs and environmental imperatives. |
| **Objective** | Prevent environmental degradation such as the destruction of ecosystems and the species that depend upon them, increasing levels of carbon dioxide and other greenhouse gases in our atmosphere, pollution of international waters, land degradation and the spread of persistent organic pollutants. |

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| **Activities supported** | SGP grants are made directly to community-based organizations (CBOs) and non-governmental organizations (NGOs) in recognition of the key role they play as a resource and constituency for environment and development concerns[46]. |
| **Evaluation** | Suitable for small scale project in the Caribbean, because the maximum grant amount per project is USD 50,000, but averages around USD 25,000. |

**Green Climate Fund (GCF)**

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| **Content** | The GCF was founded in 2010 and is poised to become the fund for channeling international climate finance. Up to the end of 2014 over USD 10 billion were pledged. The fund will have a window for mitigation and adaptation and a private sector facility. 50% of all resources are committed to adaptation and of this another 50% is targeted at vulnerable countries, in particular to LDCs, SIDS and African States. World Bank will act as the interim trustee to the fund. While the GCF is not yet fully operational, preparation processes have already started. |
| **Objective** | The Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. |
| **Activities supported** | The GCF will support projects, programs, policies and other activities in all developing country parties to the UNFCCC. The GCF will finance activities to both enable and support adaptation, mitigation (including REDD+), technology development and transfer (including CCS), capacity-building and the preparation of national reports. Countries will also be supported in the pursuit of project-based and programmatic approaches in accordance with strategies and plans (such as low-emission development strategies, Nationally Appropriate Mitigation Actions, National Adaptation Plans of Action, National Adaptation Plans and others).<br><br>Currently:<br>The Fund's Readiness and Preparatory Support Program accelerates access to funding by helping to put in place the mandatory requirements. The following activities will be supported:<br>1. Select a NDA or focal point;<br>2. Define a strategy framework for interaction with the fund, building |

[46] Check eligibility: https://sgp.undp.org/index.php?option=com_content&view=article&id=274&Itemid=209#.VNYyIPmG91Y.

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| | on national policies progress to date;<br>3. Select intermediaries or implementing entities for projects and programs;<br>4. Develop an initial pipeline of programs and project proposal<br><br>19 SIDS have already nominated a focal point or National Designated Authority (NDA). Antigua and Belize have in addition requested for readiness support to create strategic frameworks and accreditation of national implementing entities (NIEs). |
| **Evaluation** | Very important source for the years to come, national preparation to access finance should start soonest; Focus on SDIs; experience in working with Caribbean countries already.<br>"National/Regional/International Implementing Entity" has changed to "Accredited Entity". |

**Other climate funds**

**Global Climate Change Alliance (GCCA)**

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| **Content** | Initiative of the European Union. Its overall objective is to build a new alliance on climate change between the European Union and the poor developing countries that are most affected and that have the least capacity to deal with climate change. The GCCA does not intend to set up a new fund or governance structure, but is working through the European Commission's established channels for political dialogue and cooperation at national and international level. |
| **Objective** | The five GCCA priority areas include:<br>1. Mainstreaming climate change into poverty reduction and development strategies<br>2. Adaptation, building on the National Adaptation Programmes of Action (NAPAs) and other national plans<br>3. Disaster risk reduction (DRR)<br>4. Reducing emissions from deforestation and forest degradation (REDD)<br>5. Enhancing participation in the Global Carbon Market and Clean Development Mechanism (CDM) |
| **Activities supported** | Platform for dialogue and cooperation:<br><br>The GCCA fosters dialogue between the EU and developing countries on climate policy. It also supports exchange of experience on practical approaches to integrate climate change into development policies and budgets, recognizing that developing countries often face similar climate change issues.<br><br>Technical and financial support: |

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| | • Mainstreaming climate change into poverty reduction and development efforts<br>• Adaptation<br>• Reducing emissions from deforestation and forest degradation (REDD):<br>• Enhancing participation in the global carbon market:<br>• Disaster risk reduction (DRR): |
| **Evaluation** | Focus on SIDS and LLDC; regional approaches can be supported; |

**Global Energy Efficiency and Renewable Energy Fund (GEEREF)**

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| **Content** | The Global Energy Efficiency and Renewable Energy Fund (GEEREF) is a Public-Private Partnership (PPP) designed to maximize the private finance leveraged through public funds managed by the European Investment Bank. GEEREF is structured as a fund of funds, and invests in private equity sub-funds that specialize in financing small and medium-sized project developers and enterprises (SMEs) to implement energy efficiency and renewable energy projects in developing countries and economies in transition. The focus is on infrastructure projects that generate clean power through proven technologies with low risk. |
| **Objective** | The GEEREF aims to:<br>• Obtain benefits from accelerated deployment of energy efficiency and renewable energy technologies.<br>• Achieve high leverage of public finance by offering preferential returns to private funds.<br>• Achieve high degree of financial sustainability. |
| **Activities supported** | The fund seeks to invest<br>• 70% of committed capital in energy efficiency (residential sector: consumer financing for green appliances; commercial sector: hotels, hospitals, other large buildings; municipal sector: street lighting); and<br>• 30% in renewable energy (proven technologies including hydro expansion/rehabilitation, solar and wind). |
| **Evaluation** | Suitable for Caribbean states with a strong private sector seeking funding for medium to large scale projects; existing € 10 MGM Sustainable Energy Fund, a private equity fund providing equity and mezzanine financing to projects in the demand-side energy efficiency and renewable energy sectors in Colombia, Mexico, Central America and the Caribbean region. |