

Enhancing Access to Climate Funds

4 Dutch Water Sector

To provide insight in funding opportunities for climate adaptation projects for the Dutch Water Sector

Final Report

Rotterdam, 7 July 2016



Enhancing Access to Climate Funds 4 Dutch Water Sector

To provide insight to the Dutch water sector in funding opportunities for climate adaptation projects

Client: (Partners for Water Programme)

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Rotterdam, 7 July 2016

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1 Introduction

In the recent years there has been a strong increase in finance for climate action, both mitigation and adaptation. Under last November's Paris Climate Agreement (COP 21) US\$100 billion per year by 2020 has been committed to take action upon the origins and consequences of climate change. On the one hand this is reflected in the establishment of an increasing number of climate funds. On the other a clear trend is observed among local, regional, national, and intergovernmental institutions to gear budgets towards climate action. This process can be observed at multilateral development banks, national development banks, the European Union, and national governments.

Each of the climate funds and climate budgets have different managing authorities, purposes and implementation schemes, eligibility rules, and financial instruments. Several initiatives made an attempt to capture these funds and their specificities, of which the [climate funds update](#) is the best known. There remains, however, a lack of insight how these funds function and how they can be accessed.

These climate funds and budget form a grand opportunity for the Dutch Water Sector to access new markets and export its knowledge, by investing and implementing international climate adaptation projects. To support the Dutch Water Sector in exploiting this opportunity, this brochure addresses the information gap, providing a comprehensive overview of the relevant climate adaptation funds, budgets and programs through which the Dutch Water sector could access funding for climate adaptation projects.

Content of Brochure

1. The six largest and most relevant global climate funds with a description on the funds' management, its priority and focus areas, the type of finance it provides, eligible candidates, and the contact details of the fund;
2. An overview of the five most relevant agencies through which the Dutch water sector can apply to the global climate funds;
3. An overview of the most prominent European initiatives to fund climate adaptation projects;
4. An brief overview of Dutch initiatives funding climate adaptation related projects.

This brochure is the starting point for organizations in the Dutch water sector (and beyond) to explore financial opportunities for international climate adaptation projects.

2 Inventory of Climate Funds

2.1 Global Climate Funds

Slimming down the extensive list of funds and donors financing both climate mitigation and adaptation projects, this brochure highlights six Global Climate Funds most relevant for the Dutch Water Sector. These funds have been selected based on their size, sole focus on climate adaptation, the relevance of their program areas for the Dutch Water Sector, and the fact organizations of the Dutch Water Sector are eligible to apply either directly to the funds or indirectly via a fund's accredited agency. This section provides an overview of the six selected funds.

Green Climate Fund

The most prominent of the global financial mechanisms is the Green Climate Fund (GCF), established in 2011 based upon the UN Framework Convention on Climate Change (UNFCCC). The GCF, managed from its headquarters in Seoul in South Korea, became fully operational in 2015 and is currently supporting eight projects worldwide with \$167.9 million. The GCF's donors have currently committed \$9.9 Billion for GCF. GCF will provide equal (50%/50%) funding for climate mitigation and adaptation projects submitted to the secretariat through its 33 accredited agencies. A list of the accredited agencies can be found on the GCF website (<http://www.greenclimate.fund/home>). The accredited agencies will function as intermediary organisations mandated for submitting project applications to GCF and transferring the funds to the selected beneficiaries. In the Netherlands FMO and SNV are expected to be accredited by late autumn 2016. Other accredited agencies are government institutions, International Financing Institutions (IFI's) such as World Bank, African Development Bank, German Development Bank KfW, NGOs, and private sector entities.

The procedure is envisaged as follows. The GCF secretariat (in Seoul) receives a project application from an accredited agency and ratifies whether it fulfils the conditions and includes a statement of No-objection by the National Designated Authorities (NDAs). During this process the secretariat provides its comments and recommendations to the accredited agency (applicant). Subsequently the funding proposal is submitted to the GCF Board- consisting of 24 members, which approves or rejects the proposal in light of the quality of the proposal and its contribution to the GCF project areas, target countries, and overall objectives (and criteria). Since becoming operational the GCF- board approved up until July 2016 eight projects and is still fine-tuning its exact procedures, criteria, templates, and process taking on the first lessons learned.

The GCF has developed a separate [Private Sector Facility](#), providing innovative financial instruments to mobilize and gear private finance to climate sensitive- and resilient projects. The GCF funds accredited private sector entities are in the areas: renewable energy, transportation, energy efficiency, agriculture and water efficiency, forestry and land use, waste management, and urban planning.

Fund	Managing authority	Projects	Country	Finance	Eligible Candidates	Contact
 <p>Green Climate Fund</p>	<p>Green Climate Fund- Board</p>	<p>Energy generation and access</p> <p>Transport</p> <p>Buildings, cities industries and appliances</p> <p>Forests & land usability</p> <p>Health, food, water security</p> <p>Livelihoods of people and communities</p>	<p>Developing country parties to the UN-FCCC</p>	<p>1. Unconditional funding for Accredited Entities</p> <p>2. Conditional funding for projects and programs</p> <p>In the form of a suitable financial instrument, i.a.: Grants, Loans, Equity, Guarantees .</p>	<p>Project with a letter of no-objection from the Designated national authority</p> <p>1. Accredited Entities</p> <p>2. Non Accredited Entities via an accredited agency</p>	<p>Private sector facility</p> <p>T +82.32.458.6061 E privatesector@gcfund</p> <p>General Contact</p> <p>T +82.32.458.6059 E info@gcfund.org</p>

Global Environment Facility

Global environment Facility Trust Fund was established on the eve of the 1992 Rio Earth Summit and is the longest standing public climate change fund. The GEF is independently managed with the World Bank as Trustee.

The GEF Trust Fund has currently provided \$14.5 billion in grants and mobilized \$75.4 billion in additional financing for almost 4,000 projects. The GEF Trust Fund finances projects through its 18 accredited (implementing) partners and serves as financial mechanism for several international conventions, including the UNFCCC. The GEF Trust fund also administers the Least Developed Country Fund (LCDF) and the Special Climate Change Fund (SCCF) which were established by the Conference of the Parties (COP) to the UNFCCC. These funds are managed in a similar manner. The GEF Trust fund is currently in its 6th funding phase (GEF -6, 2014 -2018), funding projects in the areas described in the overview below. The GEF Secretariat further hosts the Adaptation Fund

Board Secretariat.

Fund	Managing authority	Projects	Country	Finance	Eligible Candidates	Contact
 The Global Environment Facility Trust Fund	Global Environment Facility with World Bank as the Trustee	Strategies 1. Biodiversity 2. Climate Change Mitigation 3. Chemicals and Waste 4. International waters 5. Land Degradation 6. Sustainable Forest Management Integrated Approach Pilots: Sustainable Cities; Taking Deforestation out of Global Commodity Supply Chains; 'Sustainability and Resilience for Food Security in Sub-Saharan Africa'.	- Eligible to borrow Member countries of UNFCCC and: from the World Bank (IBRD and/or IDA) - Eligible recipients of UNDP technical assistance through country programming.	Grants Full sized project - Over US \$2 million Medium sized Projects up to US \$2 million Enabling Activities up to \$1 million Programmatic Approach Small Grant Programme- Up to US\$ 50,000, given to NGOs in developing countries for community-based projects	Project Proponent Government agencies, civil society organizations, private sector companies, research institutions 1. In partnership with one often GEF Agencies to submit the proposal 2. Endorsement by GEF Operational Focal Point	GEF Secretariat T: (202) 473-0508 F: (202) 522-3240/3245 E: secretariat@thegef.org T: +1 (202) 473-4054 F: +1 (202) 522-1691 E: gefevaluation@thegef.org

The SCCF became operational in 2002 to address the specific needs of developing countries under the UNFCCC. The SCCF top priority is to fund climate adaptation projects, but also provides funding for technology transfers.

Special Climate change Fund	Global Environment Facility with World Bank as the Trustee	1. Adaptation <ul style="list-style-type: none"> Water resources management; Agriculture; Infrastructure development; Fragile ecosystems (including mountain ecosystems); Integrated coastal zone management; and, Climatic disaster risk management. 2. Technology Transfer	All Non-Annex 1 countries, with priority for the most vulnerable countries and the Small Island Developing States (SIDS)	Grants Full sized project - Over US \$2 million Medium sized Projects up to US \$2 million Enabling Activities up to \$1 million Programmatic Approach Small Grant Programme- Up to US\$ 50,000, given to NGOs in developing countries for community-based projects	Project Proponent implementing project on the ground Governments, international organizations, local communities, NGOs, academic & research institutions and private sector 1. In partnership with one of ten GEF Agencies to submit the proposal 2. Endorsement by GEF Operational Focal Point	GEF Secretariat T: (202) 473-0508 F: (202) 522-3240/3245 E: secretariat@thegef.org GEF Evaluation Office T: +1 (202) 473-4054 F: +1 (202) 522-1691 E: gefevaluation@thegef.org
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The Least Developed Countries Fund (LDCF) became operational in 2002 aiming to support the adaptation needs of least developed countries (LDCs). LDCF finances the preparation National Adaptation Programs of Action (NAPAs) to identify priority adaptation actions for a country. The LDCF also finances the implementation of the NAPAs, including the design, development, and implementation of projects.

Least Developed Country Fund (LCDF)	Global Environment Facility with World Bank as the Trustee	Financing the preparation and implementation of National Adaptation Programs of Action (NAPAs).	50 Least Developed Countries (LCDFs)	Grants Full sized project - Over US \$2 mil Medium sized Projects up to US \$2 mil Enabling Activities up to \$1 mil. Programmatic Approach Small Grant Programme- Up to US\$ 50k given to NGOs in developing countries	LCDF Project Proponent (Government NGO, or CBO entity) OR Project Proponent Person or entity: Government agencies, CSO, private sector companies, research institutions 1. In partnership with one of ten GEF Agencies to submit the proposal 2. Endorsement by GEF Operational Focal Point	GEF Secretariat T: (202) 473-0508 F: (202) 522-3240/3245 E: secretariat@thegef.org GEF Evaluation Office T: +1 (202) 473-4054 F: +1 (202) 522-1691 E: gefevaluati-on@thegef.org
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Adaptation Fund

The Adaptation Fund became operational in 2009 and serves as a financial instrument to fund adaptation project and programmes in developing country Parties under the UNFCCC. The Adaptation Fund is an integral part the Kyoto Protocol, for which it will continue for protocol's second commitment period 2013-2020. The fund is independently managed with the World Bank as a trustee and provides finance through its 23 national, 6 regional, and 12 multilateral accredited (Implementing) entities.

 Fund	 Managing authority	 Projects	 Country	 Finance	 Eligible Candidates	 Contact
 Adaptation Fund	Adaptation Fund Board with World Bank as the Trustee	<ul style="list-style-type: none"> • Agriculture • Coastal Zone Management • Disaster Risk Reduction • Food Security • Multisector Projects • Rural Development • Water Management 	Least Developed countries with a priority for the on those LDCs that are unable to access the Least Developed Countries Fund (LDCF)	Grants	Non – Accredited Agency Submit a project proposal to an accredited agency Accredited Agency Submits proposals to the Adaptation Fund Secretary	Adaptation Fund Board Secretariat - c/o Global Environment Facility Mail stop: N 7-700 1818 H Street NW Washington DC 20433 USA +1.202.468.7347 (v) +1.202.522.3240 (f)

Climate Investment Fund

The Climate Investment Fund, managed by the World Bank, became operational in 2008 and exists out of two multi-donor trust funds: The Strategic Climate Fund (SCF) and the Clean Technology Fund (CTF). The CTF focuses on climate mitigation and specifically on scaling-up financing for demonstration, deployment and transfer of low-carbon technologies with significant potential for long-term greenhouse gas emissions savings.

The SCF serves as an overarching framework for three climate action programs:

1. **Forest Investment Program (FIP):** provides support to developing countries in their efforts to reduce deforestation and forest degradation (REDD) and promote sustainable forest management;
2. **Scaling Up Renewable Energy in Low Income Countries Program (SREP):** provides support low-income countries to use new economic opportunities to increase energy access through renewable energy use;
3. **Pilot Program for Climate Resilience (PPCR):** provides programmatic finance for climate resilient national development plans with the objective 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.

The PPCR is identified as most relevant funding mechanism, having funded multiple climate adaptation projects in area's relevant to the Dutch water sector. Including e.g. coastal management in Bangladesh, flood and drought management in Cambodia, and watershed management in Nepal.

Fund	Managing authority	Projects	Country	Finance	Eligible Candidates	Contact
 Climate Investment Fund — Pilot Program for Climate Resilience (PPCR)	The World Bank serves as the Trustee and Administrating Unit Implementing Agencies: The World Bank Group, the African Development Bank, the Asian Development Bank, the European Development Bank, and the Inter-American Development Bank	<ul style="list-style-type: none"> Agriculture and landscape management Climate information systems and disaster risk management Coastal zone management Enabling environment Infrastructure Urban development Water resources management 	Countries with ODA-eligibility & with Existence of active multilateral development bank (MDB) country programs. Priority will be given to highly vulnerable Least Developed Countries eligible for MDB concessional funds, including the Small Island Developing States.	<ul style="list-style-type: none"> Senior loans Convertible Grants/contingent recovery grants Equity Local currency swaps and guarantees Guarantees Contingent recovery loans Subordinated debt 	CIF Finance can only be accessed through the five partner Multilateral Development Banks (MDB). Finance can be accessed through these MDBs directly or via local financial institutions.	https://www.cif.climateinvestmentfunds.org/contact Rachel Allen— Senior Program Coordinator

2.2 Dynamics of Global Climate Funds

The six global climate funds do not fund projects directly. Instead the funds accredits agencies, which are then eligible to apply for funding. The accredit agency submits a project to the board of these funds, to be approved under the condition the project/program is in line with the national development strategy of the directed country. The approval of a designated national authority needs to ensure country ownership. The global climate funds generally make two types of funding available:

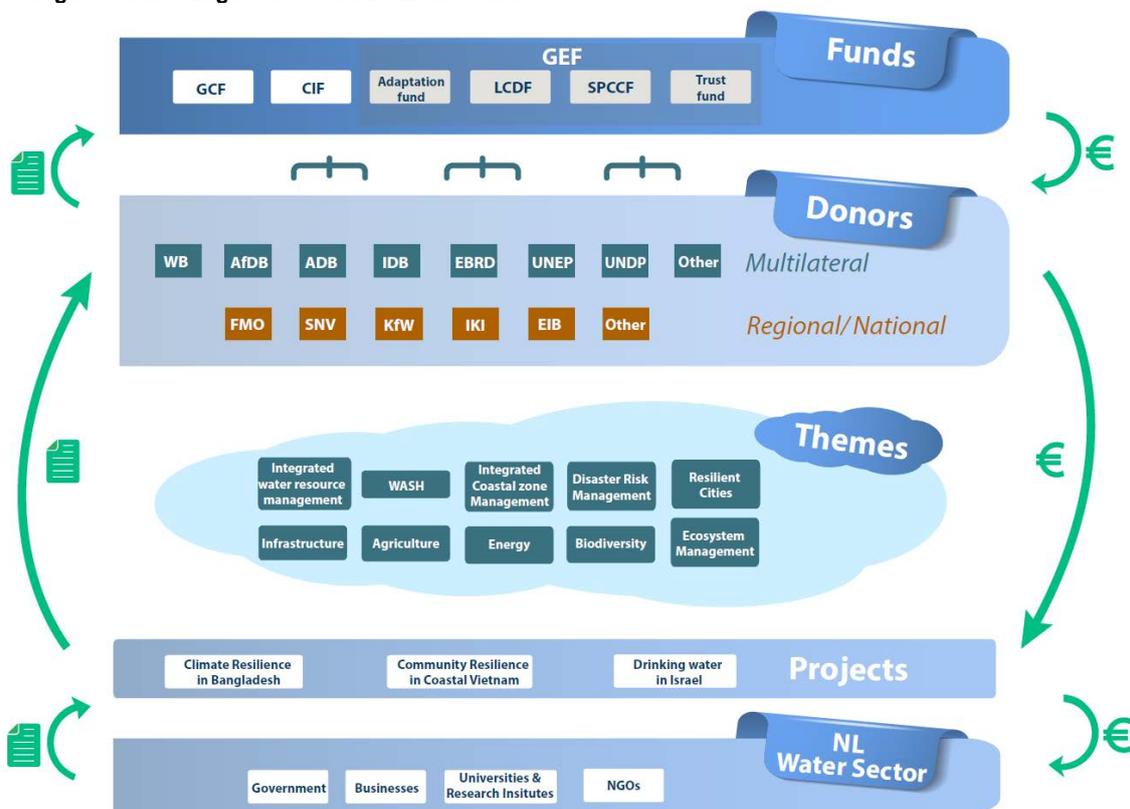
- Unconditional funding to implement project and programs without the specific approval of the fund;
- Conditional funding, by submitting a specific program or project to the fund for funding.

The accredited agencies are multilateral, regional, national, and even private sector organizations, having passed the accreditation procedure. The multilateral development banks (MDBs) – such as AfDB, EBRD, etc. - and UN agencies are the most prominent of these agencies. The national and regional agencies exist of e.g. accredited ministries of environment, NGOs, and development banks.

The Dutch Water Sector has the opportunity to tap into these climate funds going through the accredited agency. This can be either by responding to tenders or call for proposal (CFP) or to submit an (unsolicited) project proposal directly. The accredited agencies function, herewith, as sort of a filter between the funds and project developers. To access the climate funds, the Dutch water sector needs, therefore, to consider the accredited agencies focus areas, countries, and criteria to submit a successful project proposal to the funds. A close connection with the accredited agencies is, therefore, likely to be crucial to access the climate funds. Moreover, for some project the climate funds have required co-financing of the accredited agency, for which project developers need to consider the work plan and project pipeline of the accredited agency. Similarly, most climate funds require a letter of No-objection of a designated national authority. Therefore, a project needs to be in line with the priority areas of this government agency as well. The advantage of this institutional structure is, on the other hand, project developers do not need profound knowledge of the fund's procedures, because the accredited agency is likely to have such expertise.

The scheme below provides an illustration of this dynamic process, the most prominent and relevant accredited agencies, program areas, and a selection of projects.

Figure 1 : Workings of the Global Climate Funds



2.3 Selected Accredited Agencies and Projects

The scheme above illustrates a number of accredited agencies, which have been selected on their relevance for the Dutch Water sector. Firstly the Multilateral organisations, i.e. the Development Banks and the UN agencies, are important recipients of these funds. These organisations integrate and complement their work programmes through these funds. Applying to the climate funds through the multilateral agencies implies going through the general funding/project development procedures of these agencies. Moreover, the ADB has initiated a special fund for climate adaptation in Africa, see below.

The GCF, GEF, and Adaptation Fund also accredit regional and national accredited entities consisting out of (development) banks, government institutes, NGOs, and private organisations¹. Within the Netherlands two organisations are currently in the process of accreditation, SNV and FMO. The next paragraphs will describe these two organisations and the three other most relevant established accredited agencies.

FMO is one of the larger bilateral private sector development banks. To support private sector development in developing and emerging economies, FMO provides finance to support projects in the water & food, agribusiness, energy, and financial institutions. FMO, further, recently co-initiated the *Climate Investor One* initiative, mobilizing \$2bn in finance, to fast-track renewable energy projects (solar, wind, and hydro) in developing countries. FMO expects to become an accredited agency of the GCF in October, for which its projects will become eligible for GCF funding. The Dutch Water Sector could approach FMO from this moment onwards to submit a project proposal to the GCF for a co-funded project (requires at least partial funding of FMO).

Agency	Projects	Country	Finance	Eligible Candidates	Contact
	Food & Water Infrastructure, Manufacturing companies, and services. Agribusiness Seeds and fertilizers, Farming, Infrastructure (storage, warehouses, irrigation), etc. Energy Climate Investor one: Renewable Solar, Wind, Hydro energy Financial Institutions Risk management, product development, environmental risk management, etc. Other	Financed Countries Serbia, Turkey, Argentina, Brazil, Chile, Mexico, Panama, China/ Taiwan, Malaysia, Singapore, South Korea, Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Ukraine, Azerbaijan, Russia, Kazakhstan	Types of finance Directed Loans Syndicated Loans Local currency financing Guarantees Trade finance Capital Markets Mezzanine	FMO financing is available to companies with a Dutch interest of at least 51% and a consolidated group turnover starting at approximately €15 million. FMO finances at a minimum of €500,000 and a maximum of €10 million. The maturity of FOM funding runs from 3 years up to 12 years. All companies applying for FMO finance must comply with the OECD guidelines for responsible business practice and sustainable development criteria	Secretariat T: +31703 1496 96 F: +31703 246 187 E: Info@fmo.nl

SNV is a Dutch NGO founded in 1965 combatting poverty in Asia, Africa and Latin America through its expertise in agriculture, energy and water, sanitation & hygiene. SNV is currently in the process of accreditation expects final approval end 2016 / early 2017. SNV works closely with NWP and is

¹ <http://www.greenclimate.fund/partners/accredited-entities>; https://www.thegef.org/gef/gef_agencies.

open to establish joint proposals. The Dutch water sector is recommended to discuss any project ideas with NWP to explore cooperation with SNV for a GCF funded project.

European Investment Bank (EIB) is the policy-driven European Union Investment bank and pioneer in climate finance. The EIB works with clear mandates from EU Commission and its donor countries. In the last 5 years it made around EUR 100 billion available for climate action. The EIB operates both in Europe (with a variety of funds and instruments) as in developing countries. EIB spends about 90% of its funds in EU28 Member States and about 10% of its mandated funds outside EU28 in EU Enlargement countries, Africa, Caribbean and Pacific (ACP) countries and Asia & Latin America. Outside EU it aims to provide finance and expertise for sound and sustainable investment projects. The EIB supports both the private and the public sector, providing social and economic infrastructure. Climate action is one of the top policy priorities for EIB and targets 25 per cent of its portfolio as climate action projects and programmes.

At the 9th of March 2016, EIB became an accredited partner of the Green Climate Fund (GCF). EIB expects that all legal provisions will be finalized by beginning of 2017, so earliest projects could be submitted through EIB for GCF by start of 2017. The EIB aims to mobilize the GCF funding channelling it to its trusted partners in the public and private sectors and non-governmental organisations. It aims to optimize this collaborative work to tackle climate change and overcome investment hurdles, in particular those faced by the private sector. EIB is open for project ideas coming from Dutch water sector players regarding climate adaptation (including water) for GCF. However, as mentioned before GCF is *not directly* open for project initiatives of the Dutch water sector. Any idea need to be discussed with the Accredited Agency (such as EIB) and should have a letter of No objection of the Designated National Authority.

The Dutch Water sector can access some other funds of EIB more directly through the financial mechanisms of the EIB, which consists out of direct [project loans, equity or mezzanine](#) and innovative finance products (such as guarantee instruments for financial intermediaries in the fields of climate and biodiversity). For climate adaptation, green infrastructure and biodiversity one of the interesting specific EIB instruments is the Natural Capital Financing Facility:

Natural Capital Financing Facility (NCFF): provides debt and equity financing for projects in support of the European Commission's LIFE program in EU28 member States. The NCFF financial instrument focuses on ecotourism, ecological agrifood, biodiversity, climate adaptation and payments for environmental services (PES scheme) projects. These projects need to demonstrate financial sustainability with a business plan and can apply for loans or equity at more favourable conditions compared to commercial bank conditions. Moreover, NCFF can fund equity funds or revolving funds in EU28 countries targeting the mentioned type of projects. Project promoters in the Dutch water (or environmental, agri and tourism) sectors can apply for this finance via the EIB's standard process of applying for a loan, see EIB website:

<http://www.eib.org/products/blending/ncff/index.htm>

Fund	Managing authority	Projects	Country	Finance	Eligible Candidates	Contact
 European Investment Bank (EIB) Natural Capital Financing Facility (NCF)	European Investment Bank Pilot programme for financing LIFE programme (2014-2017)	<ol style="list-style-type: none"> 1. Payment for ecosystem services (e.g. programmes to protect and enhance forestry, biodiversity, to reduce water or soil pollution). 2. Biodiversity offsets / compensation beyond legal requirements (e.g. compensation pools for on-site and off-site compensation projects). 3. Pro-biodiversity and adaptation businesses (e.g. sustainable forestry, agriculture, aquaculture, eco-tourism). 	EU-28	Direct/indirect inter-mediated debt financing & Equity Funds Criteria Project: 5-15 Million EUR Debt: Max 75% of project cost Equity: Max 33% of funds	Legal entity registered in the EU <ul style="list-style-type: none"> Public bodies Private commercial organizations Private non-commercial organizations Must pioneer new business model for natural capital management	NCF specific questions E: NCF_Instrument@eib.org Finance Information Desk TEL: +352 4379-22000 FAX: +352 4379-62000

CAMENA, Climate Action Envelope for Middle East and North Africa: supports improved energy security, emission reductions and improved resilience to climate change through the identification and development of new climate action projects. The CAMENA can be used to (1) identify, catalyse and prepare climate action investment projects, which could subsequently benefit from EIB financing; (2) fund actions to improve the enabling environment in relation to climate investments among public and private institutions within the Mediterranean partner countries; (3) to finance equity operations. The sectors covered by the CAMENA include i.a.² waste and waste water and agriculture, forestry, and land use. The Dutch water sector can apply to the finance via the FEMIP Trust Fund³.

Sorek alleviates Israel's water shortage⁵

Finance: € 142 Million

Funding Agency: EIB

Implementing Agency:

- IDE Technologies Ltd
- Hutchison Water International Holdings Pte. Ltd.

Objectives:

- Producing 624,000 m³ of drinking water out of sea water per day
- Providing drinking water for 2 million people

Project Description

Sorek- seawater plan- provides drinking water for about two million people, constituting 20 percent of the municipal water demand in Israel.

Drawn from deep in the Mediterranean Sea, the water flows through pipelines reaching almost 1,400 meters off of Israel's coast and once in Israeli soil, is buried almost 15 m underground. Then, it rushes down a tube sending it through a series of filters and purifiers. After 90 minutes, it is ready to run through the faucets of Tel Aviv

KfW Development Bank is a bank and development institution assisting the German Federal Government to achieve its goals in development policy and international development cooperation for over 50 years. KfW finances and support programmes and projects that mainly involve public sector players in developing countries and emerging fight poverty, maintain peace, protect both the environment and the climate. Early 2015 KfW Development Bank became one of the GCF's first

² http://www.eib.org/attachments/documents/joint_report_on_mdb_climate_finance_2013.pdf.

³ <http://www.eib.org/projects/regions/med/trust-fund/index.htm>.

⁵ <http://www.eib.org/infocentre/stories/all/2015-january-01/sorek-alleviates-israels-water-shortage.htm>.

accredited (implementing) organizations and is currently establishing one of the eight GCF projects, [Climate-Resilient Infrastructure Mainstreaming in Bangladesh](#).

Climate-Resilient Infrastructure Mainstreaming in Bangladesh

Finance: \$ 80.000.000

Funding Agency: GCF: \$ 40.000.000;

German Ministry for Economic Cooperation:
\$15.000.000; Bangladeshi Ministry of Local
Government: \$25.000.000

Accredited Agency: KfW

Implementing Agency: Local Government Engineering
Department (LGED)

Objectives:

- Providing cyclone shelters and safeguarding critical road access
- Developing urban infrastructure and safeguarding vulnerable city-dwellers from climate risk.
- Establishing a national centre of excellence for climate resilience infrastructure, to inform and guide future infrastructure development throughout the country.

Project Application:

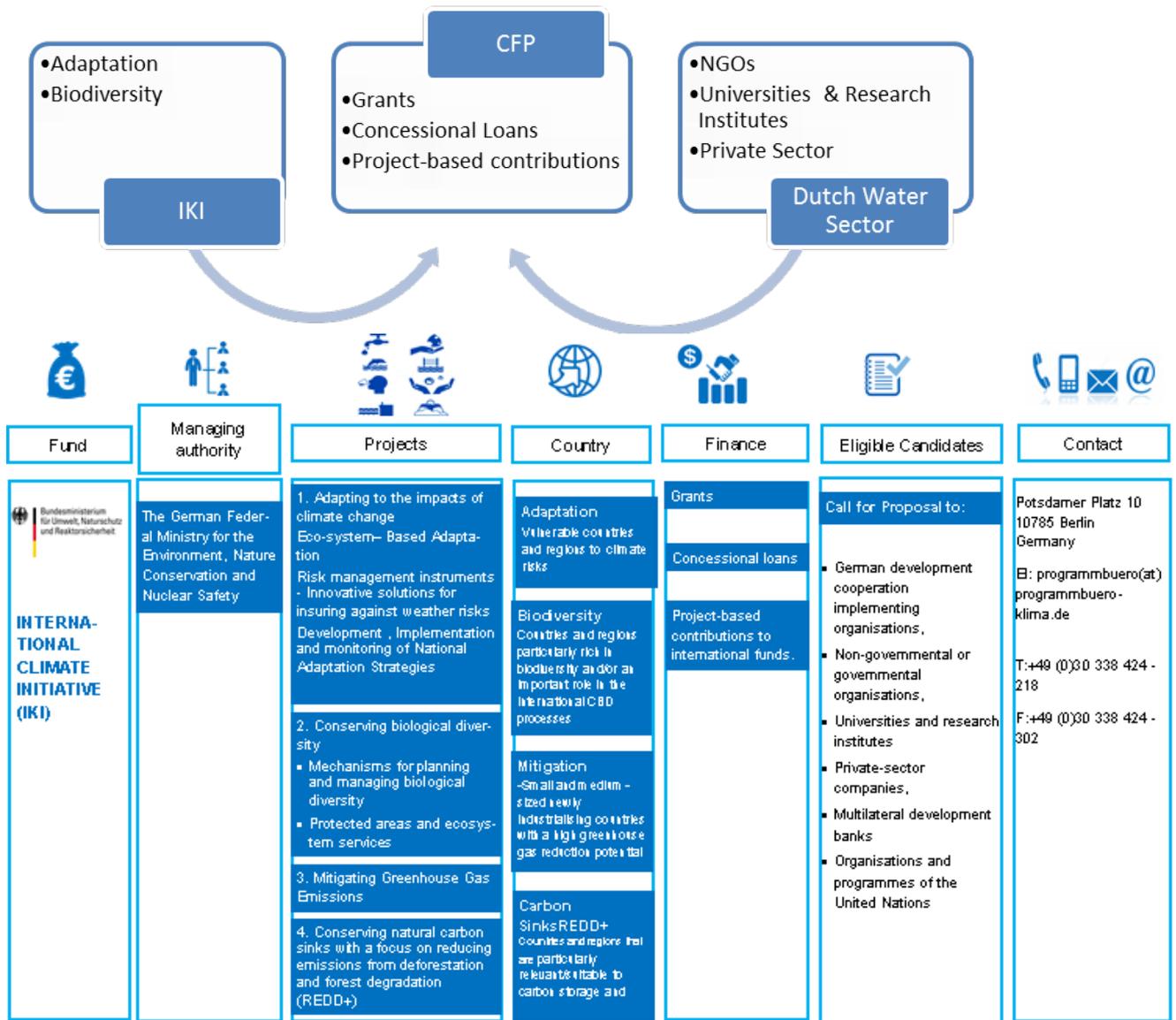
Project was initiated in 2015 by KfW and LGED, who have KfW and LGED have been cooperating since 1988 on 12 development projects in Bangladesh. The project proposal was developed in close cooperation and communication between the local partners, Bangladesh's NDA, KfW Frankfurt & Dhaka, and the GCF secretariat. Completing the extensive GCF procedures and balancing the objectives of the involved parties, the project became approved by the GCF- Board after 6 months in November 2015.

Project Description:

The project establishes a national centre of excellence to gather, develop, and share climate resilience infrastructure knowledge. Rural infrastructure development will be supported by constructing 45 new cyclone shelters and renovating 20 existing shelters. The shelters built under this project will be used as primary schools in normal times, providing 45 additional schools and helping educate 18,590 children. The improvement of 80 km of critical access roads to the rural shelters will also be undertaken, to safeguard access during extreme weather and enhance the adaptive capacities of local communities.

International Climate Initiative (IKI) is a fund initiated by The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) that publishes Call for Proposals (CFPs) for projects in the field of Climate Adaptation and Biological Diversity. IKI is an accredited agency of the GCF. The Dutch Water Sector is able to respond to submit project under these CFPs.

Figure 2: Accessing IKI Funds



Innovative financing for building community resilience to climate change in coastal Vietnam

Grant: € 1,237,918

Funding agency: IKI

Implementing Agency: SNV

Objectives:

- Awareness Raising
- Agricultural, aquaculture and coastal forest management
- Weather insurance model for agricultural and aquaculture products

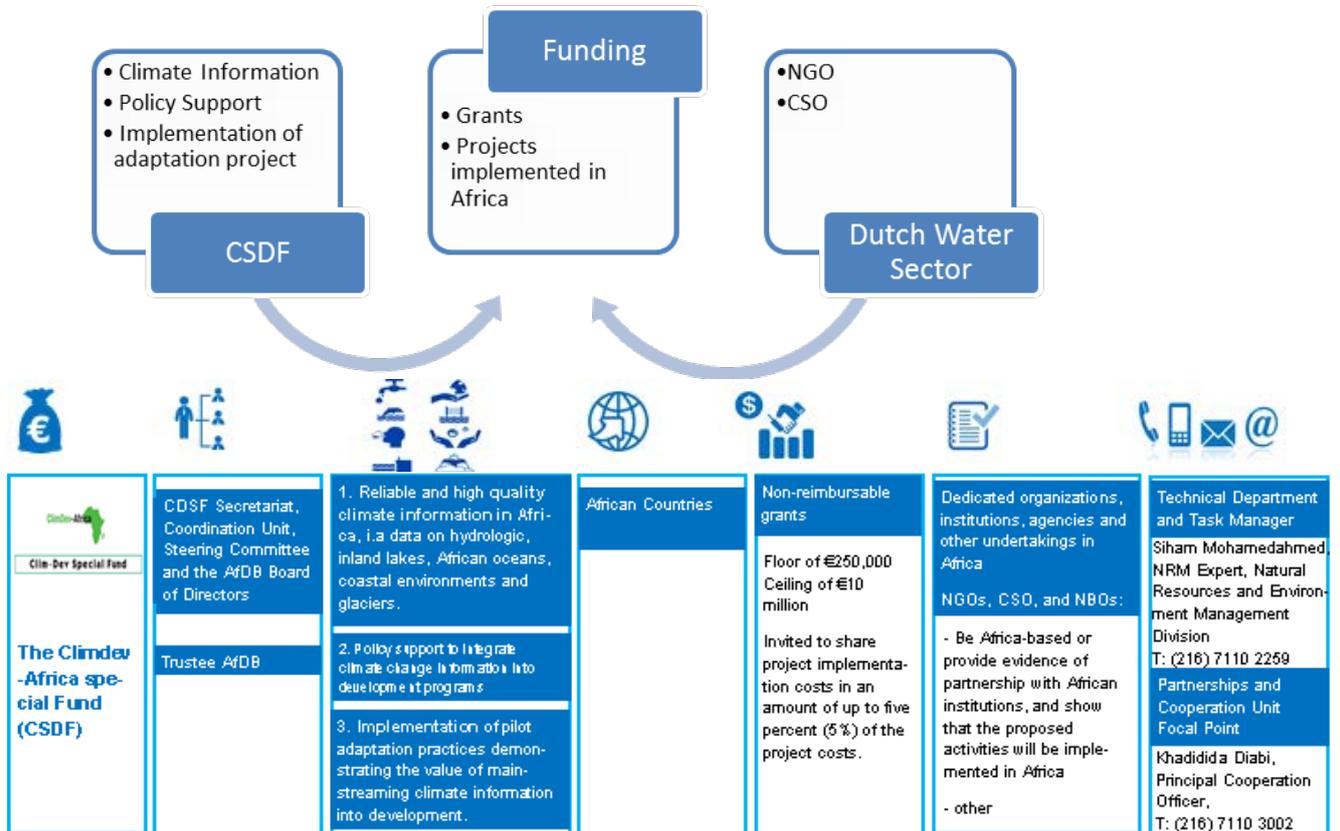
Results:

Climate change-related risk analyses carried out in five communities and plans for adaptation to climate change prepared. More than 2,000 households educated in improved resource management technologies; concrete measures for improving rural production implemented (e.g. building and rehabilitating irrigation infrastructure)

Insurance product AgriCBI (community-based insurance) for insuring rice production against extreme weather events developed together with public authorities and insurance companies.

Climdev -Africa special Fund (CSDF): a fund independently managed with the African Development Bank (AfDB) as trustee, provides grants to African based organizations and international NGOs and CSOs (civil society organizations) implementing projects in Africa. The Dutch Water Sector is able to submit project proposal in partnership with an African institution.

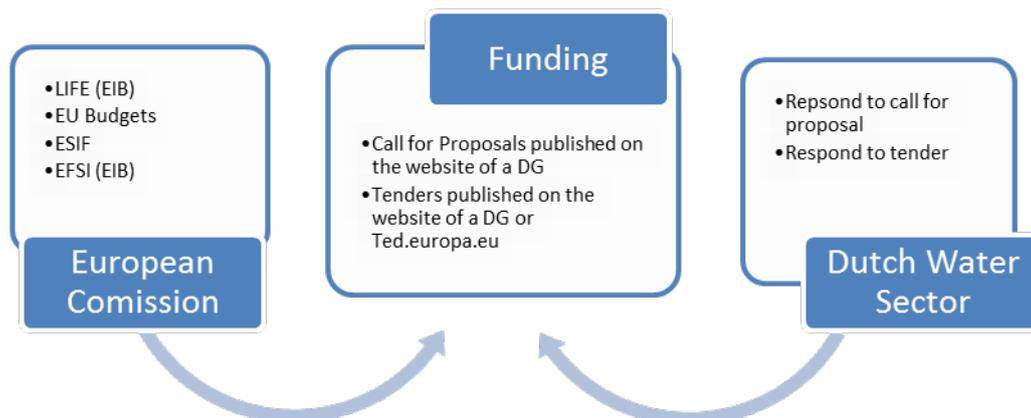
Figure 3: Accessing CSDF



3 Dynamics of EU Climate Finance

Besides the global climate funds there is a strong development within the EU to mobilize funding for climate action. The European Commission set its goal in [the EU Budget for Low Carbon report](#) to spend 20% of its budget on climate action by 2020. This 20% will inter alia include the LIFE program, 35% of its Research & Innovation activities, and increasing climate budgets under European Structural and Investment Funds (ESIFs). Moreover, the EC has established the Global Climate Change Alliance (GCCA+) to finance climate action projects in developing countries. The section below discusses the main EU funding instruments through the Dutch water sector could finance climate adaptation related projects.

Figure 4: Accessing EU Climate Finance



3.1 EU Funding Instruments

LIFE Program

The EU's flagship initiative on climate action is the LIFE Program with over €3 billion, funding environmental, nature conservation and climate action projects. LIFE currently has a call for proposals open for project proposals for Environment and Climate Action. Public bodies, private commercial organisations and private non-commercial organisations (including NGOs), registered in the EU, can submit proposals for Traditional projects, Preparatory projects, Integrated projects, or Technical Assistance projects. Of the total funding (EUR 337,536,184) EUR 63,600,000 is allocated to the sub-programme for Climate Action. Further details regarding the application procedures and eligibility criteria can be found [here](#).

The LIFE program further provides debt and equity finance to climate projects via the EIB LIFE – NCCF and PF4EE instruments (see above).

EU programs

Multiple programs are increasing their budget share for climate adaptation related projects, such as Horizon 2020 (35% for Research & Innovation activities on energy, climate and clean technology), Common Agriculture Policy (30% allocated to regional environmental priorities), EU Development Policy (20%), and the Regional Cohesion Funds (30%). These funds are disseminated across the different Directorate Generals (DGs) of the European Commission (EC). The Dutch Water Sector has the opportunity to tap into these funds via the DGs' Call for Proposals (CFPs) for grants and Tenders for Public Contracts. These CFPs are generally published on the DGs own website and Tenders can be found either on the DGs website or on the EC tenders electronic daily (TED) website <http://ted.europa.eu> and on the websites of DG Climate Action & DG Environment.

For Horizon 2020, DG Research and Innovation publishes for example call for proposals for climate adaptation projects [here](#). DG Climate Action publishes its call for proposals (grants) [here](#). Each call for proposal or tender generally has its own eligibility criteria.

EU Structural and Investment Funds

Numerous European Structural and Investment Funds (ESIF) target the commission's priority area; *Energy Union and Climate*. These funds predominately focus on realizing the low carbon economy via energy and transport measures, i.e. climate mitigation, but some funds are reserved for adaptation issues. The ESI Funds for climate change mitigation and adaptation amount to a total of over EUR 114 billion of which about EUR 56 billion comes from the European Agricultural Fund for Rural Development (EAFRD), and EUR 55 Billion from the European Regional Development Fund (ERDF) and the Cohesion Fund collectively. This amounts sums to 25 % of the overall ESI Fund budget.

As mentioned above, these funds will be largely consumed realizing the Energy Union, but are also available for soil, water, flood prevention and ecosystem-based measures. More specifically, EUR 6.4 billion from the ERDF and the Cohesion Fund will be allocated to prevent climate change-related Risks and an additional EUR 1.1 billion for disaster resilience and the management of non-climate related risks. These investments aim at protecting 13.3 million people from floods and 11.8 million from forest fires while making a positive impact on jobs and growth. Moreover, under ERDF INTERREG programmes specific funding is often available for climate and flood resiliency programs between regions and border regions of EU member states. For example in Ruimte for the Rivier Program Nijmegen- Lent INTERREG has funded part of the project.

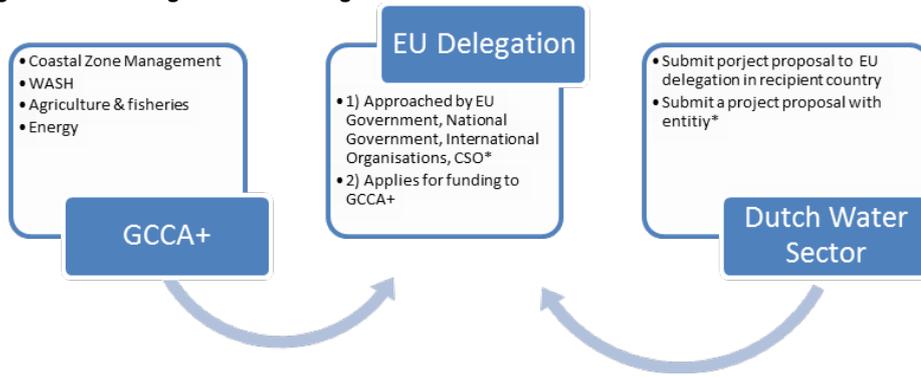
Entities eligible apply to ERDF and cohesion fund are public bodies, some private sector organisations (especially small businesses), universities, associations, NGOs and voluntary organisations. These entities can apply managing authority in the relevant region, who will evaluate whether grant funding is provided to the project. Each managing authority has its own application procedures, of which some have an ongoing procedure while others accept applications at certain times only. In the Netherlands these managing authorities are for example the provinces of Noord-Brabant, Gelderland, Limburg, City of Rotterdam, and Collaboration ("Samenwerkingsverband") Noord- Nederland. The managing authority search engine can be found [here](#).

To pre-evaluate whether a project is eligible for funding one should consult the European operational programmes in the project region. The project application must meet the selection criteria and investment priorities specified in these national or regional operational programmes. These programmes can be found [here](#).

Global Climate Change Alliance (GCCA+)

The GCCA+ provides funding via EU Delegations in Least Developed Countries (LDCs) and Small Island Development States (SIDS) via projects grants. The Dutch Water Sector can apply to these funds by submitting a project proposal via the in-country EU Delegation.

Figure 5: Accessing GCCA+ Funding



4 NL Funding Instruments

Also at the national level in the Netherlands several initiatives have been taken to support climate change adaptation. Specifically to water issues the Dutch Government published in 2016 its International Water Ambition (*Internationale Water Ambitie*), for which it specifies a range of initiative, programmes, and financial instruments to support this ambition, which were found relevant for the Dutch water sector:

1. [Partners for Water \(PvW\)](#): Goal: Positioning the Dutch Water Sector; Budget: € 10 M/year; Currently (summer 2016) PvW is open for proposals from the Dutch Water sector.
2. [Fund for Sustainable Water \(FDW\)](#): Goal: Financing public/private projects; Budget: € 5 M/year; At this stage still closed (July 2016), but expected to open a call for proposals again in autumn 2016.
3. [Geodata for Agriculture and Water](#): Goal: Stimulate food production; Budget: € 3 M/year;
4. [Ghana WASH window](#): Goal: Financing WASH partnerships in Ghana; Budget: € 3 M/year;
5. [Dutch Food Growth Fund](#): Goal: Financing Dutch M&SMEs in developing countries Budget: € 50 M/year;
6. [Develop2build](#): Goal: Supporting governments in least developed countries; Budget: € 10 M/year;
7. [Development Related Infrastructure investment Vehicle \(DRIVE\)](#): Goal: support of development of (public) infrastructure; Budget: € 120 M/year.

Other relevant initiatives in the Netherlands are:

8. [VIA Water](#): is a programme initiated by the Dutch Ministry of Foreign Affairs, Aqua for All, and UNESCO-IHE, designed to indicate and resolve water problems in African cities. Ideas for projects in the focus [7 countries](#) and [12 areas](#) can be submitted through the following process:



9. [FMO Infrastructure Development Fund \(IDF\)](#): The IDF was established in 2002 providing a diversified fund with over €362 million of committed capital, aimed at making significant impact on long term socio-economic development by contributing to the availability of sustainable private sector infrastructure services. The IDF provides different types of finance to projects in the energy, transport, ports, agribusiness, water, environment and social infrastructure sectors. Eligible candidates need to fulfil the [FMO's standard criteria](#);
10. [Green Utility Network \(GUN\)](#): GUN is a programme initiated by Vitens Evides International (VEI), World Resource Institute, and IUCN NL strengthening water security and climate resilience through a € 1 billion investment in green-gray water infrastructure to transform how utilities invest in water management. GUN is financed by several large donors. The Dutch water sector is able to join the network as a partner.

5 Conclusion and Recommendations

Conclusions and Recommendations Global Climate Funds

Global climate funds has recently become a major source of funding for development projects, and specifically water related projects. These funds pose, therefore, a major opportunity for the Dutch water sector to engage with international climate adaptation. This brochure has indicated and evaluated the major opportunities and barriers for the Dutch water sector to gain access to these funds:

1. As these funds disburse funding mostly through accredited (intermediary) agencies, it was found that the *Dutch water sector is not able to apply directly to these funds* (as long as they are non- accredited);
2. The accredited agencies function as sort of filter between the project promotor or implementing agency (potentially the institutions in the Dutch water sector) and the financier (the climate funds). Moreover, the accredited agency is often required to co-fund the project. To gain access to this finance it is, therefore, *crucial to have a strong relation with the accredited agencies* (such as World Bank, KfW, and to be expected in the Netherlands FMO and SNV) or to partner with these agencies (especially relevant for the private branch of GCF). Such relation would open the possibility to develop a project in close collaboration with these intermediary agencies work programme and to submit a mutually beneficial project proposal;
3. *Good relationship with local partners and accredited agencies (local offices) present in the target countries* is further considered to be very important. Firstly, because the projects needs to be supported by the Designated National Authority from the target country. Secondly, because the regional and multilateral accredited agencies most likely have in country offices with whom the project would be developed and implemented.
4. *The Climate Funds dispersion through the Intermediaries (Accredited Agencies) also implies often that tender procedures of the International Financing Institutions (IFI's) will be valid in case private entities are required for implementation of the (approved) projects.* This might also be the case when a project has been initiated by a certain Dutch Water sector player together with the Accredited Agency. So far there has been no experience with these scenarios, so practice with GCF and other climate funds in the upcoming years has to show how this will really work in reality. Good knowledge of the tender procedures of the IFI's will be anyhow essential for any players who wants to access the climate funds.
5. *Dutch players in the water sector need to prepare and formulate a strategy towards the climate funds with clear propositions, focus countries and partners (international & local).* Moreover, the *Dutch water sector parties need to have good tender systems relevant for the key requirements* which the IFI's often have for the large tenders funded by the donors and climate funds. For SMEs this can imply they would have to form strategic alliances with larger firms which have the required references (for shortlisting) and tendering systems in place.

To gain better insight in the project cycle of the climate funds, which was found to be non-transparent due to its structure with intermediate accredited agencies, it is recommended to initiate a pilot for the Dutch water sector. The aim of this pilot would be to submit a project proposal to the various climate funds, exploring with which agencies corporation is successful, and to gain a better insight with the funds' workings and procedures.

Conclusions and Recommendations EU Funding Instruments

EU funds have been increasingly geared towards climate action. At several layers EU funding is available for climate change mitigation and adaptation projects. This includes specific programmes, research & innovation, the budget allocation of Directorate Generals (DGs), structural and

investment funds (ESIF), and development assistance. These funding sources each have their separate application procedures and eligibility criteria, but are in general disbursed through Call for Proposals (CFPs) for grants and Tenders for contracts.

As these EU funds and financial instruments are found to be very diverse and large in size, further research is recommended to identify where the most interesting opportunities for the Dutch water sector lie. This depends also on the main propositions of the players in the Dutch water sector (which could be identified as part of a follow-up study). Moreover, capacity building & technical assistance in EU grant and contract application is recommendable in order to support and enable the Dutch water sector to seize the identified opportunities.

