Presenter's Guide for
Module 3: Climate Finance for Agriculture

This document will guide the presenter through Module 3 of the training course.

SLIDE 1: MODULE 3: CLIMATE FINANCE FOR AGRICULTURE

This module introduces the sources, instruments and uses of climate finance available for adaptation and mitigation initiatives in the agriculture sector that are critical for NDC implementation in Africa. Throughout the presentation, if participants have any questions, take them as they arise and encourage discussion throughout the presentation so that participants do not feel as though they are in a classroom lecture.

SLIDE 2: OBJECTIVES

1. Briefly present what climate finance is and outline why it is relevant for agriculture in general and for NDC implementation in Africa in particular
2. Give an overview of potential sources and models of climate finance for agriculture that could help countries finance NDC implementation in Africa
3. Provide resources/data bases that are available to identify adequate climate finance sources that can help finance NDC implementation in Africa
4. Provide guidance to better understand how to track climate finance, as well as available tools to redirect climate finance for NDC implementation in Africa

SLIDE 3: LINKAGES BETWEEN SUSTAINABLE, GREEN AND CLIMATE FINANCE

This slide presents the main differences and linkages between climate, green and sustainable finance. As seen in the slide, climate finance refers to any source of finance dedicated for climate adaptation and mitigation purposes, focusing only on the environmental aspect of a given intervention. Building on this concept, Green finance refers to any source of finance that tackles climate adaptation, climate mitigation as well as other environmental aspects of a given investment. Sustainable finance, however, is a more comprehensive approach that considers not only the environmental aspect (climate adaptation and mitigation and other environmental purposes), but also the social, economic and governance aspects of a given investment.

SLIDE 4: WHAT IS SUSTAINABLE FINANCE

This slide shows two different definitions or interpretations of the concept of sustainable finance. This will be useful to understand the difference between sustainable and climate finance, as these are often used interchangeably. To that effect, sustainable finance can mean the following:

SWISS SUSTAINABLE FINANCE: "Sustainable finance refers to any form of financial service integrating environmental, social and governance (ESG) criteria into the business or investment decisions for the lasting benefit of both clients and society at large"

OXFORD: "Sustainable finance refers to the integration of environmental, social, and governance (or ESG) considerations in processes of financial decision-making"

SLIDE 5: SUSTAINABLE FINANCE IN THE EU AND BEYOND (1/2)

This slide showcases a practical example of how the European Union (EU) is approaching sustainable finance and its efforts to truly examin how to integrate sustainability considerations into its financial policy framework in order to mobilize finance for sustainable growth.

It shows the key pillars of its Action Plan for Financing Sustainable Growth, which focuses on the following: i) Reorient capital flows towards sustainable investment to achieve sustainable and inclusive growth; ii) Mainstreaming sustainability into risk management; and iii) Foster transparency and long termism in financial and economic activity.

In addition, it showcases the proposals for regulation of the Action Plan on Sustainable Finance that the European Commission (EC) put forward: i) Taxonomy: Establishing the conditions and the framework to gradually create a unified classification system ('taxonomy') on what can be considered an environmentally sustainable economic activity; ii) Disclosures and Duties: This regulation will introduce disclosure obligations on how institutional investors and asset managers integrate environmental, social and governance (ESG) factors into their risk management and investment decision processes; and iii) Benchmarks: The proposed amendment will create a new category of benchmarks comprising low-carbon and positive carbon impact benchmarks, which will provide investors with better information on the carbon footprint of their investments.

SLIDE 6: SUSTAINABLE FINANCE IN THE EU AND BEYOND (2/2)

This slide guides the participants though the key pillars of the Action Plan for Financing Sustainable Growth to help them understand what steps are taken under each pillar (links are provided to the EC website to further explore such measures in detail):

- **Reorient capital flows towards sustainable investment to achieve sustainable and inclusive growth**
    - *Establishing an EU classification system for sustainability activities*
    - *Creating standards and labels for green financial products*
    - *Fostering investment in sustainable projects*
    - *Incorporating sustainability when providing investment advice*
    - *Developing sustainability benchmarks*

- **Mainstream sustainability into risk management**
    - *Better integrating sustainability in ratings and research*
    - *Clarifying institutional investors and asset managers' duties*

- *Incorporating sustainability in prudential requirements*

- **Foster transparency and long termism in financial and economic activity**
  - *Strengthening sustainability disclosure and accounting rulemaking*
  - *Fostering sustainable corporate governance and attenuating short-termism in capital markets*

SLIDE 7: WHAT IS GREEN FINANCE

This slide shows two different definitions or interpretations of the concept of green finance. This will be useful to understand the difference between green and climate finance, as these are often used interchangeably. To that effect, green finance can mean the following:

EUROPEAN COMMISSION: "Green finance generally refers to the process of taking due account of environmental and social considerations when making investment decisions, leading to increased investment in longer-term and sustainable activities"

GREEN FINANCE PLATFORM: "Green finance is the financing of investments that provide environmental benefits in the broader context of environmentally sustainable development"

SLIDE 8: WHAT IS CLIMATE FINANCE

We will look at the UNFCCC definition of climate finance to understand what climate finance is and where it may come from, including domestic and international, public and private sources. This will be critical to understand the diversity of sources that may supply it.

"Local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change"

In addition, we will look at the definition of the Climate Policy Initiative (CPI), as the global leading Think Tank on climate finance related issues, and as the go to organization when it comes to the "Landscape of Climate Finance" analysis. CPI provides the most comprehensive and user-friendly analysis of the landscape of climate finance.

SLIDE 9: WHY IS CLIMATE FINANCE RELEVANT FOR NDC IMPLEMENTATION? (1/3)

Climate change requires unprecedented levels of transformation in agriculture to be able to adapt. Recent studies show that US$320-350 billion are required each year for the transformation of food and land use systems. In addition, recent estimates indicate that the global costs of adaptation per annum (for all sectors, not just agriculture) could range from US$140 billion to US$300 billion by **2030**; and US$280 billion to US$500 billion by **2050.**

The financing gap for adaptation in agriculture in **Africa** is estimated at **$20-30 Billion per year by 2030.** [Range: UNEP 2014 (+4C – upper bound & +2C scenarios), World Bank 2010 (wet and dry scenarios

lower bound); World Bank 2016; UNEP 2016: The Adaptation Gap Finance Report; UNEP, World Bank 2010.]

These are startling figures. The livelihoods of millions of smallholder farmers will be in jeopardy without an enormous effort to help provide the funding needed.

SLIDE 10: WHY IS CLIMATE FINANCE RELEVANT FOR NDC IMPLEMENTATION? (2/3)

The combined mitigation potential of forestry and agriculture in 2030 is estimated between ≈3 and ≈7.2 Gt of CO2 equivalent a year at carbon prices of US$20 and US$100 per tonne, respectively. It is imperative to act now, as climate change will affect agriculture in many different forms. For instance, physical and transition climate-related risks will not only affect populations, but also assets, investments and portfolios.

To address the climate challenge in agriculture, much more public and private capital will be needed. However, more capital alone won't be sufficient. There is a critical need to efficiently redirect and deploy public and private capital in a sustainable manner. For instance, 50 countries alone provided an annual average of US$ 585 billion of support to producers, plus an additional US$ 87 billion on wider support to the sector. In addition, current investments in soft commodity production reach US$ 1.7 trillion whereas the land-use climate finance available is only US$ 21 billion. Most of this capital didn't support climate smart practices and technologies and in some cases it did exactly the opposite. These examples showcase how important it is not only to increase the amount of capital available, but to direct it to the right places in a sustainable and climate smart manner.

SLIDE 11: WHY IS CLIMATE FINANCE RELEVANT FOR NDC IMPLEMENTATION? (3/3)

There are huge opportunities for the private sector to invest in agricultural adaptation and mitigation to climate change. Private investors could supply as much as $200-$300 billion per year to preserve the world's ecosystems. The food and agriculture sectors represent enormous business opportunities for the implementation of the SDGs. Estimates indicate that a yearly investment of US$ 320 billion by private companies in sustainable business models in food and agriculture could unlock over US$2.3 trillion annually by 2030. These could generate almost 80 million jobs by 2030, with over 90% in developing countries (Business and Sustainable Development Commission, 2017). More than two-thirds of the value of the opportunities, and over 90 per cent of the potential job creation, is located in developing countries. That includes roughly 21 million jobs in Africa, 22 million jobs in India, 12 million jobs in China, and 15 million jobs in the rest of Asian developing countries.

SLIDE 12: SMALLHOLDER FINANCING: NEEDS VS SUPPLY

If we look at the estimated costs of helping small-scale farmers adapt to climate change, the required numbers are very high. One estimate is that needs for smallholder finance in sub-Saharan Africa, Latin America, and South and Southeast Asia exceed USD 240 billion. However, credit provided by informal and formal financial institutions, as well as value chain actors, currently only meets an estimated USD 70

billion of that demand, meaning that there is a huge shortfall in the financing needed to help farmers in general with their financial needs.

The next few slides further illustrate this need and shortfall.

SLIDE 13: SMALLHOLDER FINANCING: TYPE OF FINANCING NEED

This figure comes from a report (Pathways to Prosperity, Rural and Agricultural Finance, State of the Sector Report: Feed the Future, ISF, Mastercard Foundation and Rural and Agricultural Finance LEARNING LAB) that breakdowns the type of financing needed globally and by region:

- US$100 Bn are needed for short-term agri needs (i.e. inputs);
- US$88 Bn are needed for long-term agri needs. (i.e. tractor);
- US$50 Bn are needed for non-agri needs (i.e. wedding); and
- A total of US$. 238 Bn are needed for smallholder financing

The majority of this smallholder financing gap occurs in South and South East Asia (US$163 Bn), followed by sub-Saharan Africa (US$55 Bn) and then Latin America (US$20 Bn)

Notes to understand these figures:

[1] Excludes Middle East and North Africa. Includes financing to producer groups by state banks and commercial banks.

[2] ST agri needs refers to short term financing needs of less than a year (typically for inputs, harvest and export).

[3] LT agri needs refers to long term financing needs of more than one year (typically for renovation or equipment).

SLIDE 14: SMALLHOLDER FINANCING: TYPE OF FINANCIAL SERVICE PROVIDER

This figure showcases the breakdown of smallholder financing by type of financial service provider, which may help understand what are the critical actors that have most potential to access and channel climate finance. US$10 Bn come from State Banks, US$8 Bn from Microfinance Institutions, US$2 Bn from Commercial Banks, and US$0.5 Bn from other formal financial institutions, making a total of US$21 Bn from formal financial institutions. In addition, US$30 Bn come from value chain actors and US$17 Bn from informal financial institutions, making a total of US$ 68 Bn from informal financial institutions.

It is critical to bear in mind that approximately 70% of rural lending by formal financial institutions in agricultural financing. State banks are active in Asia and to a lesser extent in Latin America. Other formal financial institutions include social lenders (US$ 0.3 Bn) and high touch NGOs (US$ 50 Mn)

SLIDE 15: SMALLHOLDER FINANCING: FINANCE GAP AND FINANCING NEED

This figure presents the finance fap by region and the type of financing need. Here, we should focus on sub-Saharan Africa to better understand the current context and needs. For short-term agri-needs, there is a supply of US$6 Bn and a financing gap of US$ 17bn. For long-term agri-needs, there is a supply of US$0.1 Bn and a financing gap of US$ 19 Bn. Finally, for non-agri needs, there is a supply of US$6 Bn (which mainly comes from informal financial institutions) and a financing gap of US$6 Bn.

This figure shows how the majority of the smallholder financing supplied in sub-Saharan Africa is short-term finance for agriculture, as well as finance for non-agriculture related needs, which seriously limits the ability of smallholder farmers to invest in asset and productive activities.

SLIDE 16: LANDSCAPE OF GLOBAL CLIMATE FINANCE (1/2)

The average annual investment in 2017/2018 was USD579 Billion.

These figures show the amount of Global vs African share of climate finance, as well as the public and private climate finance, the sources, and the uses across all sectors.

First, we see that the majority of climate finance is allocated outside of Africa (US$560 Bn) when compared to the capital allocated to Africa (US$19 Bn). Secondly, the largest volume comes from the private sector (US$326 Bn), with a much smaller amount coming from the public sector (US$253 Bn). This is due mostly to investments in renewable energy and energy efficiency. Transport and smart cities are quickly catching up.

Next, we see that the majority of sources of climate finance are domestic (US$ 438 Bn) rather than international (US$141 Bn), and the majority of the cases originate in developed countries.

Third, we see that the overwhelming majority of climate finance so far is used for mitigation activities (US$ 537 Bn). Keep in mind these figures are for all sectors, including transport and energy, not just agriculture.

SLIDE 17: LANDSCAPE OF GLOBAL CLIMATE FINANCE (2/2)

These figures show the private and public sources of climate finance and intermediaries, the instruments and the sectors (all in US$ Bn). Please note that only the sector refers to land use finance.

First, we see that the majority of private climate finance comes from corporates (US$183 Bn), followed by commercial financial institutions (US$73 Bn), households (US$55 Bn) and other actors. This is due mostly to investments in renewable energy and energy efficiency. Transport and smart cities are quickly catching up.

Second, we see that the majority of public climate finance comes from domestic financial institutions (US$ 212 Bn), followed by government/agencies (US$37 Bn), and the minority coming from climate funds (US$3 Bn).

Third, the majority of the climate finance is deployed through market-rate project debt instruments (US$223 Bn), followed by low-cost project debt (US$64 Bn) and private equity (US$44 Bn) among others.

Finally, most of the climate finance flows to other sectors (US$558 Bn), with land use receiving only US$21 Bn.

SLIDE 18: CLIMATE FINANCE ARCHITECTURE (1/2)

Climate finance for land use comes from a diverse range of potential sources and intermediaries. These can be either public or private. On the public side, beyond the traditional climate funds (i.e. GCF, Adaptation Fund, etc.), there are government budgets, state owned enterprises and investment vehicles, sovereign wealth funds, central and state banks, development finance institutions (national, bilateral, regional and multilateral), bilateral donors, climate funds (national, regional and multilateral, and UN organizations. It is important to note that the majority of public climate finance comes from governments, bilateral donors (i.e. Germany, UK, etc.) and development finance institutions (i.e. FMO, KfW, etc.).

- Domestic government budgets: projects funded by national governments to help their agriculture, forest and fisheries sector adapt to and mitigate climate change (i.e. Rwanda, Ethiopia, etc.). Government budget resources can also go to MDBs, Climate Funds (GCF, etc.), DFIs, etc.
- State owned enterprises and investment vehicles: governments who operate parastatals in the agriculture sector may provide funds to help with climate change adaptation within their enterprises
- Central and state banks: these can, in addition to providing capital, encourage other financial service providers to deploy climate finance, making it compulsory through regulations
- Development finance institutions: these can be national (like NABRAD in India), bilateral (like the German development bank KfW), regional (like the African Development Bank) or multilateral (like the World Bank)
- Bilateral donors: such as BMZ, DFID and USAID
- Climate funds (national and multilateral): such as the Green Climate Fund (GCF), Global Environment Facility (GEF), and Adaptation Fund
- UN organizations: for example IFAD, who manages the Adaptation for Smallholder Agriculture Program (ASAP).

SLIDE 19: CLIMATE FINANCE ARCHITECTURE (2/2)

Climate finance for land use can also come from private sources, such as smallholder farmers and community organizations, microfinance institutions, revolving funds and cooperative banks, agribusinesses and corporates, commercial financial institutions (national and international), philanthropic actors, asset managers, private equity, venture capital and infrastructure funds, family offices and high net worth individuals (HNWI), and institutional investors.

- Smallholder farmers: We might not think immediately of smallholder farmers as a source of climate finance, but if they use their own money to install a solar irrigation pump or invest in planting a

cover crop to improve soil carbon quality, these actions count toward climate financing. They represent, curiously enough, along with agribusinesses, the largest source of capital being invested in agriculture

- Microfinance institutions, revolving funds and cooperative banks: as we have seen before, these provide a significant amount of agriculture finance, that if directed for climate adaptation and mitigation purposes will count as climate finance. They also receive a large amount of international private capital that could be used for climate purposes
- Agribusiness and corporates: Major agribusinesses are becoming interested in making their supply chains climate smart and are therefore putting money toward climate change adaptation and mitigation projects
- Commercial financial institutions (national and international): private financial institutions are also potential sources of climate financing. This is another excellent entry point. We need to get them to do the same as agribusiness, mainstreaming climate change into operations and seeking investment opportunities that low carbon and climate resilient food systems represent.
- Philanthropic actors: private foundations can provide grants for climate change adaptation and mitigation activities, for example Rockefeller Foundation, Master Card Foundation, Gates Foundation, etc.
- Asset Managers: these are firms who expect returns on their investments while at the same time having positive impact on social and environmental issues. Some examples are Finance in Motion and Mirova
- Private equity: this is investment capital that goes directly into a firm. Established agribusinesses with tight value chains may be of interest in certain cases
- Venture capital: private equity provided to small, early stage or emerging firms
- High Net Worth Individuals (HNWI): the people that come to mind quickly are those like Bill Gates, Warren Buffet and Jeff Bezos, but there are individuals from the African continent as well who are high net worth and want to see positive outcomes from their charitable giving, for example Mo Ibrahim and Strive Masiyiwa
- Institutional investors: these can be entities such as reinsurers, pension funds, hedge funds, and endowments

It is critical to note the variety of private sector actors that exist, as these could provide much more climate finance than the traditional climate funds. This is particularly relevant for blended finance approaches, where public climate finance could be used to de-risk private capital.

SLIDE 20: GLOBAL ARCHITECTURE OF MULTILATERAL CLIMATE FINANCE

The majority of climate finance for land comes from governments, bilateral development agencies and development finance institutions. This chart showcases the key sources of public climate finance and the architecture and mechanisms that are used to deploy such capital. This also includes key efforts done at

national and regional level by developing countries, showcasing how some countries are taking the lead to influence the discourse and attract much more climate finance from international and national public and private sources.

SLIDE 21: IDENTIFYING CLIMATE FINANCE SOURCES FOR NDC IMPLEMENTATION

Identifying specific climate finance sources can be challenging, leading us to exclusively focus on several climate funds like the GCF, Adaptation Fund, GEF, etc. This not only reduces the access and knowledge about specific climate finance opportunities, but also increases competition as there are more countries applying to the same climate funds. In the resources below, you will be able to find databases with many more climate finance sources that your country/organization could be eligible for:

- Climate Funds Update
- Climate Finance Explorer
- OECD Climate Fund Inventory

SLIDE 22: KEY CLIMATE FINANCE INSTRUMENTS

Money for climate finance can come from a wide range of sources and through a variety of financial instruments. There are capital Instruments, which include:

- *Grants:* A grant is a financial donation/payment awarded by the contracting authority to the grant beneficiary for a predefined purpose, that will not be paid back. These usually come with strict conditions attached to the money. If these are not met, subsequent payments may be withheld.
- *Loans (concessional and market rate terms):* A loan is a sum of money that one or more individuals or companies borrow from banks or other financial institutions so as to financially manage planned or unplanned events. In doing so, the borrower incurs a debt, which he has to pay back with interest and within a given period of time.
- *Green bonds:* A bond is a form of debt security. A debt security is a legal contract for money owed that can be bought and sold between parties. A green bond is a debt security that is issued to raise capital specifically to support climate related or environmental projects. A bond is a financial instrument that enables governments, banks and corporations to borrow large amounts of money for a fixed period of time and at an agreed rate of interest.
- *Equity:* Equity refers to money invested in shares of a company. This investment is not returned to the investor until the shares are sold on or the company is liquidated. All businesses require equity capital, and raising equity is an important goal for early-stage businesses.
- *Debt swaps:* Debt swaps involves the sale of foreign currency-denominated debt by creditor nation to an investor (either a non-profit organization or a central bank) who buys the debt at a price that enables a profit margin. The investor can then swap this debt with the debtor nation, in local currency, for shares in a national company or for a wide variety of development projects. Debt for environment swaps cover swaps that typically focus on conservation and other "green" projects. Only very recently have debt swaps been expanded to include climate change programs.

Debt swaps are finance at no extra fiscal cost to the recipient government because, with swap as you pay transactions, payments are rerouted to domestic project coffers rather than creditor coffers.

- *Balance sheet financing:* The balance sheet is one of the three fundamental financial statements and is key to both financial modeling and accounting. The balance sheet displays the company's total assets, and how these assets are financed, through either debt or equity. It can also be referred to as a statement of net worth, or a statement of financial position. The balance sheet is based on the fundamental equation: Assets = Liabilities + Equity. Balance sheet financing refers to the direct debt or equity investment made by a company or financial institution

- *Results-based finance:* Results-based finance is defined as any program where the principal sets financial or other incentives for an agent to deliver predefined outputs or outcomes and rewards the achievement of these results upon verification

- *Carbon credits:* A carbon credit is a tradable permit or certificate that provides the holder of the credit the right to emit one ton of carbon dioxide or an equivalent of another greenhouse gas – it's essentially an offset for producers of such gases. The main goal for the creation of carbon credits is the reduction of emissions of carbon dioxide and other greenhouse gases to reduce the effects of global warming

Each of these instruments has different advantages and disadvantages. For example, a grant from a public climate finance fund, such as GCF, does not need to be repaid, whereas a loan will need to be repaid, both the principal and the interest agreed upon.

Climate finance can also take the form of risk instruments, which can include:

- *Credit guarantees*: Credit guarantees are a type of credit enhancement. They move some part of the investment risk away from the investor. For example, smallholder farmers may be unable to get conventional loans as they have little collateral to offer. Credit guarantees are usually offered by a third party, which will underwrite loans, for example guaranteeing a proportion of a lender's losses will be repaid. By taking on some of the risk of lending, the third party enables these farmers to access finance (Zander et al, 2013).

- *Insurance:* Insurance is a contract that guarantees to reimburse losses in defined and specific circumstances. It is useful for shifting the risk profile of investments, helping projects move towards a level of risk and return where they can receive more investment.

- *Off-take agreements:* Buyers may commit to 'off-take agreements', where they commit to buying future production. They can take many forms, for example, a promise to purchase a certain volume of production at a fixed price at a certain date in the future, or more involved arrangements where the buyer provides seeds, fertilizer and technical assistance as part of the agreement. Such commitments may help producers build a case for equity investment or loans. While off-take agreements are not a financial instrument per se, they are included in this briefing as they a useful tool for reducing risk, for producers (reducing the risk of selling produce), buyers

(reducing the risk of lack of supply) and investors in these companies (by reducing the overall investment risk).

In the previous module on CSA and priority setting, we discussed index-based insurance as an effective mechanism to help farmers manage the risk of changing rainfall patterns.

SLIDE 23: UNDERSTANDING CLIMATE FINANCE FLOWS FOR NDC IMPLEMENTATION (1/2)

The inflow of climate finance into a country can be aided by having an enabling environment set up to streamline the attraction and usage. For this, there need to be conducive domestic policies and regulatory and support frameworks in place. Climate considerations should be mainstreamed into national policies, budgeting and planning. This will help create the right investment climate for climate finance to flow into the country, sspecifically, private sector climate finance. It is critical for the audience to note that while public resources are limited, (including resources from GCF and GEF), private sources are looking for investments that can generate attractive returns. The easiest way to achieve that is to have a conducive environment that attracts and incentivizes private sector investment, both domestic and international.

Fiscal reform may also be needed in the case that new taxes are going to be established, smart subsidies offered, or other regulatory frameworks like carbon pricing. The removal or efficient use of such instruments may even be needed. For instance, a heavily subsidized agriculture sector that is not climate smart may deter and discourage private sector from investing resources, as the environment doesn't invite competition, and the market is distorted.

Finally, it is advantageous to develop climate finance strategies at national, sub-national and/or sectoral levels. Such strategies can help relevant actors look at all possible sources of climate finance and keep an open mind to how such funding can help address the adaptation and mitigation challenges of smallholder farmers.

SLIDE 24: UNDERSTANDING CLIMATE FINANCE FLOWS FOR NDC IMPLEMENTATION (2/2)

Efforts will also be needed to enhance climate finance tracking to improve transparency and consistency in climate finance accounting approaches (i.e. MDBs). If climate finance cannot be tracked, financial institutions and private investors are not likely to want to provide financing. What needs to be tracked is the flows and specifically the impact of the investment.

Tracking financial flows is critical because it's important to understand *how* and *how much* is being spent on national climate change responses. Such information will be of interest to many different parties, including global bodies such as UNFCCC, other investors interested in your country, and civil society and the general populace, who have a right to know what funding is coming into the country and for what purposes. It is also important for governments themselves so they can better understand what ministries are allocating what resources, and the same for domestic private sector should they encourage or force financial disclosure. It allows governments to understand the resources available and coordinate and leverage capital more effectively.

Each country needs an agreed definition of climate finance to identify climate-related spending across all relevant finance flows. There is not one pre-defined definition that will work for all countries. Each

country must define the term for itself. There are, however, methodologies like UNDP and the Climate Policy Initiative (CPI) that can help facilitate the progress significantly.

A central tracking system should be developed to track and report all climate-related spending. Data should be processed and analyzed on a regular basis.

Other tracking systems can be expanded to include tracking of climate finance flows. For example, MRV systems can be improved to help track climate finance. Each country does not need to re-invent the wheel. Decision makers should look at examples from other countries or frameworks from international organizations to gather ideas of how to go about tracking such flows and lessons learned.

SLIDE 25: CASE STUDY: ACCESSING CLIMATE FINANCE

Accessing climate finance can be a challenging task, given the wide range of sources, the different modalities, the bureaucracy and complexity of some of the process, etc. One very easy way to do so is to engage with other stakeholders and partners to explore synergies and collaboration by complementing each other capacities.

This example showcases the collaboration between Centre de Suivi Ecologique (Senegal) and the National Environment Management Authority (Kenya) and how they got together to help each other access climate finance. In 2010, CSE was the first national institution to access international climate finance (AF) and, later on, received approval for GCF funding. NEMA also got approval to access funds from both the AF and the GCF. The following lessons emerged from their interactions:

- Develop and maintain a strong relationship with partners executing projects on the ground
- Create clear procedures and templates to support effective project implementation
- Engage communities in all stages of the project cycle

SLIDE 26: CASE STUDY: MANAGING CLIMATE FINANCE (FONERWA)

The Government of Rwanda, building on a Green Growth and Climate Resilience Strategy, developed a national climate change and environment fund (FONERWA). This fund responds to Rwanda's current and future financing needs for environment, climate change and green growth to accelerate national sustainable economic development.

"The Rwanda Green Fund is a ground-breaking environment and climate change investment fund. It is the engine of green growth in Rwanda and serves as an example for what's possible - in Africa and around the world. The fund invests in the best public and private projects that have the potential for transformative change and that align with Rwanda's commitment to building a strong green economy. The Green Fund also provides expert technical assistance to ensure the success of its investments".

It has already approved 42 projects and supported 106,980 people to cope with effects of climate change. It has created 144,858 green jobs, secured 21,798 hectares of land against erosion, supported 42,344 hectares of forest and agro forest and connected 71,546 families to off-grid clean energy.

Lessons for other countries:

- Monitoring and evaluation plans are critical to ensure long term sustainability and sufficiency of climate finance
- It is key to use existing climate finance to leverage additional capital, including from the private sector

SLIDE 27: CASE STUDY: COLOMBIA TRACKING CLIMATE FINANCE FLOWS (1/2)

One example of a country that has been a pioneer in this area is Colombia. It has built climate finance tracking into its MRV system with an online portal. There are over 15,000 climate change actions registered, with a total of approximately $6 billion from public sources (domestic and international) from 2011 to 2015. The online platform shows aggregated data and project-level information, with filters to select different variables.

- The lessons for other countries from Colombia's experience are:
- Create a definition of climate finance that fits country context but is internationally relevant
- Engage with national and international institutions that will provide information for the system and formalize their roles
- Leave room for improving the quality of the data

SLIDE 28: SCREENSHOT OF THE COLOMBIA CLIMATE FINANCIAL TRACKING TOOL (2/2)

This screenshot of Colombia's climate finance tracking tool. The sources of funding are classified as public domestic, private and public international funds. Within these broad categories are subcategories that further break down the sources of funding. It's possible to then see the sectors in which projects are taking place, such as industry, energy, environment and natural resources, transportation, and agriculture and livestock. The projects are classified as adaptation, mitigation or both. The location of the project is also made available, by department and municipality.

SLIDE 29: KEY MESSAGES

The key messages that should be taken away from this module are as follows:

1. Financial needs to meet adaptation goals in Africa are very high.

Countries should step up their efforts to access, attract, use and leverage the capital needed to help smallholder farmers cope with the changing climate and its negative effects on agriculture. It is extremely important to understand the climate finance landscape well and engage experts that can help understand what possibilities exist, both public and private.

2. There is financing available to meet the adaptation and mitigation targets; the majority of it does not come from such multilateral institutions like the Green Climate Fund.

Alternative sources, especially from development finance institutions and the private sector shall be used to meet targets.

3. Governments should think broadly about the sources of climate finance and how best to access and make use of it.

A solid plan for climate finance investment can help coordinate the various actors. The role of policy here is critical. The World Bank has launched "Maximizing Finance for Development", which offers solid guidance on what policy issues need to be addressed or looked at to encourage private sector investment (both domestic and international).

4. Financial flows need to be tracked. Seek out lessons from other countries.

Colombia is one example that has been provided, but there are others who are making strides. Their lessons can be used to advance efforts in other countries.

SLIDE 30: AVAILABLE RESOURCES AND THANK YOU

Thank the participants, provide a list of available resources and open the floor for questions and dialogue

- Climate Finance World Bank
- Supporting Access to Finance for Climate Action
- Towards Green Climate Fund Accreditation and Support
- How to Access the Green Climate Fund
- GCF Readiness Programme: Building Capacity to Access the Green Climate Fund
- Understanding 'bankability' and unlocking climate finance for climate compatible development
- Financing Land-Use Mitigation: A Practical Guide for Decision Makers
- Making Climate Finance Work in Agriculture
- Financing Sustainable Land Use
- Land-use Finance Tool
- Financing the Transformation of Food Systems Under a Changing Climate
- CSA 101