



## USAID – GIZ COOPERATION ON CLIMATE FINANCE READINESS

### JOINING FORCES TO HELP COUNTRIES MOBILIZE

### AND MANAGE CLIMATE FINANCE EFFECTIVELY

To combine economic growth and prosperity with environmental and climate protection is one of the greatest challenges of the 21st century. Many developing countries therefore have based their development goals around low-carbon strategies, minimizing impact on the environment. To support these country objectives, GIZ and USAID have cooperated on climate finance readiness to advise partner countries on mobilizing financial resources from all sources (domestic and international public as well as private), and on building their capacity to effectively access and manage these resources. GIZ's Climate Finance Readiness Program (CF

Ready), commissioned by the German Federal Ministry for Economic Cooperation and Development and co-financed by USAID, was the delivery mechanism for this support. The program sought to improve the conditions needed to achieve transformational and efficient use of climate finance to achieve development outcomes. The cooperation aimed to implement specific activities on financing climate-related measures, especially in the priority areas of adaptation, clean energy and sustainable landscapes. Responding to specific demand from developing countries, activities took place in Cambodia, Peru, Tanzania and Viet Nam.

## BACKGROUND

In recent years, the global community agreed to address a major challenge: limiting the effects of climate change by reducing greenhouse gas (GHG) emissions, while adapting to its impacts by implementing specific measures at the national and regional level. While generally perceived as a challenge, this need for action opens up new opportunities for economic growth and sustainable, low-carbon development. In the course of this transformation, new markets have emerged in the energy, transportation, housing and agriculture sectors. To further develop these markets and achieve sustainable and environmentally friendly growth, new alliances with the private sector and civil society are crucial.

Each country sets out its own strategy for resilient, low-carbon development, thereby ensuring country ownership and strengthening self-reliance. These bottom-up goals are linked to international commitments, such as the nationally determined contributions (NDCs) identified in the Paris Agreement. This transformational process presents

unprecedented investment opportunities, but will also require structural mobilization of financial resources from all sources and improved capacity to effectively access and manage these resources.

The GIZ-USAID cooperation on climate finance readiness tackled these challenges with the objective of achieving growth while supporting low-carbon development, promoting adaptation, and integrating good climate-related practices into development programs and operations. GIZ and USAID have provided capacity building and technical assistance to a selected set of countries in support of these goals. The support focused on long-term solutions to ensure greater country ownership and support that country's journey to self-reliance. This cooperation opens up new opportunities for implementing specific activities to finance adaptation and mitigation measures based on the needs of partner countries. The approach complements existing activities at the national level with much-needed expertise on climate finance.

## FINANCING CLIMATE CHANGE ADAPTATION

In order to develop effective, sustainable and long-term solutions for addressing weather and climate vulnerabilities in a given country, climate resilience needs to be considered at all levels of development planning. Many existing expenditures are relevant, and making these linkages transparent provides an important overview of the resources already available in a given country. However, public resources will not be sufficient to finance the necessary adaptation (and mitigation) measures. An effective response to resilience challenges therefore requires greater engagement of the private sector. Also, while many countries are seeking to develop strategies to access international financing for adaptation, the mobilization of domestic or regional resources is equally important. International structures such as the Green Climate Fund (GCF) provide a leveraging effect and can therefore accelerate public and private investment.

In order to tap international sources of funding and leverage financing from all of the potential sources, countries need the skills and knowledge to develop appropriate and often transformative programs and project proposals. However, actors at the national level often have limited capacities in this area. Besides a lack of knowledge of how climate vulnerability relates to policy planning and budgeting in relevant sectors (e.g. agriculture or infrastructure), some countries face challenges in developing and managing investment projects. Awareness raising, inclusion of climate risk in project development, and monitoring of implementation are among the most urgent and challenging tasks. The goal was to assist countries on their journey toward self-reliance and improve their ability to plan, manage and implement climate resilience measures autonomously.

**Climate Finance Readiness Program**  
The Ready for Climate Finance approach forms the conceptual foundation for GIZ's support. It consists of the following five modules, which address key areas of climate finance:



With more than 130 country offices worldwide, GIZ offers a strong implementation structure underpinned by highly qualified long-term experts. We are currently implementing energy projects in 60 partner countries, and working in 50 countries in the field of climate change. In order to strengthen institutions in recipient countries, GIZ offers advisory services to develop the capacities of individuals, organizations and social systems.

Within the framework of USAID-GIZ cooperation, the following support has been offered to partner countries:

- Advising countries on developing financing strategies to implement their National Adaptation Plans or strategies, including analyzing financial needs and options for climate finance from domestic and international sources;
- Supporting the integration of adaptation into national planning and budgeting processes;
- Building institutions' capacities to coordinate a country's climate financing strategy and access adaptation funding; and
- Strengthening program/project implementation capacities, including planning, implementation, and monitoring and evaluation.

## CAMBODIA

### Implementation of the National Adaptation Plan

Cambodia is very vulnerable to the impacts of climate change. In order to reduce this vulnerability and to integrate climate change adaptation into the country's planning processes, the Government of the Kingdom of Cambodia has begun implementing a National Adaptation Plan (NAP). CF Ready, with support from USAID, has advised the National Council for Sustainable Development (NCS) on a financing strategy for implementing the NAP. This has been carried out in cooperation with other donors, in particular the Cambodia Climate Change Alliance (CCCCA). The support also aimed to strengthen the capacity of line ministries to integrate adaptation considerations into domestic planning and budgeting processes, making this an inherent part of policy implementation. It also increased the potential to leverage domestic funding and ensure strong country ownership regarding climate resilience efforts.

## TANZANIA

### Stocktaking on Adaptation Measures

The effects of climate change are already visible in Tanzania as the country faces increasing droughts, changing precipitation patterns, and more severe flooding. In addition, coastal areas are experiencing the adverse effect of sea-level rise and saltwater intrusion. The country has already developed several policy initiatives for adaptation to climate change. However, sustainable, long-term financing and implementation of priority adaptation measures remains a challenge for Tanzania. CF Ready has supported the National Adaptation Plan process in Tanzania through support from BMZ and co-financing from USAID. The cooperation has led to the establishment of a NAP secretariat in the Vice President's office, a comprehensive stocktaking on adaptation measures involving over 180 stakeholders, and the formation of an expert team to focus on adaptation.

## PERU

### Integrating Low-Carbon Development into Public and Private Financing Mechanisms

The government of Peru has committed to low-carbon development, but there is room for improvement. Land use, energy and transportation provide particular opportunities for self-reliant economic development on a low-carbon basis. CF Ready therefore focused on the incorporation of low-carbon development into public finance mechanisms, and the development of green products for public finance institutions. For example, the Ministry of Economy and Finance has received advice on applying tools to include an environmental cost analysis in the evaluation of its public investment projects. Support was also provided to public finance institutions in developing climate-friendly credit products for the construction and agroforestry sectors, which helps drive structural change toward environmentally friendly practices in these sectors, contributing to improved livelihoods and sustainable development.





## VIET NAM

### Supporting Private Sector

### Investment in Renewable Energy

CF Ready's work in Viet Nam has focused on supporting the private sector (specifically the sugar industry) in introducing cleaner technologies, thereby contributing to implementation of the national biomass policy and the Viet Nam Green Growth Strategy. The aim is to fundamentally transform the grid-connected biomass power industry by removing specific barriers to allow for greater utilization of renewable energy in the sugar sector. GIZ's approach focused on creating an enabling environment through advanced regional biomass energy planning, and developing new financing mechanisms and business models to help foster the upscaling of renewable energy in other sectors in Viet Nam. Among other outputs, CF Ready supported the development of a project pipeline for biomass energy investments by undertaking pre-feasibility studies. The program has also developed a design for a risk-sharing facility to diversify risk among different public and private financing institutions.

Within the framework of USAID-GIZ cooperation, the following support has been offered to partner countries:

- Integrating mitigation into public finance processes and instruments (e.g. program-based budgets and public investment guidelines) and developing public finance mechanisms which incentivize private investments such as feed-in tariffs or results-based payment approaches;
- Giving strategic advice to partner governments on implementing their own low-carbon growth/ development strategies, developing financing strategies (including choice of appropriate policy and financial instruments), and providing support to improve the overall investment climate for the private sector in clean energy and sustainable landscapes; and
- Increasing the private sector's capacity to overcome barriers and seek financing for investments in clean energy and sustainable landscapes.

## SUPPORTING LOW-CARBON DEVELOPMENT

### AND FINANCING CLIMATE CHANGE MITIGATION

Reduction of greenhouse-gas emissions is critical for achieving sustainable and low-carbon development. This process requires the conservation of forests, smarter land-use planning, greater efficiency the generation and use of energy, as well as efforts to harness cleaner and less carbon-intensive forms of energy. Mobilizing the significant investments needed for these measures requires the right policy and regulatory framework to create an enabling environment for private-sector investments. Other key elements include national capacity to develop and implement transformative projects and

programs, and the upscaling and replication of successful approaches.

Assisting countries in achieving sustainable growth and mobilizing private-sector funding are high priorities for USAID assistance, as a way to support countries' journey to self-reliance and ensure longer-term effectiveness once support ends. GIZ established an effective alliance to support a public and private sector financing mechanism for mitigation-related activities.

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